RAVENSOURCE FUND

LETTER TO UNITHOLDERS

FOR THE SEMI-ANNUAL PERIOD ENDED JUNE 30, 2024

NOTICE TO READER

The purpose of this Letter to Unitholders ("LTU") is for Ravensource's Investment Manager to impart information and analysis to aid Ravensource's unitholders understanding of their investment. The LTU is a supplemental report to the financial statements, Management Report on Fund Performance ("MRFP"), Annual Information Form ("AIF"), Relationship Disclosure Information and Conflicts of Interest Disclosure Statement and the Independent Review Committee ("IRC") report. You can get a copy of these 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 investment 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")

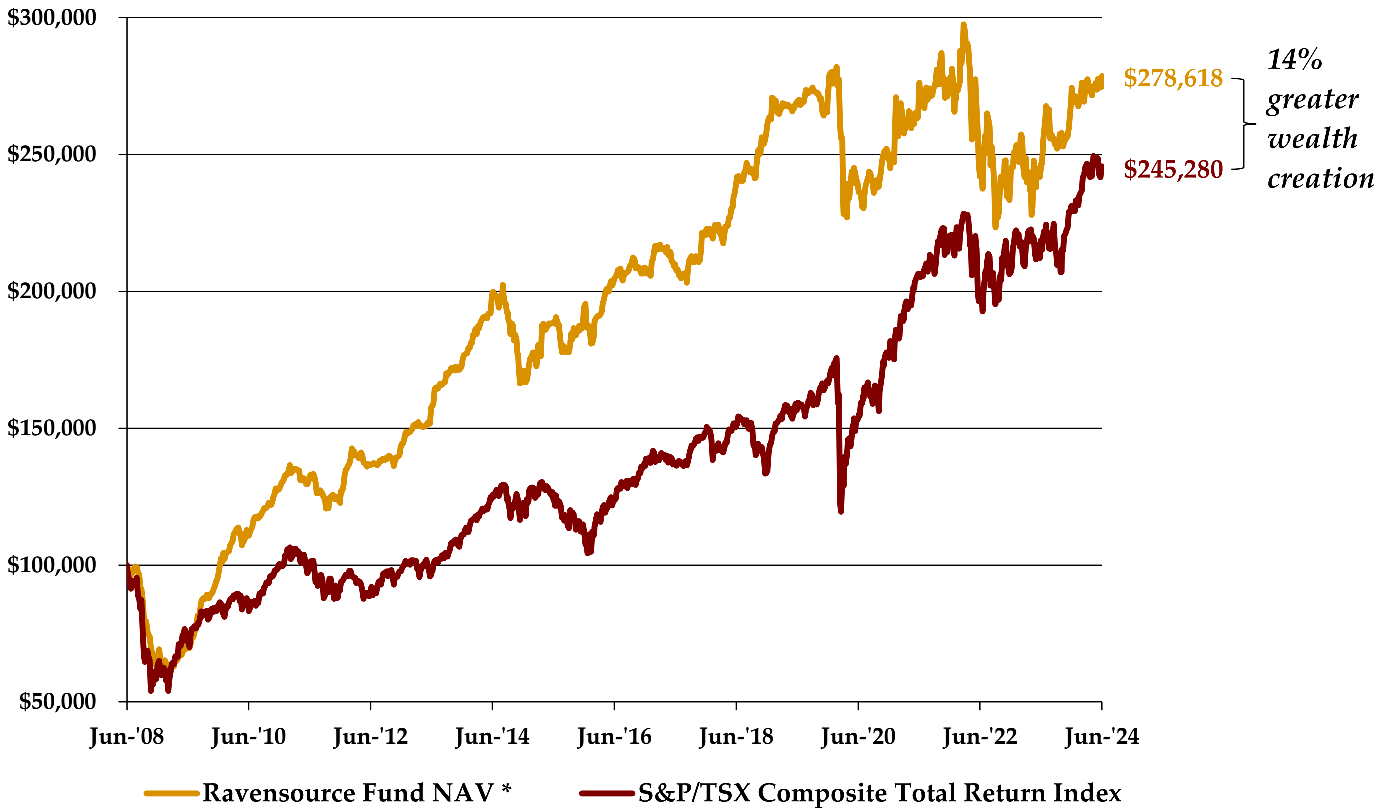
Stornoway was appointed the Fund's Investment Manager on July 1, 2008, to execute Ravensource's investment mandate. Stornoway took over the management of Ravensource from Pat Hodgson. Pat was our partner, an extraordinary investor and a true buccaneer who in 2003 transitioned Ravensource from investing 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 Max Yermus. 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.

