



Venator Founders Alternative Fund

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2022

Venator Founders Alternative Fund

This Semi-Annual Management Report of Fund Performance (“MRFP”) contains financial highlights but does not contain the complete semi-annual financial statements of the investment fund. You can obtain a free copy of the semi-annual Financial Statements at your request, by calling Venator Capital Management Ltd. directly at 416-934-7994; by writing to us at Venator Capital Management Ltd., 2 Bloor Street West, Suite 901, Toronto, ON, M4W 3E2; by email to info@venator.ca; or by visiting our website at www.venator.ca/resources or the SEDAR website at www.sedar.com.

Unitholders may also contact us or visit our website to obtain a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, and Fund-related quarterly disclosure at no cost.

This Semi-Annual Management Report of Fund Performance represents management’s view of the significant factors and developments affecting the investment fund’s performance and outlook until June 30, 2022.

Please refer to the Fund’s Simplified Prospectus, Fund Facts and the June 30, 2022, unaudited semi-annual Financial Statements for more information.

Caution regarding forward-looking statements

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and of similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risk, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these differences, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

Please note that the afore-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and urge you to avoid placing undue reliance on forward-looking statements. The forward-looking information contained in this report is current only as of the date of this report. Further, you should be aware that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

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Management Discussion of Fund Performance

The management discussion of fund performance presents the view of the portfolio management team concerning significant factors and developments that have affected the Fund's performance and outlook.

Please read the caution on the preceding page regarding forward-looking statements.

Investment Objectives and strategies

The investment objective of the Fund 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 Manager intends to focus on, but is not limited to, long positions in the following general areas: (i) issuers that are not well followed by the investment community and are trading at price to earnings ratios, price to sales ratios and/or price to cash flow ratios that do not reflect their earnings and/or cash flow growth rates; (ii) issuers that are showing profitability ratios well below their potential and where a plan to increase efficiencies exist or is expected to be implemented in the near future; (iii) issuers with track records of profitable operations and strong balance sheets, and which are trading below their intrinsic or fair values; (iv) securities of companies involved in corporate restructurings, mergers, acquisitions and spin-offs; (v) securities of distressed and bankrupt companies; (vi) high yield instruments; and (vii) option derivatives.

In selecting short sale candidates, the Manager expects to focus on, but is not limited to, options in indices to reduce beta, companies that are experiencing deteriorating business and industry conditions, have leveraged and/or cash poor balance sheets and/or are facing capital expenditure requirements in excess of their internal cash generation abilities and/or companies that are trading above their intrinsic or fair value. Certain short sales may be initiated solely to hedge market exposure or currency exposure. This may include securities in issuers such as borrowers of foreign currencies, index-tracking securities or large capitalization stocks that serve as a barometer to sectors where the Manager is looking to decrease the Fund's overall and/or net market exposure.

The Manager may engage in special situations trading from time to time, including investing in event driven situations such as private placements, initial public offerings, convertible debt and equity offerings, corporate restructurings, mergers, acquisitions and spin-offs, hostile takeovers or bankruptcies.

The fundamental investment objective of the Fund will not change without consent of a majority of voting unitholders of the Fund.

Exemptions from National Instrument 81-102

The Fund is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 ("NI 81-102"), which are designed, in part, to ensure that the investments of mutual funds are diversified and relatively liquid and to ensure the proper administration of mutual funds. We intend to manage the Fund in accordance with these restrictions and practices or to obtain relief from the securities regulatory authorities before implementing any variations. The following provides a description of the exemptions that the Fund has obtained from the provisions of NI 81-102, and/or a description of the general investment activity.

The Fund has obtained the following exemptions from NI 81-102:

