2023 Semi Annual Letter

RAVENSTONE CAPITAL MANAGEMENT

Our letters are intended to provide you with regular investment updates, insight into our mindset, and other notable client service-related activities. For the purpose of this letter, we would like to change direction and focus on what we believe lies at the core of our client relationships.

Investment Performance

Bottom line, results matter. If anyone says otherwise, they are not being truthful. This is the equivalent of "table stakes" in our industry. To get a seat at the proverbial table, a Portfolio Manager should deliver results within a reasonable time horizon (5+ years) and through various market cycles.

Below is Ravenstone's track record since inception, compared to relevant equity and balanced benchmarks:

	YTD	1 Year	3 Year Annualized	5 Year Annualized	Since Inception[1]
Ravenstone Equity Portfolio[1]	10.9%	14.9%	11.2%	12.9%	12.4%
S&P 500 US$	15.9%	17.6%	12.8%	10.4%	11.1%
S&P 500 C$	13.2%	20.6%	11.7%	10.5%	--
S&P/TSX	4.0%	6.9%	9.1%	4.4%	5.6%

	YTD	1 Year	3 Year Annualized	5 Year Annualized	Since Inception[2]
Ravenstone Balanced Portfolio[2]	7.8%	10.0%	5.6%	6.8%	6.7%
Balanced Benchmark[3]	6.2%	7.5%	4.0%	3.8%	3.9%

While some investors are in pursuit of alpha, others are more concerned with achieving returns that are specific to their individual needs. Alpha seekers are looking for excess results over a respective benchmark, but often lack the emotional stability and patience required to navigate the volatility in capital markets. As such, the impact of human behaviour on decision making can be a greater impediment to beating an index than the investments themselves.

For either type of investor, delivering on objectives requires candid and reliable advice combined with prudent decision making. A quote that has stuck with us over the years is, ***"why risk what you have and need for what you don't have and don't need?"*** ~Warren Buffett. This fundamental question should be at the heart of any investment strategy (more on this in the next section). Regardless of your age, time horizon, income, and wealth, we suggest letting this sink in as you continue investing in the years ahead.

Investment Advice

Seeking professional advice is more important than ever. Why?

In today's technology-dominant world, there is mass confusion due to bombardment from media outlets competing for our attention – both online and offline. Internet marketing platforms have quickly become the ultimate mass distribution tools for curated messages. Expressing interest in a product or service triggers the algorithms to take over and work their magic. As effective as these applications are, they can also be misleading.

In the financial world, there is no shortage of clever marketing tactics used to influence people making decisions about how to invest their nest egg. These slick narratives, promoting everything from bank accounts and loans to trading strategies and DIY websites are far reaching and convincing. This does not mean they are the right fit, or an intelligent

[1] As of June 30, 2023. Ravenstone Equity Portfolio performance data above is for Ravenstone Equity Trust I series (before fees and after expenses). Ravenstone Equity Trust inception date was April 1, 2016.

[2] As of June 30, 2023. Ravenstone Balanced performance data above are composite returns for our 60% Equity/40% Fixed Income Composite taking into consideration accounts' entries to and exits from the list. Fees are considered as outflows for the calculation of the returns. Ravenstone Balanced Portfolio Composite inception date was June 1, 2018.

[3] Balanced Benchmark consists of 30% S&P/TSX Composite Index, S&P 500 Index, 40% iShares Core Canadian Universe Bond Index ETF (CAD).

choice. Busy people who do not have the time, inclination, or expertise to manage their financial affairs are significantly better off working with trusted professionals.

At Ravenstone, we do not subscribe to the latest marketing trends, the hottest investment themes or experimenting with the flavours of the day, as compelling as these ideas might appear to be. Instead, we are committed to providing our clients with a comprehensive advisory framework that is underpinned by experience and facts. This contrasts with promotional-based investment advice "curated" by content creators who are simply trying to convince you to buy what they want to sell. We have seen these stories too many times. Over the years, we have witnessed the rise in popularity of various investment products that come and go, such as mutual funds, segregated funds and over-diversified, expensive WRAP programs distributed by large institutions, to name a few. Furthermore, we continue to see a lack of transparency regarding fees as investors are unknowingly charged with layers of hidden costs.