RAVENSOURCE'S 2024 SEMI-ANNUAL LETTER TO UNITHOLDERS

Growth of $100,000 Since July 1, 2008



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

Dear Fellow Unitholders,

Ravensource Fund's ("Ravensource" or the "Fund") net asset value ("NAV") per unit increased by 1.6% over the first half of 2024, versus a 6.0% increase in the TSX.

The first half of 2024 has been a period of steady progress across our investment portfolio. While our 2024 returns have been modest, the value of our investments has been enhanced significantly. Several key developments have brought us closer to realizing the full potential of our holdings, laying a strong foundation for future exits and returns.

Our largest investment, Crystallex's Senior Notes, reached several key milestones towards the sale of CITGO / PDV Holdings. As of this writing, the Special Master is in the final stages of negotiating definitive documentation, and we expect court approval of a deal before the end of the year. When the sale closes, the proceeds will satisfy Crystallex's $1bn claim, providing ample cash for the repayment of our Senior Notes in full, and ultimately, we believe inuring to a potential 200%+ return over the June 30th, 2024 price.

Other investments also made considerable accomplishments. Kiwetinohk is rapidly accelerating their drilling program, converting in-the-ground reserves to meaningful and sustainable cash flow. They are 1 – 2 years from filling their infrastructure, at which point they will be a highly attractive acquisition target, or in a position to return significant cash flow to shareholders. In a similar vein, Algoma is in the final stages of construction of its transformative Electric Arc Furnace. When completed later this year, it too will likely garner the attention of strategic buyers in a favorable M&A environment.

Our responsibility to you, our partners, is to grow and protect your Ravensource investment. This letter serves as a progress report, informing you of the significant milestones achieved by our investees and any setbacks along the way. We will provide a closer look at our results and portfolio developments during the first half of 2024, and the opportunities and challenges we see, in a candid and open manner.

We believe that the achievements delivered by our investees over the past several years have created significant value that will ultimately deliver substantial returns to our investors over the coming years.

The Stornoway Way

Stornoway, as Investment Manager of Ravensource, seeks to generate superior long-term absolute returns by participating in the recovery and revitalization of troubled companies before, during and after an insolvency event. We may purchase existing securities at cents on the dollar prior to or during an insolvency process, inject capital to help a company avoid insolvency, or buy post-restructuring "orphan securities" that carry the stigma of their former bankruptcy from the former creditors who need to sell.

Our investment approach/philosophy is to focus our portfolio on a select few investments in which we have strong conviction. We leverage our grit, network, expertise, and solution-based approach aka our "Edge" to capitalize on these "too hard to do" opportunities. We employ our Edge to connect the dots between a financially challenged company, dismissed by the market, and a quality asset of strategic value to others. However, we believe that distressed companies don't fix themselves; fundamental to our strategy is to help effect change within our investees, to unlock the potential value of the reorganized entity. We deploy our capital strategically, concentrating on a few investments – generally 5 – 10 at a time – that meet our mandate and profit through their successful revitalization.

Our success is predicated on reaching tangible milestones that mark fundamental change in our 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 far 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 to generate superior returns for you, our partners.

Investment Performance

Ravensource's investment portfolio generated a mark-to-market gain of 3.1% over the first half of 2024 before factoring in fees and expenses. The investments that contributed to Ravensource's performance are as follows:

Investment	YTD 2024 Gross Return on Investment	Impact on Fund [1]
Firm Capital Real Estate Investment Trust	39.8%	1.9%
Kiwetinohk Energy Corp.	14.2%	1.6%
GXI Acquisition Corp.	10.1%	0.7%
Quad/Graphics Inc.	2.4%	0.3%
Crystallex International Corp.	0.7%	0.2%
Algoma Steel Group Inc.	(25.4%)	(2.5%)
FX, Forwards, and Other [2]		0.9%
Pre Expense & GPPA Investment Return		**3.1%**

[1] Increase in Net Asset Value due to Investment's gross return for the period.

