RAVENSOURCE
FUND

MANAGEMENT'S LETTER TO UNITHOLDERS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

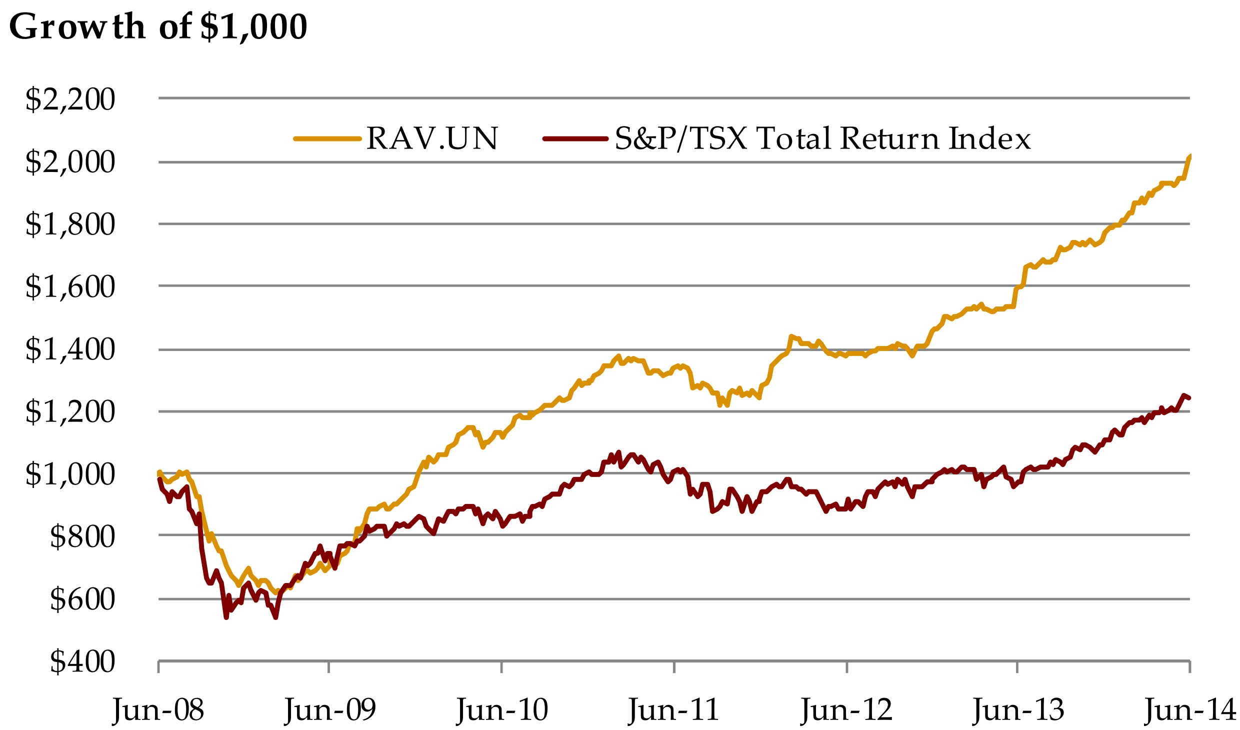
NOTICE TO READERS

This management's letter to unitholders contains candid and in-depth commentary, analysis and other information about the Ravensource Fund. However, this letter does not contain the complete semi-annual financial statements of the investment fund nor the supplemental information found in the Management Report on Fund Performance ("MRFP"). You can get a copy of the financial statements and MRFP at your request, and at no cost, 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.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

A Note on Forward/Looking Statements
This document may contain forward looking statements relating to anticipated future events, results, performance, decisions, circumstances, opportunities, risks or other matters. Forward/looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may", "will", "should", "could", "expect", "anticipate", "intend", "plan", "believe", or "estimate" or other similar expressions. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward/looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward/looking statements. These factors could include, among others, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the fund may invest, and the risks detailed from time to time in the fund's simplified prospectus. 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 the Fund may not update any forward/looking statements whether as a result of new information, future events or otherwise.

