FLIPPING THE SCRIPT

HEDGE FUNDS (Inception)	JANUARY 2023	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006)**	**11.5%**	**11.5%**	**8.3%**
Venator Select Fund (September 2013)	**15.5%**	**15.5%**	**6.0%**
S&P/TSX Total Return (March 2006)	7.4%	7.4%	6.5%
Russell 2000 (March 2006)	9.7%	9.7%	7.4%
S&P Toronto Small Cap (March 2006)	8.9%	8.9%	3.3%
S&P 500 (March 2006)	6.3%	6.3%	9.3%

ALTERNATIVE MUTUAL FUNDS (Inception)	JAN 2023	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund* (January 2020)**	**5.0%**	**5.0%**	**-8.0%**	**0.7%**	**2.3%**	**4.8%**
Venator Founders Alternative Fund (July 2021)**	**11.4%**	**11.4%**	**-32.3%**	**-**	**-**	**-**
B of A Merrill Lynch High Yield Index (August 2008)	3.9%	3.9%	-5.1%	1.1%	2.8%	4.2%

** As of January 31, 2023*
*** Venator Founders Alternative Fund, which holds the same securities as Venator Founders Fund, is available as a Liquid Alternative Mutual Fund; it is eligible to be held in both registered & non-registered accounts.*
**** Performance data prior to January 24, 2020, relates to Class F Units of Venator Income Fund, which was distributed to investors on a prospectus-exempt basis in accordance with National Instrument 45-106*

Much like the start to 2022, the market flipped the script on January 1. The markets finished on highs in 2021 despite three months of higher inflation data and fed posturing on higher interest rates, and instantly changed course with a January loss of 5% (S&P500). The markets finished 2022 on their lows despite three months of benign annualized monthly inflation data and fed signaling a near term end/pause to the rate hike cycle with a January gain of 5%+. Last year, companies were reporting earnings beats that weren't good enough; this year companies are reporting earnings misses that aren't that bad (with Telsa as the poster child, rising over 50%, while 2023 earnings expectations have dropped 20%). For our part, only Caesars and GM have reported for us so far, both beating expectations by significant margins. Growth is back in fashion this year, while the boring no growth "value" stocks don't look so valuable, trading at over 20x earnings.

The point is that timing these market moves is tough, but recognizing value should not be, if you have a reasonable time frame and starting point (10x earnings and sub-book value are good starting points, if those opportunities present themselves; these happen to be the valuation metrics that apply to half of the portfolio). One of the better examples is buying homebuilders below book value six months ago while home sales and price data were set for six months of further material weakness. Just because the recession hasn't officially started yet doesn't mean that equity prices still need to fall further (especially considering that the official start of a recession is often identified well after the fact, a function of official record keepers no longer looking at objectively defined measurements anymore); stocks often rise *through* recessions. Just because earnings might be disappointing doesn't mean stocks will go down (with 2009 and 2020 being some of the worst years for earnings revisions in recent history and both being strong years for financial markets). We recently read that historically, the time to buy is the second last rate hike (we didn't see the statistics to back that up). It is worth noting, the European markets have been stronger over the last year despite having all the problems we do, only amplified (recession, energy prices, geopolitical, inflation, interest rates).

For our part, we have continued to lean into sub-book value homebuilders and a few select building products names, as we believe that an end to the rate hike cycle will reignite the new home market, even as existing home sales remain

weak. Homebuilding is more of a volume/turnover game than a price game, as lower costs work through the building process rather quickly, and we think that a high level of demand searching for the right price/rate formula will show up once rates and prices stabilize this year.

We also remain invested in the value side of technology where companies got ahead of the cost-cutting curve earlier last year. This is because we already have some idea of how these cost cutting efforts will affect growth rates, whereas the more recent cost cutters have not fully realized the negative impacts of those cost cutting efforts.

We continue to be interested in non-residential construction activities, as project backlogs are still extended, and we are finding some very attractive valuations in this area. There are a lot of positive developments here, including government infrastructure stimulus and onshoring of manufacturing that could be a decade long tailwind to some companies leveraged to longer projects. As much as we like to discover upstarts, the companies we own are undisputed leaders in their fields. When you can find growing market leaders trading at well below 10x earnings, there really isn't as much urgency around finding smaller hidden gems.

On the Income/Bond side, we are starting to see new issuance return to the market with approximate 7.5% 8-year terms. This seems a little expensive to us, especially relative to our own holdings. Last month's strong performance has dropped our fund's yield to 9%, although leverage is still at a minimum. There are still good opportunities out there, such as Uber 2026 bonds trading at a 7%+ yield. We are also revisiting the convertible space (a source of much pain for us last year) as the tax advantages of these discount bonds are too tantalizing to ignore, while absolute yields to maturity also look healthy.

We reserve the right to change our mind!

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