Today we see an industry infiltrated with countless ETF's (Exchange Traded Funds), structured notes, and online DIY alternatives, with some even claiming to "democratize investing." A bold mission statement for companies that are, in fact, doing nothing of the sort. Instead, they operate more like casinos, interested in generating huge volumes of trade flow to be sold to a third party in exchange for handsome fees. They are also happy to lend you money at punitive rates to "play" the market or simply lend your holdings to sophisticated hedge funds in exchange for profit. For the most part, these organizations are in the capital warehousing business, not the advice business.

Ravenstone is different. We are in the advice business, not the marketing business. To this end, we rely on word of mouth and referrals from clients, like you, and others who place trust in us. Determining a mutual fit with clients is key to building a foundation for longstanding relationships. While our approach is unlikely to turn Ravenstone into the largest money manager in Canada, that sits perfectly well with us. We voluntarily left one of the largest firms in Canada because of our core belief that there is a better way to serve clients. Our mission was never to be the biggest. It was, and still is, to be the best.

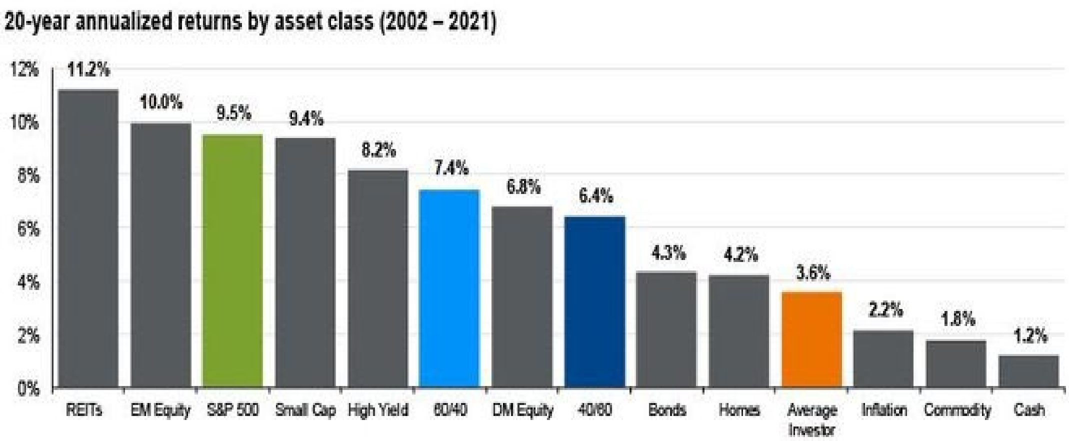
We encourage our clients to have a customized investment plan that aligns with **their** return objectives, **their** risk tolerance, and **their** temperament. We recognize that every person and family is different, and we take this into account. Each client has different goals, financial situations, and decision-making styles. A strategy that only focuses on numbers and statistics does not constitute a well-thought-out plan.

Keeping this in mind is critical because being able to stick to a plan during challenging times will help manage the anxiety that naturally comes with volatility. Impulsive short-term decisions at the wrong times can significantly compromise your ability to achieve long-term goals.

Several years back, Steve Russolillo reported on the phenomenon in which investors chronically underperform their own investments by acting emotionally, engaging in excessive trading and ill timing.

> *"Consider a long-running study of investor returns by Dalbar, a financial-research firm in Boston. It found the average investor in U.S. stock mutual funds lost 2.3% in 2015, whereas the S&P 500 was slightly positive that year, including dividends. Dalbar, which has published this study each year since 1994, plans to release an updated version this week. And 2015 wasn't an anomaly. The gap between investors' returns and the market's performance is even wider over a longer time horizon. <u>Equity-fund investors earned just 3.7% annually over the past 30 years through 2015 compared with a 10.4% annual return for the S&P 500</u>."*[4]

[4] Posted March 27, 2017 by Joshua M Brown. (2017, March 27). Investors underperforming their own investments. The Reformed Broker. https://thereformedbroker.com/2017/03/27/investors-underperforming-their-own-investments/

