RAVENSOURCE FUND

MANAGEMENT REPORT ON FUND PERFORMANCE – JUNE 30TH, 2011

MANAGEMENT REPORT OF FUND PERFORMANCE

This document is the Management Report on Fund Performance ("MRFP") of the financial condition and results of operations for the semi-annual period ending June 30, 2011. This MRFP should be read in conjunction with the Ravensource Fund's June 30, 2011 unaudited financial statements. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and unless otherwise noted, both the financial statements and this MRFP are expressed in Canadian Dollars.

The MRFP contains certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievements expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits will be derived.

The Ravensource Fund

The Ravensource Fund ("Ravensource" or the "Fund") is a closed-end investment trust, the units of which trade on the TSX under the symbol **RAV.UN.** The investment objectives of the Fund are stated in detail in the notes to the financial statements and in greater detail in the Declaration of Trust. In 2003, the Fund's investment strategy was transitioned away from its roots as an income fund specializing in debt securities of issuers in Australia, New Zealand and Asia and into a fund that specializes in North American high yield, distressed debt and equity securities. To reflect the change in the investment mandate, the name was changed from the First Asia Income Fund to the Ravensource Fund.

Investment Manager - Stornoway Portfolio Management Inc.

By way of a special meeting of unitholders, Stornoway Portfolio Management Inc. ("Stornoway") was appointed as the Investment Manager to the Ravensource Fund effective July 1, 2008. Stornoway was founded in 2004 and in addition to being the Investment Manager to the Ravensource Fund ("Ravensource"), Stornoway is the Manager of the Stornoway Recovery Fund LP.

I am the President of Stornoway and have over 20 years of experience in the Capital Markets researching, restructuring and investing in companies that are experiencing financial distress. Whether serving on a creditor committee, Board of Directors or in a more informal capacity, I do not shy away from rolling up my sleeves and getting actively involved in investee companies to ensure the successful completion of a corporate turnaround with the goal of ultimately realizing higher value on our investment. Currently, I sit on the Board of Directors of

SFG Inc., a private U.S. meat processing company which represents Ravensource's single largest investment.

Ravensource Investment Committee

To oversee the investment management of the Fund, Pat Hodgson and I established the Ravensource Investment Committee (the "RIC"). As many of you know, Pat is the President of Cinnamon Investments Limited ("Cinnamon") and managed the Ravensource Fund up until July 1, 2008. What you may not know is that Ravensource is merely the formalization of a partnership that has been many years in the making. Pat and I have been examining and capitalizing on investment opportunities together for almost a decade. Through the RIC, Pat remains actively involved in Ravensource by contributing investment ideas, providing a sounding board and imparting his years of investment experience.

In addition to Pat and myself, Steve Schaus has recently joined Stornoway and now serves on the RIC. While Steve is a newcomer to Ravensource, I met Steve over 10 years ago when he joined the proprietary trading desk at Scotia Capital to focus on debt and equity investments in distressed companies and other special situations. Since then, Steve and I have frequently traded investment ideas and teamed up to tackle a couple of particularly challenging investment opportunities and in doing so, we gained a great understanding of each other's skill-sets, temperament, and values.

I believe the Fund is managed by an investment team that has depth, horsepower and balance. Pat's strength and track record in the value side of equity investing provides a key counter-balance to Steve's and my fixed income and distressed securities expertise. We meet in the middle when investing in companies that require a financial turnaround. Speaking personally and professionally, I am truly honoured to be partners with Pat and Steve.

Steve, Pat and I firmly believe that an investment manager should have "skin in the game". Putting this concept to work, as of June 30th, 2011, I owned 203,535 units of Ravensource representing approximately 11.4% of the total units outstanding which is up from the 158,428 units that I held as of December 31st, 2010. Pat – directly and through related parties – owns 724,390 units of Ravensource representing approximately 40.7% of the units of the Fund which is also an increase from his December 31st, 2010 holdings. Although he started after 2010 year-end, Steve has already established a position of 24,353 units of Ravensource. All three of us fully participated in the May 2011 rights offering.

