MANAGEMENT'S LETTER TO UNITHOLDERS

FOR THE SEMI-ANNUAL PERIOD ENDED JUNE 30, 2023

NOTICE TO READER

The purpose of Ravensource's Management's Letter to Unitholders is to impart information and analysis to aid Ravensource's unitholders in the understanding of their investment. This letter is a supplemental report to the financial statements, Management Report on Fund Performance ("MRFP"), Annual Information Form ("AIF") and the Independent Review Committee ("IRC") report. You can get a copy of the aforementioned documents and the Fund's proxy voting policies and proxy voting record by calling (416) 250-2845, by writing to us at Stornoway Portfolio Management 30 St. Clair Avenue West, Suite 901, Toronto, ON M4V 3A1, by visiting our website at www.ravensource.ca, or the SEDAR+ website at www.sedarplus.ca.

A Note on Forward-Looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, decisions, opportunities, risks or other matters. Forward-looking statements are predictive in nature requiring us to make assumptions and subject to inherent risks and uncertainties. Our forward-looking statements may not prove to be accurate, and the factors that could cause actual events, results, etc. may differ materially from expectations, estimates or intentions. These risk factors include market and general economic conditions, regulatory developments, the effects of competition in the geographic and business areas the fund may invest and others as detailed in Ravensource's Annual Information Form. Forward-looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward-looking statements and should be aware that Ravensource may not update any forward-looking statements.

About the Ravensource Fund

The Ravensource Fund is a closed-end trust whose units trade on the TSX under the symbol **RAV.UN**. The principal objective of Ravensource is to achieve absolute long-term returns through investing in out-of-favor and deep-value North American securities. Ravensource's investments fall primarily in three strategies:

1. *Distressed Opportunities:* Investing in corporate debt, creditor claims and/or equity securities of companies, that are in, perceived to be in, or emerging from financial distress at a price materially different from what we believe to be the underlying fundamental value of the securities.
2. *Alternative Credit:* Investing in corporate debt, on either a primary or secondary basis, that is reasonably expected to be repaid at or above par at or before its stated maturity in a manner consistent with the terms of its indenture and earn a yield that we believe is attractive given the underlying credit risk.
3. *Special Situations Equities:* Investing primarily in Canadian and U.S. small- and mid-cap equities that have catalysts to bridge the gap between market price and intrinsic value.

About Stornoway Portfolio Management ("Stornoway")

Stornoway was appointed the Fund's Investment Manager on July 1, 2008 to execute Ravensource's investment mandate. Stornoway took over the management of Ravensource from Pat Hodgson. Pat was our partner, an extraordinary investor and a true buccaneer who in 2003 transitioned Ravensource from investing in debt of Asian companies — the Fund was formerly The First Asia Fund — to focus on North American securities. Pat left us with a tremendous legacy that forms the guiding principles we embrace in managing Ravensource.

Stornoway is a Toronto-based, employee-owned investment management firm focused on investing in distressed securities and other deep-value, out-of-favour investment opportunities that withstand a thorough and disciplined analytical rigor prior to investing and active involvement thereafter. The Stornoway Team is comprised of Scott Reid, Daniel Metrikin, and Alex Gelmych. Our bios and our approach to investing can be found on the Ravensource website. In addition to Ravensource, Stornoway manages the Stornoway Recovery Fund LP ("SRFLP"), a limited partnership that invests in opportunities that arise from companies that are in or near financial distress.

Past investment performance by the Ravensource Fund is not indicative of future results and there cannot be any assurances that its investment objectives will be achieved. This letter is not a solicitation to invest.

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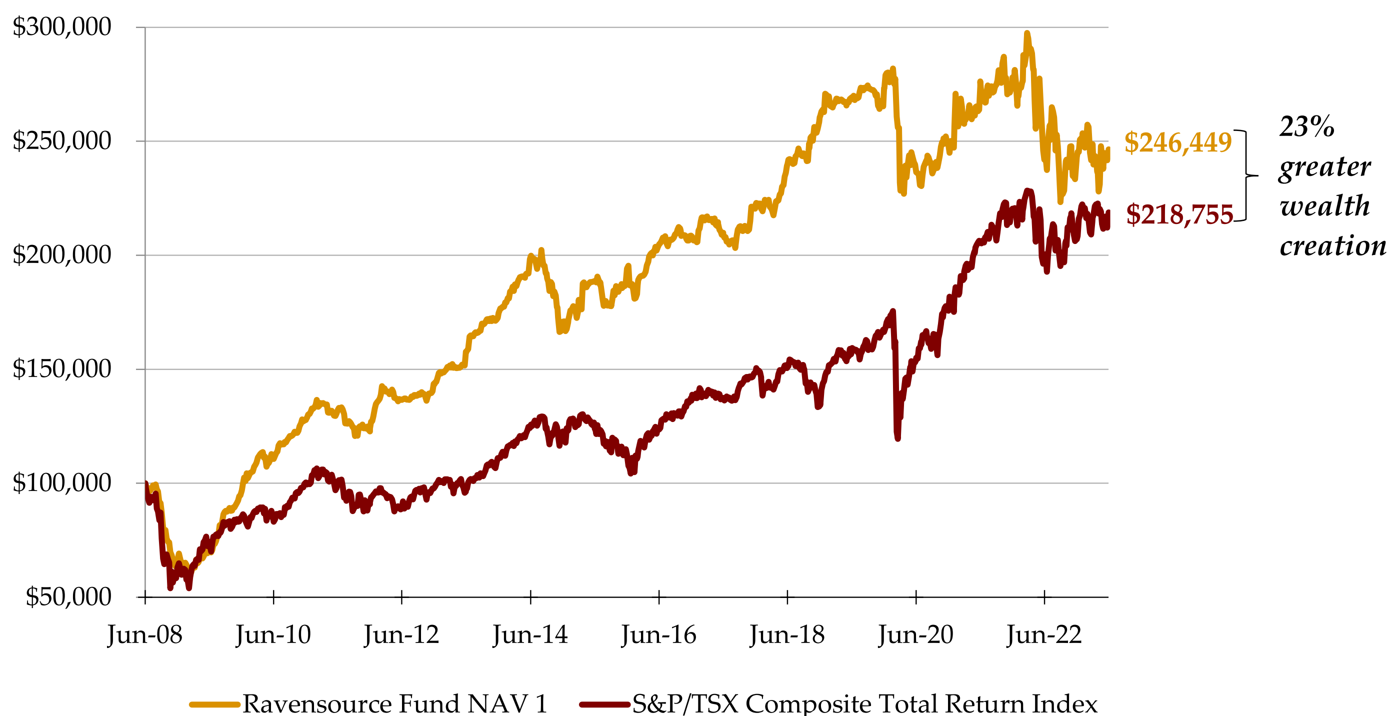