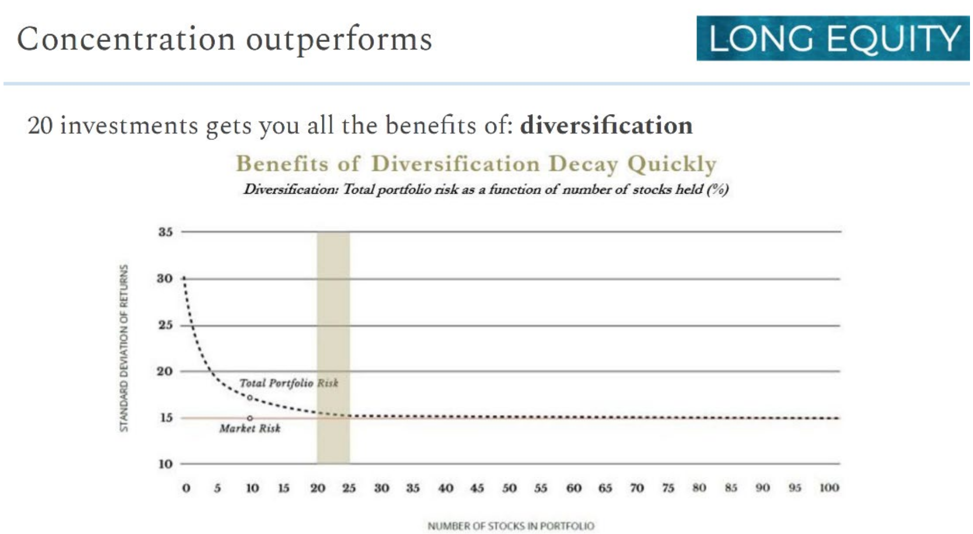


Source: JP Morgan Asset Management

Sadly, the brokerage industry's flawed structure enables these results given they make more money with increased investor activity. In other words, sitting tight and "owning" assets is not good business for them.

Benjamin Graham famously stated: "*Investing is most intelligent when it is most business like*." We could not agree more.

Ravenstone's investment objective is to protect and grow our client's capital. While there are several ways to accomplish this, we are passionate believers in an old school of thought. First and foremost, to think and act like business owners. We always strive to minimize the chance of permanent capital loss and increase the probability of compounding capital at attractive rates. As such, our advice to equity investors is to assemble a concentrated, yet diversified, portfolio of high-quality businesses that will grow over time. The chart below illustrates this concept:



Source: Long Equity Fund. (n.d.). https://longeq.com/

Unfortunately, we have seen far too many over-diversified portfolios with poor returns. Owning an excess number of positions will inevitably water down returns without adding diversification benefits – a double whammy! In our view, understanding what you own, the quality of a business, the durability of its model and the credit worthiness of a borrower, are far more important to risk management than how many securities you own.

Having said this, we appreciate diversification at Ravenstone - it is the bedrock of effective risk management **when practiced properly**. We will always embrace opportunities to reduce risk and increase return potential. We will not, however, subscribe to portfolio management techniques that simply *appear* to offer diversification benefits, when in fact, they do not.

Wealth Planning Advice

We aim to build a team of high caliber professionals around our clients. It is important that each advisor has a distinct area of expertise to deliver the customized advice you and your family need. This is precisely why our partner, Paul Bleiwas, joined Ravenstone. Paul is a former tax lawyer, having run tax practices at major firms in Toronto. He brings decades of experience advising wealthy families on tax and estate planning, business issues and investment strategies. Paul identifies when there is a lack of communication between professional advisors serving a client and can "quarterback" a framework for more efficient and productive collaboration. Ensuring that your portfolio manager, insurance advisor, accountant and lawyer are all on the same page is critical to successful planning. We are happy to work with our clients' existing team of advisors and/or to help find the right ones when necessary.

Overall, Paul brings a unique skill set to our team, and is an excellent resource for our clients. We encourage you to contact him if you have questions or concerns regarding your tax, estate, or financial planning needs. Please feel free to reach out to Paul directly at paul@ravenstonecapital.ca.

We conclude with a quote from a recent Morningstar article that captures the essence of the ideas presented in this letter:

> *"When considering who to trust with your investments, looking for firms that make investors' needs their core business objective is a good first step. Just as David's small size and smart wits proved to be a hidden advantage in his fight against Goliath, these firms' independence, focus on investors and expertise in their circles of competence are unappreciated assets in a market dominated by a handful of giants"*[5].

Please feel free to reach out with any questions or comments, or if you would like to arrange a time to meet. We are always available to you.

As always, we are grateful for your ongoing trust and support.

Sincerely Yours,

Daymon Loeb   Adam Donsky   Paul Bleiwas

[5] LeClair, D. (2023, July 7). Which is the best Canadian Boutique Asset Management Firm?. Morningstar CA. https://www.morningstar.ca/ca/news/236675/which-is-the-best-canadian-boutique-asset-management-firm.aspx