RAVENSOURCE FUND

MANAGEMENT REPORT ON FINANCIAL PERFORMANCE – JUNE 30TH, 2010

MANAGEMENT REPORT OF FUND PERFORMANCE

This document is the Management Report on Financial Performance ("MRFP") of the financial condition and results of operations for the six month period ending June 30, 2010. This MRFP should be read in conjunction with the Ravensource Fund's June 30, 2010 unaudited financial statements. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and unless otherwise noted, both the financial statements and this MRFP are expressed in Canadian Dollars.

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

The Ravensource Fund

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

Investment Manager - Stornoway Portfolio Management Inc.

By way of a special meeting of unitholders, Stornoway Portfolio Management Inc. ("SPM") was appointed as the Investment Manager to the Ravensource Fund effective July 1, 2008. SPM's responsibilities for Ravensource include the evaluation, selection and negotiation of investments, the ongoing monitoring and evaluation of such investments and the recommendation of the appropriate timing and structure for disposition of such investments. I am the President of SPM and have over 20 years of experience in the Capital Markets researching, restructuring and investing in companies that are experiencing financial distress. Whether serving on a creditor committee, Board of Directors or in a more informal capacity, I do not shy away from rolling up my sleeves and getting actively involved in investee companies to ensure the successful completion of a corporate turnaround with the goal of ultimately realizing higher value on our investment. Currently, I sit on the Board of Directors of

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

Ravensource Investment Committee

To oversee the investment management of the Fund, Pat Hodgson and I established the Ravensource Investment Committee (the "RIC"). As many will know, Pat is the President of Cinnamon Investments Limited ("Cinnamon") and managed the Ravensource Fund up until July 1, 2008. What you may not know is that Ravensource is merely the formalization of a partnership that has been many years in the making. Pat and I have been examining and capitalizing on investment opportunities together for almost a decade. Through the RIC, Pat remains actively involved in Ravensource by contributing investment ideas, providing a sounding board and imparting his years of investment experience, which adds depth, horsepower and balance to the management of the Fund. Further, Pat's strength and track record in the value side of equity investing provides a key counter-balance to my fixed income and distressed securities background. Speaking personally and professionally, I am truly honoured to be partners with Pat.

Both Pat and I firmly believe that an investment manager should have "skin in the game". Putting this concept to work, as of June 30, 2010, I owned 141,328 units of Ravensource representing approximately 9.3% of the total units outstanding which is up from the 132,878 units that I held as of December 31st, 2009. Pat – directly and through related parties – owns 565,394 units of Ravensource representing approximately 39.7% of the units of the Fund which is also an increase from the start of this year.

Investment Philosophy

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

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

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

- ability to see beyond current corporate/financial challenges;
- patience and an investment horizon long enough for the markets to recognize the intrinsic value that we did at time of investment;
- businessman's ability to assess viability of an operational turnaround;
- recognition of catalysts to unlock value; and

- willingness to become actively involved to protect / increase the value of our investments.

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

Semi-Annual Results of Operations

Investment Performance

We are pleased to report that net asset value of Ravensource Fund increased by 14.6% before distributions but after all fees and expenses over the first six months of 2010. In total, net assets increased by $1,661,859 / $1.17 per unit prior to factoring in the $0.09 per unit distribution that was paid to unitholders in June 2010. While as of June 30th, we had yet to earn back the losses experienced in 2008, we did make significant inroads to growing its net asset value per unit back up to its year-end high value of $9.46 that was set in December 2007.

