

Financial Statements of

RAVENSOURCE FUND

Six month ended June 30, 2020
(Unaudited)

RAVENSOURCE FUND

Table of Contents

	Page
• Management Responsibility for Financial Reporting	
• Financial Statements of Ravensource Fund	
• Statement of Financial Position	1
• Statement of Comprehensive Income	2
• Statement of Changes in Net Assets Attributable to Holders of Redeemable Units	3
• Statement of Cash Flows	4
• Schedule of Investments	5
• Notes to Financial Statements	6 - 28

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements have been prepared by **Stornoway Portfolio Management Inc.** in its capacity as the Investment Manager of Ravensource Fund (the "Trust"). The Trust's Investment Manager is responsible for the information and representations contained in these financial statements.

The Investment Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements made by the Investment Manager. The significant accounting policies which the Investment Manager believes are appropriate for the Trust are described in Note 3 to the unaudited interim financial statements.

On behalf of the Investment Manager



Scott Reid

August 6, 2020

Date

NOTICE TO UNITHOLDERS

The Auditors of the Trust have not reviewed these financial statements.

Computershare Trust Company of Canada, the Trustee of the Trust, appointed an independent auditor to audit the Trust's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Trust's interim financial statements, this must be disclosed in an accompanying notice.

RAVENSOURCE FUND

Statement of Financial Position

June 30, 2020, with comparative information for December 31, 2019
(Unaudited)

	2020	2019
Assets		
Cash and cash equivalents	\$ 7,409,437	\$ 5,992,900
Financial assets at fair value through profit or loss (cost - \$18,011,752; 2019 - \$19,683,646) (note 10)	18,377,022	23,658,174
Foreign exchange contract (note 10)	–	157,781
Interest and dividends receivable	28,511	58,299
Prepaid expenses	1,248	–
	<u>25,816,218</u>	<u>29,867,154</u>
Liabilities		
Accounts payable and accrued liabilities	54,441	98,961
Foreign exchange contract (note 10)	182,292	–
Management and administrative fees payable (note 4(a) and (b))	24,822	55,426
	<u>261,555</u>	<u>154,387</u>
Net assets attributable to holders of redeemable units	\$ 25,554,663	\$ 29,712,767
Number of redeemable units outstanding (note 6)	1,672,870	1,672,870
Net assets attributable to holders of redeemable units per unit (note 5)	\$ 15.28	\$ 17.76

See accompanying notes to financial statements.

Approved on behalf of the Trust:



Stornoway Portfolio Management Inc.,
as Investment Manager

RAVENSOURCE FUND

Statement of Comprehensive Income

Six months ended June 30, 2020, with comparative information for 2019
(Unaudited)

	2020	2019
Income:		
Dividends and income trust distributions	\$ 235,473	\$ 238,145
Interest income for distribution purposes	83,416	141,655
	<u>318,889</u>	<u>379,800</u>
Net change in fair value on financial assets at fair value through profit or loss and foreign exchange contracts:		
Net realized gain (loss) on financial assets, including foreign exchange translations on cash	321,411	(4,132,729)
Net unrealized gain (loss) on financial assets	(3,602,641)	4,583,362
Net unrealized gain (loss) on foreign exchange contracts	(340,073)	229,995
Net realized gain (loss) on foreign exchange contracts	<u>(272,281)</u>	<u>322,875</u>
Net change in fair value on financial assets and foreign exchange contracts	<u>(3,893,584)</u>	<u>1,003,503</u>
	<u>(3,574,695)</u>	<u>1,383,303</u>
Expenses:		
Management fees (note 4(a))	101,463	108,465
Legal fees	72,239	77,194
Administrative fees (note 4(b))	54,634	58,404
Independent review committee fees	18,531	18,000
Accounting fees	16,679	16,001
Audit fees	15,480	14,410
Listing fees	12,340	14,054
Trust administration and transfer agency fees	12,776	12,033
Other	11,171	2,305
Transaction costs	10,385	9,732
Investor relations fees (note 4(d))	6,780	6,684
Incentive fee (note 4(c))	—	75,105
	<u>332,478</u>	<u>412,387</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>\$ (3,907,173)</u>	<u>\$ 970,916</u>
Weighted average number of units outstanding during the period	1,672,870	1,672,870
Increase (decrease) in net assets attributable to holders of redeemable units per weighted average unit outstanding during the period	<u>\$ (2.34)</u>	<u>\$ 0.58</u>

See accompanying notes to financial statements.

RAVENSOURCE FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

Six months ended June 30, 2020, with comparative information for 2019
(Unaudited)

	2020	2019
Net assets attributable to holders of redeemable units, beginning of period	\$ 29,712,767	\$ 28,808,158
Increase (decrease) in net assets attributable to holders of redeemable units	(3,907,173)	970,916
Capital transactions:		
Distributions to holders of redeemable units (note 5(d))	(250,931)	(250,931)
Net assets attributable to holders of redeemable units, end of period	\$ 25,554,663	\$ 29,528,143

See accompanying notes to financial statements.