Dear Fellow Unitholders,

Ravensource Fund's ("Ravensource" or the "Fund") net asset value ("NAV") per unit increased by 1.4% over the first half of 2023, versus a 5.7% increase in the TSX.

The first half of 2023 saw our investees continue their march towards revitalization, with notable progress along the way. Some achievements were transformational in nature: Crystallex was given the greenlight by the U.S. to run the sale process for PDVH / CITGO, a critical step accelerating our pursuit of a potential 200%+ return on our largest investment, and Firm Capital Apartment REIT began selling assets at prices well above what is reflected in the market value of their shares. Some achievements were more normal course, such as Kiwetinohk Energy proving consistent performance as a revitalized entity. And after a rocky start, Spark Power and Algoma are finally showing the green shoots of a turnaround, however both have a lot of wood still to chop and remain far behind schedule.

Our focused drive has not blinded us to our recent poor results. It has taken much longer to affect the change we envisioned and turn that change into dollars. Take Kiwetinohk. The company has reported three quarters of significantly higher production rates, yet the stock is trading roughly flat from where it was when it listed in January 2022 and at a steep discount to its peers. We do not know when the market will be convinced of KEC's merit, however, we do know that a company that has grown its cash flow from $114 million at listing to just under $300 million today is worth a whole lot more.

In the "The Carrot" we quantify that "whole lot more." The Carrot reflects our assessment of the value gap that exists today between the current price of our investments and the value we are working to capture at exit. We believe that closing these value gaps will provide our investors with superior long-term returns that will be well worth the wait.

A material development over 2023 has been the strengthening of the Fund's balance sheet as our leverage decreased from 20.4% of total assets at the beginning of the year to 1.6% by June 30, 2023. Over the course of the year, we exited our Stelco position, began exiting our Dundee position at very attractive prices and used the proceeds to reduce the Fund's leverage.

Notably, Ravensource did not make its typical distribution to unitholders on June 30, 2023. We believe investing Ravensource's capital creates more value to investors than cash distributions. Going forward, we will regularly review and distribute the amount, if any, required for the Fund to remain tax-efficient and consider additional distributions if there is a lack of compelling investment opportunities.

The objective of this letter is to provides a closer look at our results and portfolio developments during the first half of 2023, and the opportunities, risks and challenges we see, in a candid and open manner.

The Stornoway Way

Ravensource seeks to generate superior long-term returns by investing in troubled and out-of-favour companies and profit from their revitalization. Complexity is our domain. We confront complexity with our diligence, experience, and expertise to invest in situations where others may be unable or unwilling to invest. This may take the form of securities in or emerging from financial distress, "orphan securities" that carry the stigma of former distress, or underfollowed securities with identifiable catalysts to bridge the gap between market price and intrinsic value.

Why engage with complexity? Securities left in the "too hard" pile by traditional investors often have depressed prices disconnected from their economic potential. It's our job to help "connect the dots" between a company dismissed by the market and a quality asset of strategic value.

Our success is predicated on reaching tangible milestones that mark fundamental change in our underlying investees. Often, completing the financial restructuring is only the first step. Once on strong footing, these companies can then use their financial flexibility to undertake operational evolutions that create meaningful value. Once the business has been revitalized, it is more likely to be an attractive target to strategic investors, helping to secure our exit strategy. The Stornoway Way is focused on driving these outcomes. This is what generates superior returns for you, our partners.

Investment Performance

Ravensource's investment portfolio generated a 3.1% return over the first half of 2023. The investments that materially impacted Ravensource's performance are as follows:

Investment	YTD 2023 Gross Return On Investment	Impact on Fund [1]
Crystallex International Corp.	18.2%	5.3%
Stelco Holdings Inc.	14.7%	1.5%
Dundee Corp.	5.4%	1.2%
Algoma Steel Group Inc.	9.7%	0.8%
Spark Power Group Inc.	(24.2%)	(0.8%)
Quad/Graphics Inc.	(7.8%)	(0.8%)
Brookfield DTLA Fund Office Trust Investor Inc.	(89.2%)	(1.6%)
Kiwetinohk Energy Corp.	(17.0%)	(3.7%)
FX, Forwards and Other [2]		1.2%
Pre Expense & GPPA Investment Return		**3.1%**

