

Financial Statements of

VENATOR FOUNDERS ALTERNATIVE FUND
(FORMERLY VENATOR INVESTMENT TRUST)

June 30, 2022 (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

August 12, 2022



August 12, 2022

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

Statement of Financial Position

June 30, 2022, with comparative information for December 31, 2021 (Unaudited)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets		
Due from Broker	\$ 3,450,961	\$ –
Cash and cash equivalents	45,358	59,519
Investments owned, at fair value (Cost:\$15,658,673 - 2021:\$27,390,024)	11,295,620	27,850,129
Subscriptions receivable	250	1,000
Dividends receivable	6,658	7,441
Receivables for investment sold	958,479	1,494,005
Other assets	4,617	2,223
Interest receivable	12,575	–
	<u>15,774,518</u>	<u>29,414,317</u>
LIABILITIES		
Current liabilities		
Due to broker	–	2,124,840
Accounts payable and accrued liabilities	52,628	94,723
Investments sold short, at fair value (Proceeds:\$1,284,429 - 2021:\$333,577)	1,237,550	348,131
Management fees payable (note 5)	24,636	44,370
Performance fees payable (note 5)	–	336,796
Payable for investment purchased	397,478	121,791
	<u>1,712,292</u>	<u>3,070,651</u>
Net assets attributable to holders of redeemable units	<u>\$ 14,062,226</u>	<u>\$ 26,343,666</u>
Net assets attributable to holders of redeemable units per Series:		
Series A	\$ –	\$ 19,515,339
Series A1	10,303,290	547,203
Series F	2,409,846	5,461,255
Series F1	1,349,090	819,869
	<u>\$ 14,062,226</u>	<u>\$ 26,343,666</u>
Number of redeemable units outstanding (note 6):		
Series A	–	1,072,165
Series A1	1,770,283	55,850
Series F	203,014	274,829
Series F1	230,590	83,710
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ –	\$ 18.20
Series A1	5.82	9.80
Series F	11.87	19.87
Series F1	5.85	9.79

Approved on behalf of the Trust:

Trustee
Venator Capital Management Ltd.

VENATOR FOUNDERS ALTERNATIVE FUND

Statement of Comprehensive Income

Period ended June 30, 2022, with comparative information for 2021 (Unaudited)

	2022	2021
Income		
Interest income for distribution purposes	\$ 44,259	\$ –
Realized (loss) gain on sale of investments, including foreign exchange adjustments	(5,004,939)	12,997,853
Net change in unrealized depreciation in value of investments	(4,768,577)	(9,489,610)
Dividends	35,562	4,525
	<u>(9,693,695)</u>	<u>3,512,768</u>
Expenses		
Management fees (note 5)	195,017	32,124
Commissions and other portfolio transaction costs (note 3)	98,846	5,938
Interest and borrowing fees	69,875	4,954
Operating costs	55,071	20,450
Audit fees	5,166	5,232
Withholding taxes	1,992	–
Legal fees	515	–
Performance fee (note 5)	–	675,804
	<u>426,482</u>	<u>744,502</u>
(Decrease) increase in net assets attributable to holders of redeemable units	\$ (10,120,177)	\$ 2,768,266
(Decrease) increase in net assets attributable to holders of redeemable units per Series (note 11):		
Series A	\$ 3	\$ 2,135,327
Series A1	(7,561,215)	–
Series F	(1,896,259)	632,939
Series F1	(662,706)	–
	<u>\$ (10,120,177)</u>	<u>\$ 2,768,266</u>
(Decrease) increase in net assets attributable to holders of redeemable units per unit (note 11):		
Series A	\$ 3.00	\$ 1.97
Series A1	(3.96)	–
Series F	(7.92)	2.16
Series F1	(4.23)	–

VENATOR FOUNDERS ALTERNATIVE FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units Period ended June 30, 2022, with comparative information for 2021 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued*	Redemption of redeemable units*	Increase (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
June 30, 2022					
Series A	\$ 19,515,339	\$ –	\$ (19,515,342)	\$ 3	\$ –
Series A1	547,203	19,515,342	(2,198,040)	(7,561,215)	10,303,290
Series F	5,461,255	–	(1,155,150)	(1,896,259)	2,409,846
Series F1	819,869	1,293,088	(101,161)	(662,706)	1,349,090
	<u>\$ 26,343,666</u>	<u>\$ 20,808,430</u>	<u>\$ (22,969,693)</u>	<u>\$ (10,120,177)</u>	<u>\$ 14,062,226</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, 2022 were \$20,720,681 and \$(20,720,681), 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
June 30, 2021					
Series A	\$ 18,203,186	\$ 555,945	\$ (320,603)	\$ 2,135,327	\$ 20,573,855
Series 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.

