

Financial Statements of

**VENATOR FOUNDERS ALTERNATIVE FUND**  
**(FORMERLY VENATOR INVESTMENT TRUST)**

June 30, 2021 (Unaudited)

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements have been prepared by **Venator Capital Management Ltd.**, as manager of the Venator Founders Alternative Fund (the "Fund") and approved by VCM's board of directors. The manager is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgements and estimates consistent with *International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS")*; including International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*". The manager is also responsible for the development of internal controls over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced, and the safeguarding of all assets of the Fund.

The board of directors of VCM, is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

**On behalf of VCM, manager of the Fund**

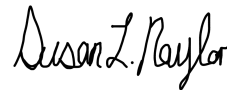


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**Brandon Osten**

**Chief Executive Officer**

**August 16, 2021**



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**Susan Naylor**

**Chief Financial Officer**

**August 16, 2021**

## Notice to Unitholders

**The Auditor of the Fund has not reviewed the Venator Founders Alternative Fund**

VCM, as manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial report, this must be disclosed in an accompanying notice.

# VENATOR FOUNDERS ALTERNATIVE FUND (formerly VENATOR INVESTMENT TRUST)


## Statement of Financial Position

June 30, 2021, with comparative information for December 31, 2020 (Unaudited)

	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 10,551	\$ 84,606
Investments owned, at fair value (note 9) (Cost:\$35,519,910 - 2020:\$13,266,026)	35,995,589	23,253,874
Subscriptions receivable	–	500
Dividends receivable	8,697	–
Receivables for investment sold	367,433	–
Due from related Fund	<u>62,252</u>	<u>–</u>
	<u>36,444,522</u>	<u>23,338,980</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to broker	8,037,934	–
Unitholders' deposit (note 6)	–	70,000
Accounts payable and accrued liabilities	28,135	27,056
Redemptions payable (note 14)	100,000	231,270
Management fees payable	32,124	–
Performance fees payable	675,804	–
Payable for investment purchased	<u>672,734</u>	<u>–</u>
	<u>9,546,731</u>	<u>328,326</u>
<b>Net assets attributable to holders of redeemable units</b>	<u>\$ 26,897,791</u>	<u>\$ 23,010,654</u>
<b>Net assets attributable to holders of redeemable units per class:</b>		
Class A	\$ 20,573,855	\$ 18,203,186
Class F	<u>6,323,936</u>	<u>4,807,468</u>
	<u>\$ 26,897,791</u>	<u>\$ 23,010,654</u>
<b>Number of redeemable units outstanding (note 7):</b>		
Class A	1,079,524	1,065,836
Class F	305,322	260,118
<b>Net assets attributable to holders of redeemable units per unit:</b>		
Class A	\$ 19.06	\$ 17.08
Class F	20.71	18.48

See accompanying notes to financial statements.

Approved on behalf of the Trust:

  
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Trustee  
Venator Capital Management Ltd.

# VENATOR FOUNDERS ALTERNATIVE FUND (formerly VENATOR INVESTMENT TRUST)

## Statement of Comprehensive Income

Period ended June 30, 2021, with comparative information for 2020 (Unaudited)

	2021	2020
<b>Income</b>		
Realized gain on sale of investments, including foreign exchange adjustments	\$ 12,997,853	\$ 348,701
Net change in unrealized (depreciation) appreciation in value of investments	(9,489,610)	423,286
Dividends	<u>4,525</u>	<u>—</u>
	<u>3,512,768</u>	<u>771,987</u>
<b>Expenses</b>		
Performance fees	675,804	—
Management fees	32,124	—
Operating costs	20,450	18,693
Commissions and other portfolio transaction costs	5,938	—
Audit fees	5,232	4,232
Interest and borrowing fees	<u>4,954</u>	<u>—</u>
	<u>744,502</u>	<u>22,925</u>
<b>Increase in net assets attributable to holders of redeemable units</b>	<u>\$ 2,768,266</u>	<u>\$ 749,062</u>
<b>Increase in net assets attributable to holders of redeemable units per class:</b>		
Class A	\$ 2,135,327	\$ 340,612
Class F	<u>632,939</u>	<u>408,450</u>
	<u>\$ 2,768,266</u>	<u>\$ 749,062</u>
<b>Increase in net assets attributable to holders of redeemable units per unit:</b>		
Class A	\$ 1.97	\$ 0.29
Class F	2.16	0.58

