The Ravenstone Equity Trust generated a return of 29.7% net of expenses in 2019. To date, the Trust has delivered a three-year annualized return of 14.5% and a 13.7% annualized return since inception.[1]

We have one objective at Ravenstone: to deliver superior, long term investment results and service to our clients.

Ron Shaich, the founder of Panera Bread, is someone we respect as an entrepreneur and business leader. While never investing in Panera shares, we were drawn to Shaich's commentary throughout his tenure as CEO, given his candid insights into managing a publicly traded business. Since its IPO more than twenty years ago, Panera was one of the best performing restaurant stocks and, in 2017, was sold to JAB Company for $7.5 billion. Mr. Shaich was recently asked in an interview what prompted him to sell:

"What I saw is that increasingly, our public capital markets have become short-term. Our society has become short-term. The average shareholder 50 years ago held for eight years. It's now eight months. It's rooted in hedge funds. It's rooted in the amount of money managed by index funds. It's rooted in the way money managers are rewarded. But it's a fact, and it's putting increasing short-term pressure on our public-company boards and CEOs."

The financial markets seem to have developed a case of attention deficit hyperactivity disorder. Short-term results seem to be the only thing that matters to many investors today. At Ravenstone, we view most daily activity in the stock market as speculation. We believe the popularity of Exchange Traded Funds (ETFs) and computerized trading, combined with the short-term orientation that exists today, have helped create advantages for those who are willing to stick to the basics and focus on the time-tested fundamentals of investing.

Last November, the Wall Street Journal[2] published an article asserting that just 15% of stock trading can be attributed to "fundamental" investors. The essence of ETFs and computerized trading is to transact in large baskets of securities without consideration of the individual merits of the underlying holdings. No distinctions are made between good and bad fundamentals. As such, trade execution by the electronic herd can lead to irrational behaviour by encouraging activity for reasons that have nothing to do with the value of businesses and everything to do with the short-term direction of the stock market. In our opinion, this can lead to increased mispricing of individual stocks. Ironically, the meteoric rise of passive investing will likely prove to be a good thing for the patient, fundamental investor.

The foundation of our investment philosophy at Ravenstone is underpinned by one of the oldest schools of thought: ***think and act like a business owner***. Most business owners do not anxiously buy and sell their businesses because a so-called "expert" speculated on interest rates rising or falling in the near term, or because there was another prediction of a looming recession. Why, then, should we behave differently with the minority interests in the businesses that you own? Simply put, just because an asset can be readily traded, doesn't mean that it should be.

We know with certainty that a recession will occur sometime in the future; however, we do not know precisely when. Consequently, we only invest in businesses that will survive in any economic environment and that have the ability to thrive by taking advantage of timely opportunities when others cannot. While many are busy speculating, we focus on investing, selectively and infrequently deploying your capital into a handful of highly attractive businesses that will compound earnings and free cash flow at high rates over time. Over the long run, a company's stock price should increase in line with the growth of the intrinsic value of the business. In most cases, the day-to-day stock price movements do not reflect changes in fundamental business values as much as they reflect a host of other factors, perhaps most notably investor psychology. Market values tend to be far more volatile than intrinsic values. Keeping emotions in check and ignoring short-term noise is very difficult. It is human nature to react with fear when stock prices are falling, a phenomenon that is unlikely to change anytime soon. This is why we believe sustainable advantages exist for those who can apply experience, discipline, and patience to their investing activities.

While long-term investing is commonly talked about as a potential advantage, it is less often acted upon. From October 31, 2018, to October 31, 2019, the share prices of companies in the Ravenstone Equity Trust fluctuated by an unbelievable 45% between their lowest and highest price levels. Surely, business values did not fluctuate nearly as much as their respective share prices during this time. It is periods of volatility that often provide investors with great investment opportunities. For example, during the last three months of 2018, a medical technology company that you own declined more than 20%. We could not identify any fundamental