VENATOR FOUNDERS ALTERNATIVE FUND

Statement of Cash Flows

Period ended June 30, 2022, with comparative information for 2021 (Unaudited)

	2022	2021
Cash provided by (used in):		
Operating Activities		
(Decrease) increase in net assets attributable to holders of redeemable units	\$ (10,120,177)	\$ 2,768,266
Adjustments for non-cash items		
Net realized loss (gain) on sale of investments, including foreign exchange adjustments	5,004,939	(12,997,853)
Change in unrealized depreciation in value of investments	4,768,577	9,489,610
Change in non-cash balances		
Decrease (increase) in dividends receivable	783	(8,697)
Decrease (increase) in receivable for investment sold	535,526	(367,433)
Increase in due from related party	–	(62,252)
Increase in other assets	(2,394)	–
Increase in interest receivable	(12,575)	–
(Decrease) increase in due to broker	(5,575,801)	8,037,934
(Decrease) increase in accounts payable and accrued liabilities	(42,095)	1,079
(Decrease) increase in management fees payable	(19,734)	32,124
(Decrease) increase in performance fees payable	(336,796)	675,804
Increase in payable for investment purchased	275,687	672,734
Proceeds from sale of investments	60,628,179	6,700,059
Purchase of investments	(52,744,702)	(15,244,807)
	<u>2,359,417</u>	<u>(303,432)</u>
Cash provided by (used in) operating activities		
	<u>2,359,417</u>	<u>(303,432)</u>
Financing Activities		
Proceeds from redeemable units issued	88,499	1,586,445
Amount paid on redemption of redeemable units	(2,249,012)	(598,344)
Decrease in partners' deposit	–	(70,000)
	<u>(2,160,513)</u>	<u>918,101</u>
Cash (used in) provided by financing activities		
	<u>(2,160,513)</u>	<u>918,101</u>
Increase in cash and cash equivalents during the period	198,904	614,669
Foreign exchange loss on cash	(213,065)	(688,724)
Cash and cash equivalents, beginning of period	59,519	84,606
	<u>45,358</u>	<u>10,551</u>
Cash and cash equivalents, end of period	\$ 45,358	\$ 10,551
Supplemental information*		
Interest paid	\$ 52,985	\$ –
Interest received	31,684	–
Dividends paid	648	–
Dividends received, net of withholding taxes	35,573	4,525

*Included as a part of cash flows from operating activities

VENATOR FOUNDERS ALTERNATIVE FUND

Schedule of Investment Portfolio As at June 30, 2022 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian equities				
53,800	Converge Technology Solutions Corp.	\$ 292,089	\$ 275,994	1.96
24,800	ERO Copper Corp.	407,551	269,576	1.92
16,800	Hammond Power Solutions Inc.	233,675	260,064	1.85
11,700	K-Bro Linen Inc.	395,398	378,261	2.69
519,700	Nanalysis Scientific Corp.	598,682	467,730	3.33
43,277	NorthWest Healthcare Properties Real Estate Investment Trust	565,307	521,921	3.71
32,300	Polaris Infrastructure Inc.	527,669	628,881	4.47
		<u>3,020,371</u>	<u>2,802,427</u>	<u>19.93</u>
Canadian warrant				
212,500	Nanalysis Scientific Corp. \$1.70 25AUG2023	15,300	–	–
U.S. equities				
8,257	Belden Inc.	579,628	566,108	4.03
3,500	BlueLinx Holdings Inc.	298,650	300,957	2.14
30,283	Caesarstone Sdot-Yam Ltd.	587,750	355,848	2.53
18,036	Choice Consolidation Corp.	216,303	227,490	1.62
8,800	Griffon Corp.	241,488	317,469	2.26
42,133	Inotiv Inc.	1,343,776	520,582	3.70
91,000	IsoRay Inc.	35,306	36,191	0.26
8,300	M/I Homes Inc.	527,927	423,669	3.01
2,898	Masonite International Corp.	389,221	286,566	2.04
99,500	Porch Group Inc.	695,157	327,837	2.33
17,400	Red Violet Inc.	472,698	426,395	3.03
9,100	RingCentral Inc.	1,466,809	612,077	4.35
11,349	Skechers U.S.A. Inc.	631,724	519,707	3.70
4,990	Skyline Corp.	328,333	304,549	2.17
2,500	Splunk Inc.	310,306	284,631	2.02
12,500	The Lovesac Co.	1,052,012	442,423	3.15
28,770	Uber Technologies Inc.	1,436,857	757,602	5.39
13,300	Vermilion Energy Inc.	303,520	326,265	2.32
4,100	WESCO International Inc.	664,972	565,157	4.02
11,983	WillScot Corp.	436,081	500,005	3.56
16,600	ZipRecruiter Inc.	486,001	316,630	2.25
		<u>12,504,519</u>	<u>8,418,158</u>	<u>59.88</u>