# VENATOR FOUNDERS ALTERNATIVE FUND (formerly VENATOR INVESTMENT TRUST)

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Units Period ended June 30, 2021, with comparative information for 2020 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued*	Redemption of redeemable units*	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
<b>June 30, 2021</b>					
Class A	\$ 18,203,186	\$ 555,945	\$ (320,603)	\$ 2,135,327	\$ 20,573,855
Class F	4,807,468	1,030,000	(146,471)	632,939	6,323,936
	<u>\$ 23,010,654</u>	<u>\$ 1,585,945</u>	<u>\$ (467,074)</u>	<u>\$ 2,768,266</u>	<u>\$ 26,897,791</u>

\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2021 were \$nil and \$nil, respectively.

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued**	Redemption of redeemable units**	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
<b>June 30, 2020</b>					
Class A	\$ 14,921,581	\$ 30,000	\$ (2,621,560)	\$ 340,612	\$ 12,670,633
Class F	8,973,341	22,886	(5,938,802)	408,450	3,465,875
	<u>\$ 23,894,922</u>	<u>\$ 52,886</u>	<u>\$ (8,560,362)</u>	<u>\$ 749,062</u>	<u>\$ 16,136,508</u>

\*\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2020 were \$22,886 and \$(22,886), respectively.

# VENATOR FOUNDERS ALTERNATIVE FUND (formerly VENATOR INVESTMENT TRUST)

## Statement of Cash Flows

Period ended June 30, 2021, with comparative information for 2020 (Unaudited)

	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Increase in net assets attributable to holders of redeemable units	\$ 2,768,266	\$ 749,062
Adjustments for non-cash items		
Net realized loss on sale of investments, including foreign exchange adjustments	(12,997,853)	(348,701)
Change in unrealized depreciation (appreciation) in value of investments	9,489,610	(423,286)
Change in non-cash balances		
Increase in dividends receivable	(8,697)	–
Increase in receivable for investment sold	(367,433)	–
Increase in due from related Fund	(62,252)	–
Increase in due to broker	8,037,934	–
Increase (decrease) in accounts payable and accrued liabilities	1,079	(4,580)
Increase in management fees payable	32,124	–
Increase in performance fees payable	675,804	–
Increase in payable for investment purchased	672,734	–
Proceeds from sale of investments	6,700,059	4,743,901
Purchase of investments	(15,244,807)	(1,084,700)
Cash (used in) provided by operating activities	<u>(303,432)</u>	<u>3,631,696</u>
<b>Financing Activities</b>		
Proceeds from redeemable units issued	1,586,445	30,000
Amount paid on redemption of redeemable units	(598,344)	(3,664,201)
Decrease in partners' deposit	(70,000)	–
Cash provided by (used in) financing activities	<u>918,101</u>	<u>(3,634,201)</u>
Increase (decrease) in cash and cash equivalents during the period	614,669	(2,505)
Foreign exchange loss on cash	(688,724)	–
Cash and cash equivalents, beginning of period	84,606	11,152
<b>Cash and cash equivalents, end of period</b>	<u>\$ 10,551</u>	<u>\$ 8,647</u>
<b>Supplemental information*</b>		
Dividends received, net of withholding taxes	4,525	–