- from the following provisions (the "Total Borrowing Limit") of NI 81-102 in order to permit each Fund to borrow up to 100% of the Fund's net asset value ("NAV") under the Cash Currency Hedging Strategy (as defined below),
 - paragraph 2.6(2)(c) of NI 81-102, that provides that an alternative mutual fund may borrow cash or provide a security interest over any of its portfolio assets if the value of cash borrowed, when aggregated with the value of all outstanding borrowing by the fund, does not exceed 50% of the fund's NAV; and
 - section 2.6.2 of NI 81-102, which prohibits an alternative mutual fund from borrowing cash or selling securities short if, immediately after entering into a cash borrowing or short selling transaction, the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the fund would exceed 50% of the fund's NAV (collectively, the "Cash Currency Hedging Strategy Relief"); and
- from the following provisions of NI 81-102 (the "Total Borrowing and Short Sales Limit"), in order to permit each Fund to borrow cash or short sell securities under the Leverage Strategies (as defined below), provided that, immediately after entering into a cash borrowing or short selling transaction, the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the Fund does not exceed 100% of the Fund's NAV:
 - paragraph 2.6(2)(c) of NI 81-102;
 - subparagraph 2.6.1(1)(c)(v) of NI 81-102 that restricts an alternative mutual fund from selling a security short if, at the time, the aggregate market value of the securities sold short by the fund exceeds 50% of the fund's NAV (the "Short Selling Limit"); and
 - section 2.6.2 of NI 81-102 (collectively, the "Leverage Strategies Relief"); and
- Subsection 9.3(1), to permit the Fund to process orders for its units, as described in the simplified prospectus and Fund Facts, on a weekly basis at their series NAV per unit calculated as at the last Valuation Date of the weekly period in which the purchase order for such units is received (the "Purchase Processing Frequency"); and
- Subsection 10.3(1), to permit the Fund to process redemption orders for its units, as described in the simplified prospectus and Fund Facts on at least 5 business days prior written notice, on a weekly basis, redeeming such units at their series NAV per unit calculated on the last Valuation Date of each weekly period in which the redemption order for such units is processed (the "Redemption Processing Frequency").

Risk

The risks of investing in the Fund remain as outlined in the simplified prospectus. The Fund is suitable for investors looking for a diversified portfolio of both long and short positions in equity, debt and derivative securities to hold as part of portfolio. The Fund is an alternative to traditional equity funds and appropriate for investors with medium risk tolerances, who also have a medium-to-long term time horizon.

Results of operations

The management discussion of Fund performance presents the views of

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the portfolio management team concerning significant factors and developments that have affected the Fund's performance and outlook. Please read the caution on the preceding page regarding forward-looking statements.

Series A1 Units of Venator Founders Alternative Fund returned -40.6% for the six-month period ended June 30, 2022 ("Reporting Period"), versus -16.9% for the Fund's benchmark. The Fund's benchmark is comprised of a 25% weighting in the S&P 500 total return index, 25% weighting in the S&P/TSX total return index, 25% weighting in the Russell 2000 total return index and a 25% weighting in the S&P Toronto Small Cap total return index.

Market Update

Over the reporting period, the Canadian and US economies saw flattening growth across North America as markets worried about an inflation induced recession. Economic activity across broad sections of the economy has moderated. Equity prices have generally fallen as U.S. Federal Reserve (the Fed) has increased rates into a rebounding economy and inflation.

Recent developments

Looking forward, inflationary pressures have continued to escalate, but are starting to level off and we believe the Fed tightening cycle is nearing its end. We believe the Federal governments will maintain some stimulus as the world continues to emerge from the pandemic and global activity continues to improve to a more "normal" level. Employment should remain stable as global economic activity rebounds from COVID.

As the Fed remains in a tightening cycle and geopolitical risks persist, we expect periods of volatility. However, we do not see the US and Canadian central banks moving interest rates significantly higher and expect them to remain below the 50-year historical average of 5.47% (US) and 30-year average of 5.8% (Canada). We believe portions of inflation that are currently present are the result of supply-side bottlenecks, and these will likely ease in the foreseeable future as global economic activity gets back to more normal levels. With recent valuation compression, we see substantial opportunities where the market appears overly pessimistic regarding individual company growth potential. We remain focused on finding exceptional opportunities in the equity markets to invest, which are trading at relatively modest valuations given our future views of these investments' potential.

Related party transactions

For the period ended June 30, 2022, Venator Capital Management Ltd. was responsible for the day-to-day business operations and affairs of the Fund and, on this basis, was entitled to fees as described under "Management Fees" and "Performance Fees" below.

Management Fees

As a result of providing investment and management services, Venator Capital Management Ltd. receives a management fee calculated and accrued daily based on the NAV of the series of units of the Fund, plus applicable taxes, payable on the last day of each calendar month. For the period ended June 30, 2022, the fund incurred \$195,017 in management fees and applicable taxes. Management fees, if any, in respect of Series I units are direct fees negotiated with the investor.

Venator Capital Management Ltd. uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund's units, investment advice, as well as general administrative expenses relating to Venator's role as Manager.