[1] Increase in NAV due to investment's gross return for the period

[2] Includes the impact of foreign exchange, FX hedges, and other investments

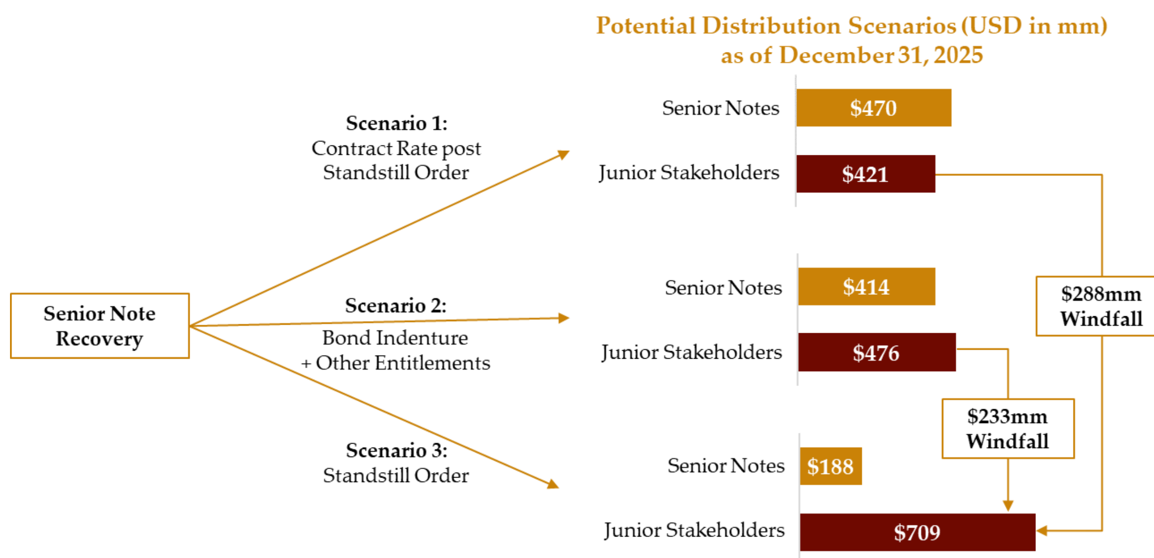
Crystallex International Corp. ("Crystallex")

After years of dormancy, the market price of Crystallex's Senior Notes increased by 18.2% to USD $133 per $100 Senior Note over the first half of 2023. The catalyst for this repricing was a game changing development in April as the US Government allowed the sale process of PDV Holdings ("PDVH") to proceed *and* indicated it would adopt a favourable policy in approving a sale. With PDVH – owner of CITGO Petroleum – likely to fetch USD $10bn+ and the US Courts cementing Crystallex's place at the front of the queue, it appears highly likely that Crystallex will finally collect the remaining USD $1.1bn owed by Venezuela by September 2024.

So, what does this mean for our Senior Notes investment? It has been 11+ long years since the Senior Notes were to mature only for Crystallex to seek insolvency protection and defer its repayment indefinitely. A PDVH sale will enable Crystallex to move past its saga with Venezuela and provide Crystallex sufficient cash to finally repay its Senior Notes with significant amounts potentially leftover for Junior Stakeholders. Given the Senior Notes have not received interest since July 2011 and, according to the governing bond indenture, accrue 9.375% interest until repaid, Crystallex owes a considerable chunk of change to its Senior Noteholders.

To quantify the potential recovery on our investment, we begin with the CCAA Court order that recognized the Senior Noteholders' entitlement to ~USD $188 per $100 Senior Note *as of December 31, 2015* (the "Standstill Order"). Using its 9.375% contract rate to carry this entitlement forward, Stornoway calculates the Senior Notes are owed between USD $337 and $374 in principal and interest per $100 Senior Notes as of June 30, 2023 depending on the methodology used. We estimate that Crystallex will be able to repay us by December 2025, at which time we will be owed between USD $414 and $470 in principal and interest per $100 Senior Note. See the tree diagram below.

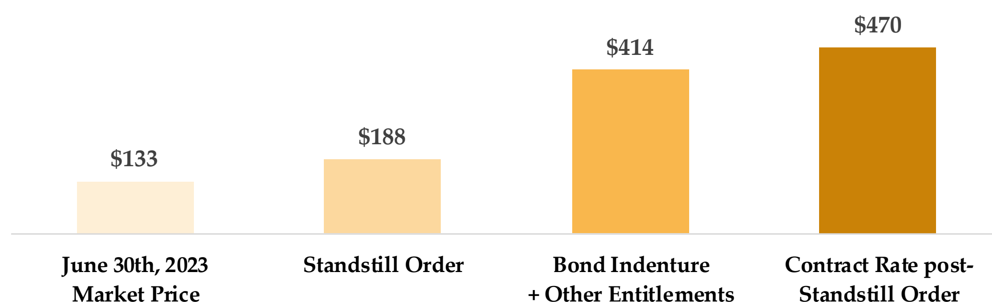
Despite what the bond indenture states, Junior Stakeholders may attack our claim in this zero-sum game: what is paid to Senior Noteholders lowers the amount Junior Stakeholders will receive. To increase their recovery, Junior Stakeholders are incentivized to limit the Senior Noteholder recovery to the ~USD $188 of the Standstill Order or some other amount less than our legal entitlement. If successful in denying the Senior Notes 10+ years of interest contractually owed, the Junior Stakeholders could extract a USD $200 - 300mm windfall for themselves.



It is our expectation we will prevail and receive at least the full amount of principal and interest the Bond Indenture mandates together with other amounts already recognized by the Court. While there are a host of legal analyses and factual matters in support, our position also represents a fundamental tenet of the capital markets: the priority of debt in the capital structure. Providing hundreds of millions in incremental consideration to Junior Stakeholders while not paying interest on the Senior Notes that rank higher in priority would be a highly inequitable outcome given the 14+ years wait beyond the Senior Notes stated maturity date to be repaid.

We will vigorously protect our rights to ensure we receive every dollar to which we are entitled. We are fortunate to serve alongside three experienced and savvy investors on the ad hoc Senior Noteholder Committee and have the highly effective restructuring brain trust at Goodmans at the helm. I can assure you that the Stornoway team is actively engaged in ensuring the proper outcome.

As of June 30, 2023, our Crystallex Senior Notes were priced at USD $133 per $100 bond. In context of a potential recovery of USD $414 to USD $470 Senior Note in ~2.5 years, it may seem "too good to be true." However, today's price reflects today's risks and opportunities: the Senior Notes are illiquid, the timing and quantum of our recovery is uncertain, and the issues are analytically complex from both a financial and legal perspective with few investors equipped and willing to do the leg work to wade in. We view this complexity and opacity as our opportunity. We concentrate our portfolio on a few investments that we have conviction in, and believe our hard work and experience gives us an edge in capitalizing on these "too hard to do files". As Crystallex is our single largest investment, we clearly believe the opportunity is exceptionally compelling.