RAVENSOURCE FUND

Statement of Cash Flows

Six months ended June 30, 2020, with comparative information for 2019
(Unaudited)

	2020	2019
Cash and cash equivalents, beginning of period	\$ 5,992,900	\$ 8,854,534
Increase (decrease) in cash and cash equivalents during the period:		
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	(3,907,173)	970,916
Adjustments for non-cash income items:		
Net realized (gain) loss on financial assets including foreign exchange translations on cash	(321,411)	4,132,729
Net unrealized (gain) loss on financial assets	3,602,641	(4,583,362)
Net unrealized (gain) loss on foreign exchange contracts	340,073	(229,995)
Change in non-cash balances:		
(Increase) decrease in interest and dividends receivable	29,788	(115,525)
Increase in prepaid expenses	(1,248)	—
Decrease in accounts payable and accrued liabilities	(44,520)	(49,340)
Decrease in incentive, management and administrative fees payable	(30,604)	(835,047)
Proceeds from sale of investments	2,298,374	1,458,404
Purchase of investments	(954,382)	(2,531,433)
Net cash flows from (used in) operating activities	1,641,538	(1,782,653)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units	(250,931)	(250,931)
Foreign exchange gain (loss) on cash	25,930	(24,559)
Increase (decrease) in cash and cash equivalents during the period	1,390,607	(2,058,143)
Cash and cash equivalents, end of period	\$ 7,409,437	\$ 6,796,391
Supplemental cash flow information:		
Interest received	\$ 160,203	\$ 101,947
Dividends received	188,474	162,328

See accompanying notes to financial statements.

RAVENSOURCE FUND

Schedule of Investments

As at June 30, 2020 (unaudited)

Shares/units/ par value	Investments owned	Average cost	Fair value	Fair value as % of net asset value
Canadian equities:				
1,000	Crystallex International Corp.	\$ 90	\$ –	–
105,666	Delphi Energy Corp.	174,349	–	–
186,423	Dundee Corp. Series 3 Preferred Shares	2,237,067	2,964,126	11.60
19,629	Dundee Corp. Series 2 Preferred Shares	278,309	316,027	1.24
19,100	GVIC Communications Corp. Class B	15,471	191	0.00
		2,705,286	3,280,344	12.84
U.S. equities:				
296,667	Firm Capital American Realty Partners Trust	2,511,948	2,215,235	8.67
484,500	Genworth Financial Inc.	2,574,545	1,519,475	5.95
300,900	GXI Acquisition Corp. Class A	399,287	269,948	1.06
745,286	GXI Acquisition Corp. Class B	988,915	668,622	2.62
515,766	Old PSG Wind-Down Ltd.	403,389	62,587	0.24
351,003	Quad/Graphics Inc.	2,394,960	1,548,752	6.06
1,323,256	SeaCo Ltd.	–	–	–
2,026	Spanish Broadcasting System Inc. Preferred Shares 10.75%	1,923,711	1,650,359	6.45
90,663	Specialty Foods Group LLC. Class 2 Preferred Shares	–	33,616	0.13
		11,196,815	7,968,594	31.18
Fixed income:				
473,473	Colabor Group Inc. 6%, due October 13, 2021	376,100	374,044	1.46
3,959,000	Crystallex International Corp. 9.375%, due December 30, 2011*	2,453,240	5,912,430	23.14
1,106,316	Delphi Energy Corp 10% due April 15, 2023*	781,168	296,161	1.16
432,000	Spanish Broadcasting System Inc. 12.5%, due April 15, 2017*	546,297	545,449	2.13
		4,156,805	7,128,084	27.89
Net investments owned		18,058,906	18,377,022	71.91
Foreign exchange contract:				
Sell \$12,000,000 USD, buy \$16,108,080 CAD @1.34234, September 11, 2020		–	(182,292)	(0.71)
Brokerage commissions		(47,154)		
Total portfolio of investments		<u>\$ 18,011,752</u>	18,194,730	71.20
Other net assets			7,359,933	28.80
Net assets attributable to holders of redeemable units			<u>\$ 25,554,663</u>	<u>100.00</u>

* Defaulted

See accompanying notes to financial statements.

RAVENSOURCE FUND

Notes to Financial Statements

Six months ended June 30, 2020

1. Trust organization and nature of operations:

The Ravensource Fund (the "Trust") is a closed-end investment trust which was created under the laws of the Province of Ontario pursuant to a Declaration of Trust, dated April 28, 1997, as amended January 15, 2001 and as further amended and restated as at August 22, 2003, July 1, 2008, July 3, 2015 and August 7, 2019. The Trust's units are listed on the Toronto Stock Exchange (RAV.UN).

Computershare Trust Company of Canada acts as trustee for the Trust (the "Trustee"). At a special meeting of the Trust's unitholders, Stornoway Portfolio Management Inc., an Ontario corporation, was appointed as the investment manager (the "Investment Manager") of the Trust, effective July 1, 2008. The Trust's principal place of business is located at 30 St. Clair Avenue West, Suite 901, Toronto, Ontario M4V 3A1.