The annual management fees and a breakdown of the major services rendered for each series, as a percentage of the management fees paid, are as follows:

As a Percentage of Management Fees			
Series of Units	Annual Mgmt. Fees	Dealer Compensation	General Administration & Investment Advice
Series F	1.00%	0.00%	100.00%
Series A1	2.00%	50.00%	50.00%
Series F1	1.00%	0.00%	100.00%

Please Note: There are no management fees paid by the Fund in respect to Series I Units of the Fund. Series I unitholders pay a negotiated fee directly to Venator Capital Management Ltd.

Prior to June, 2021, the Fund invested in units of Venator Founders Fund (the "Underlying Fund"). Management fees were paid by Underlying Fund.

Performance Fees

If the Fund generates a net profit (after payment of all other fees and expenses), the Manager is eligible to receive a performance fee in respect of each series of unit of the Fund on each performance valuation date, based on the amount by which the NAV of a unit of each series on the valuation date exceeds the series high-water mark.

High-water mark means the highest NAV of a unit of such series on any performance valuation date, as adjusted for any distributions declared on such unit from the date of such NAV to the last valuation date in the previous calendar year ("adjusted NAV per unit"). The calculation of the NAV of a unit of a series will therefore exclude the effect of any distribution on units of such series. The performance valuation date means the last valuation date in each calendar year.

In any period in which the performance fee is payable and the NAV per unit of a series exceeds the high-water mark, unitholders of such series will be entitled to, with respect to each unit held of such series, 80% of any increase in adjusted NAV per Unit in excess of the series high-water mark. The Manager will be entitled to 20% of any gains in excess of the high-water mark.

The performance fee will be accrued for each series of units on daily basis with any such accrued performance fee payable to the Manager on the Performance Valuation Date.

The Manager shall also be entitled to receive a performance fee in respect of units redeemed as if the redemption date were a performance valuation date, with such performance fee to be paid on or before the 10th business day following the performance valuation date or redemption date, as the case may be. Performance fees are subject to applicable taxes including HST.

Investors in Series I units may negotiate a different performance fee than the one described above, which does not exceed the performance fee payable on Series A units or Series F units of the Fund.

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For the period ended June 30, 2022, the Fund accrued \$nil in performance fees and applicable taxes.

Other Related Party Transactions

The Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. All related party transactions with the Manager are based on the applicable NAV per series of unit for each transaction date. As of June 30, 2022, 759,626 Units were held by the Manager and unitholders related to the Manager, totaling approximately 31.9% of the Fund's NAV.

Independent Review Committee

Venator appointed an Independent Review Committee ("IRC") consisting of three independent members, which was established under the Canadian Securities Administrators' National Instrument 81-107 (the "Instrument"). The IRC's mandate is to review and provide input on the Manager's written policies and procedures that pertain to conflict of interest matters with respect to the funds managed by Venator.

The Fund receives standing instructions (the "SI") from the IRC. The

SI constitutes a written approval or recommendation from the IRC that permits the Manager to proceed with specific action(s) set out in the SI on an ongoing basis. The SI is designed to ensure that the Manager's actions are carried out in accordance with the law, the instrument and the Manager's policies and procedures in order to achieve a fair and reasonable result for the Fund. The SI outlines actions related to (a) Fees and Expenses, (b) Trade Allocations, (c) Broker Selection, (d) Portfolio Pricing Issues, amongst other things. The Manager must provide the IRC with a written report summarizing each instance where the Manager has relied on the SI. For the period ended June 30, 2022, the IRC did not provide any recommendations to the Manager.

Additional information about the IRC is available in the Simplified Prospectus and Annual Information Form for the Fund. IRC members receive fees and reimbursement of expenses for services provided to the Fund.

Past Performance

As the Fund has not distributed its securities under a simplified prospectus for a full calendar year, this information is not available.

Financial highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six-month period ended June 30, 2022 and the past 3 fiscal years. This information is derived from the Fund's semi-annual unaudited Financial Statements and its annual audited Financial Statements.

Prior to June, 2021, the Fund's investing activities were carried out indirectly through its investment in Venator Founders Fund (the "Underlying Fund"). Investment income and expenses, and management fees were recorded in the Underlying Fund. Therefore, revenue and expense items included in the tables below are not directly comparable between periods and have been provided for information purposes only. Data for Management expense ratio, Trading expense ratio and Portfolio Turnover are not presented for prior periods for this reason.