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

Firm Capital Real Estate Investment Trust ("Firm Capital")

After a period of underperformance, our investment in FCA units delivered a 39.8% gross investment return in 2024, making it the largest contributor to our portfolio's performance and boosting the value of your Ravensource investment by 1.9%.

The gain in 2024 was not due to an improvement in FCA's operating performance or an increase in the value of its real estate properties. Rather, it was the result of a market price correction after FCA's unit price had fallen precipitously in 2023 to below $2.75 per unit, reflecting a massive 60% discount to its $6.76 net asset value ("NAV"). Throughout 2024, Stornoway Funds capitalized on this opportunity by increasing our ownership to over 10% of FCA's outstanding units, providing liquidity to investors in a micro-cap company where Stornoway holds a discernible advantage.

We share investors' frustration and critique with FCA's vague public statements. We find FCA's approach disrespectful to the non-insider investors who are repeatedly offered the same hollow platitudes about the Board of Trustees' ongoing strategic review process without providing clear directions to investors as to its future. Consequently, we recognize why many investors elect to sell their FCA units rather than rely on uncertain promises and an ambiguous timeline. At Stornoway, however, we prioritize the company's actions over its public relations messages.

Over the past two years, FCA has taken several significant steps that suggest a winding-up is imminent. The company has sold all but two of its wholly-owned properties and used the proceeds to repay its corporate debt well ahead of maturity. Furthermore, the remaining assets are listed for sale. These actions align with a liquidation strategy that will distribute the proceeds to unitholders, rather than continuing operations or pursuing new acquisitions.

Our investment thesis is rooted in our belief that FCA will likely wind up and distribute its NAV to investors within the next 18 months. Should this occur, we expect to achieve a gain of more than 60% from its June 30th, 2024, market price. We are well-acquainted with FCA's management, assets, and strategic direction, as Scott served as a Director of FCA from July 2016 to February 2020 and has closely monitored FCA thereafter. Our low purchase price further provides a significant margin of safety, reinforcing our confidence in the investment opportunity FCA presents.

This should not be misconstrued as an endorsement of FCA's execution to date. We are deeply disappointed by the prolonged timeline and the value degradation that has occurred as a result. In early 2020, the NAV was over US$8.00 per share when our near-term exit seemed imminent. While external factors like the COVID-19 pandemic and rising interest rates have negatively impacted real estate values, FCA has had ample time to execute its wind-down but has taken too long to do so and our investment has been harmed in the process.

Therefore, while we believe that purchasing FCA units, given FCA's recent actions, current market conditions, and our thorough understanding of the company's assets, presents a compelling opportunity to deliver meaningful value to our investors, we also acknowledge that the ultimate return we now anticipate is below our original expectations.

Kiwetinohk Energy Corp. ("KEC")

KEC's share price ended the period at $13.19, representing a 14.2% gain and increasing the value of your Ravensource investment by 1.6%.

Our investment in KEC began as a rescue financing in 2020 to recapitalize a company burdened by too much debt incurred to acquire its vast oil and gas reserves and build the infrastructure necessary to process it. Unfortunately, KEC ran out of capital before it could generate the cash needed to service its debt, leading its banks to force it into insolvency. Alerted by one of its lead investors, Stornoway—along with other key investors—rolled up our sleeves to craft a restructuring plan that would enable the company to emerge from insolvency in a strong position amidst a sea of distressed energy companies.

Our strategy was to transform KEC into a platform that could leverage its underutilized processing infrastructure and vast untapped reserves, augmented by acquiring nearby undeveloped properties at a fraction of their replacement value. Four years later, KEC has expertly executed and refined this plan, far exceeding the potential we envisioned in 2020.