	2010 [1]	**2009**	**2008**	**2007**	**2006**
Investment Income	266,486	517,961	580,271	409,336	224,271
Net Investment Income (Loss)	130,863	297,228	359,115	(12,436)	(278,975)
Net Realized and Unrealized Gain (Loss) on Investments	1,530,996	3,340,672	-5,686,696	1,056,793	1,844,190
Total Increase (Decrease) from Operations	1,661,859	3,637,900	-5,327,581	1,044,357	1,565,215
Total Increase (Decrease) from Operations per unit	1.17	2.54	(3.72)	0.68	0.97
Total Assets	12,975,300	11,451,375	8,070,479	13,747,298	14,491,923
Net Asset Value per unit	9.08	8.01	5.63	9.46	8.99
Cash Distribution per unit	0.09	0.18	0.09	0.17	0.14
Total Return for period [2]	14.6%	45.4%	-39.5%	7.1%	12.3%

(1) Results for 2010 represent the year to date up to June 30, 2010. All other periods are full year results to December 31st.

(2) Total Return = (Increase in NAV per unit + Distribution) / Prior period ending NAV per unit

We have achieved these results amidst a rather challenging marketplace as evidenced by the 2.6% decline in S&P TSX Composite Total Return Index over the first half of 2010. What has driven Ravensource's results? I think it is fair to say that much of our returns have stemmed from long-held positions that typify our investment style: patient investing in opportunities that other investors neglect for one reason or another. We tend to hold positions until there is a catalyst event that allows us to realize what we identify as full value. However, this takes time and we have to accept the ups and down along the way that happen in real businesses. This requires conviction to hold and perhaps even increase our investment when the markets do not agree with us but also the humility to realize that we are sometimes wrong and dispose of the positions that did not live up to our expectations. And in the first half of 2010, we were right more than we were wrong, and our, or rather your patience and fortitude were rewarded.

The specific investments that have significantly contributed – both positively and negatively - to Ravensource's 2010 performance are found in the table below:

Investment	% of Net Income [1]	Effect on NAV per unit [2]
Crystallex	41.8%	$0.49
Westaim Corp.	21.8%	$0.25
Solutia Inc.	11.5%	$0.13
Brick Group Income Fund	9.3%	$0.11
Data Group Income Fund	8.1%	$0.09
PlazaCorp Retail Properties Ltd.	7.2%	$0.08
Village Farms Income Fund	6.0%	$0.07
McGraw-Hill Ryerson Ltd.	4.9%	$0.06
Specialty Foods Group Bonds	4.4%	$0.05
Ace Aviation Holdings Inc.	3.9%	$0.05
March Networks Corporation	-4.3%	-$0.05
Aecon Group Inc.	-4.8%	-$0.06
Cinram	-9.8%	-$0.11

[1] Total income on the investment as a percentage of net income for the six month period ending June 30, 2010

[2] Total income on the investment per Ravensource unit for the six month period ending June 30, 2010

I would like to take you through our top 3 performers along with the position that hurt us most.

Crystallex

First of all: No, Pat and I have not partnered up with Hugo Chavez to exploit a gold mine in Venezuela. However, we do own Crystallex' senior bonds which pay a 9.375% coupon for which we paid $47 on average. Shunned by the market – like many of our investments - Crystallex's bonds fell to a deep discount to par in the all too well documented drama that has plagued this company over the past 5 years. The margin of safety provided by the sole claim on Crystallex' tangible assets (cash + mining equipment stored in the port of Houston) all held outside of Venezuela gave us great comfort while the political storm raged. Regardless of whether Crystallex could actually develop the mine, extract profits from the operation and keep it away from Chavez' expropriating hands, we believed the recovery value on the bonds would exceed our cost. In December 2009, the drama escalated and Crystallex's bonds fell to a low of $30 - at which point we said, thank you sir, may we have another and bought more bonds in the open market.

The value of Crystallex bonds has increased tremendously over the course of 2010 following its agreement with the China Railway Resources Group to fund and develop the Las Cristinas property. Allying with a partner with considerable influence over Chavez has greatly increased the chances that Crystallex will be able to extract value from its Venezuelan asset. This agreement allowed the company to raise $35 million in equity in June 30, further increasing the margin of safety on our investment and driving the price on our bonds to over $75. Even at these elevated prices, we believe Crystallex bonds continue to be a very compelling investment as we anticipate their redemption at a slight premium to par / $102 - likely by the end of 2010 - if and when the China Railway Resources Group deal closes. Yes, there is risk that this deal does not close and the bonds fall back down in price, but we like our odds and have come to love the drama – well, at least the kind of drama that offers up the opportunity to buy bonds at $30.

