GOING STREAKING

Instrument (Inception)*	March 2017 Return	Year-to-Date Return	Compound Growth
Venator Founders Fund (March 2006)	**-1.6%**	**-4.0%**	**11.7%**
Venator Investment Trust (September 2007)	**-1.6%**	**-4.0%**	**7.9%**
Venator Income Fund (August 2008)	**0.4%**	**1.8%**	**12.1%**
Venator Select Fund (September 2013)	**-2.0%**	**-4.3%**	**14.5%**
S&P/TSX Total Return (March 2006)	1.3%	2.4%	5.6%
Russell 2000 (March 2006)	0.1%	2.5%	7.4%
S&P Toronto Small Cap (March 2006)	1.0%	1.5%	2.7%
S&P 500 (March 2006)	0.1%	6.1%	8.0%
Merrill Lynch High Yield Index (August 2008)	-0.2%	2.7%	9.1%

Looking back, it has been 11 years since I wrote my first monthly review for the Founders Fund. That's a lot of months, and a lot of market moves. While the first 10 years went as well as I could have expected, the last 12 months have been admittedly tough. Over the past year, Founders Fund is up a mere 1%, which represents quite the shortfall from the roughly 23% gains posted by the markets. This has been our second worst period of relative underperformance, the worst being in mid-2011 when we found ourselves up only 4% over 12 months, while the markets were up roughly 27%.

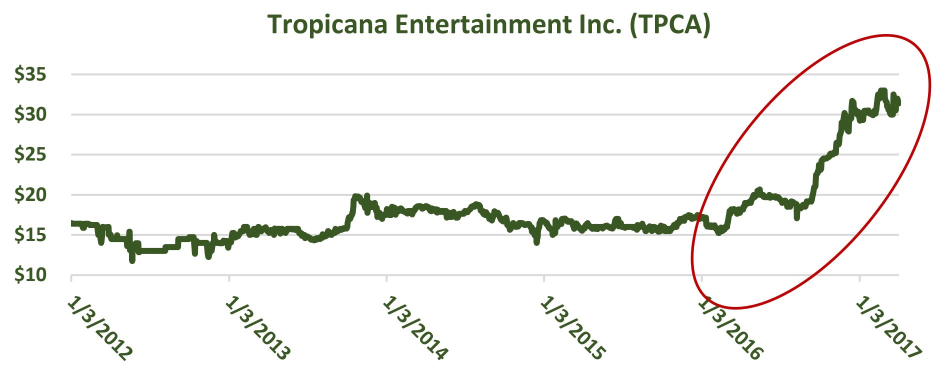
RELATIVE ROLLING 12 MONTH RETURNS vs. BENCHMARKS

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2007		29%	34%	30%	27%	42%	47%	35%	28%	17%	14%	11%
2008	2%	8%	1%	4%	13%	19%	13%	17%	21%	25%	17%	17%
2009	31%	28%	35%	31%	24%	19%	20%	15%	10%	11%	7%	3%
2010	-2%	-13%	-15%	-15%	-7%	-6%	-10%	-10%	-10%	-18%	-10%	-7%
2011	-17%	-16%	-16%	-15%	-23%	-23%	-11%	-8%	-5%	-10%	-8%	-7%
2012	-8%	-3%	4%	5%	12%	9%	6%	11%	13%	21%	21%	17%
2013	16%	12%	10%	13%	13%	19%	12%	11%	12%	9%	6%	9%
2014	10%	5%	5%	7%	4%	-3%	6%	8%	14%	17%	17%	19%
2015	21%	20%	19%	11%	11%	16%	8%	14%	8%	2%	7%	6%
2016	1%	-1%	-4%	-4%	-5%	-9%	-7%	-17%	-17%	-12%	-21%	-24%
2017	-27%	-22%	-22%									

**Benchmark is 25% of Russell 2000 Total Return, S&P 500 Total Return, S&P/TSX Total Return and S&P/TSX Small Cap Total Return indices*

These periods of lower market correlation are one of the characteristics associated with running a long/short, hedged portfolio; and hedges don't always give you the best market correlations in strong directional markets. Our historical out-performance and/or under-performance doesn't seem to be correlated to any particular type of market either, with our best periods of relative outperformance coming in the mixed markets of 2007-2009 and 2014-2015, while our worst relative periods occurred during 2011-2012, and the bull run of the last 12 months.

Overall, these streaks have tended to work themselves out over time, as evidenced by our market-beating returns since inception; but they definitely test our collective patience in the interim. A big part of this divergence from the overall moves of the market is that our stocks traditionally carry a low 'beta', meaning that they have lower correlations to the market's overall activity. They tend to be fairly news-driven and lie dormant until discovered by the broader markets, as most have little to no analyst coverage. An excellent case in point would be our holding in Tropicana Entertainment Inc. Controlled by Carl Icahn, Tropicana is a publicly traded company that, through its subsidiaries, owns and operates 8 casinos and resorts in New Jersey, Nevada, Indiana, Louisiana, Mississippi, Missouri, and Aruba.



Bought several years ago, at what we felt was well below book value, the stock did nothing from 2012 until last summer, before quickly doubling. Clearly, that move took longer than we would have liked, but given that the company still has no analyst coverage, I can't say that I am surprised that it took so long.

Fast-forward to today, and a couple of our existing long positions are testing our patience in a manner that is reminiscent of Tropicana.

Entercom Communications: Despite exhibiting (i) the most stable operations in the industry, (ii) clear market leadership, and (iii) the best content in the industry, and upon closing its deal with CBS Radio, will also sport the industry's best balance sheet and the largest (and most liquid) share structure – Entercom's share price hasn't reflected its fundamental strength. The reason for this is that many current CBS shareholders have recently hedged out their eventual Entercom position by short-selling the stock ahead of the transaction closing, with the intention of covering their short with soon to be issued Entercom shares (we know this because we have received calls from bankers asking us to lend stock until the deal closes). As a result, nearly 40% of all trading volume for the last two months has been short selling, which has pressured the stock down by roughly 10% YTD despite some clearly significant and positive developments. This share price movement has also come at a time when a couple of Entercom's investable radio peers have had strong share price movements of their own, running to 10x EV/EBITDA, or 12x earnings. Applying these metrics to Entercom translates into a share price of $20-$24 (from a current level of $14); hopefully, we will not have to wait too much longer for the value to be realized, but given the hedging activity, it may well be that this anomalous situation only resolves itself when the deal closes later this year.

NorthWest Healthcare REIT: Our largest position across all funds, the Company is just starting to come out of its neglected state, as the market has started to recognize its value. We have heard from several brokers about how impressed they are with the uniqueness of the story, and the apparent hidden value that we have identified. The biggest concern, however, seems to be the Company's never-ending stream of treasury share issuances, which has led to incremental buyers waiting to acquire stock at a discount on the next issue, as opposed to purchasing shares in the open market. Sure enough, with only a few days left in March and the stock streaking to a 52-week high, the Company did another treasury issue, sending the stock down 5%. We remain confident that the money will be deployed in an accretive fashion over the near-term, but we are also expecting much bigger news later this year in the form a potential 10-figure international joint venture (alluded to on the company's conference call), which will help surface the value of this globally unique franchise.

Going back to the relative performance table at the beginning of the letter, it's worth noting that our previous period of underperformance (2010-2011) was followed by a compelling period of strong outperformance (2012-2015). We remain confident that both Entercom Communications & NorthWest Healthcare will be profitable positions for the Founders Fund moving forward, and that collectively they could very well spearhead the beginning of our next winning streak!

As always, we reserve the right to change our mind!

Brandon Osten, CFA
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