In 2024, KEC is rapidly increasing production, drawing on deep resource knowledge cultivated by its top-tier management team. KEC's culture of innovation has continuously iterated its well designs to maximize energy extraction, resulting in significant cash flow that has consistently outperformed expectations. This success has emboldened the KEC team to significantly increase its 2024 drilling capital expenditures beyond its original program. With decades of reserves remaining, this accelerated production not only enhances current cash flow but also validates the value of its undeveloped reserves, making KEC an even more attractive target for strategic buyers.

Utilizing its processing plants' spare capacity, KEC has been able to focus approximately 92% of its $330 million 2024 capital budget directly on drilling, generating substantial cash flow, and over 100% annualized returns on its capital which is uses to fuel further drilling opportunities. Over the next 1.5 – 2 years, we believe KEC's production will grow to fully utilize its existing plant capacity. At this point, KEC will be in an ideal position to either distribute substantial cash to investors or pursue a strategic sale, both offering compelling paths for us to realize a meaningful return on our investment.

This watershed moment is coming at an opportune time: M&A activity is heating up in the oil and gas sector as larger companies are hungry to replenish reserves and expand production after years of underinvestment. KEC, with its extensive drilling opportunities and proven cash flow generation, stands out as a prime candidate—particularly as the only remaining pure-play in the sought-after Duvernay region. With vast reserves and a strategic focus, we believe KEC is likely to attract significant interest from larger industry players.

Although KEC may not be on most investors' radar—understandable given that approximately 85% of its shares are held by those who rescued the company from insolvency—it is quietly building substantial shareholder value through robust cash flow generation and strategic reserve development. We believe this strategy will handsomely reward those investors who had the temerity and expertise to inject capital in 2020, a time of great distress for KEC and global energy markets. Having invested at that pivotal moment, we remain committed to unlocking the full potential of our investment. We believe that we will ultimately realize over $25.00 per share as KEC's well-executed value creation plan comes to fruition, an 89.5% increase from the June 30th price. Until then, KEC’s share price is just noise.

GXI Acquisition Corp. (“GXI”)

The valuation of our investment in GXI, the parent company of Guestlogix Inc., rose by 10.1%, which increased your Ravensource investment by 0.7%.

Collaborating with our tech-savvy entrepreneurial partners, we rescued Guestlogix from CCAA insolvency to capitalize on its core strength: enabling in-flight credit card payments—a critical, high-margin service for airlines. The business was weighed down by debt from non-core acquisitions, but through a strategic restructuring plan, we refocused Guestlogix on its core offerings, eliminated debt, and brought in a new management team.

The Guestlogix team has risen to the challenge. While competitors "sheltered in place" during the COVID-19 pandemic, Guestlogix dug in, enhanced its platform, and developed a passenger-facing app that allows guests to order directly from their seats. Recognizing this market opportunity, the company secured exclusive strategic partnerships to expand its market reach.

These efforts led to a 30% revenue growth in 2023, with additional momentum in 2024, including onboarding three new airline clients, driving an annualized 27% revenue increase. Additionally, Guestlogix is in advanced stages of securing long-term contracts with several new airlines, supported by a deep pipeline for the remainder of 2024. Notably, when facing competition for new clients over the past two years, Guestlogix has consistently won the contract, validating the competitive edge they have developed. We project a 65% year-over-year revenue increase for 2024, further strengthening GXI’s positive cash flow.

Looking further ahead, Guestlogix is positioned for multi-year growth, with a 24-month pipeline that could more than double the number of airplanes they service. With consistent success in winning new business, we believe Guestlogix will emerge as the preeminent payment processor in the airline industry, with significant opportunities to broaden its relationship with passengers beyond the cabin. This positions us for a potential exit at a significant premium to its current price within 2-3 years.

Crystallex International Corp. ("Crystallex")

Note: all figures for Crystallex are expressed in U.S. Dollars

In the first half of 2024, the market price of our Crystallex 9.375% Senior Note investment remained steady, increasing slightly from $146 to $147 as of June 30th, 2024. However, significant progress was made toward unlocking the full potential of this investment.