The Investment Manager provides portfolio management and administrative services to the Trust, subject to the overall supervision of the Trustee. The Investment Manager is authorized to invest the Trust's assets and make investment decisions on behalf of the Trust. Senior executives of the Investment Manager own 136,987 (December 31, 2019 – 163,487) units, representing 8.2% (December 31, 2019 - 9.8%) of the outstanding units as at June 30, 2020.

The capital of the Trust is represented by the net assets attributable to holders of redeemable units of the Trust, and comprises investments, cash and cash equivalents, and interest and dividends receivable, offset by liabilities of the Trust. As more fully outlined in the Declaration of Trust, the principal investment objective of the Trust is to achieve absolute annual returns, with an emphasis on capital gains, through investment in selected North American securities. To achieve its objectives the Trust invests across three core strategies: Distressed Securities; Alternative Credit; and Special Situations Equities. The success of the Trust depends on the investment decisions of the Investment Manager and will be influenced by a number of risk factors, including liquidity risk, market risk, investment in options, and leverage from borrowed funds.

2. Basis of presentation:

(a) Basis of presentation:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They were authorized for issue by the Investment Manager on August 6, 2020.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

2. Basis of presentation (continued):

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

3. Significant accounting policies:

The following is a summary of the significant accounting policies followed by the Trust:

(a) Financial instruments:

(i) Recognition, initial measurement and classification:

IFRS 9, Financial Instruments ("IFRS 9") requires assets to be classified based on the Trust's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit and loss ("FVTPL"). IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, at fair value, with transaction costs recognized in the statements of comprehensive income. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

Under IFRS 9, the Trust classifies financial assets and financial liabilities into the following categories:

- Financial assets at FVTPL: debt securities, equity investments and derivative financial instruments;
- Financial assets at amortized cost: all other financial assets are classified as at amortized cost;
- Financial liabilities at FVTPL: derivative financial instruments and securities sold short, if any; and

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

3. Significant accounting policies (continued):

- Financial liabilities at amortized cost: all other financial liabilities are classified as at amortized cost.

The Trust does not classify any derivatives as hedges in a hedging relationship.

(ii) Fair value measurement:

Securities listed upon a recognized public stock exchange are valued at the most recent price which the security transacted as of the valuation dates. In the event a given security is not transacted on a valuation date, the Investment Manager values the security using its closing bid price. In a situation where, in the opinion of the Investment Manager, a market quotation for a security is inaccurate, unreliable, or not readily available, the fair value of the security is estimated using valuation techniques generally used in the industry. These techniques take into account market factors, valuation of similar securities and interest rates.

Short-term notes, treasury bills, bonds, asset-backed securities and other debt instruments traded in over-the-counter markets are valued at bid quotations provided by recognized investment dealers.

Securities not listed upon a recognized public stock exchange or not traded in over-the-counter markets are valued using valuation techniques, which take into account market factors, valuation of similar securities and interest rates.

The Trust recognizes financial instruments at fair value. Purchases and sales of financial assets are recognized at their trade dates. The Trust's obligation for net assets attributable to holders of redeemable units is presented on the financial statements at the redemption amount as determined according to the Declaration of Trust. All other financial assets and financial liabilities are measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Trust's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value for transactions with unitholders.

The Trust may enter into foreign exchange contracts to hedge itself against foreign currency exchange rate risk for its foreign currency-denominated assets and liabilities in case of adverse foreign currency fluctuations against the U.S. dollar.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

3. Significant accounting policies (continued):

Forward currency transactions are classified as foreign exchange contracts in the Trust's financial statements and represent agreements for delayed delivery of specific currencies in which the seller agrees to make delivery at a specified future date of specified currencies. Risks associated with forward currency transactions are the inability of counterparties to meet the terms of their respective contracts and movements in fair value and exchange rates. The Trust considers the credit risk of the counterparty for forward currency transactions in evaluating potential credit risk and selecting counterparties to forward currency transactions.

(iii) Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Trust and its custodian have agreed that in the event of a default, the custodian reserves the right to sell any and all property the Trust holds with the custodian or any of its affiliates, to offset any indebtedness the Trust may have.

(iv) Recognition/derecognition:

The Trust recognizes financial assets or financial liabilities on a trade date basis - the date it commits to purchase or sell the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the statements of comprehensive income.

Other financial assets are derecognized when, and only when, the contractual rights to the cash flows from the asset expire; or when the Trust transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Trust derecognizes financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or expired.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

3. Significant accounting policies (continued):

(b) Income recognition:

Interest income is accrued daily and dividend income is recognized on the ex-dividend date.

Interest income for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Trust accounted for on an accrual basis. The Trust does not amortize premiums paid or discounts received on the purchase of fixed income securities, except for zero coupon bonds, which are amortized on a straight-line basis.

Net realized gain (loss) on the sale of financial assets and net unrealized gain (loss) on financial assets are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero-coupon bonds.