\*Included as a part of cash flows from operating activities

# VENATOR FOUNDERS ALTERNATIVE FUND (formerly VENATOR INVESTMENT TRUST)

## Schedule of Investment Portfolio As at June 30, 2021 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian equities</b>				
193,935	Apollo Healthcare Corp.	\$ 624,471	\$ 527,503	1.96
163,092	Copper Mountain Mining Corp.	656,572	593,655	2.21
38,592	ERO Copper Corp.	1,082,120	1,003,778	3.73
29,059	First Quantum Minerals Ltd.	829,634	830,216	3.09
81,737	K92 Mining Inc.	709,477	732,364	2.72
192,994	Karora Resources Inc.	784,595	770,046	2.86
7,759	Magna International Inc.	926,425	890,500	3.31
62,577	NorthWest Healthcare Properties Real Estate Investment Trust	816,630	796,605	2.96
508,198	Nova Leap Health Corp.	426,886	482,788	1.79
358,439	Voxtur Analytics Corp. RSTD 12JUL2021	250,907	250,907	0.93
173,200	Wildpack Beverage Inc.	176,431	164,540	0.61
		<u>7,284,148</u>	<u>7,042,902</u>	<u>26.17</u>
<b>U.S. equities</b>				
137,850	Antares Pharma Inc.	739,772	745,062	2.77
8,700	ArcBest Corp.	632,295	627,577	2.33
9,705	Atkore International Group Inc.	913,726	854,186	3.18
69,281	Caesarstone Sdot-Yam Ltd.	1,359,378	1,267,651	4.71
18,036	Choice Consolidation Corp. UNIT	216,303	222,465	0.83
2,692	Facebook Inc.	1,076,975	1,160,356	4.31
19,497	Inotiv Inc.	669,825	644,841	2.40
57,127	Kaleyra Inc.	856,756	866,806	3.22
19,468	Kirkland Lake Gold Ltd.	1,010,083	929,864	3.46
22,302	Levi Strauss & Co.	722,965	766,366	2.85
19,296	LivePerson Inc.	1,326,775	1,512,719	5.62
4,838	Lowe's Cos Inc.	1,117,060	1,163,321	4.32
6,298	Masonite International Corp.	893,784	872,780	3.24
15,482	Molson Coors Brewing Co.	1,139,172	1,030,433	3.83
24,249	OptimizeRx Corp.	1,488,737	1,860,731	6.92
48,584	PropTech Acquisition Corp.	1,204,755	1,164,793	4.33
34,711	Red Violet Inc.	912,725	1,012,054	3.76
2,892	RingCentral Inc.	915,325	1,041,749	3.87
24,249	Skechers U.S.A. Inc.	1,414,418	1,497,903	5.57
15,390	Skyline Corp.	941,121	1,016,869	3.78
4,800	Splunk Inc.	814,842	860,297	3.20
10,808	The Lovesac Co.	1,092,202	1,069,037	3.97
5,198	The Walt Disney Co.	1,108,499	1,132,609	4.21
20,270	Uber Technologies Inc.	1,206,637	1,259,401	4.68
3,894	Wayfair Inc.	1,526,011	1,523,994	5.67
39,583	WillScot Corp.	1,384,412	1,367,555	5.08
29,100	ZipRecruiter Inc.	828,985	901,124	3.35
		<u>27,513,538</u>	<u>28,372,543</u>	<u>105.46</u>

**VENATOR FOUNDERS ALTERNATIVE FUND  
(formerly VENATOR INVESTMENT TRUST)**

**Schedule of Investment Portfolio (continued)  
As at June 30, 2021 (Unaudited)**

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	<b>U.S. options</b>			
6,900	GameStop Corp. Put \$100 20AUG21	\$ 41,960	\$ 18,818	0.07
42,500	iShares Russell 2000 ETF Put \$230 20AUG21	429,896	365,635	1.36
10,900	SPDR S&P 500 ETF Trust Put \$430 20AUG21	178,818	110,800	0.41
		<u>650,674</u>	<u>495,253</u>	<u>1.84</u>
	<b>U.S. warrant</b>			
21,400	Mercer Park Brand Acquisition Corp. \$11.50 24JUN24	<u>71,550</u>	<u>84,891</u>	<u>0.32</u>
	<b>Total investments owned</b>	35,519,910	35,995,589	133.79
	Commissions and other portfolio transaction costs	<u>(22,557)</u>	<u>—</u>	<u>—</u>
	<b>Net investments owned</b>	<u>\$ 35,497,353</u>	35,995,589	133.79
	<b>Other liabilities, net</b>		<u>(9,097,798)</u>	<u>(33.79)</u>
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<u>\$ 26,897,791</u>	<u>100.00</u>



# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements

June 30, 2021 (Unaudited)

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## 1. Trust organization and nature of operations:

Venator Founders Alternative Fund (formerly Venator Investment Trust) (the "Trust") is a trust created under the laws of the Province of Ontario by a Trust Agreement dated June 28, 2007 and amended and restated as at September 25, 2009, February 14, 2012 and June 30, 2021. The Trust commenced active operations on September 1, 2007. Venator Capital Management Ltd., a corporation incorporated under the laws of the Province of Ontario, is the manager and trustee (the "Manager" or "Trustee") of the Trust. The registered office of the Trust is 2 Bloor Street West, Suite 901, Toronto, Ontario M4W 3E2.

The investment objective of the Trust is to provide long-term capital growth through fundamental securities selection by taking both long and short investment positions in equity, debt and derivative securities and through strategic trading.

The success of the Trust depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in equities, options, and other instruments and the use of leverage, including derivative hedge risk, market liquidity, short sales, portfolio turnover, foreign currency exposure, foreign market exposure and interest rate fluctuations.

On June 10, 2021, the Trust completed a restructuring and ceased to be the feeder fund in a Master-Feeder structure. Venator Founders Fund ("the Underlying Fund") transferred a group of assets and liabilities with the total net fair value equal to the Fund's investment in the Underlying Fund as at June 9, 2021 (see note 15 for information on the assets and liabilities transferred in this transaction). As a result of the restructuring, the Trust did not hold investments in the Underlying Fund since June 10, 2021.

# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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## 2. Basis of presentation:

These interim financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL"), which are presented at fair value. The policies applied in these financial statements are based on International Financial Reporting Standards and International Accounting Standard 34, Interim Financial Reporting (together "IFRS"). These financial statements were authorized for issue by the Trustee on August 16, 2021. These interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020 which have been prepared in accordance with IFRS. These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

## 3. Significant accounting policies:

The following summarizes the accounting policies of the Trust:

### (a) Valuation of investments:

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. In accordance with the provisions of the Trust's Simplified Prospectus, investment positions are valued based on the last traded market price for the purpose of determining the net asset per unit for subscriptions and redemptions. For financial reporting purposes, the Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The fair value of financial assets and financial liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Valuation techniques used include the use of comparable recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 3. Significant accounting policies (continued):

(b) Classification:

The Trust classifies its investments in debt, equity securities and derivatives as financial assets and financial liabilities at FVTPL, in accordance with IFRS 9, Financial instruments ("IFRS 9").

The Trust classifies its investments at FVTPL based on the Trust's business model for managing those financial assets in accordance with the Trust's documented investment strategy. The portfolio of investments is managed and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Trust is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

(c) Recognition/derecognition:

The Trust recognizes financial assets or financial liabilities at FVTPL on the trade date - the date it commits to purchase or sell short the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the statements of comprehensive income.

Financial assets are derecognized and only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Trust derecognizes financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or expired.

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 3. Significant accounting policies (continued):

(d) Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Trust enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

(e) Investment transactions and revenue recognition:

Investment transactions are accounted for on a trade date basis and gains and losses from investment transactions are accounted for on the trade date.

Realized gain on sale of investments, including foreign exchange adjustments, and change in unrealized appreciation in value of investments are determined on an average cost basis.

(f) Withholding tax expense:

The Trust may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statements of comprehensive income.

(g) Use of estimates:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 3. Significant accounting policies (continued):

- (i) Net assets attributable to holders of redeemable units per unit:

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of redeemable units by the total number of redeemable units of that particular class outstanding at the end of the period.

