RAVENSOURCE
FUND

LETTER TO UNITHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTICE TO READER

The purpose of this Letter to Unitholders ("LTU") is for Ravensource's Investment Manager to impart information and analysis to aid Ravensource's unitholders understanding of their investment. The LTU is a supplemental report to the financial statements, Management Report on Fund Performance ("MRFP"), Annual Information Form ("AIF"), Relationship Disclosure Information and Conflicts of Interest Disclosure Statement and the Independent Review Committee ("IRC") report. You can get a copy of these documents and the Fund's proxy voting policies and proxy voting record by calling (416) 250-2845, by writing to us at Stornoway Portfolio Management 30 St. Clair Avenue West, Suite 901, Toronto, ON M4V 3A1, by visiting our website at www.ravensource.ca, or the SEDAR website at www.sedarplus.ca.

A Note on Forward-Looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, decisions, opportunities, risks or other matters. Forward-looking statements are predictive in nature requiring us to make assumptions and subject to inherent risks and uncertainties. Our forward-looking statements may not prove to be accurate, and the factors that could cause actual events, results, etc. may differ materially from expectations, estimates or intentions. These risk factors include market and general economic conditions, regulatory developments, the effects of competition in the geographic and business areas the fund may invest and others as detailed in Ravensource's Annual Information Form. Forward-looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward-looking statements and should be aware that Ravensource may not update any forward-looking statements.

About the Ravensource Fund

The Ravensource Fund is a closed-end investment trust whose units trade on the TSX under the symbol **RAV.UN**. The principal objective of Ravensource is to achieve absolute long-term returns through investing in out-of-favor and deep-value North American securities. Ravensource's investments fall primarily in three strategies:

1. *Distressed Opportunities:* Investing in corporate debt, creditor claims and/or equity securities of companies, that are in, perceived to be in, or emerging from financial distress at a price materially different from what we believe to be the underlying fundamental value of the securities.
2. *Alternative Credit:* Investing in corporate debt, on either a primary or secondary basis, that is reasonably expected to be repaid at or above par at or before its stated maturity in a manner consistent with the terms of its indenture and earn a yield that we believe is attractive given the underlying credit risk.
3. *Special Situations Equities:* Investing primarily in Canadian and U.S. small- and mid-cap equities that have catalysts to bridge the gap between market price and intrinsic value.

About Stornoway Portfolio Management ("Stornoway")

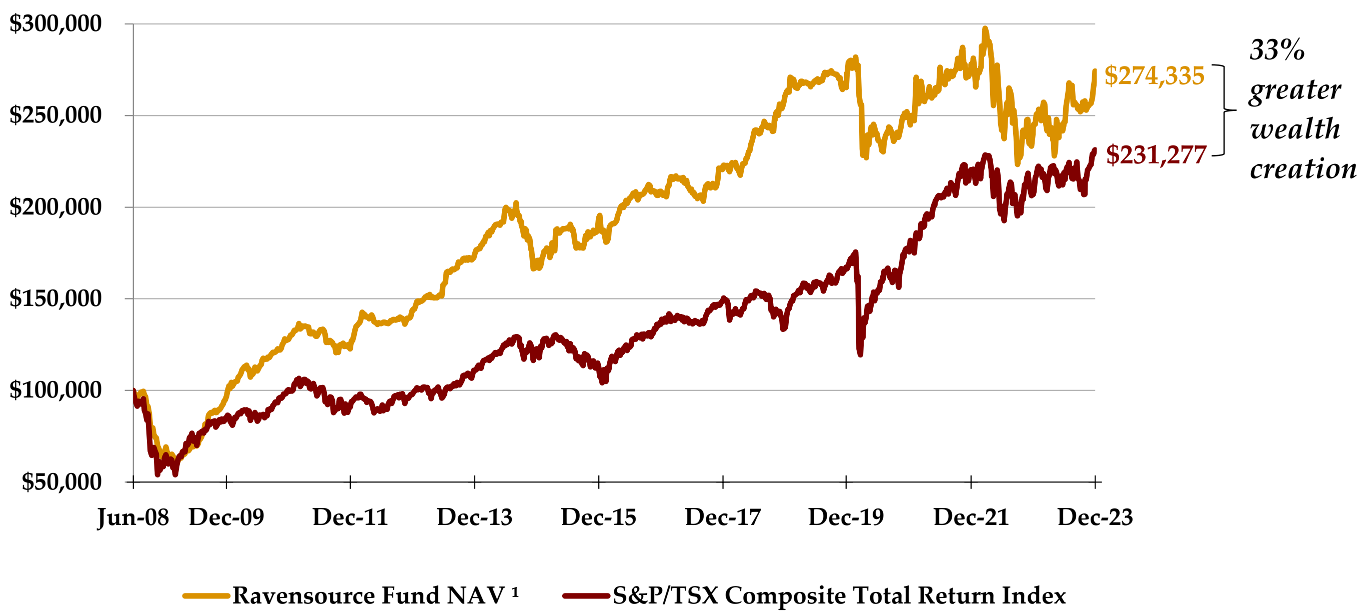
Stornoway was appointed the Fund's Investment Manager on July 1, 2008 to execute Ravensource's investment mandate. Stornoway took over the management of Ravensource from Pat Hodgson. Pat was our partner, an extraordinary investor and a true buccaneer who in 2003 transitioned Ravensource from investing in debt of Asian companies — the Fund was formerly The First Asia Fund — to focus on North American securities. Pat left us with a tremendous legacy that forms the guiding principles we embrace in managing Ravensource.