VENATOR FOUNDERS ALTERNATIVE FUND

Schedule of Investment Portfolio (continued)

As at June 30, 2022 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
U.S. options				
11,000	Caesars Entertainment Inc. Call \$35 22JUL22	\$ 75,641	\$ 67,248	0.48
11,000	Ebix Inc. Call \$20 15JUL22	15,345	5,663	0.04
16,500	Ebix Inc. Call \$40 15JUL22	27,497	2,124	0.02
		<u>118,483</u>	<u>75,035</u>	<u>0.54</u>
	Total investments owned	15,658,673	11,295,620	80.35
Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
Canadian equities				
(20,700)	iShares S&P/TSX Capped Energy Index ETF	\$ (292,971)	\$ (306,774)	(2.18)
(10,800)	NFI Group Inc.	(121,158)	(144,612)	(1.03)
		<u>(414,129)</u>	<u>(451,386)</u>	<u>(3.21)</u>
U.S. equities				
(4,200)	Asana Inc.	(119,429)	(95,031)	(0.68)
(2,110)	Caesars Entertainment Inc.	(105,690)	(104,010)	(0.74)
(300)	Credit Acceptance Corp.	(240,834)	(182,791)	(1.30)
(2,400)	Fastenal Co.	(157,048)	(154,199)	(1.10)
(1,800)	Zoom Video Communications Inc.	(247,299)	(250,133)	(1.78)
		<u>(870,300)</u>	<u>(786,164)</u>	<u>(5.60)</u>
	Total investments sold short	(1,284,429)	(1,237,550)	(8.81)
	Commissions and other portfolio transaction costs	(14,435)	–	–
	Net investments owned	\$ 14,359,809	10,058,070	71.54
	Other assets, net		<u>4,004,156</u>	<u>28.46</u>
	Net Assets Attributable to Holders of Redeemable Units		\$ 14,062,226	100.00

VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements

June 30, 2022 (Unaudited)

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.

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 13 for information on the assets and liabilities transferred in this transaction). As a result of the restructuring, the Trust ceased to hold investments in the Underlying Fund as of June 10, 2021.

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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 12, 2022. These interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021 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, 2022 (Unaudited)

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.

Other financial assets including subscriptions receivable, dividends receivable, and receivables for investment sold, 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.

Due to broker, redemptions payable, unitholders' deposit, management fees payable, performance fees payable, payable for investment purchased 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 financial 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, 2022 (Unaudited)

3. Significant accounting policies (continued):

(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 when, 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.

(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 generally incurs 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.

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

3. Significant accounting policies (continued):

(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.

(h) 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 series of redeemable units by the total number of redeemable units of that particular series outstanding at the end of the period.

(i) (Decrease) increase in net assets attributable to holders of redeemable units per series:

(Decrease) increase in net assets attributable to holders of redeemable units per series is based on the (decrease) increase in net assets attributable to holders of redeemable units attributed to each series of redeemable units, divided by the weighted average number of redeemable units outstanding of that series during the period. Refer to note 11 for the calculation.

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

3. Significant accounting policies (continued):

(j) 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).

(k) Due to broker:

The Trust has a prime brokerage agreement with its broker to carry its accounts as a customer. The broker has custody of the Trust's securities.

Due to broker is a margin account representing cash loans with brokers that are secured by the underlying investments owned by the Trust.

(l) Commissions and other portfolio transaction costs:

Transaction costs, such as brokerage commissions incurred in the purchase and sale of portfolio securities and other trade execution costs paid to external third parties, such as stamp duties and exchange fees, are recognized as expenses in the statements of comprehensive income based on the trade date.