- (j) Increase in net assets attributable to holders of redeemable units per class:

Increase in net assets attributable to holders of redeemable units per class is based on the increase in net assets attributable to holders of redeemable units attributed to each class of redeemable units, divided by the weighted average number of redeemable units outstanding of that class during the period. Refer to note 13 for the calculation.

- (k) Fair value hierarchy:

Investments measured at fair value are classified into one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 3. Significant accounting policies (continued):

(l) Other assets and liabilities:

Other assets are classified as subsequently measured at amortized cost and recorded at cost or amortized cost. A financial asset is classified as subsequently measured at amortized cost only if both of the following criteria are met:

- (i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Redemptions payable, unitholders' deposit, management fees payable, performance fees payable and accounts payable and accrued liabilities are classified as financial liabilities and reported at amortized cost. Financial liabilities are generally settled within three months of issuance. Other assets and liabilities are short-term in nature, and are carried at amortized cost, which approximates fair value.

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 3. Significant accounting policies (continued):

(m) Cash and cash equivalents:

Cash and cash equivalents include cash in hand and deposits held with banks.

(n) Classification of redeemable units issued by the Trust:

The Trust's redeemable units do not meet the criteria in IAS 32, Financial Instruments - Presentation, for classification as equity due to multiple classes with different rights and, therefore, have been classified as financial liabilities.

(o) Unit valuation:

The net assets of a particular class of units are computed by calculating the value of that class' proportionate share of the assets and liabilities of the Trust common to all classes less the liabilities of the Trust attributable only to that class.

Expenses directly attributable to a class are charged directly to that class. Income, realized and unrealized gains and losses from investment transactions and other expenses are allocated proportionately to each class based upon the relative net asset value of each class.

(p) Changes in significant accounting policies

A number of new standards are effective from January 1, 2021 that do not have a material effect on the Trust's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted; however, the Trust has not early adopted the new or amended standards in preparing these financial statements. The new and amended standards and interpretations are not expected to have a significant impact on the Trust's financial statements.

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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#### 4. Critical accounting estimates and assumptions:

The preparation of financial statements requires management to use judgments in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Trust has made in preparing the financial statements:

Classification and measurement of investments:

In classifying and measuring financial instruments held by the Trust, the Manager is required to make significant judgments about whether or not the business of the Trust is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Trust's investments are classified as FVTPL.

#### 5. Related party transactions:

(a) Management fees:

The management fee paid by the Trust to the Manager is calculated and payable monthly based on the net asset value of each class as at the last business day of each month and is paid at the beginning of the following month. The monthly management fee for each class is calculated as follow: (i) 1/12 of 2% of the net asset value of the Class A units; (ii) 1/12 of 1.5% of the net asset value of Class D units; and (iii) 1/12 of 1% of the net asset value of the Class F units, plus applicable taxes. Management fees on Class I units are negotiated and paid directly by the investor.

The Manager will pay, with respect to the Class A and Class D units, and out of its management fee, an annual service fee to participating registered dealers whose clients hold Class A or Class D units. The service fee is payable quarterly to a maximum of 1% per annum of the net asset value of the Class A units and 0.5% of the net asset value of the Class D units held by clients of the applicable dealer.

Management fees for the period June 10 to June 30, 2021 were \$32,124 with \$32,124 payable as at June 30, 2021. Prior to June 10, 2021, management fees were paid by the Underlying Fund. For the period ended June 30, 2021 fees paid by the Underlying Fund were \$830,590 (2020 - \$633,394) with \$67,587 payable as at June 30, 2021 (December 31, 2020 - \$59,011).



# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 5. Related party transactions (continued)

#### (b) Performance fee:

The Trust pays a performance fee to the Manager on each Class A, Class D and Class F unit outstanding on the last business day of the period based on the amount by which the net asset value per unit on such date plus the aggregate amount of all distributions declared on such unit ("Adjusted NAV per Unit") exceeds the previous High Water Mark for such unit, plus applicable taxes. The performance fee is calculated daily. The High Water Mark is defined as the greater of the purchase price of such unit or the Adjusted NAV per Unit after the last date on which a performance fee was paid. In any period in which a performance fee is payable, the Manager will be paid 20% of any gains in excess of the High Water Mark. Investors in Class I Units may negotiate a different performance fee.