Westaim
The company first hit our radar screen in 2008 when they announced that they were abandoning their attempt to make the next generation of TV sets in Canada. Westaim was a former high-tech darling that had a dream to make a better TV but never had enough capital to turn this dream into reality in this competitive global business. While they had some good ideas, their technology was never commercially proven and their intellectual property was sold for a song. Compounding its misfortune, what cash the company did have was tied up in noxious asset backed commercial paper and in 2008, holding "Triple A" ABCP was not a good thing. Notwithstanding its history, we saw beyond its problems and focused on the Westaim's valuation: a 50% discount to its non-ABCP liquid assets, after factoring in environmental liabilities. Adding to our margin of safety, we came to realize that while the environmental exposure was accurate in terms of its accounting treatment, it was a liability that was unlikely to cost the company money.

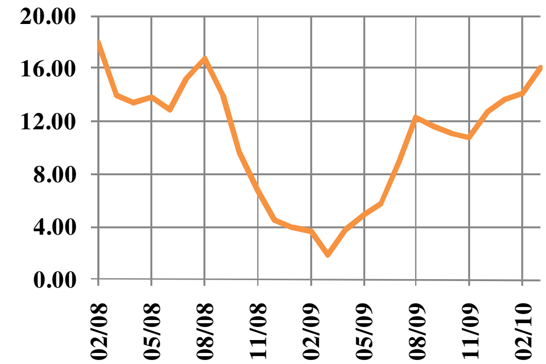
However, like most of our investments, the process to a good outcome was not a straight line. Some shareholders hoped that Westaim could live again as a tech company. The board attempted to merge with a group of Alberta residential contractors at an untimely moment. But in the end, Westaim was recapitalized and became a subprime auto and motor-cycle insurer. In the ecstasy that followed the announcement of the recapitalization, we sold our original position and crystallized the near tripling of our initial investment. Believing in the "new" Westaim, we participated in the recapitalization at a lower price than our sale price and at a lower capital commitment. Time will tell if the "new" Westaim will deliver similar lucrative investment results for Ravensource that the "old" Westaim did.

Solutia
When we invested in Solutia in February 2008, the company - a chemicals manufacturer based in St. Louis - was about to exit from bankruptcy protection. Solutia entered Chapter 11 after losing its competition with the giants of the chemicals industry: Solutia lacked a competitive advantage, carried too much debt, and had overwhelming pension and labour costs. In short, the company had to undergo a drastic transformation if it was going to continue to exist let alone be a profitable going concern company. After meeting with Solutia's senior management and doing our typical financial analysis, we determined that the turnaround plan was not only viable but more importantly likely to unlock substantial value for its shareholders. As the market heavily discounted the ability of Solutia to deliver on its plan, Solutia's share price reflected an appetizing combination of low earnings expectations and a low earnings multiple relative to similar chemical companies. We invested to capture this double-discount.

By all measures except share price, Solutia's turnaround plan was a resounding success. The company not only increased profits, but it did so while gaining market share and de-risking its operations and balance sheet. However, the headwinds faced by its customers in the Auto and Construction industries and the collapse in the capital markets dragged down Solutia's share price soon after we purchased it. In the depths of credit crisis, Solutia's share price fell to a low of $1 in March 2009 prompting a gut-check for Ravensource's Investment Committee. We were either very wrong in our analysis or this represented a tremendous buying opportunity. I do not know how many times I re-checked our analysis nor the amount of time spent discussing it amongst ourselves and other investors we respect. In the end, we increased our stake in Solutia's shares by a factor of 4 and drove down our average cost to $5.61 in the process.