Series A	2022	2021	2020	2019
Fund's net assets per unit (Note 1)				
Net assets per unit, beginning of period (\$)	18.20	17.08	11.50	10.99
Increase (Decrease) from Operations:				
Total revenue (\$)	-	0.03	-	-
Total expenses (\$)	-	(0.59)	(0.03)	(0.02)
Realized Gains (Losses) for the period (\$)	-	8.74	0.85	0.15
Unrealized Gains (Losses) for the period (\$)	-	(7.06)	4.18	0.36
Total Increase (Decrease) from Operations (\$)	-	1.12	5.00	0.49
Distributions to unitholders:				
From Net Investment Income (\$)	-	-	-	-
From Capital Gains (\$)	-	-	-	-
From Dividends (\$)	-	-	-	-
Total Annual Distributions to Unitholders	-	-	-	-
Net assets per unit, end of period (\$) (Note 2)	-	18.20	17.08	11.50
Ratios and supplemental data (Note 3)				
Total net asset value ('000s)	-	19,515	18,203	14,922
Number of units outstanding ('000s)	-	1,072	1,065	1,298
Management expense ratio (Note 4)	-	N/A	N/A	N/A
Net asset value per unit (\$)	-	18.20	17.08	11.50

Series A1	2022	2021	2020	2019
Fund's net assets per unit (Note 1)				
Net assets per unit, beginning of period (\$)	9.80	-		
Increase (Decrease) from Operations:				
Total revenue (\$)	0.03	0.02		
Total expenses (\$)	(0.14)	(0.19)		
Realized Gains (Losses) for the period (\$)	(2.00)	(0.21)		
Unrealized Gains (Losses) for the period (\$)	(1.85)	0.47		
Total Increase (Decrease) from Operations (\$)	(3.96)	0.09		
Distributions to unitholders:				
From Net Investment Income (\$)	-	-		
From Capital Gains (\$)	-	-		
From Dividends (\$)	-	-		
Total Annual Distributions to Unitholders (\$)	-	-		

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Net assets per unit, end of period (\$) (Note 2)	5.85	9.80
Ratios and supplemental data (Note 3)		
Total net asset value ('000s) (\$)	10,303	547
Number of units outstanding ('000s)	1,770	56
Management expense ratio (Note 4)	2.78%	N/A
Net asset value per unit (\$)	5.82	9.80

Series F	2022	2021	2020	2019
Fund's net assets per unit (Note 1)				
Net assets per unit, beginning of period (\$)	19.87	18.48	12.37	11.73
Increase (Decrease) from Operations:				
Total revenue (\$)	0.06	0.04	-	-
Total expenses (\$)	(0.19)	(0.53)	(0.03)	(0.02)
Realized Gains (Losses) for the period (\$)	(4.06)	8.57	0.70	0.16
Unrealized Gains (Losses) for the period (\$)	(3.73)	(6.74)	3.16	0.51
Total Increase (Decrease) from Operations (\$)	(7.92)	1.34	3.83	0.65
Distributions to unitholders:				
From Net Investment Income (\$)	-	-	-	-
From Capital Gains (\$)	-	-	-	-
From Dividends (\$)	-	-	-	-
Total Annual Distributions to Unitholders	-	-	-	-
Net assets per unit, end of period (\$) (Note 2)	11.87	19.87	18.48	12.37
Ratios and supplemental data (Note 3)				
Total net asset value ('000s) (\$)	2,410	5,461	4,807	8,973
Number of units outstanding ('000s)	203	275	260	726
Management expense ratio (Note 4)	1.65%	N/A	N/A	N/A
Net asset value per unit (\$)	11.87	19.87	18.48	12.37

Series F1	2022	2021	2020	2019
Fund's net assets per unit (Note 1)				
Net assets per unit, beginning of period (\$)	9.79	-	-	-
Increase (Decrease) from Operations:				
Total revenue (\$)	0.04	0.02	-	-
Total expenses (\$)	(0.10)	(0.11)	-	-
Realized Gains (Losses) for the period (\$)	(2.06)	0.01	-	-
Unrealized Gains (Losses) for the period (\$)	(2.11)	(0.52)	-	-
Total Increase (Decrease) from Operations (\$)	(4.23)	(0.60)	-	-
Distributions to unitholders:				
From Net Investment Income (\$)	-	-	-	-
From Capital Gains (\$)	-	-	-	-
From Dividends (\$)	-	-	-	-
Total Annual Distributions to Unitholders	-	-	-	-
Net assets per unit, end of period (\$) (Note 2)	5.85	9.79	-	-
Ratios and supplemental data (Note 3)				
Total net asset value ('000s) (\$)	1,349	820	-	-
Number of units outstanding ('000s)	231	84	-	-
Management expense ratio (Note 4)	1.75%	N/A	-	-
Net asset value per unit (\$)	5.85	9.79	-	-

Financial highlights (continued)