Stornoway is a Toronto-based, employee-owned investment management firm focused on investing in distressed securities and other deep-value, out-of-favour investment opportunities that withstand a thorough and disciplined analytical rigor prior to investing and active involvement thereafter. The Stornoway Team is comprised of Scott Reid, Daniel Metrikin, and Alex Gelmych. Our bios and our approach to investing can be found on the Ravensource website. In addition to Ravensource, Stornoway manages the Stornoway Recovery Fund LP ("SRFLP"), a limited partnership that invests in opportunities that arise from companies that are in or near financial distress.

Past investment performance by the Ravensource Fund is not indicative of future results and there cannot be any assurances that its investment objectives will be achieved. This letter is not a solicitation to invest.

RAVENSOURCE'S 2023 LETTER TO UNITHOLDERS

Growth of $100,000 Since July 1, 2008



(1) Based on net asset value per unit, assuming all distributions are reinvested in units at net asset value. Stornoway was appointed the Fund's Investment Manager on July 1, 2008

Dear Fellow Unitholders,

Ravensource Fund's ("Ravensource" or the "Fund") net asset value ("NAV") per unit increased by 12.8% over 2023 versus the 11.8% increase in the TSX.

While modestly pleased with this year's performance, we believe it represents only a small stepping stone given the achievements of our investees that, over 2023, created meaningful future value and delivered significant progress towards a successful exit for Ravensource investors.

Consider KEC, the largest detractor from 2023's performance. Its share price was down 22% over 2023, reducing the value of Ravensource by 3.9%. Yet, KEC executed its post-restructuring playbook to a tee. KEC grew production by 27% while generating over $240 million in free cash flow which it reinvested into the drill bit to significantly expand future production. In doing so, KEC has exceeded our expectations and is compounding our capital at a phenomenal rate. Based on its progress, KEC should be ripe for sale to in 2026, potentially at a price more than double today's price.

Crystallex, our top performer, had a game-changing year, with the magnitude of the developments far outpacing the increase in market price of our Senior Notes. Crystallex made significant strides towards collecting the remaining US$1bn it is owed from Venezuela and with it, the ability to repay Senior Noteholders our full claim. Despite this year's ~30% gain, Crystallex remains highly compelling. We believe that every $1 of our Crystallex investment today will be worth ~$2.50 to $3 in 2-3 years.

Of course, not all is tea and crumpets. The opportunity we recognized in Spark at the time of our investment will unfortunately never be realized. The controlling shareholders elected to sell the company to a private equity firm, who will undoubtedly take the actions the controlling Spark shareholders would not. This is further evidence of the importance of forging strong partnerships with virtuous and effective parties to our success and the challenges if we don't.

Apart from Spark, our investments created value well in excess of their market performance. This is of course our assessment; the proof will be in the pudding when it comes time to sell. It is our belief that the value that has been created this period will be recognized over the next few years to come.

Our responsibility to you, our partners, is to grow and protect your Ravensource investment. This letter serves as its progress report, informing you of the significant milestones achieved by our investees and the disappointments along the way. We will provide a closer look at our results and portfolio developments during 2023, and the opportunities and challenges we see, in a candid and open manner.

The Stornoway Way

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

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

Our success is predicated on reaching tangible milestones that mark fundamental change in our underlying investees. Often, completing the financial restructuring is only the first step. Once on strong footing, these companies can then use their financial flexibility to undertake operational evolutions that create meaningful value. Once the business has been revitalized, it is more likely to be an attractive target to strategic investors, helping to secure our exit strategy. The Stornoway Way is focused on driving these outcomes. This is what generates superior returns for you, our partners.

Investment Performance

Ravensource's investment portfolio generated a mark-to-market gain of 15.9% over 2023 before factoring in fees and expenses. The investments that contributed to Ravensource's performance are as follows:

Investment	2023 Gross Return On Investment	Impact on Fund [1]
Crystallex International Corp.	29.8%	7.6%
Algoma Steel Group Inc.	59.4%	3.2%
Quad/Graphics Inc.	32.8%	3.1%
GXI Acquisition Corp.	45.4%	2.6%
Spark Power Group Inc.	73.7%	2.1%
Dundee Corp.	15.9%	1.9%
Stelco Holdings Inc.	14.7%	1.3%
Brookfield DTLA	(98.6%)	(1.5%)
Firm Capital Apartment Real Estate Investment Trust	(33.8%)	(2.5%)
Kiwetinohk Energy Corp.	(22.4%)	(3.9%)
FX, Forwards and Other Investments		1.9%
Pre Expense & Incentive Fee Investment Return		**15.9%**

[1] Increase in NAV due to investment's gross return for the period

Crystallex International Corp. ("Crystallex")