(c) Income taxes:

The Trust is taxable as a mutual fund trust under the Income Tax Act (Canada) on its income, including net realized capital gains in the taxation year, which is not paid or payable to its unitholders as at the end of the taxation year. It is the intention of the Trust to distribute all of its net income and sufficient net realized capital gains so that the Trust will not be subject to income taxes.

(d) Foreign currency translation:

Transactions in currencies other than the Canadian dollar are translated at the rates of exchange prevailing at the transaction dates. Assets and liabilities denominated in currencies other than the Canadian dollar are translated at the applicable exchange rates prevailing at the reporting dates. The functional currency of the Trust is the Canadian dollar. Resulting exchange differences are recognized in the statements of comprehensive income in net realized gain (loss) on financial assets and net unrealized gain (loss) on financial assets.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

3. Significant accounting policies (continued):

(e) Transaction costs:

Transaction costs are expensed and are included in the statements of comprehensive income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

(f) Use of estimates:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Trust may hold financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is the area with the most significant accounting judgements and estimates the Trust has made in preparing the financial statements. See note 10 for more information on fair value measurements. Actual results could differ from those estimates.

The assessment made by management on the date of initial application of IFRS 9 includes the determination of the business model within which a financial asset is held and the designation and revocation of previous designation of certain financial assets and financial liabilities as measured at FVTPL.

(g) Cash and cash equivalents:

Cash and cash equivalents represent cash positions, as well as any trades that are in transit as at June 30, 2020 and December 31, 2019.

(h) Net assets attributable to holders of redeemable units per unit:

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of units by the total number of units of that particular class outstanding at the end of the period.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

3. Significant accounting policies (continued):

- (i) Increase in net assets attributable to holders of redeemable units per weighted average units outstanding during the period:

Increase in net assets attributable to holders of redeemable units per weighted average unit outstanding during the period is based on the increase in net assets attributable to holders of redeemable units attributed to each class of units, divided by the weighted average number of units outstanding of that class during the period.

4. Related party transactions:

- (a) Management fees:

The management fees payable to the Investment Manager are based on the Trust's average weekly net assets attributable to holders of redeemable units at the end of each week and payable on the last business day of each calendar month as follows:

Average weekly net assets attributable to holders of redeemable units	Management fee
Up to and including \$250,000,000	0.65% plus HST
Between \$250,000,000 and \$500,000,000	0.60% plus HST
\$500,000,000 and more	0.55% plus HST

The management fees for the period ended June 30, 2020 amounted to \$101,463 (June 30, 2019 - \$108,465). The management fees payable as at June 30, 2020 amounted to \$16,134, including HST (December 31, 2019 - \$36,027).

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

4. Related party transactions (continued):

(b) Administrative fees:

Subject to the supervision of the Trustee, the Investment Manager agrees to be responsible for and provide certain administrative services to the Trust. The Trust will pay the Investment Manager a fee based on the Trust's average weekly net assets attributable to holders of redeemable units at the end of each week and payable on the last business day of each calendar month as follows:

Average weekly net assets attributable to holders of redeemable units	Administrative fee
Up to and including \$250,000,000	0.35% plus HST
Between \$250,000,000 and \$500,000,000	0.30% plus HST
\$500,000,000 and more	0.25% plus HST

The administrative fees for the period ended June 30, 2020 amounted to \$54,634 (June 30, 2019 - \$58,404). The administrative fees payable as at June 30, 2020 amounted to \$8,688, including HST (December 31, 2019 - \$19,399).

(c) Incentive fee:

An incentive fee will be payable to the Investment Manager in any year, equal to 20% of the amount by which the net asset attributable to holders of redeemable units per unit at the end of the year, adjusted for contributions, distributions and redemptions during the year, exceeds the net assets attributable to holders of redeemable units per unit at the beginning of the year by more than 5%, plus any shortfall from the prior year. This fee is accrued monthly but determined annually and paid after the annual audit of the Trust's financial statements is completed. Incentive fee expense for the period ended June 30, 2020 amounted to nil, inclusive of HST (June 30, 2019 - \$75,105). The incentive fee payable as at June 30, 2020 amounted to nil, including HST (December 31, 2019 - nil).

(d) Investor relations fees:

The Investment Manager is paid monthly investor relations fees of \$1,000 plus applicable sales tax for unitholder reporting and other services provided under a service agreement. The aggregate investor relations fees for the period ended June 30, 2020 amounted to \$6,780, inclusive of HST (June 30, 2019 - \$6,684).

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

5. Unitholders' entitlements:

The unitholders' entitlements with respect to the net assets attributable to holders of redeemable units and distribution of income are generally as follows:

(a) Entitlement in respect of net assets attributable to holders of redeemable units:

A pro rata share of the net assets attributable to holders of redeemable units of the Trust in the proportion that each unitholders' equity bears to the aggregate unitholders' equity.

(b) Tax designations and elections:

The Trustee shall file all tax returns, on behalf of the Trust, required by law.