MANAGEMENT'S LETTER TO UNITHOLDERS



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

Fellow unitholders,
We are pleased to report that Ravensource Fund's ("Ravensource" or "the Fund") net asset value ("NAV") per unit increased by 14% including distributions over the first 6 months of 2014. By comparison, the S&P TSX Composite Total Return Index increased by 12.9%.

Building on strong performance from prior periods, as of June 30, 2014, an investment in Ravensource units has increased by 101.7% or 12.4% annually, including re-invested distributions, since Stornoway Portfolio Management ("Stornoway") took over its management in July 2008. Over the same period, the S&P TSX Composite Total Return Index has increased by 25.3% or 3.8% annually.

Our goal for this letter is simple: report to Ravensource's investors in a candid fashion about the philosophy that guides our investment decisions; the rationale for and changes in Ravensource's investments; the performance of the investments over the reporting period; and some of the risks that Ravensource is exposed to. We produce this letter to impart knowledge, analysis and information to Ravensource's unitholders so that they can have a thorough understanding of their investment. However, this letter is a supplemental report to be read alongside the financial statements, Management Report on Fund Performance ("MRFP"), Annual Information Form ("AIF") and the Independent Review Committee ("IRC") report.

The Ravensource Fund

Ravensource is a closed-end mutual fund trust whose units trade on the TSX under the symbol **RAV.UN**. The principal objective of Ravensource is to achieve absolute long-term returns, with an emphasis on capital gains, through investments in selected North American securities. To achieve its investment objectives, Ravensource's investments fall primarily in three categories:

1. *High Yielding Securities:* investing in corporate debt, income fund units, or other securities that produce a sustainable high level of income for the underlying credit risk.
2. *Distressed Securities:* investing in corporate debt, creditor claims and/or equity securities of companies which are in, or perceived to be in, financial distress at a value materially different from what we believe to be the underlying fundamental value of the securities.
3. *Special Situations Equities:* investing primarily in Canadian and U.S. small and mid-cap equities that are not only attractively valued but also with catalysts to unlock value.

To execute the investment strategy, Stornoway was appointed the Fund's Investment Manager on July 1, 2008. Stornoway's investment team is comprised of Scott Reid and Steve Schaus, whose bios are on the Ravensource website. In addition to Ravensource, Stornoway also manages the Stornoway Recovery Fund LP that is dedicated to investing in distressed securities.

Pat Hodgson along with the Stornoway investment team sits on Ravensource's Investment Committee that oversees the management of the Fund. Pat is the President of Cinnamon Investments, managed Ravensource until July 1, 2008, and is the Fund's largest unitholder.

We firmly believe that an investment manager should have "skin in the game". As of August 27, 2014, Scott owned 9.0% of the total units of Ravensource outstanding while Steve – directly and indirectly – owned 1.7% and Pat – directly and indirectly – owned 42.5%. In short, we have invested significant capital alongside other Ravensource unitholders and eat our own cooking.

Investment Performance

Ravensource's NAV increased by 14% including distributions over the first 6 months of 2014. The ten investments that have made the most significant contributions – positively and negatively – to Ravensource's performance are found in the table below:

Investment		**Per RAV Unit** [1]	**Period Return** [2]
Crystallex International Corp.	Senior Debenture	$0.48	62.0%
Arcan Resources Ltd.	Convertible Debenture	$0.39	63.2%
Tuckamore Capital	Secured Debenture	$0.28	23.3%
Cannacord Financial Inc.	Common Equity	$0.19	65.9%
Specialty Foods Group Inc.	Common Equity	$0.18	12.4%
Nuvista Energy Ltd.	Common Equity	$0.17	67.8%
Chinook Energy Inc.	Common Equity	$0.14	94.7%
Supremex Inc.	Common Equity	$0.11	35.3%
Quad Graphics Inc.	Common Equity	-$0.03	-15.3%
GLV Inc.	Common Equity	-$0.06	-21.7%