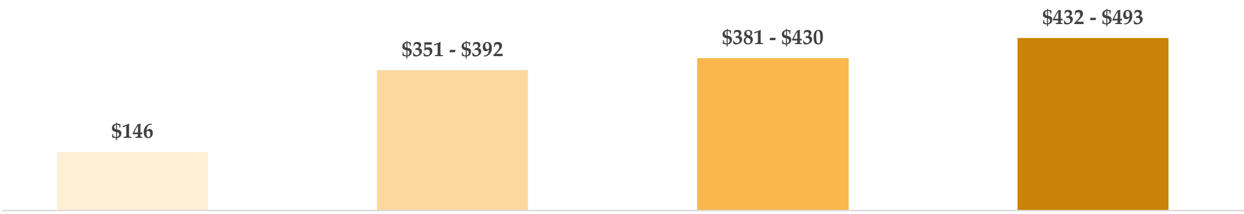
The market value of our Crystallex Senior Notes increased by 29.8% over 2023 to US$146 per $100 Senior Note contributing a 7.6% increase to the value of Ravensource units, making it our top performer. The catalysts for this price increase were the numerous game-changing milestones achieved throughout 2023 that significantly de-risked our investment and moved us closer to realizing on its full potential.

As a brief recap, Venezuela owes Crystallex ~US$1 billion for expropriating its gold mine in 2008. In turn, Crystallex owes its Senior Noteholders US$100 million in principal plus interest which it has failed to pay since 2011.

To collect from Venezuela, Crystallex won a litany of legal decisions enabling the presiding U.S. Court to seize the shares of Venezuela's most prized asset – PDV Holdings ("PDVH") which owns CITGO Petroleum – and put them up for sale. In 2023, the U.S. Court ruled that the first ~US$1bn of the PDVH sale proceeds will go to repay Crystallex with the many remaining Venezuelan creditors to feed off what is left behind.

The PDVH sale – and our investment – had been stuck in neutral since 2019 when the U.S. Government restricted all commercial activities even tangentially associated with Venezuela including the sale of PDVH. In April 2023, this stalemate was finally broken as the U.S. Government gave the greenlight to the PDVH sale process and stated it would adopt a favourable policy in approving its sale. Since then, Crystallex's US$1bn has been steadily marching toward repayment, with the first round of PDVH bids received in January 2024. These bids were reported to have exceeded US$7 billion, significantly greater than the US$1 billion Crystallex is owed. With the final court approval of the winning PDVH bid scheduled for July 2024, we expect by the end of 2024 Crystallex will have cash and other assets worth close to US$1.3 billion.

To collect what it is owed from Venezuela, Crystallex has used the Senior Noteholder's capital 'rent free' since 2011. While living rent free may be a privilege parents extend to their newly graduated children, Crystallex's governing trust indenture clearly states the Senior Noteholders are entitled to back rent, 9.375% interest, up until the date the notes are fully repaid. While there is complexity to the calculations, Crystallex owes its Senior Noteholders at least US$351 per $100 Senior Note as of December 31, 2023, which will contractually grow by 9.375% annually until we are repaid along with the other CCAA entitlements. The chart below shows how the Senior Note Recovery grows over time.



	Market Price December 31, 2023	Senior Note Entitlement December 31, 2023	Senior Note Entitlement December 31, 2024	Senior Note Entitlement June 30, 2026
Potential Total Return		**140.5% - 168.4%**	**161.2% - 194.2%**	**195.8% - 237.5%**
Potential Annualized Return			**160.5% - 193.4%**	**54.3% - 62.7%**

When Crystallex collects from Venezuela, Crystallex will have more than sufficient cash to comfortably repay its Senior Noteholders with potentially more than US$500mm leftover for its junior stakeholders.

As of December 31, 2023, our Crystallex Senior Notes were valued at US$146 per $100 Senior Note. Against our estimated recovery of US$432 - $493 per $100 Senior Note in ~2.5 years, we recognize it may seem "too good to be true." However, today's market price reflects today's assessment of its risks and opportunities: the Senior Notes are illiquid, the timing and quantum of our recovery is uncertain, and the issues are analytically complex with few investors equipped and willing to do the leg work to wade in. We view this complexity and opacity as our opportunity, one we find exceptionally compelling. As Crystallex is our single largest investment, we are deeply engaged in securing a highly successful outcome including serving on the Senior Noteholder Committee.

Algoma Steel Group Inc. ("Algoma")

The market value of our Algoma investment increased by 59.4% over 2023 to US$10.03 per share, contributing a 3.2% increase to the value of Ravensource units.

Stornoway invested in Algoma through Legato Merger Corp., a SPAC created to help revitalize Algoma and take it public following its exit from insolvency. The capital raised through the SPAC would provide liquidity to Algoma's former creditors who looked to sell the equity received in its CCAA restructuring plan and to fund two transformational capital projects that the company was unable to pursue during its prolonged stay in CCAA insolvency proceedings.

We invested in Algoma because of its ability to generate a ton of free cash flow from its Sault Ste. Marie steelmaking operations and to capitalize on the former creditors' need to sell their shares even at what we believe was a fire-sale price of ~60 cents on the dollar. While a compelling investment on that merit alone, we were particularly attracted by the opportunity to capture material additional value as the company undergoes a significant makeover of its operations.