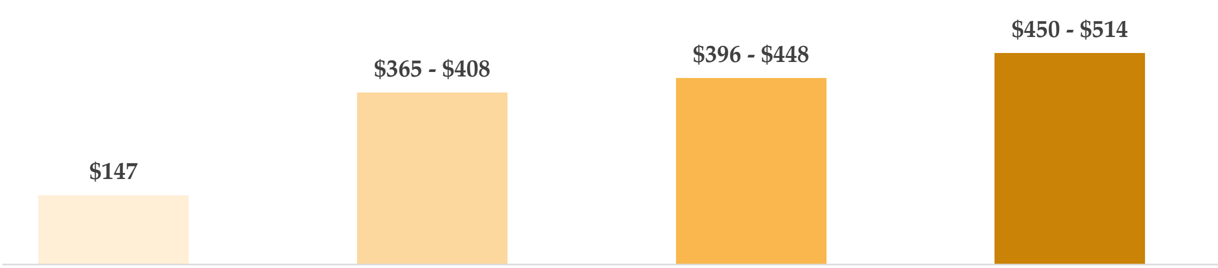
To recap, Venezuela owes Crystallex approximately $1 billion for the 2008 expropriation of its Las Cristinas gold mine. Crystallex, in turn, must repay $100 million in principal, plus accrued interest and other legal entitlements, to its Senior Noteholders. As of June 30th, 2024, we estimate that the Senior Notes are entitled to a recovery between $365 and $408 per $100 face value, with this amount growing annually at 9.375%.

Over the past five years, Crystallex has navigated a complex legal and political landscape to recover its claim against Venezuela. This culminated in favorable U.S. court rulings authorizing the seizure of Venezuela's shares in PDV Holdings ("PDVH"), the parent company of CITGO Petroleum. In 2023, the court determined that the first $1 billion from the PDVH sale would be allocated to Crystallex.

In 2024, the PDVH/CITGO sale process made significant strides. Initial bids in January were followed by binding bids in June, reportedly exceeding $8 billion—far more than the $1 billion owed to Crystallex. The Special Master is now finalizing documentation with top bidders, with the winning bid expected to be presented to the court in September and a sale approval hearing set for mid-November. After recovering its claim from Venezuela, Crystallex will need to resolve the allocation of assets among its stakeholders, which is likely to be very contentious and extend the repayment of our Senior Notes until December 2026.

Looking ahead, we project that the Crystallex estate will hold approximately $1.3 billion in assets, enough to repay its Senior Noteholders by the end of 2026, with over $500 million remaining for subordinate stakeholders. As of June 30th, 2024, the market value of Crystallex Senior Notes was estimated at $147 per $100 face value by a third-party valuation firm. We estimate a potential recovery of $450 to $514 per $100 face value, implying an annualized return of 56% to 65% and a total return exceeding 200% from the June 2024 market price.

The chart below illustrates how the Senior Noteholder recovery grows annually at 9.375% interest over time and impact it will have on our investment:



	Market Price June 30, 2024	Senior Note Entitlement June 30, 2024	Senior Note Entitlement June 30, 2025	Senior Note Entitlement December 31, 2026
Potential Total Return		**148.3% - 177.8%**	**169.7% - 204.4%**	**205.8% - 249.4%**
Potential Annualized Return			**169.7% - 204.4%**	**56.3% - 64.8%**

While our projected returns may seem ambitious, they reflect the 14 years Crystallex has utilized our capital without paying our contractual interest, as well as the complexity, illiquidity, and risks surrounding the timing and magnitude of the recovery. Our active role on the Crystallex ad hoc Senior Noteholder Committee underscores our deep commitment to this investment, ensuring we are well-positioned to navigate this case and secure a successful outcome for our investors.

Algoma Steel Group Inc. ("Algoma")

Note: all figures for Algoma are expressed in U.S. Dollars

Our investment in Algoma was the primary detractor from the Fund's performance this period. The security level loss was 25.4% as the share price declined to $6.96, reducing the value of the Fund by 2.5%.

Algoma, a single-mill steel manufacturer, has undertaken significant capital projects over the past two years to transform itself into a highly valuable strategic asset. Central to this transformation is its transition to Electric Arc Furnace ("EAF") production—a more environmentally friendly and consistently profitable method of producing liquid steel, which typically commands valuations 25% higher than traditional blast furnace operations.