Investment Philosophy

We are deep value investors that often find attractive investment opportunities from situations that are overlooked by traditional investors. Many of these opportunities arise from companies with warts on them, for example:

- Debt of companies who require a financial/operational turnaround
- Income trusts who ceased / reduced their distribution
- Companies with hidden assets or misunderstood liabilities
- Shares of companies lacking or losing institutional research coverage

Steve, Pat and I spend a lot of time combing through company filings, legal documents and analyst reports, having discussions with our various networks, and other less trodden avenues to uncover these opportunities. However, investment analysis and identification of opportunities is not sufficient to generate investment returns. To realize value from these opportunities, we believe we bring the following attributes to Ravensource's investors:

- ability to see beyond current corporate and financial challenges;
- patience and an investment horizon long enough for the markets to recognize the intrinsic value that we did at the time of investment;
- businessman's ability to assess the viability of an operational turnaround;
- ability to recognize and even encourage catalysts to unlock value; and
- willingness to become actively involved to protect / increase the value of our investments.

The underlying margin of safety is always considered before making an investment. This is an ephemeral concept that will often arise due to hidden asset values in companies losing money, excess cash, strong market positions combined with excess debt or some other combination of ugliness and attraction. The margin of safety of an investment is further bolstered by investing in the company at prices that represent a significant discount to what we believe to be their underlying and realizable asset values. We don't like the catastrophic percentage losses which happened on several positions during the recent turmoil and are looking for wider margins of safety – a free umbrella for a rainy day with the wind blowing. Many of our investment positions had temporary large losses during 2008 and have since recovered because they indeed had wide margins of safety and the underlying investment thesis was sound. That is not to say that Ravensource is immune to the ravages of another financial melt-down – no, it is likely that our net asset value will fall in value if we experience another freezing of credit as in 2008. However, we do believe we have a larger and more protective air-bag in case of another crash.

Risks

At the time of investment and throughout the period which we own a security, we do consider its risk and the impact that it has on the overall risk of the portfolio. However, despite our thorough analysis and good intentions, sometimes we are wrong in our investment decision or have not found the proverbial snake that lurks under the rock resulting in a fall in the market value of the investment and net asset value of the Fund.

In addition to the risks specific to a particular investment, the Fund is exposed to changes in foreign exchange rates, interest rates, credit conditions and other macro economic factors as described in the Annual Information Form - available on SEDAR and on the Ravensource website - and in the notes attached to our financial statements. I encourage all investors to carefully read the Fund's financial statements, including the additional disclosure contained in the notes to the financial statements, just as we do prior to making an investment.

There has been not been a change in the Fund's stated investment strategy or other changes that would materially affect the risk of investing in Ravensource. I continue to believe the Fund is suitable for those investors seeking long-term capital growth, 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.

Rights Offering

Over the past couple of years, I have fielded several calls from frustrated investors who have been unable to make a meaningful investment in Ravensource units due to the small amount of units generally offered for sale on the Toronto Stock Exchange. Furthermore, a small investment fund has some unique challenges that include high fixed costs, lack of attention from trading desks (though that may be a blessing), and most importantly, our small size makes it difficult to participate in some of the most lucrative investment opportunities such as rescue financing of troubled companies, distressed securities and private placements. After consulting with the Fund's investment committee, IRC and Trustee, it was determined that increasing the size of Ravensource would benefit unitholders.

After considering the alternatives, we determined that a rights offering was the most efficient and fairest way to raise additional capital. The key benefit of choosing the rights offering route was that it provided existing unitholders the opportunity to subscribe for all additional units issued by the Fund on a pro-rata basis, or to sell their rights if they chose not to increase their investment. Anyone who was not a unitholder and wanted to participate in the offering had to purchase the right from existing unitholders who did not want to participate. To facilitate the transfer of rights, we decided to list the rights on TSX. For the month that the rights were outstanding, approximately 14% of the total rights issued traded on the TSX at an average price of $0.08 per right.

On receiving regulatory approval, the Fund issued one right for each unit outstanding to unitholders of record as of April 29, 2011. Four rights plus the subscription price of $10.33 entitled the holder to acquire one unit of Ravensource. If successful, the rights offering would increase the number of units outstanding by 25% - the maximum allowed by the TSX without receiving prior shareholder approval.

