

FOUR MORE YEARS!!! (SORRY ALBERCHEWAN)

Instrument (Inception)	October 2019 Return	Year-to-Date Return	Compound Growth
Venator Founders Fund* (March 2006)	0.1%	5.2%	10.6%
Venator Income Fund (August 2008)	-0.1%	6.0%	10.4%
Venator Select Fund (September 2013)	0.8%	19.1%	14.8%
S&P/TSX Total Return (March 2006)	-0.9%	18.1%	5.6%
Russell 2000 (March 2006)	2.6%	17.2%	7.2%
S&P Toronto Small Cap (March 2006)	-1.9%	7.0%	1.3%
S&P 500 (March 2006)	2.2%	23.2%	8.8%
Merrill Lynch High Yield Index (August 2008)	0.2%	11.8%	8.0%

** Venator Investment Trust is also available as an extension of the Founders Fund strategy; its monthly performance mirrors the Founders Fund, and it is eligible to be held in both registered & non-registered accounts*

Each of the Venator Funds treaded water in October, a somewhat disappointing result given a plethora of materially good news in many of our names through earnings season. By the end of the month, we had to continually check our 'attribution analytics' to figure out how so many 20% upside moves were nullified by a multitude of small negative offsets, leaving performance flat. That said, we continue to believe that we are on the right track and look forward to a strong finish on the year. Recent market choppiness has created several new attractive opportunities in the convertible bond market, which we believe will help Venator Income Fund over the next several quarters. Meanwhile, Venator Select Fund continues to benefit from its concentrated, high conviction strategy and has posted strong results in 2019. While the Venator Founders Fund has lagged the broader markets year to date, the long side of the portfolio has been quite strong, up over 20% on a gross basis. The short side of the portfolio, however, has been punitive to say the least, and has been a material drag on the overall performance of the Fund during the past several years. We implemented a new options strategy earlier this year aimed at addressing some of the under-performance within the short book, and while it's only been a few months, we're encouraged by the improved results that have been generated. We remain optimistic that this will help the overall performance of the long/short strategy moving forward.

The Canadian election came and went, with the Liberals downgraded to a minority government with barely any representation west of Toronto. As is often the case, the rest of the country not on Eastern Standard Time was probably left wondering if there was any point in voting, given that the election is often decided once the Toronto ballots have been counted. Unfortunately, the anti-natural resource coalition of the Bloc Quebecois and Federal Liberals has left Western Canada without any voice in the development of government policy over the next four years (although something tells me that if a major oil pool was discovered in rural Quebec, the Bloc would pull an about face on oil so fast that the whole province would get collective whiplash).

While the heightened focus on the environment by the Liberals is admirable, it's concerning that it comes at the expense of several Canadian provinces that are in dire straits economically, due in part to a poor infrastructure/pipeline/refinery system designed for a time when the United States *needed* our oil. Admittedly, I have not done extensive research into Canada's status as a contributor to global warming but, according to data sourced from the 'World Resource Institute', Canada accounts for roughly 1.5% of carbon emissions, well behind other countries that barely pay lip service to climate change concerns such as China (27%), the United States (15%), India (7%) and Russia (5%); not to mention the self-proclaimed '*progressive*' European Union (9%). Lost in all of this is the fact that energy and mining represent 30% of Alberta's GDP! With a Federal government setting policy against Alberta and other Western Canadian provinces (that don't vote for them anyways), and a separatist Quebec openly

not caring about the West, it's no wonder Western Canada feels completely abandoned and handcuffed by Federal interests that run counter to their own.

Frankly, it's difficult to imagine a strong economy for any country that i) actively thwarts its only globally important industry (natural resources, in the case of Canada), and ii) offsets its advantage of a low currency with high corporate taxes relative to its main trading partner south of the border. Unfortunately, we continue to see US companies eliminate jobs from Canada despite what should be a cost advantage (given a 75-cent dollar), and we continually hear about Canadian operations serving as an operational drag on US companies doing business domestically.

Contrary to public opinion, I believe that this current minority government is going to last the full four years, and pretty much do whatever it wants. This is simply based on the fact that they can push anything through with the support of any one of the Bloc, Conservatives or NDP, with no logical coalition to call for a new election (the NDP would never want to see an election called for by the Bloc and Conservatives where they would have nothing to gain better than their current swing vote in the current Liberal minority situation). Want to raise taxes? The NDP will support that. Want to lower taxes? Call up the PC's. Build a pipeline? Call the PC's. Don't build a pipeline you spent billions of dollars on? The Bloc has your back! There might be a lot of yelling and posturing for the press in parliament for the next several years, but it may not amount to much of an obstacle to the Liberal agenda. Sadly, the most disproportionately (and negatively) affected group in the country will have to watch silently from the sidelines.

As we head into US elections, the Western Canada is going to be paradoxically cheering on a Democrat/Warren presidency. Hyper-partisan politics in the US causes even more extreme polarization on nearly every issue under the sun that involves a dichotomy of thought. Elizabeth Warren, the current favorite to get the democratic nomination, is both environmentally conscious and very anti-oil/shale - perhaps even more so than Trudeau. It is feared that new oil projects and shale development could ground to a near halt should she win the mandate, which could potentially send domestic prices materially higher, a boon for already developed plays currently in production. 'Alberchewan' may have been voting for the Conservatives in the most recent election, but with that loss behind them, they should be pulling hard for the Democrats come next year.

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



Brandon Osten, CFA
CEO, Venator Capital Management Ltd.

This commentary is intended for informational purposes only and should not be construed as a solicitation for investment in any of the Venator Funds. The Funds may only be purchased by accredited investors with a medium-to-high risk tolerance seeking long-term capital gains. Read the Offering Memoranda in full before making any investment decisions. Prospective investors should inform themselves as to the legal requirements for the purchase of shares. All stated Venator returns are net of fees. It is important to note that past performance should not be taken as an indicator of future performance.