

RAVENSOURCE FUND

SEMI-ANNUAL REPORT – JUNE 30, 2008

MANAGEMENT REPORT OF FUND PERFORMANCE

This document has been prepared to provide Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for the period ending June 30, 2008. This MD&A should be read in conjunction with the Fund's June 30, 2008 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 MD&A are expressed in Canadian Dollars.

The MD&A 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 from them.

The Ravensource Fund

The Ravensource Fund ("Ravensource" or "the Fund") is a closed-end mutual fund 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 transitioned away from its roots as an income fund specializing in debt securities of issuers in Australia, New Zealand and other Asian countries into a fund that specializes in North American High Yield, Distressed Debt and small cap equity securities. To reflect the change in the investment mandate, the name was changed from the First Asia Income Fund into the Ravensource Fund. A new section has been added to the financial statements – Discussion of financial risk management – to give a more fulsome disclosure as to the investment and risk management process we adhere to at Ravensource.

Investment Strategy and Risks

As seen in the table below, the investment portfolio as of June 30, 2008 remains heavily weighted towards the equity strategy. However, over the first half of 2008, Ravensource capitalized on opportunities arising from the credit crunch and selectively added High Yield Bond and Distressed Debt positions. We expect that this trend will continue over the rest of 2008 as traditional investors continue their flight to quality thereby lowering the security prices of companies experiencing financial distress. It should be noted, that many of the Equity positions could as easily be designated as Distressed Securities as the investment team is especially drawn to value-related shares that are often in troubled industries or companies.

	6/30/08	12/31/07
High Yield Bonds/Trusts	16.5%	11.6%
Distressed Securities	18.5%	14.8%
Equities	60.4%	68.6%

Results of Operations

The Fund had a net loss for the first six months of 2008 after all fees and expenses of 8.42% using valuation methodology previously prescribed by our declaration of trust or 9.33% applying new GAAP rules. Either way the results were very disappointing and under-performed the 4.6% yield-to-date gain in the TSX Total Return Index. While the Fund may have outperformed other alternative strategy funds and small cap indices (i.e. Russell 2000),

we do not take any comfort in comparable performance as we did not deliver on the objective of delivering absolute returns during the first half of 2008. These results had caused a decrease in net assets from operations of \$1,265,103 or \$0.8826 per unit before factoring in the effect of the June distribution.

Expenses of the Fund were substantially lower versus the first half of 2007 primarily as a result of the lack of incentive fees. Clearly, this is one set of fees that Ravensource unitholders should be happy to pay as it is only incurred if the units increase in value. Other operating expenses were down year-over-year both on an absolute and as percentage of net assets basis.

Investment Performance

The Fund had net losses on investments of \$1,263,744 during the first half of 2008 despite generating \$675,627 in realized gains. In other words, \$1,925,509 of the losses experienced in 2008 remained unrealized. We attribute the losses to two main factors: the lack of liquidity and the credit crunch.

The evaporation of liquidity in the small cap market that occurred during the first part of 2008 resulted in significant mark-to-market losses for many of the Fund's holdings. Investments in Aecon, Glacier Ventures, and Western Financial Group securities experienced losses of between 15% to 30% in their market value since the start of the year.

Further, two of the Fund's investments in distressed securities – Delphi and Solutia – were particularly affected by the credit crunch. Both of these investments were made in anticipation that these entities would emerge from Chapter 11 as healthy going concerns during the first quarter of 2008. Unfortunately, turmoil in the credit markets and the weakening US consumer market effectively cratered the Solutia and Delphi's restructuring plans. The capital markets reaction to the uncertainty facing the companies was swift, harsh and unforgiving to the valuation of the Fund's holdings and resulted in an aggregate mark-to-market loss that represented approximately 44% of the total net losses for 2008.

Gains in the Fund's investments in the energy sector along with its holdings in Specialty Foods Group's Convertible Debentures helped to stem the amount of losses during the period.

While we are not proud of this performance, the time-line of our investment strategy is long-term in nature. In light of the challenging investment environment, we conducted a thorough review of the existing positions and continue to believe that the Fund's investments will generate future performance. Further, Investors should keep in mind Ravensource is a fund that specializes in investing in companies that are underfollowed by traditional investors and often have financial troubles or other scratches and dents. As a result, many of our best investments will materialize when the landscape looks most hazardous.

Liquidity and Investment Activity

Cash balances, net of liabilities, are largely unchanged at 4.5% of Net Assets since the start of the year. In addition to the cash holdings, we view the Fund's holding in BCE – one of the most liquid shares listed on the TSE – as a source of additional liquidity that can be readily turned into cash in the event that we find an attractive investment. Given that most of the hurdles facing the BCE transaction have now been cleared, we view BCE shares as a near-cash investment that as of June 30th, 2008 yielded 20.3% un-annualized basis. Adding this position to the existing net cash, as of June 30, 2008, the Fund had potentially 8.3% of its NAV in incremental purchasing power.