However, there is no free lunch. The cost of the rights offering was approximately $0.14 cents per unit – half stemming from issuance costs (legal, trustee, mailings, etc) and half from the fact that the units were issued at a 3.4% discount from fund's net asset value immediately prior to the expiry of the rights. Approval from the Toronto Stock Exchange required that the subscription price of the rights issuance be set at a discount to the net asset value. The rationale behind the discount is that the TSX believes a discount is necessary to encourage a broad range of participation. The costs associated with the rights offering were fully absorbed in the first half of 2011, thus lowering the net asset value of the Fund and reducing the Fund's performance during this period. Unitholders who elected not to participate in the issuance, were able to offset the majority of the cost through selling their rights on the market.

The rights offering closed on May 30, 2011 and was a success as investors subscribed for the maximum 356,004 units offered thereby raising net proceeds of $3,577,521 and increasing the size of the Fund by 25%. I was very pleased by the response to the rights offering given it was oversubscribed with demand outstripping the amount of units offered. I am thankful of the support of the subscribing investors.

Semi-Annual Results of Operations

Investment Performance

Ravensource's investment portfolio generated net income from operations of $0.6 million, or $0.43 per unit over the first six months of 2011. However, the negative impact of the rights issuance (see the Rights Offering section above) lowered the net asset value per unit by approximately 15 cents. Thus the total return for the Fund was 2.7% after fees and expenses including the rights issuance costs during the first six months of 2011. If one discounts the effect of the rights offering, the total return for the Fund was 4.1%.

In terms of the composition of the Fund's operating income, approximately 54% was attributable to interest, dividends and other forms of cash flows produced by the Fund's investments. The remaining 46% was earned from realized and unrealized gains in the market value of the portfolio.

While we are not overly influenced by the comings and goings of the overall market at the time we decide to make an investment, we do appreciate that some of our investors will look-back and compare our performance against the crowd. For the first half of 2011, we can report that our results - before and after the effect of the rights offering - stack up favorably against the overall market as Ravensource's investment returns outperformed the 0.2% gain in S&P TSX Composite Total Return Index for the same period.

Ravensource's results at the portfolio level may lead one to conclude that the Fund got off to a relatively tame start to 2011. And relative to recent history, it was rather a benign period. However, digging deeper to examine the various components that drove the first half's performance, as in other periods, there was some volatility within the portfolio holdings. The table below discloses the specific investments that contributed significantly – both positively and negatively - to Ravensource's first half 2011 performance:

Investment	% of Net Income [1]	Effect on NAV per unit [2]
Trilogy Energy Corp	57.1%	$0.24
Specialty Foods Group	55.0%	$0.23
Tuckamore Capital	33.5%	$0.14
SeaCo Ltd	31.2%	$0.13
March Networks	18.0%	$0.08
Holloway Lodging REIT	16.9%	$0.07
PlazaCorp Retail Prop. LTD.	14.1%	$0.06
Clairvest Group Inc	7.4%	$0.03
Marsulex Inc.	6.4%	$0.03
Manulife Financial Corp	5.9%	$0.03
Cinram Intl. Income Fund	-15.0%	-$0.06
Ten Peaks Coffee Co Inc	-16.4%	-$0.07
Canwel Holdings Corp.	-19.1%	-$0.08

[1] Total income on the investment as a percentage of net income.

[2] Total income on the investment per average Ravensource unit.

Our investment in Trilogy Energy shares, Specialty Foods Group bonds, Tuckamore Capital (nee Newport Partners) bonds, and SeaCo shares rose significantly in value over the first half of 2011 and together were responsible for the lion's share of the gains in the portfolio. However, on the other side of the ledger, the market value of our investments in Cinram, Ten Peaks and Canwel shares fell significantly and detracted from what otherwise would have been a very good period. At the time of investment, we focus on the risk and return merits of a given investment. Sometimes we get it right – hopefully the majority of the time – but sometimes we are wrong. That is the magic of diversification and its powers were certainly at play in Ravensource's portfolio during this recent period of market volatility.