(c) Redemption and recirculation of redeemable units:

By delivering an Annual Redemption Request to be received by the Trust's registrar and transfer agent on or before the twentieth business day prior to the applicable annual redemption date, being the valuation date following August 31 in any year ("Annual Redemption Date"), subject to compliance with applicable laws and the provisions, unitholders shall be entitled to require the Trust to redeem some or all of their units outstanding as net assets attributable to holders of redeemable units as of the Annual Redemption Date.

The Trust has the right to enter into a Recirculation Agreement prior to the Annual Redemption Date with one or more investment dealers designated by the Investment Manager. Through the recirculation process, interested purchasers have the opportunity to purchase units surrendered for redemption prior to the Annual Redemption Payment Date. During the year ended December 31, 2019, 60,542 units (2018 – 56,961) of the 60,542 redeemable units tendered for redemption (2018 – 56,961) were recirculated.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

5. Unitholders' entitlements (continued):

(d) Distributions:

The Trust intends to make semi-annual distributions to unitholders of record as of the last valuation date of each of June and December in each calendar year, of such amount per unit as the Trustee, upon consultation with the Investment Manager, may determine. It is anticipated that the annual distribution will be at least equal to the net capital gains plus the net income of the Trust for that year, net of any tax losses brought forward from prior years.

During the period, the Trust made distributions of \$0.15 per unit on June 30, 2020 for total distributions of \$250,931 (June 28, 2019 - \$250,931).

As at December 31, 2019, the Trust had cumulative net capital losses of \$10,771,758 (2018 - \$9,307,590) for income tax purposes that may be carried forward and applied to reduce future net capital gains.

As at December 31, 2019, the Trust had non-capital losses of \$816,767 (2018 - \$282,617) for income tax purposes that may be carried forward and applied to reduce future years' taxable income.

6. Redeemable units of the Trust:

The Trust is authorized to issue an unlimited number of redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets attributable to holders of redeemable units of the Trust. Each redeemable unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. The redemption price per unit will be equal to the net assets attributable to holders of redeemable units per unit calculated on the redemption date.

	June 30, 2020	June 30, 2019
Redeemable units, beginning of period	1,672,870	1,672,870
Redeemable units, end of period	1,672,870	1,672,870

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

7. Expenses:

The Investment Manager has the power to incur and make payment out of the Trust's property any charges or expenses which, in the opinion the Investment Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Declaration of Trust, including without limitation all fees and expenses relating to the management and administration of the Trust. The Trust will be responsible for any income or excise taxes and brokerage commissions on portfolio transactions. The Investment Manager does not use soft dollar arrangements for the payment of third party products or other services.

8. Indemnification of the Investment Manager:

The Trust has indemnified the Investment Manager (and each of its directors and officers) from and against all liabilities and expenses, reasonably incurred by the Investment Manager, other than liabilities and expenses incurred as a result of the Investment Manager's willful misconduct, bad faith or negligence. There were no claims or expenses against the Investment Manager requiring indemnification during the period ended June 30, 2020 (year ended December 31, 2019 - nil).

9. Financial instruments risk management:

Managing the risks of the investment portfolio is a critical element of the investment management process. The Investment Manager's overall risk management process seeks to minimize the potentially adverse effect of risk on its financial performance in a manner that is consistent with the Trust's investment mandate. To accomplish this goal, the Investment Manager utilizes a range of well-established tools and methods to manage the risk of the Trust.

With the ability of taking both long and short positions, the Trust may incur both interest expense and borrowing fees. While the use of borrowed funds can substantially improve the return on invested capital, its use may also increase the adverse impact to which the investment portfolio of the Trust may be subjected by increasing the Trust's exposure to capital risk and higher current expenses. The Trust did not use any borrowed funds as at June 30, 2020 and December 31, 2019.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

9. Financial instruments risk management (continued):

In the normal course of business, the Trust is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The value of investments within the Trust's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Trust. The level of risk depends on the Trust's investment objectives and the type of securities it invests in.

(a) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust. Where the Trust invests in debt instruments and derivatives, this represents the main concentration of credit risk. The market value of debt instruments and derivatives includes consideration of the creditworthiness of the issuer and, accordingly, represents the majority of the credit risk exposure of the Trust. All transactions executed by the Trust in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold takes place once the broker has received payment, and purchases are paid for once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at June 30, 2020, the market value of the Trust's debt portfolio was \$7,128,084 (27.9% of net assets attributable to holders of redeemable units) (December 31, 2019 - 8,192,862 (27.6% of net assets attributable to holders of redeemable units)), and comprised of non-defaulted bonds (1.5% and 2.3% of net assets attributable to holders of redeemable units as at June 30, 2020 and December 31, 2019, respectively) and defaulted bonds (26.4% and 23.5% of net assets attributable to holders of redeemable units for June 30, 2020 and December 31, 2019, respectively) with nil note subscription receipts (December 31, 2019 – 1.8% of net assets attributable to holders of redeemable units).