1 Total investment income / # of RAV units outstanding

2 Total Investment Income / (December 31, 2013 Fair Value + YTD 2014 Purchases)

Total investment income = realized gains/losses + unrealized gains/losses + dividends + interest

We would like to review certain of the Fund's investments:

Crystallex International Corp. ("Crystallex")

The Fund's top performer over the first 6 months of 2014 was Crystallex Senior Bonds, generating a return of 62% and adding 48 cents per unit to the Fund. As a reminder, Crystallex defaulted on its debt in December 2011 and has been in bankruptcy protection / CCAA ever since. Stornoway has been actively engaged in protecting its investment through its involvement in Crystallex's creditor committee that has achieved a bargain with the company to bump up the coupon from 9.375% to 20% and to increase the legal protections on its principal in compensation for the default. The International Centre for Settlement of Investment Disputes ("the "ICSID") arbitration hearing against Venezuela was completed in February 2014, leaving the company to file post-trial briefs and await judgment, which could be over a year away. To fund its legal bills and operating costs in the meantime, Crystallex raised $70 million from a sophisticated institutional investor, some of which was secured in May 2014. Reflecting the positive developments in the arbitration and liquidity of the company, the market price of Crystallex's Senior Bonds has increased to $65.

While Crystallex is a difficult company to analyze, we believe their Senior Bonds are very attractive. The recent financing supports our conviction as it that would represent a mediocre investment unless the Senior Bonds received in excess of $150 claim per $100 face value. We can also look to Gold Reserves (GRZ:TSX) for guidance. GRZ had a gold project adjacent to Crystallex's property expropriated by the Venezuelan government, has recently completed their ICSID proceedings and are now awaiting judgment. GRZ's market value is approximately $380 million, which if applied to Crystallex would fully cover Crystallex's senior bond $150 claim. While it is a nebulous business comparing one litigation claim against another, we do note most market observers have historically considered Crystallex's Las Cristinas property to be much more valuable than GRZ's Brisas property.

In the near term, we don't expect the market to pay close to the full claim value until the money from Venezuela is in the bank, no small measure to be sure. But until the price is more reflective of our view of risk / reward of this investment, we will hold on to our Crystallex bond investment and focus on working on the creditor committee to maximize its value.

Arcan Resources Ltd. ("Arcan")

We began purchasing Arcan's convertible debentures (the "Debentures") over the past year, accumulating a significant position at a price of approximately $60 per $100 bond. Our investment thesis is that while Arcan has too much debt, there are solutions to its debt problems and the value of its underlying assets is sufficient to fully cover the face value of the Debentures providing a significant return potential for the Fund and a deep margin of safety if we are proved to be overly optimistic. Typical of our distressed security investments, the price of our Arcan bonds has languished since purchase awaiting a catalyst to emerge to de-stress / fix the company's underlying problems.

On June 23, 2014 such a catalyst emerged as Arcan announced that it had entered into a "strategic transaction" with Aspenleaf Energy Limited ("Aspenleaf") in which Aspenleaf would acquire 87.5% of Arcan's assets. Aspenleaf is a private oil and gas company that is focused on the acquisition of distressed oil and gas assets in Western Canada and is backed by ARC Financial Corp and Ontario Teachers' Pension Plan. According to our calculations, the Apenleaf Proposal values Arcan assets at approximately $325 million against which Arcan has $322 million of debt. Under the Aspenleaf Proposal, Arcan’s Convertible Debentures would receive cash equal to 82.5% of the Debentures’ face value plus some warrants that we believe are worthless.

While bolstered by the irrefutable proof provided by the Aspenleaf Proposal that the market value of Arcan's assets exceeds its debt, we are deeply aggrieved by the actions of Arcan’s board to approve a transaction that proposes we accept a 17.5% haircut on our debentures while allocating approximately $40 million of value to Arcan’s shareholders. Simply put, the Aspenleaf Proposal violates the fundamental right of creditors to be repaid in full prior to any payment being made to shareholders. Accordingly, we initiated actions to protect the Fund’s investment, including the retention of legal counsel and corresponding with Arcan’s board to express our strong objection to the proposed transaction but also our support of a transaction whereby we would receive 100 cents on the dollar in cash.