Expenses

Annualized total expenses expressed as a percentage of the average net assets of the Fund - aka the Management Expense Ratio or "MER" - amounted to approximately 2.95% for the first half of 2011. As some of the expenses are fixed in nature, the growth in the size of the Fund over the past two years has lowered the MER before factoring in the incentive fee. However, as recent investment performance has increased Ravensource's NAV beyond its previous highest year-end value, SPM is entitled to an incentive fee which causes the total MER to be higher than in periods where the incentive fee was not earned. Given that the incentive fee is volatile and is incurred only when unitholders benefit from the increase in the value of the Fund, I believe it is useful to focus on the pre-incentive fee expenses. Comparing the pre-incentive fee expenses to the same period in 2010, the Fund's MER has fallen by 26 basis points. Further, I expect with the increase in the size of the Fund resulting from the rights offering, the pre incentive fee MER will continue to fall. During the first half of 2011, SPM was paid a total of $94,994 in management, administrative and IR fees and the Fund accrued a further $90,627 in incentive fees.

	Amount	**per Unit**	**Expense Ratio**
Management, administrative and IR Fees	94,994	0.06	1.12%
Trustee, transfer agency, and listing fees	25,136	0.02	0.30%
Audit and accounting fees	23,387	0.02	0.28%
Other professional fees	4,463	0.00	0.05%
Other expenses	11,135	0.01	0.13%
Expenses before incentive fee	**159,115**	**0.11**	**1.88%**
Incentive fee	90,627	0.06	1.07%
Total expenses	**249,742**	**0.17**	**2.95%**

Liquidity and Investment Activity

The pace of our investment activity during the first half of 2011 – in terms of actually buying / selling positions rather than uncovering ideas or actively managing our existing investments – decreased by half versus the previous two years as evidenced by the fall in our Portfolio Turnover Ratio to 20%, the lowest rate in the past five years. This was a function of being pleased with the prospects of the current crop of investments while failing to find a whole bunch of new opportunities that met our investment criteria. Quite frankly, the pickings of compelling new investments were slim. Further, there was a drop-off in M&A activity in the portfolio which in previous years has increased the amount of the Fund's transactions. Despite the fall in our investment activities, our investment style and philosophy remains intact: investing in under-followed securities that require time and patience to be rewarded. As such, it is unlikely that we will ever have a high turnover ratio relative to other investment funds.

	Amount	per Unit
Sources		
Net investment income	231,528	0.13
Investment divestitures	3,265,490	1.83
Issuance of units	3,577,521	2.01
Other	17,593	0.01
Total	7,092,132	1.96
Uses		
Distributions to unitholders	160,202	0.09
Investment purchases	2,861,437	1.61
Total	3,021,639	1.70
Change in Net Cash	4,070,493	2.29

Investments

Since the start of the year, we established positions in the shares of Compass Petroleum (TSX: CPO), Jovian Capital (TSX: JOV) and in the convertible bonds of First Uranium (TSX: FIU.DB.A). Further, we increased our positions in the bonds of Holloway Lodging REIT (TSX: HLR.UN.DB.B), and the shares of Chinook Energy (TSX: CKE). Lastly, we received shares in a private company - Investis - as partial consideration of the takeover of our Marsulex shares.

I would like to take you through a summary of the rationale behind two of our latest investments: First Uranium's 4.25% convertible bonds and Jovian Capital's shares.

First Uranium Corporation

During the first half of 2011, we made a sizeable investment in the 4.25% convertible bonds of First Uranium Corporation due in June 2012. Despite the fact that First Uranium ("FIU") is a mining company currently developing two gold and uranium projects in South Africa, I can assure you that I have not suddenly become "gold bugs" (or uranium bugs for that matter). While the market is focused on FIU's mining operations, our attraction is to the underlying value of the processing mills whose capacity is being eye-balled by other mining operations located in the general vicinity of FIU's mills. Essentially, we invested in FIU bonds as lenders against the company's lower-risk processing assets, not as investors in a gold mining operation.

To manage the two main sources of risk, we have purchased puts on gold to protect our investment from declines in gold prices and formed an ad-hoc bondholders committee with two other investors to protect our investment from unfavourable corporate actions. Collectively our informal group owns approximately 50% of the total amount of 4.25% bonds outstanding and has advocated our concerns and interests to FIU management and their financial advisors. We believe that our bonds are well-covered at par by the company's processing assets alone with no value assigned to its mining assets. In the event that FIU is able repay our bonds in cash, the return on our investment will be 35.6% assuming there is no recovery on our "gold put protection". In the event that FIU elects to repay our bonds in stock at maturity, the 4.25% convertible bondholders would collectively own the majority of the equity. Like all equity investments, a conversion could ultimately lead to recoveries significantly exceeding par or less so if our valuation of the processing mills proves to be overly optimistic. On balance, we believe that the FIU bonds will prove to be an excellent investment for the fund.