After our second round of purchases, the company continued to deliver superior profitability to a level that the market couldn't ignore and responded with a strong rebound in the price of the stock. By the spring of 2010, the turnaround was complete and Solutia shares no longer offered compelling value, so we sold our position in February and April 2010 at average price of just over $16. While there is no doubt it was not an investment for the faint of heart and made us question our thesis several times over the life of our investment, Solutia's share price's remarkable recovery contributed significantly to our 2010 performance.

Historical Solutia Share Prices



Cinram

Our 2010 results to date have been hurt by our investment in Cinram units. In total, it knocked about $0.11 cents off Ravensource's net asset value. While we accept we will not always get it right and we acknowledge that investing involves risk, we hate taking losses and Cinram has been a big one.

So what happened? Subsequent to year end, Cinram announced that Warner Home Video had exercised its option to terminate its service agreements effective July 31st, 2010. With Warner representing 28% of Cinram's consolidated revenue; the market reaction was swift and harsh, erasing 60% of the market value of the units in one trading session.

The Warner announcement knocked the polish off what was otherwise a fantastic year for Cinram. Utilizing free cash flow from operations and the working capital released from re-negotiating the terms it offers to its customers, Cinram reduced its net debt by $300 million over the course of the year. Impressively, more than half of the debt reduction was achieved through re-purchases of loans at 76.5 cents on the dollar. That is good business for the shareholders of a levered company. Further, despite popular perception that the DVD business is dead, Cinram replicated 426.7 million DVDs during the 4th quarter of 2009, less than a 2% decline versus Q4 2008. On the earnings front, despite the lack of rebound in its Video Game division, the company generated $181 million in EBITDA during 2009.

There is no question that the loss of the Warner contract is a major blow for the company and more importantly, for Ravensource unitholders. However, we believe that the current market value is discounting a doomsday scenario for Cinram shareholders. After reviewing the results for the quarter and considering the implications of the loss of Warner contract, we have maintained our investment. However, unlike the tactics we employed when Solutia fell in price, we have not added to our position given the lack of clarity facing the company.

Expenses
Expenses of the Fund are currently running at approximately 2.14% of NAV - aka the Management Expense Ratio or "MER" - on an annualized basis, roughly in line with prior periods. As some of the costs are fixed in nature, there has been a slight decrease in our MER given the Fund has grown over the past year and a half. The marked decrease in expenses relative to pre-2008 levels is largely due to the fact that the Fund is not incurring performance fees and won't until the net asset value exceeds the high water mark. During the first half of 2010, SPM was paid a total of $72,795.97 in management and administrative fees.

Liquidity and Investment Activity
We traded actively during the first half of the year as evidenced by the increase in our Portfolio Turnover Ratio from 28.5% in 2008 to 43.6% for the first half of 2010. This was a function of making 10 new investments along with a large amount of divestitures: some due to profit taking, others in recognition that we had got it wrong, and more still from the recent frantic pace of mergers and acquisitions in the oil patch. Yes, we were busy. Despite the bump up in our investment activities, I doubt very much that Pat and I will ever be confused with day traders. Our investment style and philosophy remains intact: investing in under-followed securities that require time and patience to be rewarded. As such, it is unlikely that we will ever have a high turnover ratio relative to other investment funds.