Arcan’s debentures, trading at approximately $60 per $100 face value prior to the announcement, traded up to $82 once the market had absorbed the details of the Aspenleaf Proposal. While our Arcan investment generated a total return of 63.2% and contributed 39 cents per unit to the fund for the first half of 2014, in our view it is unlikely that the Aspenleaf Proposal will receive sufficient support from its stakeholders to pass and if so, the bonds will likely fall in price. Despite this uncertainty, the value inherent in the Aspenleaf Proposal provides a significant margin of safety against our purchase price and supports our conviction that Arcan debentures remain an excellent investment.

Nuvista Energy Ltd. (“Nuvista”)
Our investment in Nuvista shares has been an outstanding performer for Ravensource. Consistent with our energy company bias, Nuvista is focused on the development of its existing resources rather than the pure exploration for new, which in our minds, is a much lower risk proposition. Nuvista is unique in our energy portfolio in that its future is dependent on Montney liquids and gas in relatively deep and highly technical wells. The Montney fields are relatively new and may turn out to be the best fields ever found in Canada. However, these are expensive wells to plan, drill and operate and require the use of the latest mechanical techniques. While Nuvista is not a small company, the current production profile is small enough that any failures / successes at the well-head will have a magnified impact on its results and in turn, the value of our investment. We purchased our Nuvista shares on the back of market weakness that followed such a failure which also precipitated a change in the company’s CEO. The new CEO has impressed the market and its subsequent well results have restored the market’s confidence in the company and Nuvista’s share price. Their most recent disclosed well results ranks amongst the best Alberta wells last quarter with only the weakness in natural gas pricing this summer causing some of the icing to be taken off the cake.

Relative Performance
Our objective is to produce significant long-term rates of return regardless of market conditions. This is called absolute performance and the first part of this letter outlined how we or rather the Fund’s investments have accomplished it over the first half of 2014.

While generating absolute performance for the Fund’s investors is our job, we believe that it is essential for investors to monitor their investments and in the case of investment funds, to judge the performance of their investment managers. To facilitate this process, we have identified several commonly used indices that directly correspond to the investments strategies that Ravensource employs:

1) *High Yielding Securities:* the B of A ML High Yield Master II Index is the most commonly used benchmark to track the performance of U.S. dollar denominated, high yield / below investment grade rated corporate debt.

2) *Distressed Securities:* the Credit Suisse Distressed Index is a widely recognized index that tracks the performance of funds whose mandate is to invest in distressed securities.

3) *Special Situations Equities:* we use both the S&P /TSX Composite along with the S&P/TSX Small Cap indicies as the Fund primarily invests in Canadian securities, many of which are smaller and under-followed companies.

The table below outlines the historical performance of Ravensource and the various indices. Please note that all returns are calculated on a total return basis and that while the table contains 10 years of data, Stornoway only became Ravensource's Investment Manager in July 2008.

As at June 30, 2014	YTD 2014	1 Year	3 Years	5 Years	10 Years	Since (2) 01-Jul-08
Ravensource Fund - RAV.UN(1)	**14.0%**	**26.4%**	**14.7%**	**23.4%**	**10.8%**	**12.4%**
S&P/TSX Composite Total Return Index	12.9%	28.7%	7.6%	11.0%	8.8%	3.8%
S&P/TSX Small Cap Total Return Index	18.0%	36.2%	2.7%	14.1%	5.1%	3.7%
BofA ML High Yield Master II Index	5.6%	11.8%	9.3%	13.9%	8.9%	10.8%
Credit Suisse Distressed Index	6.4%	14.3%	8.6%	10.6%	7.9%	6.0%

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

(2) Stornoway Portfolio Management was appointed as Manager of the Ravensource Fund effective July 1, 2008.