	Standstill Order	Bond Indenture + Other Entitlements	Contract Rate post-Standstill Order
Potential Total Return by Scenario	**41.5%**	**211.1%**	**253.5%**
Potential Annualized Return by Scenario	**14.9%**	**57.3%**	**65.5%**

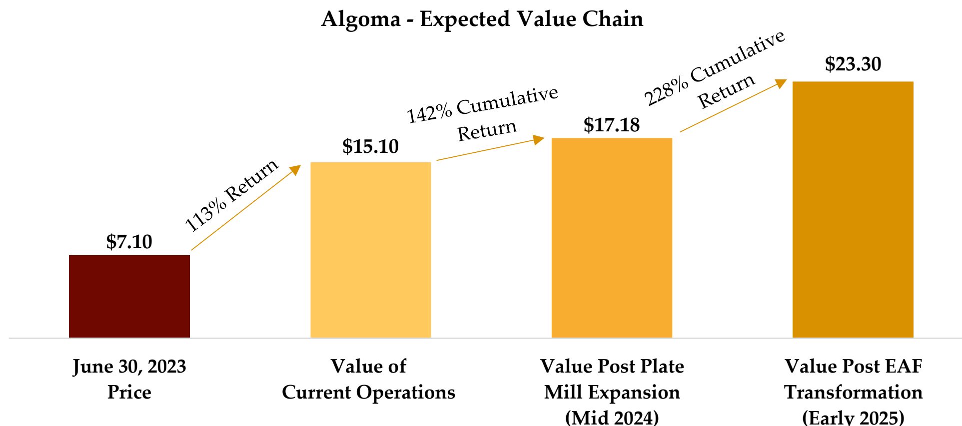
Algoma Steel Group Inc. ("Algoma")

Algoma is a company in transition. A post-insolvent private company until recently, it is undergoing immense transformation. Algoma is modernizing its plant through capital projects engineered to create a more efficient cost structure, expand production and allow it to capitalize on new markets. For most, transition means risk and complexity, leading to investor aversion and a low share price. For us, transition creates opportunity.

Algoma is an orphan security: technically, a post-restructuring security generally given to former creditors in an insolvency process. Practically, a security few want to own. This is exacerbated by a litany of factors: Algoma is a single-site steel mill currently operating a traditional blast furnace (read: coal and smoke, big ESG no-no's). It is in a highly cyclical industry with volatile cash flows,

plagued with corporate insolvencies to which Algoma is no stranger. As the company became public via a SPAC, many of its former creditors have been looking for the exit. Combine all these factors with large-scale capital investment totaling more than the company's market cap, and it's not surprising that most investors response is, "No, thank you!"

That blanket assessment typically leads to very low security prices. After all, while there are certainly reasons to be forced to sell a security, no one is ever forced to buy. Yet, Algoma's existing operations generate a ton of cash. So much so that we believe the business in its current form is worth $15.10 per share, 113% more than the June 30, 2023 price of Algoma shares. It is a fantastic investment simply on the merit of what exists today. It also means that the transitional projects the company is undertaking – an expansion of their plate mill and a conversion to a more environmentally friendly and margin-stabilizing electric arc furnace – and the more than $300mm Algoma has spent to date are being completely discounted by the market. We believe the successful completion of these projects will be highly accretive for Algoma shareholders, and our view of that value is shown in the chart below. But frankly, we don't need to as our $15 price target doesn't capture even a penny of the potential value creation of these projects.



We recognize that our investment in Algoma was too early, and the company has had some executional missteps to boot. With ample cash on their balance sheet, attractive government financing and continued strong cash generation from operations, Algoma can comfortably execute its transformation. However, management credibility has been negatively affected furthering our belief that despite the considerable potential return on its shares, investors are likely to stay on the sidelines until Algoma completes their capital projects in late 2024. When that occurs, we believe Algoma shares will trade for at least $15.00 per share, a 113% increase from the June 30, 2023, with upside to $23.30 if the full value of their EAF is factored in.

Spark Power Corp. ("Spark")

Spark is a publicly listed (TSX:SPG) Canadian company providing a range of electrical contracting, construction and maintenance services to the North American industrial and renewable power generation markets. We injected equity into Spark in early 2022 as part of recapitalization initiative targeted to reduce its debt and provide Spark with financial flexibility following its debt-fueled acquisitions. This would enable Spark to integrate its disparate, but high-quality branch network and evolve into a more efficient business. To date, our investment is off to a terrible start. We

invested at $1.20 per share and its shares closed at $0.36 as of June 30, 2023. Over 2023, our Spark investment fell by 24.2%, reducing the value of Ravensource units by 0.8%.

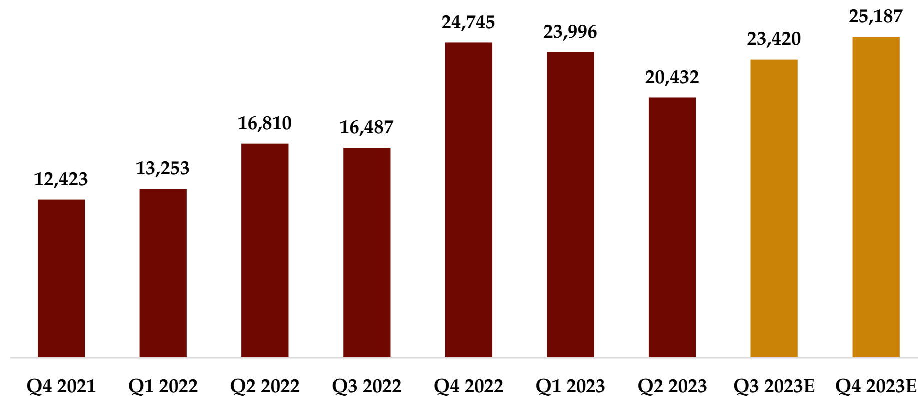
Contrary to its share performance, over 2023 the green shoots of Spark's transformation to profitability have appeared and its business has stabilized. While Spark remains challenged in converting its revenue to free cash flow and is burdened by excess corporate overhead, we believe these issues are fixable. Opportunities surfaced by the wave to electrification remain compelling, and if Spark completes its transformation, it will be well positioned to capitalize on them. In which case, Spark will be an attractive strategic acquisition target, and will likely warrant a sales price of between $1.40 and $2.00 per share, a 289% – 456% return from the June 30, 2023 price.