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

3. Significant accounting policies (continued):

(m) Translation of foreign currency:

The functional and presentation currency of the Trust is the Canadian dollar. The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at 4:00 p.m. Eastern Standard Time, the closing rate, on each valuation day. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions. Changes in unrealized appreciation (depreciation) in foreign currencies are recognized in the statements of comprehensive income through net change in unrealized appreciation (depreciation) in value of investments. All other gains and losses related to foreign exchange translations are recognized in the statements of comprehensive income through realized gain (loss) on sale of investments, including foreign exchange adjustments.

(n) Interest and borrowing fees:

As a result of taking both long and short positions, the Trust incurs both interest expense and borrowing fees. While the use of borrowed funds can substantially improve the return on invested capital, its use may also increase the adverse impact to which the investment portfolio of the Trust may be subjected by increasing the Trust's exposure to capital risk and incurring higher expenses.

(o) Taxation of the Trust:

The Trust qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Income Tax Act") and, accordingly, is not subject to tax on its net taxable income, including net realized capital gains, which is 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 is not paid or payable is subject to income taxes. 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. Capital losses for income tax purposes may be carried forward indefinitely and applied against future capital gains.

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

3. Significant accounting policies (continued):

(p) Cash and cash equivalents:

Cash and cash equivalents include cash in hand and deposits held with banks with original maturities of three months or less.

(q) 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 series with different rights and, therefore, have been classified as financial liabilities.

(r) Unit valuation:

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

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

(s) Changes in significant accounting policies

A number of new standards are effective from January 1, 2022 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, 2023 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, 2022 (Unaudited)

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 daily and payable monthly based on the net asset value of each series. The annual management fee for each series is as follow: (i) 2% of the net asset value of the Series A units; and (ii) 1% of the net asset value of the Series F units, plus applicable taxes. Management fees on Series I units are negotiated and paid directly by the investor.

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

Management fees for the period ended June 30, 2022 were \$195,017 (2021 - \$32,124), with \$24,636 payable as at June 30, 2022 (December 31, 2021 - \$44,370).

Prior to June 10, 2021, management fees were paid by the Underlying Fund. For the period ended June 30, 2021, total fees paid by the Underlying Fund were \$830,590.

VENATOR FOUNDERS ALTERNATIVE FUND (FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

5. Related party transactions (continued)

(b) Performance fee:

The Trust pays a performance fee to the Manager on each Series A and Series 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 Series I Units may negotiate a different performance fee.

Performance fees for the period ended June 30, 2022 were \$nil (2021 - \$675,804) with \$nil payable as at June 30, 2022 (December 31, 2021 – \$336,796). Performance fees for 2021 include the Trust's pro rata 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 Underlying Fund for the period ended June 30, 2022 was \$nil (December 31, 2021 - \$869,185).

Directors and employees of the Manager own units of the Trust representing 31.9% (December 31, 2021 – 30.8%) of units outstanding.

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

6. Redeemable units of the Trust:

The Trust is authorized to issue an unlimited number of redeemable units of an unlimited number of series, each of which represents an equal, undivided, beneficial interest in the net asset value of the Trust.

Each redeemable unit of each series 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 series may be consolidated and/or redesignated by the Manager.

Unitholders may request that such units be redeemed on the last business day of each weekly period (the "Redemption Date") at their net asset value per unit on such date provided that the request for redemption is submitted at least 5 business days prior to such Redemption Date.

	Redeemable units, beginning of period	Redeemable units issued	Redemptions of redeemable units	Redeemable units, end of period
June 30, 2022				
Series A	1,072,165	–	(1,072,165)	–
Series A1	55,850	1,991,829	(277,396)	1,770,283
Series F	274,828	–	(71,814)	203,014
Series F1	83,710	158,786	(11,906)	230,590
June 30, 2021				
Series A	1,065,836	30,739	(17,051)	1,079,524
Series F	260,118	52,493	(7,289)	305,322

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 7, 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, 2022 (Unaudited)

7. 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 are 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, 2022 (Unaudited)

7. 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, 2022 and December 31, 2021 as a percentage of the net assets attributable to holders of redeemable units of the Trust:

	June 30, 2022	December 31, 2021
Canadian equities	19.93%	22.96%
Canadian warrants	–	–
U.S. equities	59.88%	82.42%
U.S. fixed income	–	–
U.S. options	0.54%	0.36%
U.S. warrants	–	–
Canadian equities sold short	(3.21)%	–
U.S. equities sold short	(5.60)%	(1.32)%