(3) Returns are annualized, except YTD returns

Over the first half of 2014, we can report that our results stack up favorably against the indices the Investment Manager utilizes to measure the Fund's relative performance. Over a longer-term perspective, the Fund's outperformance is magnified as Ravensource's NAV per unit has increased by 101.7% in total and 12.4% on an annualized basis, including re-invested distributions, since Stornoway Portfolio Management took over its management in July 2008. By comparison, the S&P TSX Composite Total Return Index has increased by 25.3% in total or 3.8% on an annualized basis over the same time period.

Fund Liquidity and Investment Activity

Liquidity

Starting the year with 26.6% of the Fund's net assets in cash, by June 30, 2014 it had declined to 20.5% of net assets. This decline in cash as a percentage of NAV was due to the strong performance of the Fund's investments and expense payments in excess of dividends and interest received. Investment transaction had a minimal net impact on our cash balances, as investment purchases were essentially equal to our investment divestitures.

While the Fund held a large amount of our net cash, the rate of our investment purchases have recently picked up as we have been uncovering attractive opportunities that merit investment.

	Amount	per Unit	% of NAV (1)
Sources			
Investment Divestitures	3,553,914	2.0900	14.38%
Dividends and Interest	412,080	0.2423	1.67%
Foreign Exchange Gain on Cash	9,610	0.0057	0.04%
Total	3,975,604	2.3379	16.09%
Uses			
Investment Purchases	3,582,579	2.1068	14.50%
Expenses	913,969	0.5375	3.70%
Distributions to Unitholders	255,071	0.1500	1.03%
Net change in working capital	185,553	0.1091	0.75%
Total	4,937,172	2.9034	19.98%
Change in Cash	-961,568	-0.5655	-3.89%

(1) % of December 31, 2013 NAV

Investments

Where did we invest our capital? Approximately half of Ravensource's purchases were directed to establishing new positions, primarily in the shares of Coast Wholesale Appliances (CWA:TSX) and Donnycreek Energy (DCK:TSX). The rest of the purchases were additions to our existing holdings of Ivanhoe Energy (IE:TSX), Arcan Energy (ARN:TSX) and Crystallex International bonds and in the shares of CVTech Group (CVT:TSX).

Divestitures

Approximately 70% of our divestitures during the period where the result of exiting positions, primarily the shares of Coast Wholesale Appliances (CWA:TSX), Canaccord Genuity Group (CF:TSX), and Connacher Oil and Gas (CLL:TSX). The rest of our divestitures where reductions in existing holdings of Tuckamore Capital Management (TX:CN) bonds and the shares of Clairvest Group (CVG:TSX) and Ten Peaks Coffee (TPK:TSX).

Canaccord Genuity Group Inc. ("Canaccord")

We began purchasing Canaccord shares in the later part of 2011 during a rather sharp sell-off in the equity market that particularly punished commodity-related equities. As an investment dealer with a significant commodity practice, Canaccord's share price fell accordingly. In addition, the market penalized Canaccord for its purchase of the U.K. - based investment bank Collins Stewart Hawkpoint believing the price was too high and the wrong time to expand. Our view was that

Canaccord was a well-managed company, with the ability to weather the storm during the commodity downturn, and significant operating leverage which would pay dividends when markets recovered. Contrary to the markets disapproval of the Collins Stewart acquisition, we believed that Canaccord's M&A and investment banking team would be able to leverage off their expanded European and US footprint and non-commodity industry focus. We were further comforted by the fact that we were buying alongside meaningful insider buying as the rest of the market sold. Our Canaccord investment fit nicely into our special situation equities strategy – buy well-managed companies during periods of market panic, and wait to profit when the panic subsides. After reporting some solid operating results, Canaccord shares rebounded sharply in the first half of 2014. In June, we took the opportunity to exit our position, as the risk-reward of the investment was no longer balanced so clearly in our favour. As was true at the time of our investment, our decision to sell was also significantly influenced by the decision by several key insiders to reduce their share position. During the two and a half year hold period, our Canaccord investment generated a total return of 44.3% and an annualized return of 15.7%.