	Amount	**per Unit**
Sources		
Net Investment Income	130,863	0.0919
Investment divestitures	2,472,923	1.7366
Total	2,603,786	1.8285
Uses		
Distributions to Unitholders	128,161	0.0900
Investment purchases	2,807,349	1.9714
Other	10,671	0.0075
Total	2,946,181	2.0614
Change in Net Cash	-342,395	-0.2404

Since December, we established positions in the shares of Canaccord Financial (TSX: CF), Coalcorp Mining (TSX: CCJ), Iteration Energy (TSX: ITR), March Networks (TSX: MN), Peer 1 Network Enterprises (TSX: PIX), Supremex Income Fund (TSX: SXP.UN) Trilogy Energy Corp (TSX: TET), Tuscany International Drilling (TSX: TID), in the bonds and warrants of Mega Brands (TSX: MB), and in the preferred shares of World Color Press (TSX:WC) which are now shares of Quad Graphics (NYSE: QUAD). Further, we increased our positions in the bonds of Newport Partners Income Fund and the shares of Seaco Ltd (OTC: SEAOF). In total, we made investments representing approximately 25% of net assets. We have not changed our style and new positions are still made in the range of 2.5% - 5% of net assets at cost: we just made a lot more of them this period.

The Fund exited its positions in First Metals shares (TSX: FMA), HSE Integrated shares (TSX: HSL), and Solutia shares (NYSE: SOA). Solutia hit our price targets and we took profits. We sold the First Metals shares that we received in the restructuring of the company in the Fall of 2009, but retain holding our small position in First Metals secured bonds. The sale of our shares in HSE reflects our recognition that while this company may continue to muddle along, this is a failed investment that no longer merits our capital. Further, we elected to take some money off the table by reducing our holdings in Aecon (TSX: ARE), Data Group Income Fund (TSX: DGI.UN), Marsulex (TSX: MLX), PlazaCorp (TSX: PLZ), and Westaim (TSX: WED).

In total, our investments exceeded our divestitures resulting in a decline in our net cash / liquidity both by absolute terms and as a percentage of net assets. As of June 30, 2010, we held approximately 10.3% of Ravensource's net assets in cash, net of accruals and current liabilities.

Industry Concentration

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

	Fair Value	% of Net Assets
Food Products	1,858,768	14.4%
Metals & Mining	1,555,039	12.0%
Media & Publishing	1,524,548	11.8%
Energy	1,332,068	10.3%
Industrial	1,005,135	7.8%
Retail	997,648	7.7%
Real Estate	855,714	6.6%
Manufacturing	743,049	5.7%
Financial	707,064	5.5%
Technology	577,538	4.5%
Transportation	241,800	1.9%
Construction	176,462	1.4%
Automotive	22,273	0.2%
Chemicals	6,979	0.1%
Total	11,604,085	89.7%

Diversification

As we believe that the most effective method to reduce/manage risk is to know your investments inside and out, Ravensource may be a more concentrated portfolio than other investment funds. However, the Fund currently does not have one investment that exceeds 10% of net assets and only 3 of our investments exceed 5% of Net Assets. We generally limit our exposure to between 2.5% to 5% of Net Assets when making a new investment depending on its relative attractiveness, liquidity and the degree of risk/margin of safety.

Distributions

The Ravensource Fund has maintained its distribution policy and made a semi-annual $0.09 per unit distribution on June 30th, 2010. At current market prices, the units have an annualized yield of approximately 2% and we distributed approximately 8% of the total returns earned during the first half of 2010. We do not envision a change in the policy in the near future.

Concluding Remarks

Ravensource's portfolio has continued to gain since June 30th, 2010. Using closing prices as of August 26th, 2010, Ravensource's net asset value has increased to $9.59, up 5.51% from its June 30th level, bringing the year-to-date total return to 20.82%. Our investments in UTS Energy, ACE Aviations, March Networks, SeaCo Ltd, Peer 1 Networks, Trilogy Energy, and Winpak have all contributed significantly to the rise in the Fund's NAV. In fact, the only position that has experienced a significant mark-to-market loss from June 30th levels is our investment in Manulife shares. With the rise in price of some of our securities, we have taken some profits and our cash position has increased to 14% of net assets.

Despite recent investment gains, we firmly believe that our existing portfolio continues to offer compelling value. While Pat and I are cautious about capital markets in general, we believe we will continue to see attractive investment opportunities in both good times and in bad. Yes, the landscape may look troubling, but I can assure you, the lessons learned during the financial collapse of 2008 have not left us and we will continue to emphasize an investment's margin of safety before we commit your capital.