However, market skepticism remains high toward large capital projects in the steel industry due to a historically poor track record of creating shareholder value. This skepticism, combined with Algoma's decision to reinvest heavily in its business rather than return capital to shareholders through dividends or buybacks, has led investors to favor companies like Stelco over Algoma.

Algoma's transformation has encountered several challenges, including construction delays, production issues, and cost overruns. In January, a fire at the coke facility further disrupted production for weeks, causing an estimated $25-50 million in damage. Although much of this loss is expected to be covered by insurance, investor confidence was shaken, leading to a significant decline in the share price.

To bolster its financial position, Algoma recently raised $350 million through the issuance of new senior notes. This capital strengthens its ability to navigate market volatility while creating a war chest to enable share repurchases at a significant discount to intrinsic value, thereby enhancing shareholder value.

While investors have remained on the sidelines, these capital projects are nearing completion. The company has completed upgrades to its plate mill, doubling production capacity. Plate steel, which costs an additional $70-80 per ton to produce but commands a premium of over $300 per ton in revenue, represents a substantial profit opportunity. As the sole domestic producer of plate steel, Algoma is well-positioned to capture a significant share of this lucrative market.

Looking forward, Algoma has made steady progress on its EAF construction, with production slated to begin in the first quarter of 2025. Once EAF production ramps up, the factors currently concerning public market investors—its single-site location and complex EAF transition—will present significant benefits and opportunities for a strategic acquirer who can integrate and diversify their business with ease.

The timing of the EAF completion aligns well with favorable conditions in the steel M&A market. Recent transactions, such as the US Steel-Nippon deal and the acquisition of Stelco by Cleveland Cliffs, underscore this trend. The Stelco transaction, announced in mid-July, provides a tangible valuation benchmark for Algoma, implying a valuation of at least $22.50 per share in a strategic transaction, a 223% increase from Algoma's June 30th, 2024, share price. In short, we believe the winds that have run against our Algoma investment will soon turn in our favor.

The Carrot

Our investment approach focuses on "connecting the dots" between undervalued companies and revitalized assets attractive to strategic acquirers, allowing us to capture the value created in the process. In this section, we highlight the profit potential if we successfully execute this strategy—what we call the 'Carrot.' This represents the gap between the June 30th, 2024, market price of our investments and the value we aim to realize at the time of sale.

	% of	Jun 30, 2024	"The Carrot"			Early Est.	Late Est.
Investment	RAV NAV	Price	Exit Proceeds[1]	Total Return[2]	Estimated Time to Exit	Exit Date	Exit Date
Crystallex International Corp.	32.3%	$147.00	$450.00	206.1%	1 - 3 years	Q2 2025	Q2 2027
Quad/Graphics Inc.	14.8%	$5.45	$7.00	28.4%	1 - 2 years	Q2 2025	Q2 2026
Kiwetinohk Energy Corp.	12.6%	$13.19	$25.00	89.5%	1 - 2 years	Q2 2025	Q2 2026
GXI Acquisition Corp.	7.6%	$1.02	$2.00	96.1%	2 - 3 years	Q2 2026	Q2 2027
Algoma Steel Group Inc.	7.3%	$6.96	$22.50	223.3%	1 - 2 years	Q2 2025	Q2 2026
Firm Capital Apartment REIT	6.4%	$3.80	$6.00	57.9%	6 - 18 months	Q4 2024	Q4 2025

[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.*

It's important to clarify that the Carrot is not a projection of future annual returns but rather our conservative estimate of the value we believe we can achieve upon exit. Our assessments are grounded in current realities, not speculative hopes of increased sales or profit margins. We believe the values presented reflect the lower end of potential successful outcomes.

We understand that the timelines for some of our investments have extended beyond our original expectations. Restructurings and operational turnarounds often take longer than anticipated. However, in many cases, this extended timeline has also led to increased value. For example, while our Crystallex, KEC, and GXI investments have taken longer to mature, we believe their value has grown significantly. Conversely, our FCA investment has been adversely affected by a prolonged timeline and a declining real estate market, negatively impacting our investment. Although market prices may not immediately reflect this growth, we are confident that the eventual realization events will capture the cumulative value created.