As measured by the Portfolio Turnover Ratio, the Fund's investment activities over the first half of 2008 were in line with prior periods. Over the course of 2008, the Fund sold its holdings in Canadian Pacific Railway, Liquidation World, and Viterra (formerly known as Saskatchewan Wheat Pool). In keeping with the previously stated goal to concentrate our portfolio in fewer investments, we opportunistically added to our existing investments in Village Farms, Westaim, and Winpak.

The only significant new position was Cinram which is the world's second largest manufacturer of DVDs. Cinram hit our radar screen during Q4 2007 when the company announced that it was eliminating its income distribution. This is rarely a positive event for the price of an income trust. Typically, an income trust that pays no income also receives no trust and the price of Cinram fell approximately 50% over-night on the news. As Ravensource's investment team focuses on value as opposed to current income, we spent considerable time analyzing the company and its future prospects. The addition of several investment professionals to the Board of Directors - all of whom have significant investments in the company and restructuring experience - was the event that sealed our interest in the shares. Make no mistake, the Board has a lot of wood to chop in order to turnaround the fortunes of the company and we don't expect to get rich overnight. However, our low purchase price in our view provides not only an attractive entry point to this investment but also establishes a relatively large "margin of safety" in the event that the DVD market continues to erode.

Looking forward, with the recent downturn in equity prices, the "large cap" premium that we have avoided paying in the past has in many cases been erased. We are now finding good value in larger cap securities and thus are seizing on this opportunity to trade up the food chain and away from small cap stocks. While we are just starting this portfolio shift and will continue to hold a sizeable portion of the portfolio in small cap stocks for the foreseeable future, the quality and liquidity of the portfolio will likely improve over the coming quarters.

Financial Highlights

The following tables show selected key financial information about the Fund 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 financial statements. Please see the last page for information about how you can obtain the Fund's annual or interim financial statements.

The Fund's Net Asset Value per Unit (\$)						
	2008*	2007	2006	2005	2004	2003
Net Asset Value, beginning of year	9.46	8.99	8.24	6.92	6.4	7.47
Total revenue	0.08	0.28	0.14	0.14	0.16	0.55
Total expenses	0.08	0.29	0.32	0.46	0.23	0.39
Realized gains (losses) for the period	0.47	1.48	0.68	0.75	0.19	(0.39)
Unrealized gains (losses) for the period	(1.34)	(0.74)	0.49	1.03	0.51	(1.17)
Total increase (decrease) from operations	(0.88)	0.73	0.97	1.46	0.64	(1.40)
Distributions:						
From income (excluding dividends)	-	-	-	-	-	0.08
Return of Capital	0.09	0.17	0.14	0.11	0.1	0.2
Total Annual Distributions	0.09	0.17	0.14	0.11	0.1	0.28
Net asset value at December 31	8.48	9.46	8.99	8.24	6.92	6.4
*For period ended June 30, 2008						

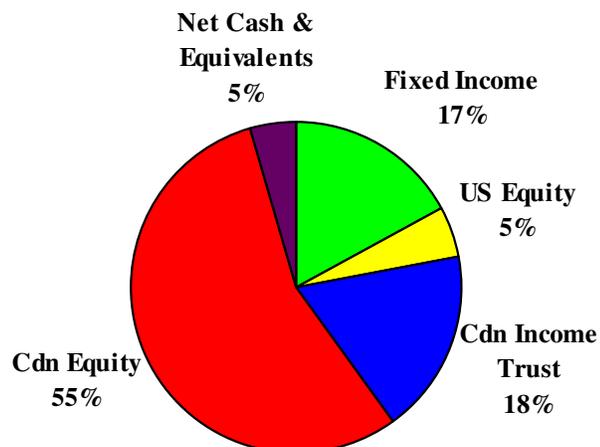
Ratios and Supplemental Data

	2008	2007	2006	2005	2004	2003
Net assets (000's) ⁽¹⁾	\$12,162	\$13,556	\$14,206	\$11,871	\$10,193	\$10,240
Number of units outstanding ⁽¹⁾	1,433,343	1,433,343	1,579,904	1,374,743	1,435,272	1,600,187
Management expense ratio ⁽²⁾	1.89%	3.11%	3.54%	5.93%	3.43%	6.14%
Portfolio turnover rate ⁽³⁾	34.55%	65.43%	59.32%	47.72%	80.14%	N.A.
Number of investments held	42	46	53	56	42	20
Closing market price	\$8.60	\$9.20	\$8.45	\$7.77	\$6.60	\$6.08

1. This information is provided based on the actual number of units outstanding as of December 31 or June 30 the year shown.
2. Management expense ratio is based on total expenses for the year as an annualized percentage of period end net assets.
3. The portfolio turnover rate can indicate how actively the portfolio is traded. The number for 2004 was high as the Fund was starting on a new mandate with mostly cash. The information on turnover of the previous bond portfolio is not available to us and would likely not be meaningful if it were available.

