

Q2 REVIEW: WHERE TO FROM HERE?

HEDGE FUNDS (Inception)	JUNE 2021	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund** (March 2006)	-0.5%	11.7%	13.1%
Venator Select Fund (September 2013)	-1.1%	16.5%	18.4%
S&P/TSX Total Return (March 2006)	2.5%	17.3%	6.7%
Russell 2000 (March 2006)	1.9%	17.5%	9.3%
S&P Toronto Small Cap (March 2006)	0.5%	19.8%	3.7%
S&P 500 (March 2006)	2.3%	15.3%	10.5%

ALTERNATIVE MUTUAL FUNDS (Inception)	JUN 2021	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund*** (January 2020)	1.2%	8.7%	27.3%	7.7%	7.1%	8.0%
B of A Merrill Lynch High Yield Index (August 2008)	1.4%	3.7%	15.6%	7.1%	7.3%	6.5%

**As of June 30, 2021*

***Venator Founders Alternative Fund, which holds the same securities as Venator Founders Fund, is now available as a Mutual Fund; it is eligible to be held in both registered & non-registered accounts*

****Performance data prior to January 24, 2020 relates to Class F Units of Venator Income Fund, which was distributed to investors on a prospectus-exempt basis in accordance with National Instrument 45-106*

North American equity markets closed the first half of the year on a high note with strong mid-teens performance across the board. Energy led the way with a stunning 40%+ gain leading all sub-sectors. I guess the whole anti-carbon environmental investing mantra gets put on hold when there is money to be made! Our own equity strategies suffered from a lack of exposure to this space, although we were able to continue to profit from hybrid COVID/reopening beneficiaries held prior to this year. Our Income strategy was able to take advantage of weakness in the high growth technology space to buy some convertible bonds during brief periods of weakness leading to a strong first half of the year despite a benign environment in high yield markets.

The market appears to be at something of a crossroads here. While COVID beneficiaries have retreated along with lockdowns (Telehealth, home fitness, Zoom), we are also seeing weakness in pure play reopening sectors such as retail, restaurants and construction. With all the optimism out there, it seems to be getting more difficult to impress anyone with strong earnings against easy year over year comparisons. Complicating matters is the specter of interest rate hikes on the horizon, however small they might be. Ignoring all conflicting signals between the known strong near-term and the less certain 2022 outlook, we continue to see good value in both residential and commercial construction, select retail, hospitality suppliers and technology/health sciences.

VENATOR ALTERNATIVE INCOME FUND REVIEW

The Income strategy has gotten off to a very strong start to the year with a greater than 8% gain despite an underlying yield of only 5%. This has been a function of refinancing opportunities leading to “called” bonds as well as some timely trading in convertible securities during periods of derivative equity weakness. We continue to be underweight “plain vanilla” bonds due to unsatisfactory yields and term. Convertible bonds have dominated the returns with stock weakness providing buying opportunities for companies with rock solid balance sheets. Overall, the fund continues to yield approximately 5%. We continue to believe that rising rates and late year inflation could produce some better buying opportunities in the back half of the year.

Q2 2021 ALTERNATIVE INCOME FUND STRATEGY ATTRIBUTION (bps)			
TOP CONTRIBUTORS		LARGEST DETRACTORS	
Enphase Energy (0%, Mar 1/28) - CONV	45	SmileDirectClub Inc (0%, Feb 1/26) - CONV	(14)
Peloton Interactive Inc (0%, Feb 15/26) - CONV	21	Ligand Pharma Inc (0.75%, May 15/23) - CONV	(8)
Medallia Inc (0.125%, Sep 15/25) - CONV	20	Northwest Health Pro (5.50%, Dec 31/23) - CONV	(6)
Canaccord Genuity (Jun 30/21) - PREF	18	Nuvasive Inc (0.375%, Mar 15/25) - CONV	(4)
Alteryx Inc (1.00%, Aug 1/26) - CONV	18	Northwest Health Pro (5.25%, Jul 31/21) - CONV	(2)

VENATOR FOUNDERS FUND REVIEW

Our Founders Fund had another good quarter, although slightly behind the market owing largely to our lack of energy exposure, the hedge book, and a stalling out of the residential resurgence trade which comprises a substantial part of the portfolio. We still believe that millennials moving into houses will be a dominant theme going forward and an extended cycle given how underbuilt the new home market has been for the last decade. This is not a commentary on elevated housing prices as our investments are focused on volumes vs pricing. We also continue to invest in selected reopening plays where we think the forward post-COVID potential has been underestimated by the street; various due diligence calls suggest “back to school” is going to be ahead of strong expectations. Copper and gold remain a material part of the portfolio as well despite the negative reaction to last month’s Fed announcement; we believe there is a structural shortage of copper on the immediate horizon, and we remain concerned about inflation numbers staying elevated through year end based on pricing intentions and rising wages. While our models show strong expected gains over the next 18 months, our net market exposure remains in its historical range in the mid-60%.

Q2 2021 FOUNDERS FUND STRATEGY ATTRIBUTION (bps)			
LONG POSITIONS		SHORT/HEDGES	
	903		(372)
TOP CONTRIBUTORS		LARGEST DETRACTORS	
Optimize (OPRX)	113	Apollo Healthcare Corp (AHC)	(114)
Inotiv Inc (NOTV)	97	Bally's Corp (BALY)	(53)
Lovesac Co (LOVE)	88	Medallia Inc (MDLA)	(35)
Skechers USA Inc (SKX)	74	Upland Software Inc (UPLD)	(29)
Liveperson, Inc (LPSN)	68	Uber Technologies Inc (UBER)	(24)

We reserve the right to change our mind!



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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 Venator Hedge Funds may only be purchased by accredited investors with a medium-to-high risk tolerance seeking long-term capital gains. Please read the Offering Memorandum for each Hedge Fund in full before making any investment decisions. Prospective investors should inform themselves as to the legal requirements for the purchase of securities. All stated Venator Hedge Fund returns are net of fees. It is important to note that past performance should not be taken as an indicator of future performance. Commissions, trailing commissions, management fees and other expenses all may be associated with investing in any of the Venator Alternative Mutual Funds. Please read the prospectus and Fund Facts relating to each Alternative Mutual Fund before investing. The indicated rates of return of the Venator Alternative Mutual Funds are the historical annual compounded total returns, including changes in share or unit value and the reinvestment of all dividends or distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.