Jovian Capital Corporation
Our recent purchase of Jovian shares is also a good example of what we look for in an investment – a company with solid assets whose securities trade at a significant discount to what we believe the company is ultimately worth. Taking our criteria one step further, we look for a discernible path / series of catalysts that will enable us to capture the discount that we identified at the time of purchase.

As a background, Jovian is a financial services holding company that has focused its investments in three primary market segments: exchange traded fund ("**ETF**") asset managers; traditional asset managers; and wealth managers. The Jovian's group of companies has approximately $13.5 billion of client assets - $8.0 billion in assets under management and $5.5 billion in assets under administration – and its brands include Horizons Beta Pro/Alpha Pro, Leon Frazer, TE Weath and MGI Wealth.

At first blush, we were attracted to the growth prospects of Jovian's assets – clearly ETFs have found a place in investor's toolkit and Jovian's Horizons platform has captured a significant portion of the market. The real opportunity was created by the market's impatience with the company's election to continually reinvest the cash flow produced from its traditional asset managers into growth opportunities available in its ETF business. With largely a retail investor base, the decision to re-invest in its businesses rather than to pay dividends earned a one-handed clap from the market. Accordingly, the price of its shares did not reflect the value it was creating in these new businesses and as the company was underfollowed by the street and institutional investors, Ravensource faced little competition in purchasing Jovian shares at a very attractive value.

Our analysis found that when we valued Jovian using a sum-of-the-parts approach – valuing each component of its collection of assets on a stand-alone basis – the company was worth significantly greater if it was sold in pieces than the price that the market valued the company as a whole. The challenge to this approach is that while it looks tempting in our excel spreadsheets, without a catalyst to crystallize the value that we ascribe to the pieces, it is just another promise of a kiss when the date has not even accepted the invitation. Been there, done that. However, in the case of Jovian, we believed that the company was giving out signals that perhaps it was time to harvest their investments.

We had established a toe-hold position in Jovian shares in May 2011. Subsequent to June 30th, 2011, the company has sold two of its major assets at prices that exceeded our internal valuation. Yes, the market price of Jovian shares increased on the back of the news, but a large discount persisted. Our response was to add significantly to the Fund's position as not only the discount remained but also the company's actions foreshadowed what we believe will be the eventual wind-down of Jovian and the crystallization of the difference between the price of the shares and the ultimate value of the company's assets.

Divestitures

The Fund exited its positions in ACE Aviation shares (TSX: ACE.A), Cequence Energy (TSX: CQE), Data Group units (TSX: DGI.UN) and Manulife Financial shares (TSX: MFC), amongst other smaller transactions. We elected to take some money off the table by reducing our holdings in Trilogy Energy shares (TSX: TET) and Tuscany warrants (TSX: WED). Lastly, our shares of Ember Resources (TSX: EBR) and Marsulex (TSX: MLX) were acquired in takeover transactions and our shares of Jannock Properties (TSX: JPL) were exchanged for cash in the liquidation of the company.

Liquidity

At the start of fiscal 2011, the Fund had the lowest cash reserves in its history amounting to a paltry 3.7% of net assets. During the first half of 2011, our divestitures exceeded our purchases resulting in an increase in our net cash / liquidity both by absolute terms and as a percentage of net assets. More significantly, the rights offering added $2.01 per unit to the Fund's war-chest leaving the Fund with 24% of its net assets in cash as of June 30th, 2011. While the current cash balance is higher than we traditionally carry, we are in no rush to spend and will continue to employ a patient and diligent approach to investing the Fund's capital.

Industry Concentration

While Ravensource is not an investment fund that specializes in specific industries, as a result of our experience and investment philosophy, we tend to focus on investing in companies with hard assets. At the risk of being called old fashioned, the portfolio has little exposure to Technology, Pharmaceutical and other companies whose primary assets are work-in-progress and thus like buying a car with no steering or brakes. We like to invest in companies in which we understand the products/services they offer and more importantly have a strong grasp of the business model and its tangible asset value. Further, we have consciously lowered our exposure to the more sensitive sectors of the economy. For example, our largest single investment, SFG, produces hot dogs! With that said, Ravensource is quite diversified across various industry groups.