Several investors have asked why we haven't increased our investment given: Spark's depressed share price; our belief that the challenges facing Spark are fixable; and the sizeable potential rewards. Trust us, it is not because we have strayed from our opportunistic nature; picking up shares from investors who need to sell or lack the fortitude to withstand the volatility of a turnaround. Rather, our opportunism is countered by our assessment that Spark's board of directors has, to date, failed to bring in the expertise and leadership required to effect change and enable Spark – and its investors – to capitalize on the wave to electrification. If our conviction in their ability to execute on this plan increases, our decision could quickly evolve.

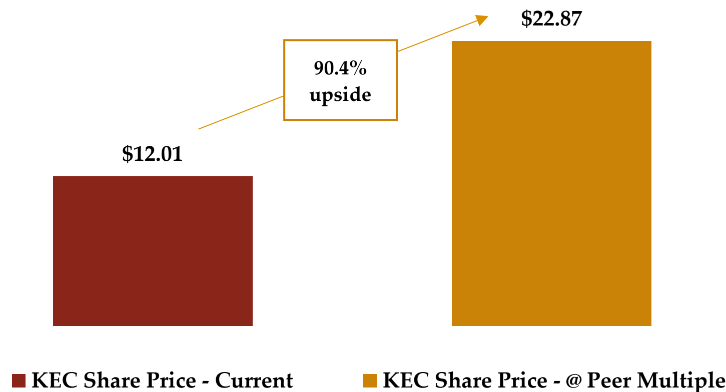
While we are currently on the outside looking in, we have been far from passive and accepting bystanders. Stornoway provides Spark's Leadership with comprehensive quarterly analyses of the company's financial performance and recommendations as to how to right the ship. We know management understands the core issues facing the business. Whether they have the gumption to take these bold actions to fix them remains to be seen.

Kiwetinohk Energy Corp. ("KEC")
After being the leading contributor to our performance last year, KEC shares receded over the first six months of 2023 by 17.0%, making it the largest detractor this period. In contrast to the price decline in KEC shares, 2023 has been very productive, expertly executing the revitalization plan we envisioned at the time of our investment.

We injected equity to rescue KEC's predecessor from insolvency as we recognized the power of combining a top-in-class management team with a high-quality resource base and an underutilized infrastructure overbuilt by the previous owners. Through its tactically crafted restructuring plan and key partnerships with veteran industry experts Pat Carlson and ARC Financial, KEC is armed with the tools to exploit this opportunity. Since then, they have made a significant asset acquisition and invested over $300 million of capital into putting as many 'straws in the ground' as they can. The result: a production base that is now nearly fully utilizing the existing infrastructure and generating over $270 million of annual cash flow.



Our investment in KEC is in the late innings, and much of the transformation is complete. However, most of the value created has yet to be recognized. What is missing is the passage of time for KEC to prove consistent and repeatable results. KEC's aggressive drilling program has resulted in rapid growth, and the results over the first half of the year continued that trend (albeit modestly impacted in Q2 by a several week shut-in due to the wildfires). However, the market is not quick to reward such fundamental change, nor do we expect it to be. We have had the luxury of deep engagement with the company and a strong understanding of the asset base. The market, however, must balance these results against the history of the company: a formerly insolvent entity without any recent production history. It will take more than one or two quarters of increased production to convince skeptical investors that this company has truly evolved.



As a result, the market is not fully capitalizing KEC's current earnings stream. To wit: as of June 30, 2023, KEC traded at 2.3x its estimated 2023 debt-adjusted cash flow ("DACF"), vs. its closest peers at 3.3x, and just 1.9x its 2024 estimated DACF. This discount demonstrates how the market is looking at KEC in the rear-view mirror. Our expectation is that by this time next year, with over 18 months of consistent performance, KEC will receive credit for the cash flow it produces. As the market begins to take a forward-looking approach to KEC we expect the discount to peers will

narrow, and KEC shares will be worth upwards of $20.00 per share, a potential 90.4% upside over the current share price.

The Carrot

Our approach to investing is to "connect the dots" between companies that few others want to invest in, into revitalized companies of great value to strategic acquirers to capture the value created in the process. In this section, we highlight the profit potential if we are successful in connecting those dots. We call it the 'Carrot'. That 'Carrot'— the gap between the June 30, 2023 market price of our investments and the value we are working to realize when it comes time to sell — is quantified below in the order of the size of our investment:

		30-Jun-23	"The Carrot"		
Investment	**% of RAV NAV**	**Price**	**Exit Proceeds[1]**	**Total Return[2]**	**Estimated Time to Exit**
Crystallex International Corp.	39.4%	$133.00	$414.00	211.3%	2 - 3 years
Kiwetinohk Energy Corp.	15.5%	$12.01	$20.50	70.7%	6 - 18 months
Dundee Corp.	11.9%	$20.00	$21.00	5.0%	6 - 9 months
Quad/Graphics Inc.	10.3%	$3.76	$7.00	86.2%	3 - 12 months
Firm Capital Apartment REIT	7.9%	$3.77	$6.75	79.0%	1 - 2 years
Algoma Steel Group Inc.	7.0%	$7.10	$15.00	111.3%	1 - 2 years
GXI Acquisition Corp.	6.8%	$0.68	$1.50	120.4%	2 - 3 years
Spark Power Group Inc.	2.5%	$0.36	$1.70	372.2%	2 - 3 years