As at June 30, 2022 and December 31, 2021 the equity investments held by the Fund are concentrated in the following industries:

	June 30, 2022	December 31, 2021
Communications	2.30%	5.31%
Consumer discretionary	14.10%	27.27%
Consumer staples	0.00%	0.00%
Financials	0.30%	3.10%
Health care	7.30%	9.14%
Industrials	27.40%	25.38%
Information technology	10.00%	20.06%
Materials	1.90%	7.32%
Real estate	3.70%	6.84%
Energy	0.10%	0.00%
Utilities	4.50%	0.00%

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

7. Financial instruments and risk management (continued):

As at June 30, 2022, 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 \$1,005,807 (December 31, 2021 - \$2,739,823). 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 (through custodian's credit rating) 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, 2022, the Fund held investments in debt instruments with a fair value of \$nil (December 31, 2021 - nil).

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

7. 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, 2022 and December 31, 2021 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
June 30, 2022						
U.S. Dollar	\$ (8,113,620)	\$ 7,707,029	\$ (406,591)	\$ (405,681)	\$ 385,351	\$ (20,330)
% of Net Assets						
Attributable to Holders of Redeemable Units	(57.70)	54.81	(2.89)	(2.88)	2.74	(0.14)

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
December 31, 2021						
U.S. Dollar	\$ (20,390,123)	\$ 21,454,712	\$ 1,064,589	\$ (1,019,506)	\$ 1,072,736	\$ 53,230
% of Net Assets						
Attributable to Holders of Redeemable Units	(77.40)	81.44	4.04	(3.87)	4.07	0.20

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

7. Financial instruments and risk management (continued):

(d) Currency risk (continued):

As at June 30, 2022, 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 \$20,330 (December 31, 2021 - \$53,230).

(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, 2022 and December 31, 2021, the Trust is 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, 2021 - \$nil).

(f) COVID-19:

The COVID-19 virus is a fading risk to the global recovery and the extent of the continuing impacts from the COVID-19 outbreak on the Trust's operations and performance remains uncertain and difficult to predict. The ultimate economic fallout from the on-going pandemic, and the long-term impact on economies, markets, industries and individual companies remain uncertain. 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, 2022 (Unaudited)

8. Fair value measurement:

The following is the summary of the inputs used as at June 30, 2022 in valuing the Trust's investments carried at fair values:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 11,220,585	\$ –	\$ –	11,220,585
Options	–	75,035	–	75,035
	\$ 11,220,585	\$ 75,035	\$ –	11,295,620
Liabilities				
Equities	\$ 1,237,550	\$ –	\$ –	1,237,550
	\$ 1,237,550	\$ –	\$ –	1,237,550

There were no transfers between the levels during the period.

The following is the summary of the inputs used as at December 31, 2021 in valuing the Trust's investments carried at fair values:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 27,755,975	\$ –	\$ –	27,755,975
Options	43,201	50,953	–	94,154
	\$ 27,799,176	\$ 50,953	\$ –	27,850,129
Liabilities				
Equities	\$ 348,131	\$ –	\$ –	348,131
	\$ 348,131	\$ –	\$ –	348,131

There were no transfers between the levels during the year.

9. 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, 2022 (Unaudited)

10. 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, 2021, the Trust has no capital losses carried forward and has non-capital losses carried forward in the amount of \$454,241 (2020 - \$1,417,630) available for income tax purposes.

11. (Decrease) increase in net assets attributable to holders of redeemable units per series:

The (decrease) increase in net assets attributable to holders of redeemable units per series for period ended June 30, 2022 and 2021 is calculated as follows:

	(Decrease) increase in net assets attributable to holders of redeemable units per Series:	Weighted average of redeemable units outstanding during the period	(Decrease) increase in net assets attributable to holders of redeemable units per unit:
June 30, 2022			
Series A	\$ 3	1 \$	3.00
Series A1	(7,561,215)	1,911,714	(3.96)
Series F	(1,896,259)	239,345	(7.92)
Series F1	(662,706)	156,657	(4.23)
June 30, 2021			
Series A	\$ 2,135,327	1,081,294 \$	1.97
Series F	632,939	293,531	2.16

VENATOR FOUNDERS ALTERNATIVE FUND

(FORMERLY VENATOR INVESTMENT TRUST)

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

12. Redemptions payable:

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

13. 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