Performance fees for the period ended June 30, 2021 were \$675,804 with \$675,804 payable as at June 30, 2021. Performance fees include the Trust's prorata share of the Profit account of the Underlying Fund as described below.

#### Profit account:

A portion of the net profits of the Underlying Fund for a fiscal period is allocated to the General Partner to the extent of a positive balance in a running account (the "Profit Account. The Profit Account is computed on a valuation date as: (i) the positive or negative balance in the account carried forward from the immediately preceding valuation date; plus (ii) 20% of net profits of the Underlying Fund for the period following the previous valuation date; minus (iii) 20% of net losses of the Underlying Fund during such period; and (iv) any distribution of income made by the Manager after the previous valuation date.

The Profit Account for the Fund for the period ended June 30, 2021 was \$1,494,776 (December 31, 2020 - \$6,160,475).

Directors and employees of the Manager own units of the Trust representing 29.54% (December 31, 2020 – 30.6%) of units outstanding.

### 6. Unitholders' deposit:

Unitholders' deposit relates to cash received in advance of the issuance of the Trust redeemable units.

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

### 7. Redeemable units of the Trust:

The Trust is authorized to issue an unlimited number of redeemable units of two classes: Class A redeemable units and Class F redeemable units, issuable in series, each of which represents an equal, undivided, beneficial interest in the net asset value of the Trust.

Each redeemable unit of each class entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. Redeemable units of a class may be consolidated and/or redesignated by the Manager.

Unitholders may request that redeemable units be redeemed on the last business day of each month (the "Valuation Date") at their net asset value per unit on such date provided that the request for redemption is submitted at least 45 days prior to such Valuation Date.

	Redeemable units, beginning of period	Redeemable units issued	Redemptions of redeemable units	Redeemable units, end of period
<b>June 30, 2021</b>				
Class A	1,065,836	30,739	(17,051)	1,079,524
Class F	260,118	52,493	(7,289)	305,322
<b>June 30, 2020</b>				
Class A	1,297,672	3,363	(251,794)	1,049,241
Class F	725,672	1,869	(461,690)	265,851

#### Capital disclosure:

The capital of the Trust is represented by issued and redeemable units. The redeemable units are entitled to distributions, if any, and to payment of a proportionate share based on the Trust's net asset value per unit upon redemption. The Trust has no restrictions or specific capital requirements on the subscriptions and redemptions of redeemable units. The relevant movements are shown on the statements of changes in net assets attributable to holders of redeemable units. In accordance with its investment objectives and strategies, and the risk management practices outlined in note 8, the Trust endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments, where necessary.

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 8. Financial instruments and risk management:

Management of financial instrument risks:

In the normal course of business, the Trust is exposed to liquidity risk, other price risk, credit risk, currency risk and interest rate risk. The value of investments within the Trust's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, the market and company news related to specific securities within the Trust. The level of risk depends on the Trusts investment objective and the type of securities it invests in.

#### (a) Liquidity risk:

Liquidity risk is defined as the risk that the Trust may not be able to settle or meet its obligation on time or at a reasonable price.

The Trust's exposure to liquidity risk is concentrated in the periodic cash redemptions of redeemable units. The Underlying Fund primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Trust generally retains sufficient cash and cash equivalent positions to maintain liquidity.

The Trust may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

The financial liabilities of the Trust mature within three months.

#### (b) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Trust's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Trust's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Trust is susceptible to market price risk arising from uncertainties about future prices of the instruments.