	Market Value	**% of Net Assets**
Food Products	2,312,457	12.2%
Industrial	2,203,797	11.6%
Media & Publishing	1,754,244	9.3%
Real Estate	1,740,606	9.2%
Metals & Mining	1,657,943	8.8%
Energy	1,362,777	7.2%
Technology	890,940	4.7%
Financial	853,550	4.5%
Manufacturing	822,945	4.3%
Retail	601,120	3.2%
Construction	137,989	0.7%
Chemicals	29,753	0.2%
Automotive	22,902	0.1%
Total	14,391,021	76.0%

Diversification

As we believe that the most effective method to reduce/manage risk is to know your investments inside and out, Ravensource may be a more concentrated portfolio than other investment funds. However, the Fund currently does not have one investment that exceeds

10% of net assets and only 3 of our investments exceed 5% of Net Assets. Our top 10 investments – ranked by the market value of the investment – represent 44.3% of Net Assets. We generally limit our exposure to between 2.5% to 5% of Net Assets when making a new investment depending on its relative attractiveness, liquidity and the degree of risk/margin of safety.

Distributions

In keeping with the recent distribution rate, the Ravensource Fund made a semi-annual $0.09 per unit distribution to unitholders on June 30th, 2011. The Pay-out Ratio - the annual distribution stated as a percentage of the total increase in the value of the Fund - was 21% for the first half of 2011 which is significantly higher than the 6.9% pay-out ratio that occurred in 2010. Using the closing market price of $10.15 on June 30th, 2011, the units had an annualized yield of approximately 1.8%. We believe that the current level of distribution is appropriate and we do not envision a change in the policy in the near future.

Concluding Remarks

At the time of writing this report to unitholders, the market volatility harkens us back to 2008 where 3-4% daily changes in the level of the market was just another everyday out-of-body experience. Despite this volatility, armed with 24% of our net assets in cash, Ravensource is in an enviable position where we are selectively shopping in the bargain bins while many other investors are in a position that requires them to sell. You should expect us to be diligent and patient with your money. We will be opportunistic but we will also maintain our focus on uncovering out-of-favor investments that have attractive return profiles with a high margin of safety.

I also would like to especially thank all unitholders – old and new – that subscribed for units in the rights offering. It was the first time since 2006 that Ravensource has issued units. I firmly believe that the rights issuance is an important step forward to grow the size of the Fund and expand the range of opportunities that we can capitalize on for the benefit of all unitholders.

I look forward to hearing via phone or e-mail from unitholders. Any ideas that the Fund should consider or any opinions on existing positions are most welcome. I also encourage any feedback on how investee companies treat their customers, employees, communities and the environment.

We are appreciative of your partnership, trust and patience.

Scott Reid

August 23, 2011

Scott Reid, President
Stornoway Portfolio Management Inc.
Manager of the Ravensource Fund

Financial Highlights

The following tables show selected key financial information and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited annual and unaudited semi-annual financial statements. This Management Report of Fund Performance contains financial highlights but is not the complete annual Financial Statements of the Fund. Please see the last page for information about how you can obtain the Fund's annual or interim financial statements.

Ratios and Supplemental Data	**2011**	**2010**	**2009**	**2008**	**2007**
Total net asset value (000's) (1)	$18,938	$14,884	$11,402	$8,021	$13,556
Number of units outstanding (1)	1,780,020	1,424,016	1,424,016	1,424,016	1,433,343
Management expense ratio (2)	2.95%	3.15%	2.27%	2.05%	3.04%
Management expense ratio before waivers or absorptions	2.95%	3.15%	2.27%	2.05%	3.04%
Trading expense ratio (3)	0.06%	0.30%	0.17%	0.20%	0.19%
Portfolio turnover rate (4)	19.95%	37.02%	32.57%	28.45%	65.43%
Net asset value per unit	$10.64	$10.45	$8.01	$5.63	$9.46
Closing market price	$10.15	$10.25	$7.05	$5.00	$9.20

(1) This information is provided as at December 31 of the year shown except for 2011 which is as of June 30, 2011

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. An increase in the portfolio turnover rate may increase the Fund's trading costs. There is not necessarily a relationship between the turnover rate and the performance of the fund.