Lastly, we also acknowledge the inherent risks in investing. Despite thorough analysis, active involvement, and acquiring investments at attractive prices, there are times when our assumptions don't materialize. We may fail to de-risk the company, or the value we anticipate may not be realized. As Yogi Berra wisely noted, "It's tough to make predictions, especially about the future."

Fund Liquidity and Investment Activity

The Fund ended the period with a net cash position of 22.7% of Net Assets compared to 28.9% at the 2023 calendar year end. The sources and uses of the Fund's net cash during the period are as follows:

	YTD 2024	
	Amount	**% of Net Assets [1]**
Beginning Net Cash	**$6,409,008**	**28.9%**
Investing Activities		
Cash Used to Purchase Investments	($1,018,508)	(4.6%)
Cash Proceeds from Investment Divestitures	62,689	0.3%
Dividends and Interest	302,750	1.4%
Cash Impact of FX Hedge	(438,354)	(2.0%)
Cash Used in Investing Activities	**($1,091,422)**	**(4.9%)**
Operating Activities		
Operating Expenses	($287,451)	(1.3%)
Cash Used in Operating Activities	**($287,451)**	**(1.3%)**
Change in Net Cash	**($1,378,873)**	**(6.2%)**
Ending Net Cash	**$5,030,135**	**22.7%**

[1] % of June 30, 2024 net assets.

Investment Purchases

We invested 4.6% of the Fund's Net Assets in Firm Capital Apartment REIT, Algoma Steel and Kiwetinohk Energy.

Firm Capital Apartment REIT ("Firm Capital")

In the first half of 2024, we increased our exposure to FCA, investing 0.6% of the Fund's Net Assets. This investment was divided between increasing our stake in FCA trust units and initiating a position in the company's 6.25% convertible bonds.

Our investment thesis for FCA's convertible bonds was purely opportunistic: we believed the bonds were extremely well covered by assets and were trading at a price that would earn us a high double-digit yield for a company we know well. Consistent with our FCA unit investment thesis, we believed that FCA was in the process of winding down and thus would use proceeds from asset sales to redeem the convertibles its first call date of June 30th, 2024. Acting on this assessment, we acquired as many convertible notes as possible.

This strategy proved successful. FCA redeemed the convertible notes on June 30th, 2024, delivering a total return of 18.1%, including the 6.25% coupon and capital gains from purchasing the bonds at a discount. This return significantly outperformed our Treasury Bill investments it replaced.

Divestitures

During the first half of 2024, we sold investments equal to 0.3% of the Fund's Net Assets, fully exiting our position in Firm Capital Apartment REIT's 6.25% convertible debentures as they were redeemed.

Use of Leverage

As of June 30th, 2024, Ravensource's indebtedness represented 1.5% of Net Asset Value, down from 13.0% at the end of 2023, and well within the Fund's restriction of 30.0%.

Distributions

The Fund elected to not make distributions to unitholders in the first half of 2024. 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 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 non-taxable. Stornoway will also consider making a distribution should there be a lack of compelling investment opportunities on the horizon.

Operating Expenses

Ravensource's operating expenses include management fees, trustee fees, TSX listing fees, accounting fees, and other operating expenses. The table below shows how expenses impacted the Fund's gross return on investment to arrive at the Fund's net investment return for the first half of 2024 and 2023.

	June 30, 2024	June 30, 2023	YoY Change
Pre Expense / Incentive Fee Investment Return	**3.06%**	**3.06%**	
Less:			
Management & Fund Admin Expense	(0.56%)	(0.61%)	0.05%
Legal & Other Professional Fees	(0.07%)	(0.06%)	(0.01%)
Interest Expense	(0.37%)	(0.42%)	0.05%
Audit & Accounting Fees	(0.19%)	(0.26%)	0.06%
Transaction Fees	(0.00%)	--	(0.00%)
Other Operating Fees	(0.29%)	(0.32%)	0.03%
Total Expenses	**(1.49%)**	**(1.68%)**	**0.18%**
Pre-Incentive Fee Investment Return	**1.56%**	**1.38%**	
Less:			
Incentive Fee	--	--	--
Ravensource Fund Net Investment Return	**1.56%**	**1.38%**	

Operating expenses represented 1.49% of starting NAV, down 18 basis points vs. the 2023 period.