As at June 30, 2020, the market value of the Trust's foreign exchange contracts was (\$182,292) (December 31, 2019 – \$157,781), entered into in order to hedge the Trust's exposure to the U.S. dollar. The Bank of Montreal was the counterparty which is rated AA by DBRS.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

9. Financial instruments risk management (continued):

(b) Liquidity risk:

The Trust's cash and cash equivalent positions are a readily available source of liquidity. The Investment Manager utilizes the Trust's liquidity to make investments on behalf of the Trust and to meet the Trust's financial obligations as they become due. In addition, the Trust can raise additional liquidity through the sale of its investments.

Liquidity risk is defined as the risk that the Trust may not be able to settle or meet its obligations on time or at a reasonable price. The Trust's exposure to liquidity risk primarily relates to the annual redemption right of unitholders. As per the Declaration of Trust, the Trust has 35 business days' notice to make a redemption payment, during which time the Investment Manager can raise sufficient cash to satisfy the payment. In addition, the Trust has the right to resell units tendered for redemption.

One measure of the Trust's liquidity to meet any such obligation is the amount of cash, cash equivalent positions and listed securities held by the Trust, expressed as a percentage of net assets attributable to holders of redeemable units. As of June 30, 2020, the Trust held \$7,409,437 of cash (December 31, 2019 - \$5,992,900) and \$8,937,850 of publicly listed securities (December 31, 2019 - \$12,371,973) that aggregates to 64.0% of net assets attributable to holders of redeemable units (December 31, 2019 - 61.8%). The Investment Manager believes that all of the Trust's securities can be sold within the applicable 35-business-day notice period for the annual redemption right. However, the Investment Manager may not be able to do so without adversely impacting transaction prices.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

9. Financial instruments risk management (continued):

(c) Market risk:

(i) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than the Canadian dollar, which represents the functional and presentational currency of the Trust. The Trust may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure. The Trust's exposure to another currency is as follows:

June 30, 2020:

Currency	Exposure			Total	Impact of +/- 1% on net assets attributable to holders of redeemable units
	Cash and cash equivalents	Financial assets	Foreign exchange contract		
United States dollar	\$ 549,039	\$ 14,426,473	\$ (16,290,372)	\$ (1,314,860)	\$ 13,149
% of net assets attributable to holders of redeemable units	2.1	56.5	(63.7)	(5.1)	0.1

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

9. Financial instruments risk management (continued):

December 31, 2019:

Currency	Exposure			Total	Impact of +/- 1% on net assets attributable to holders of redeemable units
	Cash and cash equivalents	Financial assets	Foreign exchange contract		
United States dollar	\$ 433,105	\$ 17,518,060	\$ (14,604,750)	\$ 3,346,415	\$ 33,464
% of net assets attributable to holders of redeemable units	1.5	59.0	(49.2)	11.3	0.1

As at June 30, 2020, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by approximately 0.1% (\$13,149) (December 31, 2019 - 0.1% (\$33,464)). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

(ii) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Trust invests in interest-bearing financial instruments. The Trust is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is no sensitivity to interest rate fluctuations on any cash balances.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

9. Financial instruments risk management (continued):

The Trust has exposure to high yield bonds (1.5% of net assets (December 31, 2019 – 2.3%)) and defaulted bonds (26.4% of net assets (December 31, 2019 - 23.5%)) with no exposure to note subscription receipts (December 31, 2019 – 1.8% of net assets) or government bonds. Its bond investments tend to be affected more by changes in overall economic growth and company-specific fundamentals rather than changes in interest rates. Changes in interest rates do not directly affect the market value of defaulted bonds as the underlying issuers have stopped making interest payments and thus do not offer a yield component to the holder. However, the Trust's high yield bonds do have a degree of interest rate risk, which is summarized in the table below.

As at June 30, 2020, the Trust's exposure to interest rate sensitive debt instruments by maturity and the impact on its net assets attributable to holders of redeemable units if the yield curve is shifted in parallel by an increase of 25-basis-points ("bps"), holding all other variables constant sensitivity, would be as follows:

	June 30, 2020	December 31, 2019
Market by maturity date*:		
1 - 3 years	\$ 374,044	\$ 207,860
3 - 5 years	–	469,732
Sensitivity to 25 bps yield change increase or decrease net assets	\$ 1,038	\$ 3,673

*Excludes cash, defaulted bonds and bonds to be converted to equity.

In practice, actual results may differ from the above sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from credit risk, interest rate risk or currency risk). All investments represent a risk of loss of capital. The Investment Manager of the Trust moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Trust's investment objectives and strategy. The Trust's overall market positions are monitored on a regular basis by the Investment Manager.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

9. Financial instruments risk management (continued):

As at June 30, 2020, 35.0% (December 31, 2019 – 41.6%) of the Trust's net assets attributable to holders of redeemable units were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10% as at the end of the period, with all other factors remaining constant, net assets attributable to holders of redeemable units could possibly have increased or decreased by approximately 3.5% (\$893,784) (December 31, 2019 – 4.2% (\$1,237,197)). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

(iv) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether geographical location, product type, industry sector or counterparty type. In particular, the key concentration risk for the Trust is its exposure to any single security or issuer. As at June 30, 2020, the Trust held an investment in one bond which represented approximately 23.1% (December 31, 2019 – 21.6%) on a fair value basis and 9.6% (December 31, 2019 - 8.3%) on a cost basis of net assets attributable to holders of redeemable units.