Algoma is now in the late stages of completing two game-changing capital projects, the most significant being a conversion from a traditional blast furnace to an electric arc furnace ("EAF") which creates the liquid steel at the front-end of the steelmaking process. The benefits of an EAF are significant: more stable profit margins, dramatically lower labour costs, and a greener (i.e. lower carbon tax) form of steel production. In addition, Algoma has invested in a multi-stage upgrade of its steel plate mill to expand production, improve the quality of its products, and take advantage of the US$400-600 per ton premium that steel plate garners versus its core hot rolled coil commodity products. Once complete, we believe these projects will create more than US$7.00 per share of additional shareholder value.

Despite Algoma's strong share price performance over 2023, our Algoma investment has performed poorly during its capital expansion plan and is down 11.4% from our average cost. At the time of our investment, we recognized the execution risk of the capital projects alongside their considerable potential return. We believed by purchasing Algoma shares at fire-sale prices, we were being over-compensated for assuming these risks at the ground floor. As measured today, we have been wrong.

However, we are only at half-time on our investment and believe Algoma is now approaching its tipping point. By late 2024, Algoma expects to hit the EAF's "on" switch and have the plate mill project up and running. At that point, we believe Algoma's warts will become its beauty marks: a single-site facility that should be easy to integrate into a larger company; one of the largest and most efficient EAF facilities in North America; and the sole domestic manufacturer of steel plate. All these qualities make Algoma a highly attractive strategic acquisition target. With the constructive backdrop of consolidation in the steel industry exemplified by the Nippon-US Steel deal (and many interested buyers left wanting), we believe Algoma should garner upwards of $20.00 per share in a strategic sale once the EAF is running at full capacity by late 2025.

Kiwetinohk Energy Corp. ("KEC")

The market value of our KEC investment declined 22.4% over 2023 to $11.35 per share, causing a 3.9% decrease to the value of Ravensource units, the largest detractor to our 2023 results.

At the risk of being flippant, we are unconcerned by the poor performance of KEC's share price. Rather, we are laser focused on KEC's operational performance, the development of its reserves and the expansion of its drilling activities to harvest them. Turning oil in the ground into cash in the bank. This is why we invested in KEC and what creates real value that a strategic acquiror will pay us for. From that rubric, KEC was one of our strongest performers in 2023.

Stornoway invested in KEC's predecessor to capitalize on its underutilized infrastructure assets and its decades-worth of untapped drilling opportunities. We did so by partnering with a top-in-class management team led by Pat Carlson and a couple of energy-centric investors including ARC Financial to inject equity at cents on the dollar to allow this insolvent entity to emerge from bankruptcy as a strong going concern. The post-bankruptcy revitalization plan was to maximize the 'straws in the ground' to extract the dormant oil reserves while acquiring nearby distressed oil and gas assets again at cents on the dollar. KEC is now midstream in executing this revitalization plan.

Amongst its energy peers, KEC is an outlier, hence why KEC's share price has been weak. While most oil and gas producers have focused on returning capital to shareholders, KEC is aggressively reinvesting capital back into the drill bit, converting reserves into cash-producing flowing barrels. Every new well generates meaningful shareholder value, with well-level annualized returns on investment exceeding 100%. Furthermore, these wells validate the potential of KEC's undrilled acreage, mitigating risk for potential future strategic investors, increasing the price they will be willing to pay. In 2023, KEC drilled significantly more than its peers on a pro rata basis. KEC ended 2023 with 30,000 boe/d of production, up 27% versus 2022 results and >3.5x the production rate at the time of our investment.

Looking forward, KEC is on the "rinse and repeat" cycle – the more they drill, the more they learn, the more cash they generate, and the more they can drill again. In 2024, the company will deploy more capital than ever. Over 90% of this capital will go directly into putting 'straws into the ground' as they drive towards 40,000 boe/d of production. We have deep conviction that investing in the drill bit is KEC's best use of capital to create long-term value. In December, Hammerhead Energy, Inc., a company with assets nearby KEC, was acquired by Crescent Point Energy Corp. Hammerhead offers an on-point precedent as it executed a very similar strategy to KEC – take an asset with a wealth of high-quality drilling inventory, develop that inventory into flowing barrels and cash flow, then find a strategic buyer. Hammerhead was acquired at roughly 40,000 boe/d of production for $2.6 billion. Once KEC achieves a similar scale, applying the same valuation metrics implies a value of +$30.00 per share.

In case you are concerned that we are morphing into energy investors, trust us, we have no such aspirations. Rather, KEC is in the final stages of executing the revitalization plan that we – and the other financial sponsors of KEC's CCAA restructuring – helped formulate and effect to rescue it from insolvency in 2020. Our capital and the financial flexibility from the reorganization has enabled KEC to exploit this opportunity from which it was previously precluded. We recognize that our view is highly differentiated from the market, and KEC's near-term share price may suffer for it. However, the financial sponsors' support for the continued execution of this plan is clear - and still collectively own over 80% of KEC's shares. As KEC's strategic vision is realized, it will become time to hand off the company to a more traditional ownership group, at terms we expect to be highly rewarding for us. When it's time to ring the till in 1-2 years, we believe we will realize $25.00 - $30.00 per share through a strategic transaction, a 120% - 164% premium to the 2023 year-end price.