Risks

At the time of investment and throughout the period that we own a security, we take particular care in assessing its risk and the impact that it has on the overall risk of the portfolio. A key risk management tool is that we purchase securities at prices substantially below what we have identified as its margin of safety and often become actively involvednto ensure that our rights are upheld. However, despite our thorough analysis and involvement, sometimes we are just wrong or the potential of a given investment does not materialize thus exposing our investors to a loss of capital.

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 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. We encourage all investors to carefully read the Fund's financial statements, including the additional disclosure in the notes to the financial statements, as we do prior to making an investment.

There has been no change in the Fund's stated investment strategy or other changes that would materially affect the risk of investing in Ravensource in 2014. We 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.

To give you a better understanding of the risks that Ravensource is exposed to, we have broken out the portfolio by investment strategy, enterprise value, industrial grouping and concentration.

Portfolio Composition

Investment Portfolio by Strategy

Over the first half of 2014, the Fund's investment portfolio effectively became equally weighted to its Special Situation Equities and Distressed Securities strategies with no investments in High Yielding Securities. With investors continuing to clamour for yield, prices have increased above where the Investment Manager deems them to be attractive. The shift from Special Situations Equities towards Distressed Securities is partly the result of realizing gains in some of our Special Situation

Equities positions combined with both strong gains and additional purchases in our Distressed Securities investments. We do not target specific strategy weightings; rather we select the most attractive investment opportunities wherever they are found.

By Investment Strategy	**% of Investment Portfolio**	
	Jun-14	**Dec-13**
Special Situation Equities	49.4%	55.3%
Distressed Securities	50.6%	44.7%
High Yielding Securities	0.0%	0.0%
Total	**100%**	**100%**

Investment Portfolio by Enterprise Value

The Fund's investment approach focuses largely on situations that are overlooked by traditional investors and where we can have influence and create value**.** As a result, the Fund's investments gravitate towards smaller companies. To put this in perspective, the average enterprise value of the companies we are invested in is approximately $750 million versus $10 billion average – excluding bank shares – for the S&P TSX Composite index and $1.1 billion for S&P TSX Small Cap index. In other words, the average non-bank company in the TSX Composite Index is approximately 13 times the average size of Ravensource's investments.

By Enterprise Value	**% of Investment Portfolio**	
	Jun-14	**Dec-13**
Less than $100 million	20.6%	24.1%
$100 - $250 million	27.0%	15.4%
$250 - $500 million	25.5%	29.2%
$500 million - $1 billion	5.1%	14.9%
> $1 billion	21.8%	16.4%
Total	**100%**	**100%**

Investment Portfolio by Industrial Group

While Ravensource does not specialize in specific industries, our experience and investment philosophy leads us to focus on 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 like buying a car with no steering or brakes. In our energy investments, we invest in companies that are geared towards harvesting their existing resources rather than exploring for new. 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, our emphasis on an investment's margin of safety generally results in avoiding the more sensitive sectors of the economy.

By Industrial Group	**% of Portfolio**
Energy	24.1%
Food Products	16.2%
Conglomerate	12.2%
Metals & Mining	12.2%
Financial	9.7%
Paper & Packaging	9.4%
Industrial	6.1%
Real Estate	5.1%
Media & Publishing	2.6%
Construction	1.4%
Retail	1.0%
Total	**100%**

Concentration
As we believe that the most effective method to reduce/manage risk is to know your investments inside and out and that one of the Fund's biggest investments is the time it takes to uncover, protect and maximize the value of our investments, Ravensource may be a more concentrated portfolio than other investment funds. However, the Fund currently has only five investments exceeding 5% of NAV as we exited some of our larger positions. After cash, the next top 10 investments – ranked by market value – represented 58.9% of NAV as of June 30, 2014, up versus 51.9% from the start of the year. Going forward, we expect that the Fund will continue to increase its exposure in positions that we know the best and hold the strongest convictions.