[1] *Stornoway's estimate of the proceeds received on a succesful realization plus any interim dividends / distributions received.*
[2] *Unannualized return to the midpoint Estimated Time to Exit.*

The Carrot is a living and breathing thing: we update it based on key developments and our assessment of the value we can realize upon a successful exit. The following table shows how our current estimates compare to the Carrot as of December 31, 2022:

	Carrot[(1)] as of,		
Investment	**Dec. 31, 2022**	**Current**	**Change**
Crystallex International Corp.	$280.00	$414.00	47.9%
Kiwetinohk Energy Corp.	$25.00	$20.50	(18.0%)
Dundee Corp.	$21.00	$21.00	--
Quad/Graphics Inc.	$6.85	$7.00	2.2%
Firm Capital Apartment REIT	$8.05	$6.75	(16.1%)
Algoma Steel Group Inc.	$16.35	$15.00	(8.3%)
GXI Acquisition Corp.	$1.45	$1.50	3.4%
Spark Power Group Inc.	$1.70	$1.70	*n/a*

[1] *Stornoway's estimate of the proceeds received on a succesful realization plus any interim dividends*

While the market generally does not provide interim 'report cards,' our assessment of our investments, aka Carrot, takes into consideration the long-term impact of the milestones achieved or missed. The accomplishments made by Crystallex in the first half of 2023 moved the needle significantly, both in terms of the amount of potential value created, and the probability of us realizing that value. Conversely, we reduced our Carrot value on Kiwetinohk, Firm Capital and Algoma Steel compared to our last semi-annual update.

As with any forward-looking analysis it comes with a necessary caveat: this is not a projection of future annual returns. Rather, it is our assessment of the value we believe we can receive on exit. We

believe our assessments are conservative and grounded in today's reality, not based on hopes and dreams that the underlying businesses will sell more widgets or increase their profit margins. We have not priced our end-goals to perfection. In any investment, there are a range of potential outcomes; the values in this table reflect our low estimate of that successful range.

We also want to stress that there is a risk of loss. Despite our thorough analysis, active involvement and paying a thrifty price to acquire an investment, sometimes we are wrong, fail to de-risk the company, lose the battle over what share of the pie we are entitled to, or the potential we identify does not materialize. Investing is an inherently uncertain pursuit. As the great philosopher, Yogi Berra, was aware: "It's tough to make predictions, especially about the future."

Fund Liquidity and Investment Activity

Over the first half of 2023, Ravensource divested 24.5% of the Fund's total assets by fully exiting our position in Stelco and reducing three other investments. Ravensource made no investment purchases during the first half of 2023. This was largely done to reduce the Fund's margin loan which stood at 20.4% of total assets as of December 31, 2022, to 1.6% as of June 30, 2023.

By lowering the Fund leverage, we are better positioned to capitalize on attractive distressed investments in the marketplace. Borrowers that were able to get cheap funding in the pre-2022 low interest environment will soon need to refinance existing debt at ~5%+ higher interest rates – leaving some otherwise good, but over-indebted businesses in financial distress. We stand ready in anticipation to make your capital sweat harder than ever before.

The sources and uses of the Fund's net cash during the period are as follows:

	Amount	**% of Total Assets [1]**
Starting Net Cash	(4,502,411)	(27.6%)
Sources		
Investment Divestitures	3,993,717	24.5%
Foreign Exchange	254,119	1.6%
Dividends and Interest	141,079	0.9%
Total Sources	4,388,915	26.9%
Uses		
Operating Expenses	(263,337)	(1.6%)
Total Uses	(263,337)	(1.6%)
Change in Net Cash	4,125,578	25.3%
Ending Net Cash	(376,833)	(2.3%)

(1) % of June 30, 2023

Investment Purchases

Ravensource made no investment purchases during the first half of 2023.

Divestitures

During the period, we sold investments equal to 24.5% of the Fund's total assets. The bulk of these divestitures included fully exiting our position in Stelco Holdings, and the reduction of our Dundee Corp Series D preferred shares (the "Series Ds") investment.

Stelco Holdings Inc. ("Stelco")
Attracted by the Stelco's tremendous cash flow generation and the CEO's track record of creating shareholder value, we began investing in its shares in November 2021. Our thesis played out over 2022 as Stelco used its cash flow to tender for 44% of its shares at $35 in July, $1.1 billion in total, and paid a $3 per share special dividend in December. As Stelco met our price targets, we exited our position in January 2023 generating an attractive annualized return of ~35% over its investment life.

Dundee Corp. ("Dundee")
Over 2023, we reduced our Series D investment by 46%. We did so not because we are concerned as to its prospects or investment merits. Dundee's preferred shares are the most senior security in its capital structure, well protected with 3.75x asset coverage, and offer an attractive ~11% dividend yield. From an income investor's perspective, the Series remains a highly attractive investment.

We began investing in the Series Ds in August 2018 at a time when Dundee was rapidly writing down its assets. Facing a heightened risk that it would cease paying its dividend, income-oriented investors were compelled to sell. As distressed investors who occupy the murky part of the capital structure where debt is really "equity in progress," we oft capitalize when income investors need to sell. We invested in Series D's at ~50 cents on the dollar as we recognized a path for Dundee to materially de-risk its balance sheet which its preferred shares would be the prime beneficiary.

Our investment in Dundee is now in the mature phase of its lifecycle as the company has removed the financial distress present at the time of our investment. While Dundee has been a great investment – generating a 23%+ annualized return to date – the opportunity to materially reduce Ravensource's financial risk simply offered us greater utility than the Series D's return potential.