GXI Acquisition Corp. ("GXI")

GXI owns 100% of Guestlogix Inc., a company we rescued from CCAA proceedings in 2016. Guestlogix provides payment processing services to the airline industry, enabling transactions at 30,000 feet in a variety of currencies and tax regimes. Southwest, WestJet, and Flydubai are among its many customers.

Guestlogix was a pioneer from a technology perspective but failed in 2016 because it had too much debt that it could not afford. Stornoway purchased its debt at 35 cents on the dollar and then leveraged our expertise to craft a restructuring plan that would see non-core assets sold, its debt extinguished, and a new management team brought in to execute the post-restructuring turnaround plan. To inject capital and more importantly, the expertise we lacked, we partnered with two top-tier technology-focused investors to help revitalize Guestlogix's business strategy.

Since emerging from insolvency, Guestlogix invested deeply to enhance its processing platform. Over 2023, they developed the ability to process payments effectively without on-board Wi-Fi, partnered with Stripe as its only airline industry eligible partner, and introduced a passenger app to enable them to order and pay for in-flight concessions straight from their seat using through their own phone – a true game changer!

While Guestlogix innovated, most of its competitors deferred investing in their own products through the COVID era. So much so that many payment processing solutions have now reached end-of-life, forcing their customers to seek an alternative service provider. This dynamic has dramatically increased customer demand at a time when Guestlogix's edge is at its highest. To capitalize on this opportunity, in mid-2023 Guestlogix partnered with a market-leading airline caterer to roll out Guestlogix's technology to multiple new airlines.

Over 2023, Guestlogix landed long-term contracts with several new clients - Porter, Scandinavian Air, and Norwegian Air - driving revenue growth of over 40% of which ~80% falls right to the bottom line. As a result, the value of our investment in GXI increased by 45.4% in 2023 as determined by an independent third-party valuator, increasing the value of Ravensource units by 2.6%.

Guestlogix enters 2024 with a technological advantage in an environment ripe to capture significant market share. With new strategic partners, a leading-edge product offering, an experienced management team and a strong pipeline of highly engaged airlines needing a new service provider, we are optimistic that over the next few years Guestlogix will grow at a rapid pace and ultimately become a highly attractive acquisition target.

The Carrot

Our approach to investing is to "connect the dots" between companies that few others want to invest in, into revitalized companies of great value to strategic acquirers to capture the value created in the process. In this section, we highlight the profit potential if we are successful in connecting those dots. We call it the 'Carrot'. That 'Carrot'— the gap between the December 31, 2023 market price of our investments and the value we are working to realize when it comes time to sell — is quantified below in the order of the size of our investment:

	Dec 31, 2023	"The Carrot"		
Investment	**Price**	**Exit Proceeds**[1]	**Total Return**[2]	**Estimated Time to Exit**
Crystallex International Corp.	$146.00	$432.00	195.9%	1 - 3 years
Quad/Graphics Inc.	$5.42	$7.00	29.2%	1 - 2 years
Kiwetinohk Energy Corp.	$11.35	$25.00	120.3%	1 - 2 years
Algoma Steel Group Inc.	$10.03	$20.00	99.4%	1 - 2 years
GXI Acquisition Corp.	$0.93	$2.00	116.0%	2 - 3 years
Firm Capital Apartment REIT	$2.63	$6.00	128.1%	6 - 18 months

[1] *Stornoway's estimate of the proceeds received on a succesful realization plus any interim dividends / distributions received.*
[2] *Unannualized return to the midpoint Estimated Time to Exit.*

As with any forward-looking analysis it comes with a necessary caveat: this is not a projection of future annual returns. Rather, it is our assessment of the value we believe we can receive on exit. We believe our assessments are conservative and grounded in today's reality, not based on hopes and dreams that the underlying businesses will sell more widgets or increase their profit margins. We have not priced our end-goals to perfection. In any investment, there are a range of potential outcomes; the values in this table reflect our low estimate of that successful range.

We also want to stress that there is a risk of loss. Despite our thorough analysis, active involvement and paying a thrifty price to acquire an investment, sometimes we are wrong, fail to de-risk the company, lose the battle over what share of the pie we are entitled to, or the potential we identify does not materialize. Investing is an inherently uncertain pursuit. As the great philosopher, Yogi Berra, was aware: "It's tough to make predictions, especially about the future."

Fund Liquidity and Investment Activity

Ravensource was active over 2023, divesting 29.2% of the Fund's total assets, exiting positions in Dundee, Spark Power, and Stelco Holdings. Ravensource raised capital for the first time since 2011, issuing units equal to 15.6% of the Fund's total assets. Ravensource invested 37.9% of its total assets, primarily through the purchase of Government of Canada Treasury Bills to manage the Fund's liquidity. Ravensource ended 2023 with a margin loan equal to 11.3% of total assets.