(d) Other risk:

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic. Emergency measures enacted globally have caused material disruption to businesses resulting in an economic slowdown. The duration and effects of the pandemic and its impact on individual companies and the market in general cannot be foreseen at the present time. The economic fallout from COVID-19 may have an adverse impact on the financial performance of the Trust beyond the impact observed as of June 30, 2020. The Investment Manager has actively monitored developments related to COVID-19, including existing and potential impacts on the Trust’s investment portfolio.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

10. Fair value measurements:

Financial instruments are measured at fair value using a three-tier hierarchy based on inputs used to value the Trust's investments. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in public markets for identical assets or liabilities;
- Level 2 - dealer-quoted prices in over-the-counter markets for identical assets or liabilities, or inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following tables present the Trust's financial instruments that have been measured at fair value, on a recurring basis:

June 30, 2020	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Fixed Income	\$ —	\$ 919,493	\$ 6,208,591	\$ 7,128,084
Equities	8,563,806	1,650,359	1,034,773	11,248,938
	8,563,806	2,569,852	7,243,364	18,377,022
Foreign exchange contract	—	(182,292)	—	(182,292)
	\$ 8,563,806	\$ 2,387,560	\$ 7,243,364	\$ 18,194,730

December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Fixed income	\$ —	\$ 1,244,132	\$ 6,948,729	\$ 8,192,861
Equities	11,694,381	2,104,528	1,666,404	15,465,313
	11,694,381	3,348,660	8,615,133	23,658,174
Foreign exchange contract	—	157,781	—	157,781
	\$ 11,694,381	\$ 3,506,441	\$ 8,615,133	\$ 23,815,955

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

10. Fair value measurements (continued):

The tables below show a reconciliation of the opening and closing balance of financial instruments recorded in Level 3:

	Beginning of period, January 1, 2020	Transfer from (to) Level 1	Transfer from (to) Level 2	Unrealized fair value gain (loss)	Sales, purchases, realized gains and other movements	End of period, June 30, 2020
Specialty Foods Group LLC, Post closing payment rights	\$ 90,764	\$ -	\$ -	\$ 6,365	\$ (63,513)	\$ 33,616
GXI Acquisition Corp. - equity	1,053,047	-	-	(114,477)	-	938,570
Old PSG Wind Down - equity	348,242	-	-	11,813	(297,468)	62,587
Crystallex International Corp.	6,425,704	-	-	(513,274)	-	5,912,430
Delphi Energy Corp. Equity Subscription Receipts	174,351	-	-	-	(174,351)	-
Delphi Energy Corp. Note Subscription Receipts	523,025	-	-	-	(523,025)	-
Delphi Energy Corp. 10% Senior Secured Bonds	-	-	469,732	(435,083)	261,512	296,161
Total	\$ 8,615,133	\$ -	\$ 469,732	\$ (1,044,656)	\$ (796,845)	\$ 7,243,364

During the period ended June 30, 2020, there was one transfer from Level 2 to Level 3 in the amount of \$469,732 as Delphi Energy Corp. defaulted on debt payments and entered into CCAA protection. The Trust did not have any other significant transfers between Level 1, Level 2 and Level 3 included in the fair value hierarchy for the period ended June 30, 2020.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

10. Fair value measurements (continued):

	Beginning of year, January 1, 2019	Transfer from (to) Level 1	Transfer from (to) Level 2	Unrealized fair value gain (loss)	Sales, purchases, realized gains and other movements	End of year, December 31, 2019
Specialty Foods Group LLC, Post closing payment rights	\$ 196,137	\$ -	\$ -	\$ 114,232	\$ (219,605)	\$ 90,764
GXI Acquisition Corp. - equity	668,378	-	-	175,540	209,129	1,053,047
Old PSG Wind Down - equity	366,131	-	-	(17,889)	-	348,242
Crystallex International Corp.	6,457,598	-	-	(495,424)	463,530	6,425,704
Delphi Energy Corp. Equity Subscription Receipts	-	-	-	-	174,351	174,351
Delphi Energy Corp. Note Subscription Receipts	-	-	-	-	523,025	523,025
Total	\$ 7,688,244	\$ -	\$ -	\$ (223,541)	\$ 1,150,430	\$ 8,615,133

The Trust did not have any significant transfers between Level 1, Level 2 and Level 3 included in the fair value hierarchy for the year ended December 31, 2019.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

10. Fair value measurements (continued):

The tables below set out information about significant unobservable inputs used as at June 30, 2020 and December 31, 2019 in measuring financial instruments categorized in Level 3 in the fair value hierarchy:

Description	Fair value, June 30, 2020	Valuation technique	Unobservable input	Input value	Sensitivity to changes in significant unobservable inputs
Unlisted private equity	\$ 33,616	Expected future distributions	Reserve for potential representative expenses	\$47,425	The estimated fair value would increase (decrease) by \$606 or 2% for each 25% decrease (increase) in the reserve amount. Net assets attributable to holders of redeemable units would increase (decrease) by 0.0%.
Unlisted private equity	938,570	Present value of expected future cash flows	Discount rate	Mid-point of high-case scenario of 30% and low-case scenario of 35%	The estimated fair value would increase (decrease) by \$153,256 (\$129,678) or 16% (14%) for each 500 bps (decrease) increase in the discount rate. Net assets attributable to holders of redeemable units would increase (decrease) by 0.6% (0.5%).
Unlisted private equity	62,587	Expected final distribution to holders of Parent Equity Interests	Remaining cash reserves available for final distribution after expenses	\$0.08938 per share	The estimated fair value would increase (decrease) by \$56,018 or 90% for each \$0.08 increase (decrease) in post-expense cash reserves per share. Net assets attributable to holders of redeemable units would increase (decrease) by 0.2%.
Defaulted bonds	5,912,430	Broker quote (bid)	Broker quote	Bid price of \$110 per \$100 face value	The estimated fair value would increase (decrease) by \$591,243 or 10% for each 10% increase (decrease) in the broker bid quote received for the security. Net assets attributable to holders of redeemable units would increase (decrease) by 2.3%.
Defaulted bonds	296,161	Implied valuation of third-party investment in CCAA Plan	Equity value per share	\$14.30	The estimated fair value would increase (decrease) by \$29,649 or 10% for each 10% increase (decrease) in the equity value per share. Net assets attributable to holders of redeemable units would increase (decrease) by 0.1%.
	<u>\$ 7,243,364</u>				

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

10. Fair value measurements (continued):

Description	Fair value, December 31, 2019	Valuation technique	Unobservable input	Input value	Sensitivity to changes in significant unobservable inputs
Unlisted private equity	\$ 90,764	Expected future distributions	Reserve for potential representative expense and indemnity claim adjustments	\$ 1,457,494	The estimated fair value would increase (decrease) by \$17,815 or 20% for each 25% decrease (increase) in the reserve amount. Net assets attributable to holders of redeemable units would increase (decrease) by 0.1%.
Unlisted private equity	1,053,047	Present value of expected future cash flows	Discount rate	Mid-point of high-case scenario of 30% and low-case scenario of 35%	The estimated fair value would increase (decrease) by \$167,086 (\$141,276) or 16% (13%) for each 500 bps (decrease) increase in the discount rate. Net assets attributable to holders of redeemable units would increase (decrease) by 0.6% (0.5%).
Unlisted equity	348,242	Expected future distributions	Projected Parent Equity Interest distributions	\$0.52 per share	The estimated fair value would increase (decrease) by \$53,576 or 15% for each \$0.08 increase (decrease) in projected distributions per share. Net assets attributable to holders of redeemable units would increase (decrease) by 0.2%.
Defaulted bonds	6,425,704	Broker quote (mid)	Broker quote	Mid-point of \$110 - \$140 per \$100 face value	The estimated fair value would increase (decrease) by \$771,085 or 12% using the high (low) end the range. Net assets attributable to holders of redeemable units would increase (decrease) by 2.6%.
Unlisted equity subscription receipts	174,351	Cost	n/a	n/a	No input value to sensitize.
Unlisted note subscription receipts	523,025	Cost	n/a	n/a	No input value to sensitize.
	<u>\$ 8,615,133</u>				

The Investment Manager is responsible for performing the fair value measurements included in the financial statements of the Trust, including Level 3 measurements. The Investment Manager obtains pricing for Level 3 financial instruments from third-party pricing sources, which is reviewed and approved by the Investment Manager.

RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2020

10. Fair value measurements (continued):

Financial instruments not measured at fair value:

- (a) The cash and cash equivalents, interest and dividends receivable, accounts payable and accrued liabilities, management and administrative fees payable and incentive fee payable are short-term financial assets and financial liabilities are initially recorded at amortized cost which carrying amounts approximate fair values.

Cash and cash equivalents and interest and dividends receivable include the contractual amounts for settlement of trades and other obligations due to the Trust. Accruals represent the contractual amounts and obligations due by the Trust for settlement of trades and expenses.

- (b) The Trust's redeemable units are considered a residual interest in the assets of the Trust after deducting all of its liabilities. The redemption value of redeemable units is equal to net assets attributable to holders of redeemable units as calculated in accordance with the Declaration of Trust. The units are redeemable annually, at the holders' option, for cash equal to the proportionate share of the Trust's net asset value attributable to the share class, as described in the Declaration of Trust and in note 5(c).

11. Capital disclosures:

The Investment Manager has policies and procedures in place to manage the capital of the Trust in accordance with the Trust's investment objectives, strategies and restrictions, as detailed in the Declaration of Trust. Information about the capital is described in the statements of changes in net assets attributable to holders of redeemable units and the Trust does not have externally imposed capital requirements.



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