Use of Leverage
As of June 30, 2023, Ravensource's margin loan was 1.6% of total assets, down from 20.4% at the end of 2022. Our decision to employ leverage was always a temporary one, and over the first half of 2023, we reduced our net leverage position meaningfully. We continue to proactively manage the leverage the Fund may take on, with the "Risk" section of this report providing more details.

Distributions
The Fund elected to not make a distribution to unitholders for the semi-annual period ending June 30, 2023. This was a departure from its historical $0.15 per unit semi-annual distribution. We believe that retaining capital in the Fund to deploy in the attractive investment opportunities currently available will create more value for unitholders than making a cash distribution. This decision was highly influenced by the fact Ravensource is currently fully invested, and by the consistent feedback from unitholders that redeploying the Fund's capital in our differentiated investment strategy is more valuable to them than receiving a cash distribution. Going forward, Stornoway will review Ravensource's distribution semi-annually with the intent to distribute the amount required, if any, for Ravensource to remain a tax-efficient vehicle. Stornoway will also consider making a distribution should there be a lack of compelling investment opportunities on the horizon.

Operating Expenses

To help you understand Ravensource's cost structure, we have expressed the Fund's expenses in terms of its impact on Fund's performance in the table below:

	June 30, 2023	June 30, 2022	YoY Change
Pre-expense / Incentive Fee Investment Return	**3.06%**	**(11.56%)**	
Less:			
Management, administrative and IR fees	0.61%	0.59%	0.02%
Interest Expense	0.42%	0.23%	0.19%
Other operating expenses	0.32%	0.23%	0.09%
Legal fees	0.06%	0.21%	(0.14%)
Audit and accounting fees	0.26%	0.16%	0.09%
Total Expenses Before Incentive Fee	1.68%	1.42%	0.26%
Pre-Incentive Fee Investment Return	**1.38%**	**(12.98%)**	
Less:			
Incentive Fee	0.00%	0.00%	0.00%
Ravensource Fund Net Investment Return	**1.38%**	**(12.98%)**	

The Fund's operating expenses were 1.68% in the first half of 2023, up 26 basis points vs. same period in 2022 primarily due to interest Ravensource's margin loan, somewhat offset by reduced legal fees. With the margin loan reduced by more than 90%, we expect interest expense to fall commensurately.

Incentive Fee

As Ravensource's Investment Manager, Stornoway is entitled to an annual incentive fee equal to 20% of Ravensource's net profits over its 5% annual hurdle rate, after making up any losses and shortfalls from prior years hurdle rate. Simply put, we only get rewarded if you do first.

We did not earn an incentive fee over the first half of 2023. As of June 30, 2023, Ravensource's net asset value per unit would have had to exceed $19.75 before any incentive would be payable to Stornoway. Given our net asset value was $15.14 on June 30, 2023, regardless of the price you paid for your Ravensource units, you get the next 30.4% of returns 'free' of incentive fees.

Long Term and Relative Performance

Our objective is to generate superior, long-term, absolute returns for you. We do not look in the rear-view mirror — it does nothing to grow your capital today — nor do we fuss about what the broader markets are doing. We are firmly focused on the road ahead. The markets will do what they do, and our investments are highly eccentric – after all, that is our value proposition to you – and generate returns that have little correlation with the market, in good times and bad.

That said, we are accountable for our performance relative to other investment vehicles. We have identified several indices below — see Appendix 1 for descriptions — we believe are appropriate in assessing our "relative" performance. We include this section to help you evaluate whether we have met our objective of producing significant long-term returns.

As at June 30, 2023 [1]	YTD 2023	1 Year	3 Years	5 Years	10 Years	Since July 1, 2008 Annual	Since July 1, 2008 Total
Ravensource Fund NAV [2]	**1.4%**	**1.9%**	**1.3%**	**0.5%**	**4.6%**	**6.2%**	**146.4%**
S&P/TSX Composite Total Return Index	5.7%	10.4%	12.4%	7.6%	8.4%	5.4%	118.8%
S&P/TSX Small Cap Total Return Index	(0.3%)	5.3%	12.7%	3.4%	4.9%	2.6%	47.9%
ICE BofAML US High Yield Index	5.4%	8.9%	3.2%	3.2%	4.3%	6.4%	153.4%
HFRI Distressed/Restructuring Index	2.3%	1.6%	9.3%	4.5%	4.3%	4.5%	93.7%

(1) Returns are annualized, except total returns. Returns are net of all fees and expenses.

(2) Based on net asset value per unit, assuming all distributions are reinvested in units at net asset value.

Our objective is to generate superior *long-term* wealth creation on your Ravensource investment. Ravensource has increased at an annual rate of 6.2% since we were appointed manager in July 2008, growing a $100,000 investment to $246,449 versus $218,755 had you invested in the S&P TSX instead. Our recent performance has been poor and dulled our long-term returns; however, there has been much value creation accomplished in the background over these past few years. We are confident that when the value is ultimately recognized, we will meet our goal of generating superior value creation over the long run as we have in the past.

"Skin in the Game"

We fervently believe an investment manager should have significant "skin in the game", sharing in the risk and reward of our decisions alongside other investors. Accordingly, the Stornoway Team has substantial personal investments in Ravensource. As of June 30, 2023, the Stornoway Team owned approximately 13.2% of Ravensource's outstanding units. In short, we eat our own cooking. We are your partner.

Risks

We define risk as the potential for a permanent loss of capital. While assumed at the time we make an investment, risk is a dynamic metric that for us varies primarily as a result of attaining – or failing to attain – key milestones such as reaching a restructuring agreement, closing of a merger or repayment of a loan. We constantly monitor the risk of each investment and its impact on our portfolio, taking actions or making changes to the size of our investment when warranted.

We believe the most effective risk management tools we employ are: to establish a large "margin-of-safety" by investing at prices substantially below what we believe is intrinsic value; structure our investment to mitigate the risk of loss; and become actively involved with our investees to protect our investment. Through these mechanisms and processes, we believe we can substantially reduce risk while increasing the potential for returns. However, sometimes we are wrong, ineffective in de-risking a company, or an investment's potential fails to materialize exposing our investors to a loss.