The sources and uses of the Fund's net cash during the period are as follows:

	Amount	**% of Total Assets** [1]
Starting Net Cash	$(4,539,158)	(18.3%)
Sources		
Investment Divestitures	$7,250,490	29.2%
Issuance of Units	3,870,339	15.6%
Dividends and Interest	301,644	1.2%
Foreign Exchange	229,887	0.9%
Total Sources	$11,652,361	47.0%
Uses		
Investment Purchases	$(9,407,092)	(37.9%)
Operating Expenses	(521,938)	(2.1%)
Total Uses	$(9,929,030)	(40.0%)
Change in Net Cash	$1,723,330	6.9%
Ending Net Cash	$(2,815,828)	(11.3%)

(1) % of December 31, 2023

Investment Purchases

After exiting our investments in Dundee and Spark in late 2023, Ravensource purchased Government of Canada Treasury Bills to manage this cash infusion. Purchasing Treasury Bills with excess cash allows Ravensource to earn a ~5% yield, while preserving the flexibility to make investments, both in existing and new opportunities. Ravensource's other investment purchases were muted, investing less than 1% of Ravensource's total assets in two existing positions.

Divestitures

During 2023, we sold investments equal to 29.2% of the Fund's Total Assets, fully exiting our positions in Dundee Corp., Spark Power Group, Inc., and Stelco Holdings Inc.

Dundee Corp. ("Dundee")

We purchased Dundee preferred shares at an average cost of ~$12 per $25 preferred share capitalizing on the fear amongst income-oriented retail investors that Dundee would cut its preferred dividends. In contrast, Stornoway assessed that Dundee's assets would garner over 3 times the full $25 that preferred shareholders were entitled to, even in a fire-sale. We recognized the preferred shares sat at the top of the food chain with no corporate debt ranking ahead of them. Further, we believed Dundee needed to restructure its capital structure to thrive, and its preferred shareholders would be the primary beneficiary. In short, we utilized our restructuring expertise to arrive at a non-consensus view at a time when the market's doubt in Dundee was at its apex.

Starting in August 2018, we patiently acquired approximately 50% of the outstanding Series 3 preferred shares ensuring that Stornoway would be the kingmaker to any potential restructuring solution. Rather than sit back and wait, we proactively engaged with Dundee's leadership to understand their perspective and put forth various restructuring proposals to fix their capital structure woes. These proposals would de-risk the company and significantly increase Dundee's shareholder value while providing our exit at a significant premium to our cost.

However, change is hard and existing leadership typically resists change unless it is forced upon them or they are highly incentivized. In most cases, it also takes time – often measured in years – to effect.

Over 2023, our long engagement paid off as Dundee repurchased 1.1mm of its Series 3 preferred shares through three strategic transactions, where we fully exited our Dundee investment. All told, our Dundee investment generated a total return of 99%. In our post-game review, we believe our consistent engagement with management and position of influence as the largest holder of preferred shares was critical to the success of our Dundee investment. Together with Dundee's leadership, a true win-win outcome was achieved that left Dundee – and Stornoway investors – much better off than we found it, a hallmark of the Stornoway Way.

Spark Power Group ("Spark")

Where we succeeded in Dundee, in Spark we failed.

Spark provides electrical contracting, construction, and maintenance services to industrial, utility, and renewable power customers.

We invested in Spark in January 2022 through a $10mm private placement alongside a $30mm rights offering led by a $12.2mm investment from Spark's Founders. Spark was built through debt-funded acquisitions of generally high-quality assets but failed to integrate them into one efficient organization. At the time of our investment, the company was struggling with excessive debt, insufficient working capital, and bloated corporate overhead. These challenges constrained Spark from capitalizing on the massive wave to electrification but allowed us to invest at a very attractive price. It was our belief that with the financial flexibility provided by the equity infusion, determined action could drive the necessary change to make Spark an attractive acquisition target within a 3-5-year timeline at an exit price well in excess of our purchase price.

Our success is fundamentally driven by a company's decision to implement the actions required to turn itself around. We are there to help craft the revitalization plan and inject capital to make it a reality, but we are rarely in a position of control to do so alone. We must have willing partners – investors and management – that buy into that plan and exert sufficient influence to effect it. Of course, the onus is on us to assess those ingredients before we invest. Partnership has been a key ingredient in our success. In the case of Spark, its absence was a source of failure.

Prior to our investment, we engaged in hard discussions with Spark's leadership to ensure we were aligned as to the changes that were required to fix it. However, when push came to shove, the decisive and immediate actions we recommended were met with resistance. Recognizing the need to change is one thing; taking action is another. Spark's Founders, who owned 43% of the company had the economic incentive to fix Spark's issues. However, they lacked the fortitude to do so and were unwilling to empower others who possessed the expertise they were deficient in. We made a terrible judgment in believing Spark's leadership would embrace change.

Ultimately, the controlling Founders were forced to decide to either walk down the hard path of revitalization or hit the eject button. They chose the latter, electing to sell the company to a private equity fund well before Spark's issues were remedied, at a very low price reflective of that reality.

Our belief in the investment potential of Spark remains; unfortunately, it will not inure to our benefit. Our decision to ultimately support the sale was based on the assessment that the certainty of receiving cash was a better outcome than the risk of allowing the controlling shareholders to remain in command of Spark and our capital. After nearly two years of proving they were not up to the task to revitalize Spark, we would be foolish to think they would start now. As a result, we voted in favour of the sale transaction, which closed in December and resulted in our exit. Our investment in Spark resulted in a 31.3% loss, recovering $0.825 per share against our original $1.20 cost.

Use of Leverage

As of December 31, 2023, Ravensource's indebtedness represented 11.3% of total assets, down from 20.4% at the end of 2022, and well within the Fund's restriction of 30.0%.