The Fund's Net Assets per Unit ($) (1)	**2011 4**	**2010**	**2009**	**2008**	**2007**
Net Assets, beginning of year	10.45	8.01	5.63	9.46	8.99
Increase (decrease) from operations:					
Total revenue	0.32	0.36	0.36	0.41	0.27
Total expenses	0.17	0.29	0.16	0.15	0.28
Realized gains (losses) for the period	0.68	1.19	0.20	0.08	1.38
Unrealized gains (losses) for the period	(0.41)	1.36	2.14	(4.06)	(0.69)
Total increase (decrease) from operations (2)	0.43	2.62	2.55	(3.72)	0.68
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	0.015	0.04	0.03	-	-
From capital gains	-	-	-	-	-
Return of capital	0.075	0.14	0.15	0.09	0.17
Total distributions (3)	0.09	0.18	0.18	0.09	0.17
Issuance of units (5)	0.15	-	-	-	-
Net assets, End of Period	10.64	10.45	8.01	5.63	9.46

(1) The net assets per security presented in the above table differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

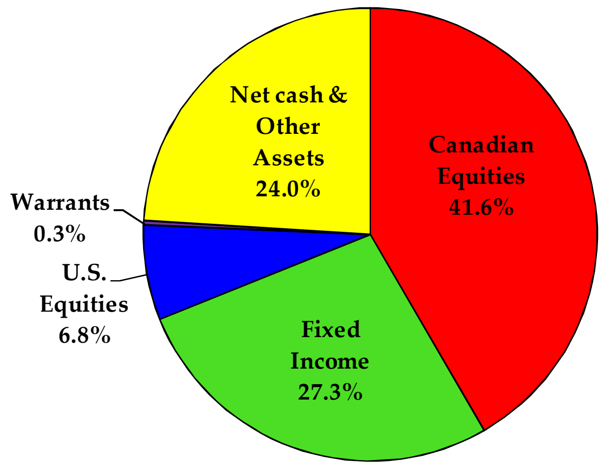
(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash. For 2011, the allocation between income, dividend capital gains, and return of capital is an estimate.

(4) This information is provided as at December 31 of the year shown except for 2011 which is as of June 30, 2011

(5) Represents the negative impact on NAV per units from the issuance of units at a discount plus associated expenses.

SUMMARY OF INVESTMENT PORTFOLIO



Past Performance

The charts and tables that follow show the past performance of the Fund but will not necessarily indicate how the Fund will perform in the future. Mutual fund values change frequently and past performance may not be repeated.

The bar chart shows the Fund's annual performance in each of the past 5 years to December 31st. The chart shows in percentage terms how the net asset value has increased (decreased) during each period.