On a personal note, I have continued to add to my Ravensource Fund holdings since the June 30th, 2010 date of the financial statements. As of August 30th, 2010, I own 154,028 units which represent approximately 10.8% of the total Ravensource Fund units that are outstanding.

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

We are appreciative of your partnership, trust and patience.

Scott Reid

August 30, 2010

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

Financial Highlights

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

Ratios and Supplemental Data	**2010**	**2009**	**2008**	**2007**	**2006**
Total net asset value (000's) (1)	$12,936	$11,402	$8,021	$13,556	$14,207
Number of units outstanding (1)	1,424,016	1,424,016	1,424,016	1,433,343	1,579,904
Management expense ratio (2)	2.23%	2.27%	2.05%	3.04%	3.94%
Management expense ratio before waivers or absorptions	2.23%	2.27%	2.05%	3.04%	3.94%
Trading expense ratio (3)	0.40%	0.17%	0.20%	0.19%	0.17%
Portfolio turnover rate (4)	43.62%	32.57%	28.45%	65.43%	59.32%
Net asset value per unit	$9.08	$8.01	$5.63	$9.46	$8.99
Closing market price	$9.00	$7.05	$5.00	$9.20	$8.45

(1) This information is provided as at December 31 of the year shown except for 2010 which is as of June 30, 2010

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

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

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

The Fund's Net Assets per Unit ($) (1)	**2010 4**	**2009**	**2008**	**2007**	**2006**
Net Assets, beginning of year	8.01	5.63	9.46	8.99	8.24
Increase (decrease) from operations:					
Total revenue	0.19	0.36	0.41	0.27	0.14
Total expenses	0.10	0.16	0.15	0.28	0.31
Realized gains (losses) for the period	0.81	0.20	0.08	1.38	0.67
Unrealized gains (losses) for the period	0.26	2.14	(4.06)	(0.69)	0.48
Total increase (decrease) from operations (2)	1.17	2.55	(3.72)	0.68	0.97
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	0.015	0.03	-	-	-
From capital gains	-	-	-	-	-
Return of capital	0.075	0.15	0.09	0.17	0.14
Total Distributions (3)	0.09	0.18	0.09	0.17	0.14
Net assets, End of Period	9.08	8.01	5.63	9.46	8.99

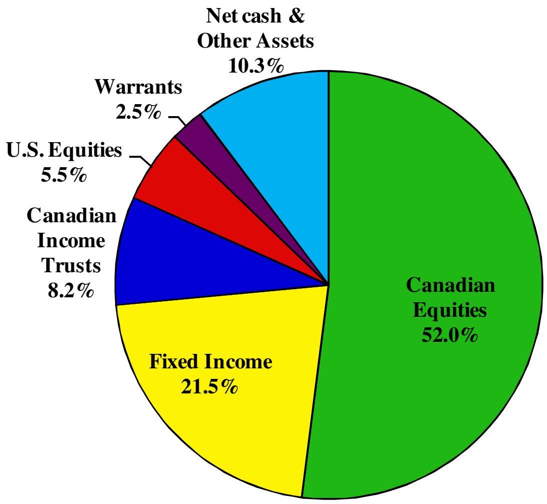
(1) The net assets per security presented in the above table differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

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

(3) Distributions were paid in cash. For 2010, the allocation between income, dividend capital gains, and return of capital is an estimate.

(4) This information is provided as at December 31 of the year shown except for 2010 which is as of June 30, 2010

SUMMARY OF INVESTMENT PORTFOLIO



Past Performance

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

The bar chart shows the Fund's annual performance in each of the past 5 years to December 31st except for fiscal 2010 which is measured as of June 30, 2010. The chart shows in percentage terms how the net asset value has increased (decreased) during each period.