Distributions

The Fund elected to not make distributions to unitholders in 2023. This was a departure from its historical $0.15 per unit semi-annual distribution. We believe that retaining capital in the Fund to deploy in the attractive investment opportunities currently available will create more value for unitholders than making a cash distribution. This decision was highly influenced by consistent feedback from unitholders that redeploying the Fund's capital in our differentiated investment strategy is more valuable to them than receiving a cash distribution. Going forward, Stornoway will review Ravensource's distribution semi-annually with the intent to distribute the amount required, if any, for Ravensource to remain non-taxable. Stornoway will also consider making a distribution should there be a lack of compelling investment opportunities on the horizon.

Operating Expenses

Ravensource's operating expenses include management fees, legal fees, trustee fees, TSX listing fees, accounting expenses, and other operating expenses. The table below shows how expenses impacted the Fund's gross return on investment to arrive at the Fund's net investment return for 2023 and 2022.

	Dec 31, 2023	Dec 31, 2022	YoY Change
Pre-expense / Incentive Fee Investment Return	**15.94%**	**(9.52%)**	
Less:			
Management, administrative and IR fees	1.23%	1.11%	0.12%
Other operating expenses	0.91%	1.35%	(0.44%)
Legal fees	0.40%	0.24%	0.16%
Audit and accounting fees	0.55%	0.38%	0.17%
Total Expenses Before Incentive Fee	3.09%	3.08%	0.01%
Pre-Incentive Fee Investment Return	**12.85%**	**(12.60%)**	
Less:			
Incentive Fee	0.00%	0.00%	0.00%
Ravensource Fund Net Investment Return	**12.85%**	**(12.60%)**	

Operating expenses represented 3.09% of starting NAV, effectively unchanged from 2022's levels.

Incentive Fee

As Ravensource's Investment Manager, Stornoway is entitled to an annual incentive fee equal to 20% of Ravensource's net profits over its 5% annual hurdle rate, after making up any losses and shortfalls from prior years hurdle rate. Simply put, we only get rewarded if you do first.

As of December 31, 2023, Ravensource's NAV per unit would have had to exceed $19.10 for us to begin earning incentive fees. Given our net asset value was $16.85 on December 31, 2023, regardless of the price you paid for your Ravensource units, you get the next 13.4% of returns 'free' of incentive fees.

Long Term and Relative Performance

Our objective is to generate superior, long-term, returns. We do not look in the rear-view mirror — it does nothing to grow your capital today — nor do we fuss about what the broader markets are doing. Our investments are highly idiosyncratic — after all, that is our value proposition to you — and our returns will have little correlation with the market, in good times and bad.

That said, we recognize that you will grade our performance relative to other investment vehicles. We have identified several indices below — see Appendix 1 for descriptions — that we believe are appropriate in assessing our "relative" performance.

					Since July 1, 2008	
As at December 31, 2023 [1]	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Annual**	**Total**
Ravensource Fund NAV [2]	**12.8%**	**3.3%**	**1.0%**	**4.6%**	**6.7%**	**174.3%**
S&P/TSX Composite Total Return Index	11.8%	9.6%	11.3%	7.6%	5.6%	131.3%
S&P/TSX Small Cap Total Return Index	4.8%	4.6%	8.4%	4.0%	2.9%	55.5%
ICE BofAML US High Yield Index	13.5%	2.0%	5.2%	4.5%	6.7%	172.7%
HFRI Distressed/Restructuring Index	7.9%	6.1%	6.6%	4.1%	4.7%	104.3%

(1) Returns are annualized, except total returns. Returns are net of all fees and expenses.

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

Our objective is to generate superior long-term wealth on your Ravensource investment. Ravensource has increased at an annual rate of 6.7% since we were appointed manager in July 2008, growing a $100,000 investment to $274,335 versus $231,277 had you invested in the S&P TSX instead.

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

"Skin in the Game"

We fervently believe an investment manager should have significant "skin in the game", sharing in the risk and reward of our decisions alongside other investors. Accordingly, the Stornoway Team has substantial personal investments in Ravensource. As of December 31, 2023, the Stornoway Team owned approximately 11.1% of Ravensource's outstanding units. In short, we are your partner.

Risks

We define risk as the potential for a permanent loss of capital. While assumed at the time we make an investment, risk is a dynamic metric that for us varies primarily as a result of attaining – or failing to attain – key milestones such as reaching a restructuring agreement, closing of a merger or repayment of a loan. We constantly monitor the risk of each investment and its impact on our portfolio, taking actions or making changes to the size of our investment when warranted.

We believe the most effective risk management tools we employ are: to establish a large "margin-of-safety" by investing at prices substantially below what we believe is intrinsic value; structure our investment to mitigate the risk of loss; and become actively involved with our investees to protect our investment. Through these mechanisms and processes, we believe we can substantially reduce risk while increasing the potential for returns. However, sometimes we are wrong, ineffective in de-risking a company, or an investment's potential fails to materialize exposing our investors to a loss.

Ravensource's portfolio is more concentrated than most investment funds, routinely owning only 10 or so investments at a given time. We believe our mission to create superior, long-term returns is best attained by focusing Ravensource's capital on the opportunities we know best and find most compelling. Otherwise, we risk watering-down the secret sauce: our active involvement in the value creation and revitalization process of our investees. However, this means a single investment can have a material impact – positive or negative – on your Ravensource investment.