Expenses

Ravensource's expenses include investment management fees, Trustee fees, TSX listing fees, taxes (including but not limited to GST/HST), interest and borrowing costs, accounting and audit expenses, IRC costs, legal and professional expenses. The annualized Management Expense Ratio ("MER") measures the amount of annual fund expenses expressed as ratio to average net assets and is commonly used by investors and fund analysts to compare the operating costs of an investment fund.

In the case of Ravensource and other funds that have an incentive fee structure, the MER is a little more complicated. Incentive fees are different than other fund expenses as they are not naturally reoccurring but are only incurred / paid at the end of the year if the annual investment performance of the Fund exceeds the 5% hurdle rate while meeting other conditions. Considering this, we believe the appropriate way to incorporate the incentive fee is to report the MER on both a pre and post incentive fee basis and not to annualize the incentive fee for interim periods.

Management Expense Ratio Composition	**2014**	**2013**
Management, administrative and IR fees	0.65%	0.57%
Trust, transfer agency, and listing fees	0.25%	0.27%
Accounting and audit fees	0.22%	0.25%
Legal fees	0.08%	0.47%
Other expenses	0.12%	0.14%
Expenses before incentive fee	**1.33%**	**1.71%**
Incentive fee	3.18%	2.05%
Total expenses	**4.50%**	**3.76%**

For the 6 months ended June 30, 2014, Ravensource's annualized MER, excluding the incentive fee, was 1.33%, a decrease of 38 basis points versus June 30, 2013 levels. This decrease in the MER is due to lower legal fees, partly offset by a small increase in net management and administration fees. Legal fees were lower for the first 6 months of 2014 as the Fund incurred significant legal expenses in connection with negotiations relating to its Crystallex position during the first half of 2013. The increase in management and administration fees is due to the fact that the reduction of Management and Administrative Fees, which occurs as a result of the Investment Manager's policy of passing along the economic benefit of fees received from investees to the Fund, is a fixed quarterly amount while the gross Management and Administrative Fees are variable and have increased year over year with the increase in Net Assets. As a result, the net Management and Administrative Fees, after fee reductions, increased compared to the 6 months ended June 30, 2013.

The Incentive Fee accrued for the 6 months ended June 30, 2014 amounted to $739,525 or 3.18% of average net assets, versus an incentive fee of $393,789 or 2.05% for the 6 months ended June 30, 2013. The increase in the incentive fee is due to improved investment performance.

Factoring in the impact of the incentive fee, Ravensource's MER for the first 6 months of 2014 was 4.5% versus 3.76% for the first 6 months of 2013. The 74 basis point increase in the MER is due to a 112 basis point increase in the incentive fee partially offset by the above-mentioned net decreases in other expenses.

Distributions

Ravensource's distribution policy is to make semi-annual distributions to unitholders in an amount to ensure that it does not incur any tax while providing a reasonable yield. Total distributions for the 6 months ended June 30, 2014 amounted to $0.15 per unit, up from total distributions of $0.09 per unit for the 6 months ended June 30, 2013. Using June 30, 2014's closing bid price of $14.00, the units had an annualized current yield of 2.1% assuming distributions remain constant.

Concluding Remarks

Ravensource Fund delivered strong performance for its investors over the first half of 2014. Not only did the Fund benefit from the recognition by Mr. Market of the steady value creation in many of our larger investment positions, there was an absence of negative performing assets that detracted from all their good work. In investing, as in baseball, it is so much easier to rack up wins when no one strikes out.

We did have an active period deploying the Fund's capital, however the best opportunities were found in our existing holdings rather than new ideas, and despite this healthy rate of acquisitions, it was largely offset by selling investments that we believed reached their investment potential.

Looking forward, we remain highly confident that our existing investments and our discipline in selecting future ones will continue to produce significant returns in a risk-controlled manner. With yours, our capital is on the line.

Please feel free to contact us – we look forward to hearing from unitholders. Any ideas that the Fund should consider or any opinions on existing positions are welcome. We 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.

August 27, 2014

Scott Reid, CFA
Chief Investment Officer

Steve Schaus, CA, CFA
Partner

Stornoway Portfolio Management Inc.
Investment Manager of the Ravensource Fund

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