Ravensource's portfolio is more concentrated than most investment funds, routinely owning only 10 or so investments at a given time. We believe our mission to create superior, long-term returns is best attained by focusing Ravensource's capital on the opportunities we know best and find most compelling. Otherwise, we risk watering-down the secret sauce: our active involvement in the value creation and revitalization process of our investees. However, this means a single investment can have a material impact – positive or negative – on your Ravensource investment.

As we invest in underfollowed, unloved and often less liquid opportunities, Ravensource's investments can be particularly exposed to temporary market losses during times when the market has flights to liquid investments. We may seek to capitalize on lower prices by prudently increasing

an investment if the opportunity is compelling, our investment thesis remains intact, and the underlying company has ample liquidity to ride out the storm.

Ravensource has indebtedness through its margin facility of 1.6% of total assets. While at times it can be attractive to employ, the use of leverage exposes Ravensource to risks that would not otherwise be present, including increasing the magnitude of losses on declines in the value of the investment portfolio and exposed to capital calls in the event the margin loan becomes under-collateralized. Stornoway carefully considers these risks and mitigants in prior to our decision to employ leverage and continuously thereafter.

The Fund's investment strategy hasn't changed during 2023 that would materially affect the risk of investing in Ravensource. We continue to believe the Fund is suitable for only those investors who have an otherwise diversified investment portfolio, seeking long-term capital growth rather than income, have a long-term investment horizon, and possess a medium-to-high risk tolerance to withstand the ups and downs that go along with investing in out-of-favor securities.

This section is not intended to be an exhaustive disclosure of all the risks associated with investing in Ravensource. In addition to investment-specific risks, the Fund is exposed to macroeconomic factors and other risks as described in the Annual Information Form and in the notes attached to our financial statements. We encourage all investors to carefully read the Fund's financial statements and the AIF.

Concluding Remarks

Adapting John Adams' assessment of war, investing is an uncertain endeavour: we can't guarantee success, we can, however, deserve it. Our efforts are focused on ensuring that we deserve success, and we believe that the rewards will follow. We do this by pursuing investments against the grain of the market, capitalizing on what other investors leave behind. We then apply our expertise and grit to revitalize these investees into strong entities made significantly better off and more valuable from our involvement. As shared with you throughout this report, our current investments have the potential to create meaningful returns on your investment.

In writing this review, we wrestle with the twin objectives of being thorough yet succinct. We recognize that despite our effort to cut to the essentials, there remains a lot of information to digest, especially in this period's letter. We are available via phone, Zoom, or preferably in person to discuss your investment further. We always enjoy hearing from investors and discussing our investments and strategy with you.

The Stornoway Team — Daniel, Alex and me — greatly appreciates your partnership, fortitude and trust. We are dedicated to protecting and growing your capital in the years to come.

Onwards and upwards.

Scott Reid
President & Chief Investment Officer
(416) 250-2845

Daniel Metrikin
Principal & Executive Vice President
(416) 250-2847

September 2023

Appendix 1 - Ravensource's Use of Comparable Indices

Given the idiosyncratic nature of the Fund's investment strategy, the Investment Manager does not believe there is an index that sufficiently resembles the Fund to the degree it should be considered or used as a "benchmark". However, the Investment Manager provides historical performance data for several indices in addition to the results of the Fund for comparison purposes. The Investment Manager has chosen indices that it believes are relevant to the investment mandate of the Fund and / or to capital markets in general. However, while each of these indices overlap with certain aspects of the Fund's mandate, none of them share significant similarities with the Fund's investment portfolio:

- The S&P/TSX Composite Total Return Index ("S&P/TSX") is the principal broad-based measure commonly accepted by investors to measure the performance of Canadian equity markets. The S&P/TSX is a relevant index for comparison purposes as the Fund's investment portfolio contains Canadian equity investments and the Fund's debt investments are frequently converted into equity securities as part of the restructuring process. However, the performance of the S&P/TSX will vary greatly from the Fund as its investment portfolio is primarily comprised of securities that are not included in the S&P/TSX.

- The S&P/TSX Small Cap Total Return Index ("TSX Small Cap") tracks the performance of the Canadian small cap equity market. The TSX Small Cap is a relevant index for comparison purposes as the Fund invests in Canadian small cap companies that are attractively valued with catalysts to unlock value. However, the performance of the TSX Small Cap will vary greatly from the Fund as its investment portfolio is primarily comprised of securities that are not included in the TSX Small Cap.

- The ICE BofAML US High Yield Index ("BAMLHY") is a USD-denominated index that tracks the performance of USD, sub-investment grade rated corporate debt. BAMLHY is a relevant index for comparison purposes as the Fund invests in corporate debt securities that are rated below investment grade. However, the Fund's investment portfolio also includes defaulted debt and equity securities which are not included in the BAMLHY and thus the Fund's performance may vary greatly from BAMLHY.

- The HFRI Distressed/Restructuring Index ("HFRIDSI") tracks the performance of investment funds focused on the credit instruments of companies trading at significant discounts to par value due to formal bankruptcy proceedings or the expectation of near-term proceedings. The HFRIDSI is a relevant index for comparison purpose as Fund's mandate broadly overlaps that of the funds that make up the HFRIDSI. However, it is likely that the composition of the Fund's investment portfolio is unique from these peers and thus the Fund's performance may vary greatly from the HFRIDSI.

As the Fund makes idiosyncratic investments in securities which are overlooked by the capital markets, the Fund's investment portfolio contains investments that are not likely included in any of the above indices and thus an investment in the Fund should not be considered a substitute or proxy for the underlying index. For the reasons stated above, these indices should not be considered a benchmark for the Fund and there can be no assurance that any historical correlation or relationship will continue in the future. Index data is provided by Hedge Fund Research and ICE Data Services.

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