As we invest in underfollowed, unloved and often less liquid opportunities, Ravensource's investments can be particularly exposed to temporary market losses during times when the market has flights to liquid investments. We may seek to capitalize on lower prices by prudently increasing an investment if the opportunity is compelling, our investment thesis remains intact, and the underlying company has ample liquidity to ride out the storm.

Ravensource has assumed indebtedness through its margin facility of 11.3% of total assets. While we believe this to be an attractive opportunity to increase the value of the Fund and appropriate in the context of the nature of our current holdings, the use of leverage exposes Ravensource to risks that would not otherwise be present, including: increasing the magnitude of losses on declines in the value of the investment portfolio and exposed to capital calls in the event the margin loan becomes under-collateralized. Stornoway carefully considers those risks and mitigants to them in its decision to use and continue to employ leverage over time.

There has been no change during 2023 in the Fund’s stated investment strategy that would materially affect the risk of investing in Ravensource. We continue to believe the Fund is suitable for only those investors who have an otherwise diversified investment portfolio, seeking long-term capital growth rather than income, have a long-term investment horizon, and possess a medium-to-high risk tolerance to withstand the ups and downs that go along with investing in out-of-favour securities.

This section is not intended to be an exhaustive disclosure of all the risks associated with investing in Ravensource. In addition to investment-specific risks, the Fund is exposed to macroeconomic factors and other risks as described in the Annual Information Form and in the notes attached to our financial statements. We encourage all investors to carefully read the Fund's financial statements and the AIF.

Concluding Remarks

As we look forward, we are highly optimistic. Our largest investments made great strides in 2023, driving closer to the point of monetization for the Fund. We recognize the lifespan of many of these investments has been long, and their returns to date have been limited or non-existent. Timing will always remain one of our most uncontrollable variables. However, we are certain, with our deep intimate knowledge and influence in our companies, that our investees continue to generate and create significant stakeholder value year after year. We are confident in the ultimate realization of that value.

In writing this review, we wrestle with the twin objectives of being thorough yet succinct. We recognize that despite our effort to cut to the essentials, there remains a lot of information to digest. As always, we are available via phone, Zoom, or preferably in person to discuss your investment further. We always enjoy hearing from investors and discussing our investments and strategy with you.

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

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

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

April 2024

Appendix 1 - Ravensource's Use of Comparable Indices

Given the idiosyncratic nature of the Fund's investment strategy, the Investment Manager does not believe there is an index that sufficiently resembles the Fund to the degree it should be considered or used as a "benchmark". However, the Investment Manager provides historical performance data for several indices in addition to the results of the Fund for comparison purposes. The Investment Manager has chosen indices that it believes are relevant to the investment mandate of the Fund and / or to capital markets in general. However, while each of these indices overlap with certain aspects of the Fund's mandate, none of them share significant similarities with the Fund's investment portfolio:

- The S&P/TSX Composite Total Return Index ("S&P/TSX") is the principal broad-based measure commonly accepted by investors to measure the performance of Canadian equity markets. The S&P/TSX is a relevant index for comparison purposes as the Fund's investment portfolio contains Canadian equity investments and the Fund's debt investments are frequently converted into equity securities as part of the restructuring process. However, the performance of the S&P/TSX will vary greatly from the Fund as its investment portfolio is primarily comprised of securities that are not included in the S&P/TSX.

- The S&P/TSX Small Cap Total Return Index ("TSX Small Cap") tracks the performance of the Canadian small cap equity market. The TSX Small Cap is a relevant index for comparison purposes as the Fund invests in Canadian small cap companies that are attractively valued with catalysts to unlock value. However, the performance of the TSX Small Cap will vary greatly from the Fund as its investment portfolio is primarily comprised of securities that are not included in the TSX Small Cap.

- The ICE BofAML US High Yield Index ("BAMLHY") is a USD-denominated index that tracks the performance of USD, sub-investment grade rated corporate debt. BAMLHY is a relevant index for comparison purposes as the Fund invests in corporate debt securities that are rated below investment grade. However, the Fund's investment portfolio also includes defaulted debt and equity securities which are not included in the BAMLHY and thus the Fund's performance may vary greatly from BAMLHY.

- The HFRI Distressed/Restructuring Index ("HFRIDSI") tracks the performance of investment funds focused on the credit instruments of companies trading at significant discounts to par value due to formal bankruptcy proceedings or the expectation of near-term proceedings. The HFRIDSI is a relevant index for comparison purpose as Fund's mandate broadly overlaps that of the funds that make up the HFRIDSI. However, it is likely that the composition of the Fund's investment portfolio is unique from these peers and thus the Fund's performance may vary greatly from the HFRIDSI.

As the Fund makes idiosyncratic investments in securities which are overlooked by the capital markets, the Fund's investment portfolio contains investments that are not likely included in any of the above indices and thus an investment in the Fund should not be considered a substitute or proxy for the underlying index. For the reasons stated above, these indices should not be considered a benchmark for the Fund and there can be no assurance that any historical correlation or relationship will continue in the future. Index data is provided by Hedge Fund Research and ICE Data Services.

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