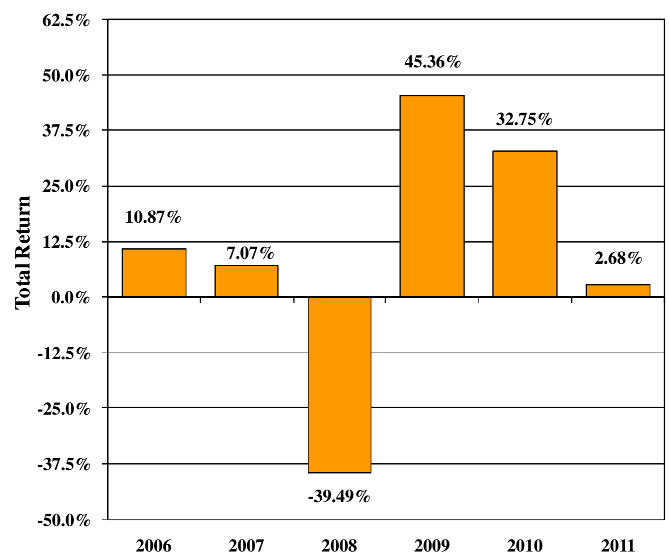
Top 25 Holdings as of June 30, 2011

Issuer/Security	Security Type	% of Net Assets
Net Cash *	Cash	24.01%
Specialty Foods Group - 8% due Dec 2011 **	Convertible Bonds	8.91%
PlazaCorp Retail Properties Ltd	Common Shares	5.78%
Tuckamore Capital - 8.00% due March 2016	Secured Bonds	5.41%
SeaCo Ltd.	Common Shares	4.18%
First Uranium Corp.- 4.25% due June 2012	Convertible Bonds	4.03%
Crystallex International - 9.375% due Dec 2011	Senior Bonds	3.95%
Holloway Lodging REIT - 6.5% due June 2012	Convertible Bonds	3.42%
Supremex Inc.	Common Shares	3.14%
Winpak Ltd.	Common Shares	2.91%
Quad Graphics Inc.	Common Shares	2.60%
March Networks Corporation	Common Shares	2.53%
Clairvest Group Inc.	Common Shares	2.37%
Peer 1 Network Enterprises Inc	Common Shares	2.18%
Indigo Books & Music Inc.	Common Shares	1.89%
Trilogy Energy Corporation	Common Shares	1.88%
Ten Peaks Coffee Company	Common Shares	1.78%
McGraw-Hill Ryerson Ltd.	Common Shares	1.72%
Glacier Media Inc	Common Shares	1.70%
Fiera Sceptre Inc.	Common Shares	1.53%
Village Farms International	Common Shares	1.52%
Chinook Energy Inc.	Common Shares	1.50%
Westaim Corp.	Common Shares	1.32%
Canwel Holdings Corporation	Common Shares	1.29%
Compass Petroleum Ltd.	Common Shares	1.25%
Total % of Net Assets		**92.78%**

* Includes interest and dividends receivables, and is net of all liabilities

** Not publicly traded company. Secuirty valued by independent 3rd party valuator

This summary will change due to ongoing portfolio transactions and fluctuations. The top 25 holdings are made available quarterly, 60 days after quarter end.



For the year ended December 31
except for 2011 which uses a June 30 period end

Total Returns [1]

	Six Month [2]	One Year [2]	Three Year [2]	Five Year [2]
RAV.UN	2.68%	19.11%	9.65%	6.19%
S&P/TSX Total Return Index	0.16%	20.87%	0.19%	5.67%

[1] Annualized returns except for the six months ending June 30, 2011.

[2] Assuming June 30th end date for each period

Additional Information

Ravensource Independent Review Committee ("IRC")

To adhere to National Instrument 81-107 and to provide an arms-length vehicle to deal with matters that involve potential conflicts of interest between the Fund and the Manager, Ravensource established and maintains an Independent Review Committee ("IRC"). The role, composition and responsibilities of the IRC can be summarized as follows:

- size of the IRC is 3 members that are independent from the Manager with no material relationships to the Manager;
- its mandate is to consider and provide impartial judgment on any conflict of interest referred to it by the Manager;
- when a conflict of interest arises, the IRC will review and recommend to the Manager what action it should take to achieve a fair and reasonable result for Ravensource;
- report to the relevant securities regulators any instance where the Manager acted in a conflict of interest matter in such a way that did not comply with conditions imposed by securities legislation or the IRC;
- meet at least annually with at least one of the meetings to be held "in camera";
- for each calendar year, the IRC must prepare a report to the Ravensource Fund that describes the IRC and its activities for the fiscal year. This report is posted on the Fund's website @ www.ravensource.ca

The IRC is comprised of Michael Siskind (Chairman), David Magahey, and Michael Gardiner.

Access to Information

We continue to meet the requirements of National Instrument 81-106 and publish our 25 largest holdings quarterly and net asset value weekly. All of the key Fund documents along with further information on the Fund and the investment team that manages your investments can be accessed through our website (www.ravensource.ca). We are committed to keeping the website current and I encourage you to make use of this resource tool. In addition, we are likely to expand our current reporting to include periodic postings on subjects that may be of interest to unitholders expressed in a less formal manner than is appropriate for this document. Over time we have been mandated to tell you so much in the management discussion and analysis that your patience might be tested by greater length to cover discretionary subjects. Aside from the website, Fund documents can also be retrieved through SEDAR (www.sedar.com).

Fund Information

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Deloitte & Touche LLP

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