Notes

1. Net assets per unit is calculated as follows:
 - a) This information is derived from the Fund’s unaudited semi-annual financial statements and its audited annual financial statements
 - b) Net assets per unit of a series are based on the number of units outstanding for that series at the relevant time. The increase (decrease) from operations per unit of a series is based on the weighted-average number of units outstanding for that series during the period.
 - c) Distributions per unit of a series are based on the number of units outstanding for the series on the record dates for distributions. Distributions were reinvested in additional units of the Fund.
 - d) The financial highlights are not intended to act as a continuity of the opening and closing net assets per unit.
2. The net assets are calculated in accordance with IFRS.
 - (a) Series A units were consolidated with Series A1 units on January 1, 2022
3. This information is presented as of June 30 or December 31 of the year shown.
4. The management expense ratio (“MER”) is calculated as the total expenses paid by each series of the Fund, including applicable taxes and excluding margin interest, commissions and other portfolio transaction costs, as an annualized percentage of the daily average NAV of each series of the Fund during the period. In the period a series is established, the MER is annualized.

Fund level ratios (Series A1, F, F1)	2022
Trading expense ratio (Note 5)	1.63%
Portfolio Turnover rate (Note 6)	246.53%

5. The trading expense ratio represents margin interest, borrow fees on investments sold short, total commissions and other portfolio transaction costs expressed as an annualized percentage of the Fund’s daily average NAV. The trading expense ratio is calculated at the fund level and applies to all series of the Fund.
6. Portfolio turnover rate is calculated at the fund level based on the lesser of purchases or proceeds of sales of securities for the year, excluding cash, short term notes and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the year. The Fund’s portfolio turnover rate indicates how actively the Fund’s portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all the securities in its portfolio once in the course of the year. The higher a fund’s portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and fund performance.

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Summary of Investment Portfolio (as of June 30, 2022)

The Summary of Investment Portfolio will change due to ongoing portfolio transactions of the Fund. A quarterly update is available - to obtain a copy please consult our website at www.venator.ca/resources; call us at 416.934.7998; or email us at info@venator.ca.

	% of Net Asset Value
GEOGRAPHIC ALLOCATION	
Canada	16.72
United States	54.82
PORTFOLIO ALLOCATION	
Equities	71.00
Options	0.54
Warrants	0.00
Fixed Income	0.00
Cash and cash equivalents	0.00
REGIONAL PORTFOLIO ALLOCATIONS	
U.S. Equities	59.88
Canadian Equities	19.93
U.S. Options	0.54
Warrants	0.00
Bonds	0.00
U.S. Equities Sold Short	(5.60)
Canadian Equities Sold Short	(3.21)
TOTAL NET ASSET VALUE (CAD)	\$14,062,226

	% of NAV		
	Long	Short	Net
Consumer Discretionary	14.8	(0.7)	14.1
Consumer Staples	0.0	0.0	0.0
Energy	2.3	(2.2)	0.1
Financials	1.6	(1.3)	0.3
Healthcare	7.3	0.0	7.3
Industrials	29.5	(2.1)	27.4
Technology	12.4	(2.5)	10.0
Basic Materials	1.9	0.0	1.9
Real Estate	3.7	0.0	3.7
Communication Services	2.3	0.0	2.3
Utilities	4.5	0.0	4.5
TOTAL	80.3	(8.8)	71.5

	% of Net Asset Value
TOP 25 INVESTMENTS	
Uber Technologies Inc.	5.4
Polaris Infrastructure Inc.	4.5
RingCentral Inc.	4.4
Belden Inc.	4.0
WESCO International Inc.	4.0
NorthWest Healthcare Propert Real Estate Invest Trust	3.7
Inotiv Inc.	3.7
Skechers U.S.A. Inc.	3.7
WillScot Corp.	3.6
Nanalysis Scientific Corp.	3.3
The Lovesac Co.	3.1
Red Violet Inc.	3.0
M/I Homes Inc.	3.0
K-Bro Linen Inc.	2.7
Caesarstone Sdot-Yam Ltd.	2.5
Porch Group Inc.	2.3
Vermilion Energy Inc.	2.3
Griffon Corp.	2.3
ZipRecruiter Inc.	2.3
iShares S&P/TSX Capped Energy Index ETF	(2.2)
Skyline Corp.	2.2
Bluelinx Holdings Inc.	2.1
Masonite International Corp.	2.0
Splunk Inc.	2.0
Converge Technology Solution	2.0
TOP 25 HOLDINGS (% OF NET ASSET VALUE)	76.3