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

### 8. Financial instruments and risk management (continued):

The following table sets out the concentration of the investment assets and liabilities of the Trust at June 30, 2021 and December 31, 2020 as a percentage of the net assets attributable to holders of redeemable units of the Trust:

	June 30, 2021	December 31, 2020
Canadian equities	26.17%	29.20%
Canadian warrants	–	–
U.S. equities	105.46%	84.71%
U.S. fixed income	–	–
U.S. options	1.84%	4.96%
U.S. warrants	0.32%	0.12%
Canadian equities sold short	–	–
U.S. equities sold short	–	(1.15)%

December 31, 2020 comparative figures are for the Underlying Fund.

As at June 30, 2021 and December 31, 2020 the equity investments held by the Fund are concentrated in the following industries:

	June 30, 2021	December 31, 2020
Communications	11.8%	16.50%
Consumer discretionary	33.8%	48.19%
Consumer staples	5.8%	6.77%
Financials	3.6%	4.21%
Health care	13.9%	4.88%
Industrials	27.0%	24.85%
Information technology	16.8%	3.76%
Materials	18.1%	5.60%
Real estate	3.0%	3.09%

December 31, 2020 comparative figures are for the Underlying Fund.

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 8. Financial instruments and risk management (continued):

As at June 30, 2021, the majority of the Trust's net assets were invested in equity securities traded on North American stock exchanges. Accordingly, if the security prices on North American exchanges had increased or decreased by 10% as at the period end, with all other factors remaining constant, net assets attributable to holders of redeemable units of the Trust could possibly have increased or decreased by approximately \$3,552,222 (December 31, 2020 - \$9,067,648-comparative amount is for Underlying Fund). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

#### (c) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust. It arises principally from debt securities held, and also from cash and cash equivalents and balances due from brokers.

All transactions executed by the Trust in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Trust's investments in debt instruments, including bonds, represents the main exposure to credit risk. The market value of debt instruments and derivatives includes consideration of the creditworthiness of the issuer and, accordingly, represents the maximum credit risk exposure to the Trust.

As at June 30, 2021, the Fund held investments in debt instruments with a fair value of \$nil (December 31, 2020 - nil).

# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

## 8. Financial instruments and risk management (continued):

### (d) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than the Canadian dollar, which represents the functional currency of the Trust. The Trust may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

As at June 30, 2021 and December 31, 2020 the Trust has the following foreign currency exposures (as a percentage of total NAV):

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>June 30, 2021</b>						
U.S. Dollar	\$ (28,913,096)	\$ 28,952,687	\$ 39,591	\$ (1,445,655)	\$ 1,447,634	\$ 1,979
% of Net Assets						
Attributable to Holders of Redeemable Units	(107.49)	107.64	0.15	(5.37)	5.38	0.01

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 8. Financial instruments and risk management (continued):

#### (d) Currency risk (continued):

As at June 30, 2021, if the Canadian dollar had strengthened or weakened by 5% in relation to the U.S. dollar, with all other variables held constant, net assets of the Fund would have increased or decreased by \$1,979 (December 31, 2020 - \$nil).

#### (e) Interest rate risk:

Interest rate risk arises when the Trust invests in interest-bearing financial instruments. The Trust is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates and fixed-rate instruments held.

As at June 30, 2021 and December 31, 2020, the Trust and the Underlying Fund are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The Fund had investments in fixed-rate debt instruments at June 30, 2021, totalling \$nil (December 31, 2020 - \$nil) .

#### (e) COVID-19:

Certain impacts from the COVID-19 outbreak may have a significant negative impact on the Trust's operations and performance. These circumstances may continue for an extended period of time, and may have an adverse impact on economic and market conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Trust will depend on future developments, which are highly uncertain and cannot be predicted.

# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

## 9. Fair value measurement:

The following is the summary of the inputs used as at June 30, 2021 in valuing the Trust's investments carried at fair values:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 34,942,073	\$ –	\$ 473,372	\$ 35,415,445
Options	–	495,253	–	495,253
Warrant	–	84,891	–	84,891
	\$ 34,942,073	\$ 580,144	\$ 473,372	\$ 35,995,589

There were no transfers between the levels during the period.