SUMMARY OF INVESTMENT PORTFOLIO

Top 25 Listing with Pie Chart in Percent



Core Holdings % of Net Assets

Specialty Foods Group 8% Bonds due Dec 2011*	8.79%
PlazaCorp Retail Prop. LTD.	7.58%
Indigo Books & Music Inc.	6.11%
Glacier Ventures Intl. Co.	5.70%
Cash & Equivalents	5.41%
Village Farms Income Fund	4.67%
Retrocom Mid-Mkt REIT	4.18%
Cinram Intl. Income Fund	3.82%
BCE Inc.	3.80%
Marsulex Inc.	3.65%
Wave Energy Ltd.*	3.21%
Westaim Corp.	3.20%
Crystallex 9.375% Bonds due Dec 2011	2.72%
Solutia Inc.	2.68%
Western Financial Grp. Inc.	2.67%
Aecon Group Inc.	2.65%
West Energy LTD	2.37%
NEO Material Technologies Inc.	2.30%
McGraw-Hill Ryerson Ltd.	2.30%
First Metals 14% Bonds due May 2012	2.24%
Data Group Income Units	2.22%
Delphi 6.55% Bonds due Nov 2006	1.97%
Winpak Ltd.	1.89%
Maple Leaf Foods	1.89%
Cossette Communications	1.33%
Total % of Net Assets	89.36%

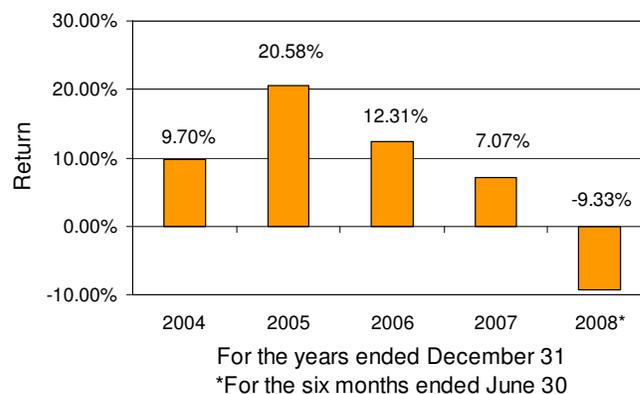
* Private Company. Valued at cost, last known issue price or by independent valuation

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

Past Performance

The charts and tables that follow show the past performance of the Fund and 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 4 years to December 31, 2007. The chart shows in percentage terms how an investment made on January 1 would have increased by December 31 of the same fiscal years plus for the first six months of 2008.



Post Period Developments

By the way of a special meeting of its unitholders, Stornoway Portfolio Management Inc. ("SPM") was appointed as the Investment Manager to the Ravensource Fund, effective July 1st, 2008. SPM's responsibilities include the evaluation, selection and negotiation of investments, the ongoing monitoring and evaluation of such investments and the recommendation of the appropriate timing and structure for disposition of such investments for Ravensource. SPM was founded in 2004 by Scott Reid and is registered with the Ontario Securities Commission as an Investment Counselor/Portfolio Manager and Limited Market Dealer. Scott has over 20 years of experience in the Capital Markets and has focused much of the past 10 years 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, Scott often gets actively involved in investee companies to ensure the successful completion of a corporate turnaround with the ultimate goal of realizing higher value on our investment. Currently, Scott serves on the Board of Directors of SFG Inc., a private U.S. meat processing company in which Ravensource is an investor.

Pat Hodgson, President of Cinnamon Investments Limited ("Cinnamon") which managed the Ravensource Fund from September 30, 2003 up until Stornoway Portfolio Management's appointment on July 1, 2008, will continue to be actively involved with Ravensource. Together with Scott, Pat will be a member of the Ravensource Investment Committee and together, they will be responsible for overseeing the management of Ravensource's investment portfolio in accordance with the mandate of the Fund.

Ravensource's Investment Committee believes in the mantra that investment managers should have "skin in the game" to align their interests with unitholders. As such, Mr. Reid personally owns over 100,000 units of Ravensource representing approximately 7% of the total units outstanding while Mr. Hodgson – directly and through related parties – owns more than 500,000 units of Ravensource representing approximately 37.4% of the units of the Fund.

Additional 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 web-site current and I encourage you to make use of this resource tool. Aside from the website, Fund documents can also be retrieved through SEDAR (www.sedar.com).

I truly welcome investor calls and e-mails from unitholders, large and small, and particularly welcome ideas that the Fund should consider or your opinions about existing disclosed positions. I welcome feedback on how investee companies treat their customers, employees, communities and the environment.

August 29, 2008

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

Fund Information

Trustee, Registrar and Transfer Agent

Computershare Trust Co. of Canada

Auditor

Deloitte & Touche LLP

Investment Manager

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