Top 25 Holdings as of June 30, 2010

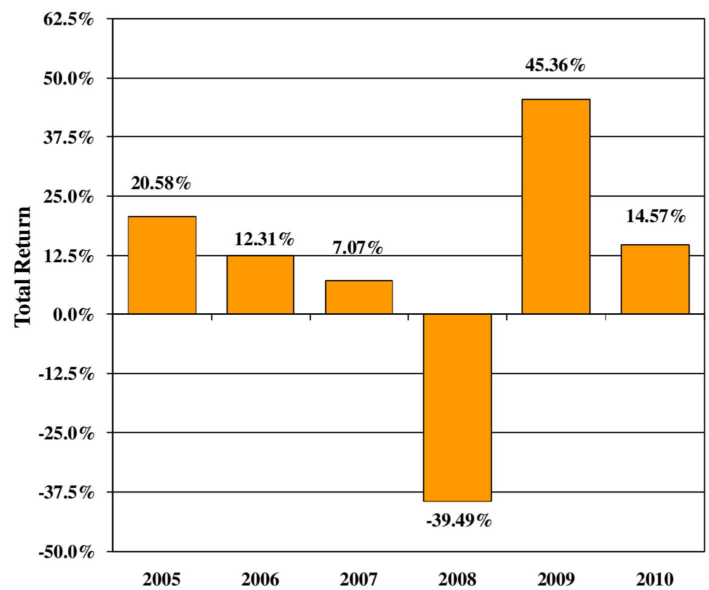
Issuer/Security	Security Type	% of Net Assets
Net Cash *	Cash	10.30%
Specialty Foods Group - 8% due Dec 2011 **	Convertible Bonds	8.61%
Crystallex International - 9.375% due Dec 2011	Senior Bonds	7.84%
PlazaCorp Retail Properties Ltd	Common Shares	6.61%
Swiss Water Income Fund	Income Trust Units	3.68%
UTS Energy Services Ltd	Common Shares	3.57%
Winpak Ltd.	Common Shares	3.13%
Indigo Books & Music Inc.	Common Shares	3.05%
McGraw-Hill Ryerson Ltd.	Common Shares	2.98%
Newport Partners Income Fund 7% due Dec 2012	Convertible Bonds	2.98%
World Color Press	Preferred Shares	2.81%
SeaCo Ltd.	Common Shares	2.69%
Marsulex Inc.	Common Shares	2.51%
Trilogy Energy Corporation	Common Shares	2.50%
Glacier Media Inc	Common Shares	2.48%
Canwel Holdings Corporation	Common Shares	2.41%
Manulife Financial Corporation	Common Shares	2.39%
March Networks Corporation	Common Shares	2.28%
Westaim Corp.	Common Shares	2.28%
Brick Group Warrants	Warrants	2.26%
Peer 1 Network Enterprises Inc	Common Shares	2.18%
Village Farms Income Fund	Income Trust Units	2.08%
Data Group Income Fund	Income Trust Units	2.04%
Sceptre Investment Counsel	Common Shares	2.04%
Ace Aviation Holdings Inc.	Common Shares	1.87%
Total % of Net Assets		**87.57%**

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

** Not publicly traded company. Valued by independent valuation

This summary will change due to ongoing portfolio transactions and fluctuations.

The top 25 holdings are made available quarterly, 60 days after quarter end.



For the year ended December 31
except for 2010 which uses a June 30 period end

Total Returns [1]

	Six Month [2]	One Year [2]	Three Year [2]	Five Year [2]
RAV.UN	14.57%	56.35%	-1.66%	5.65%
S&P/TSX Total Return Index	-2.55%	11.95%	-3.88%	5.45%

[1] Annualized returns except for the six months ending June 30, 2010.

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

Additional Information

Ravensource Independent Review Committee ("IRC")

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

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

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

Access to Information

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

Fund Information

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Deloitte & Touche LLP

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