The change in investments owned at fair value using significant level 3 inputs are reflected below:

	Total
Beginning Balance, January 01, 2021	\$ –
Purchases	467,211
Change in unrealized appreciation (depreciation) included in net income	6,161
Ending Balance, June 30, 2021	\$ 473,372

The following is the summary of the inputs used as at December 31, 2020 in valuing the Trust's investments carried at fair values:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment Fund	\$ –	\$ 23,253,874	\$ –	\$ 23,253,874
	\$ –	\$ 23,253,874	\$ –	\$ 23,253,874

There were no transfers between the levels during the year.



# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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## 10. Involvement with unconsolidated structure entities:

Prior to June 10, 2021, the Trust invested in units of other investment funds as part of its investment strategy. The nature and purpose of the investee funds generally is to manage assets on behalf of third party investors and generate fees for the investment manager, and are financed through the issue of units to investors.

The Trust qualifies as an investment entity under IFRS 10, Consolidated Financial Statements ("IFRS 10") and, therefore, accounts for investments it controls at FVTPL. The Trust's primary purpose is to obtain funds from investors to provide them with investment management services, and to obtain a return primarily from capital appreciation and/or investment income. It also measures and evaluates the performance of investee funds on a fair value basis.

The table below describes the structured entities that the Trust does not consolidate but in which it held an interest:

Type of structured entity	Nature and purpose	Interest held by the Trust
Investment funds	To manage assets on behalf of third party investors and generate investment fees for the Manager of the Funds These vehicles are financed through the issue of units to investors	Investments in units issued by the investment funds

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The Trust does not invest in open-ended investment funds at June 30, 2021.

# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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## 10. Involvement with unconsolidated structure entities (continued):

Investment in open-ended investment fund at December 31, 2020:

Name of fund	Place of business	Proportion of interest	Control/significant influence
Venator Founders Fund	Ontario	30.2%	Significant influence

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## 11. Expenses:

The Manager has the power to incur and make payment out of the Trust provided any charges or expenses which, in the opinion of the Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Trust Agreement, including without limitation all fees and expenses relating to the management and administration of the Trust. The Trust is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

# VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

## 12. Income taxes:

The Trust qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which are paid or payable to its unitholders as at the end of the tax year. However, such part of the Trust's net income and net realized capital gains that are not so paid or payable, are subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions. It is the intention of the Trust to distribute all of its income and sufficient net realized capital gains so that the Trust will not be subject to income tax.

Non-capital losses are available to be carried forward for 20 years and applied against future taxable income. Net capital losses for income tax purposes may be carried forward indefinitely and applied against future capital gains.

As at the tax year ended December 31, 2020, the Trust has no capital losses carried forward and has non-capital losses carried forward in the amount of \$1,417,630 (2019 - \$2,488,025) available for income tax purposes.

## 13. Increase in net assets attributable to holders of redeemable units per class:

The increase in net assets attributable to holders of redeemable units per class for period ended June 30, 2021 and 2020 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units per class	Weighted average of redeemable units outstanding during the period	Increase in net assets attributable to holders of redeemable units per unit
<b>June 30, 2021</b>			
Class A	\$ 2,135,327	1,081,294	\$ 1.97
Class F	632,939	293,531	2.16
<b>June 30, 2020</b>			
Class A	\$ 340,612	1,191,271	\$ 0.29
Class F	408,450	704,403	0.58

# VENATOR FOUNDERS ALTERNATIVE FUND

## (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2021 (Unaudited)

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### 14. Redemptions payable:

Redemptions payable consist of units redeemed during the year but not yet paid at period end.

### 15. Related party transfer:

On June 10, 2021, the Trust redeemed its investment in the Underlying Fund in exchange for certain investments, cash and other net assets at their fair market values. The following is a summary of the net assets transferred from the Underlying Fund to the Trust as a result of the redemption:

Investments at fair value through profit or loss	\$	37,935,095
Due to broker		(9,868,123)
Other liabilities, net of other assets		<u>(713,827)</u>
Total net assets transferred to the Trust		27,353,145