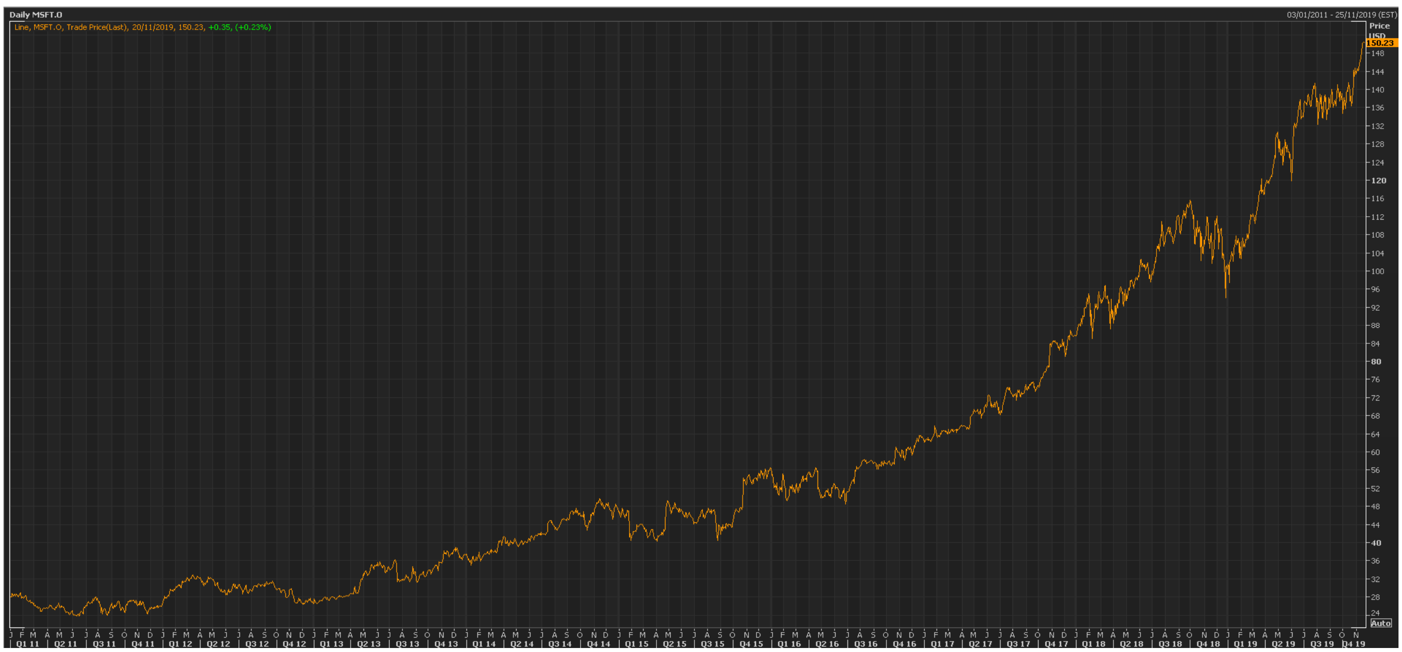
[1] Performance calculated to December 31, 2019 for I Series Units. Inception date is April 1, 2016

[2] Wall Street Journal – The Making of the World's Greatest Investor – November 2, 2019

changes to the business or industry that would indicate future value destruction. The company did not report negative earnings revisions, nor did management announce the loss of major customers. The stock simply fell along with the rest of the equity market, so we decided to increase your ownership stake in a meaningful way. As a market leader with a clear technological advantage over its competition, we believe this company remains in the early innings of a durable long-term growth story. The fundamentals are very strong: the business is debt free, and revenue and earnings have increased annually for more than 15 consecutive years. Adopting a long-term lens can provide us with an edge because it allows us to buy when others often will not. While many investors choose to hedge their equity portfolios against volatility, we welcome volatility. As we have stated before, volatility does not equate to risk. The S&P 500 typically experiences a 10% correction every 18-24 months. Our best advice is to ignore market noise and remember that timing the market is nearly impossible. Instead, understand what you own, why you own it, and stay focused on your long-term financial goals.

Below is a chart of Microsoft's stock price from 2011 to 2019, a time period that includes our clients' ownership. Its shares returned over 400% with many bumps along the way. In fact, 33% of monthly returns were actually negative, with shareholders experiencing average annual drawdowns of approximately 25% between the high and low share prices for the year - a small price to pay to earn outsized returns over time. Microsoft continues to be a significant holding of yours today.

Microsoft



Source: Thomson Eikon

In November 2019, the City of Toronto issued a 30-year bond yielding 2.809%. At the same time, JP Morgan Chase & Company (JPM), a business that you own, offered a dividend yield of 2.82%. Theoretically, if an investor put $1000 into the City of Toronto bond, they are guaranteed to receive $1000 in principal back at maturity, plus coupons, throughout the term. Our best guess is that buyers of this debt who hold to maturity will be lucky to break-even after accounting for taxation and inflation - effectively a "return-free risk" proposition at best. Sure enough, this bond was well-received by the market and quickly absorbed by a line-up of willing buyers. We strongly believe that anyone with at least a five-year time horizon (let alone 30 years) would be better off investing their capital in JPM, one of the strongest banks in the world.

Let us be clear, we are not suggesting to avoid fixed income. In fact, we manage several balanced mandates with different customized asset mixes for our clientele. Our priority for fixed income allocations is to manage risk by protecting capital and enhancing yield in a prudent manner. We refuse to stretch for yield and put your principal at risk.

Our mandate in terms of investment operations is to deliver superior, long-term investment results. Although we make reports available to clients quarterly, we do not manage portfolios to maximize quarterly or even annual returns. The essence of our investment approach of buying exceptional businesses works over multi-year time frames and therefore requires resolve and patience.

Your investment results will be strongly tied to the following five criteria:

1. Intelligent capital allocation decisions
2. The underlying cash flows generated by the businesses you own
3. The price you pay to acquire shares of those businesses
4. The interest earned on your lending activities
5. Your ability to stick to a financial plan

To us, equally important as investing is to ensure we deliver the same superior performance in terms of our service and relationships with our clients. After all we work for you.

Toward that end, we are excited to inform you of a recent hire at Ravenstone, Chelsea Gordon. Chelsea's role is to focus on elevating our client service activities while supporting Carol with daily administration. Please join us in welcoming Chelsea into the fold! We know she is eager to get started working with each of you, so please expect to hear from her in the near future. In the meantime, should you have any ideas or suggestions on how we can improve your experience with Ravenstone, please reach out to us. We would love to hear from you.

We are grateful for your business and your trust. A special thank you goes out to those who have recently referred colleagues, friends, and family. There is no greater compliment.

We wish you and your families all the very best in the New Year!

Yours Truly,

Daymon Loeb
Chief Executive Officer

Adam Donsky
Chief Investment Officer