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.

As of June 30th, 2024, Ravensource's NAV per unit would have had to exceed $19.49 for us to begin earning incentive fees. Given our net asset value was $17.11 on June 30th, 2024, regardless of the price you paid for your Ravensource units, you get the next 13.9% 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 20, 2024 [1]	YTD 2024	1 Year	3 Years	5 Years	10 Years	Since July 1, 2008
Ravensource Fund - RAV.UN [(1)]	**1.6%**	**13.0%**	**0.5%**	**0.7%**	**3.4%**	**6.6%**
S&P/TSX Composite Total Return Index	6.1%	12.1%	6.0%	9.3%	6.9%	5.8%
S&P/TSX Small Cap Total Return Index	8.8%	14.4%	1.3%	8.1%	3.1%	3.3%
ICE BofAML US High Yield Index	2.6%	10.4%	1.6%	3.7%	4.2%	6.6%
HFRI Distressed/Restructuring Index	4.7%	10.4%	2.9%	6.5%	4.0%	4.9%

[1] Based on net asset value per unit, assuming all distributions are reinvested in Units at net asset value. Returns are net of all fees and expenses. Returns are annualized except YTD returns.

Our objective is to generate superior long-term wealth on your Ravensource investment. Ravensource has increased at an annual rate of 6.6% since we were appointed manager in July 2008, growing a $100,000 investment to $278,618 versus $245,280 had you invested in the S&P TSX instead.

Our recent performance has been poor and dulled our long-term returns and outperformance. Still, Ravensource has outperformed all these indices since Stornoway was appointed manager in July 2008, and most notably, we have significantly outperformed the HFRI Distressed / Restructuring Index which tracks the performance of funds with similar mandates to Ravensource. As expressed throughout this review, we also believe there has been much value creation accomplished over these past few years. We are confident that when the value is ultimately recognized, we will meet our goal of generating superior long-term wealth creation for you as we have done 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 30th, 2024, the Stornoway Team owned approximately 11.0% of Ravensource's outstanding units. In short, we are your partners.

Risks

We define risk as the potential for a permanent loss of capital. While risk is assumed at the time of investment, it remains a dynamic metric that evolves as we progress towards, or fail to achieve, key milestones such as securing a restructuring agreement, completing a merger, or repaying a loan. We continuously monitor the risk associated with each investment and its impact on our portfolio, adjusting the size of our investment when warranted.

Our most effective risk management strategies include establishing a substantial "margin of safety" by investing at prices significantly below what we believe to be the intrinsic value, structuring our investments to mitigate potential losses, and maintaining active involvement with our investees to safeguard our investments. These approaches enable us to significantly reduce risk while enhancing potential returns. However, we acknowledge that there are occasions when our assessments may be incorrect, our de-risking efforts may fall short, or an investment's potential may not materialize, thereby exposing our investors to losses.

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 assumed indebtedness through its margin facility of 1.5% of Net Assets. While we believe this to be an attractive opportunity to increase the value of the Fund and appropriate in the context of the nature of our current holdings, 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 those risks and mitigants to them in its decision to use and continue to employ leverage over time.

There has been no change during 2024 in the Fund's stated investment strategy 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-favour 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.

Team Update – Investment Analyst Position

We are pleased to welcome Max Yermus, a highly motivated recent graduate of the Ivey Business School at Western University who joined at the beginning of June. Max has already brought a fresh perspective and infectious enthusiasm to our team. We are confident that Max's dedication and analytical skills will significantly contribute to our ongoing success.

Concluding Remarks

We are highly enthusiastic about the future and the path we are on. We believe that our investments are compounding value creation in a meaningful way, even if that is not being reflected in their market prices. We are confident in the direction of all of our investments and look forward to their crystallization events to reward the years of revitalization they have achieved.

In writing this review, we strive to balance thoroughness with brevity. Despite our efforts to focus on the essentials, we acknowledge that there is still a substantial amount of information to digest. As always, we welcome the opportunity to discuss your investment further, whether by phone, Zoom, or, preferably, in person. We value hearing from our investors and enjoy engaging in conversations about our investments and strategy with you.

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

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

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

August 2024

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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