

Financial Statements of

VENATOR FOUNDERS ALTERNATIVE FUND

And Independent Auditor's Report thereon

Years ended December 31, 2023 and 2022



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Venator Founders Alternative Fund

Opinion

We have audited the financial statements of Venator Founders Alternative Fund (the Fund), which comprise:

- the statements of financial position as at December 31, 2023 and December 31, 2022
- the statements of comprehensive income (loss) for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management Report, of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 25, 2024

VENATOR FOUNDERS ALTERNATIVE FUND

Statements of Financial Position As at December 31

	2023	2022
ASSETS		
Current assets		
Due from broker	\$ 392,420	\$ 822,744
Cash and cash equivalents	73,524	79,325
Investments owned, at fair value (Cost:\$12,350,920 - 2022:\$12,782,100) (note 8)	16,211,469	13,340,330
Subscriptions receivable	–	666
Dividends receivable	2,419	17,917
Receivables for investment sold	1,753,804	–
Other assets	832	568
Interest receivable	50,154	41,063
	<u>18,484,622</u>	<u>14,302,613</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	104,186	101,736
Redemptions payable (note 12)	–	37,688
Investments sold short, at fair value (Proceeds:\$4,105,467 - 2022:\$1,986,470) (note 8)	4,020,003	1,962,142
Management fees payable (note 5)	22,253	20,700
Payable for investment purchased	920,223	481,462
	<u>5,066,665</u>	<u>2,603,728</u>
Net assets attributable to holders of redeemable units	<u>\$ 13,417,957</u>	<u>\$ 11,698,885</u>
Net assets attributable to holders of redeemable units per Series:		
Series A1	\$ 10,528,399	\$ 8,980,825
Series F	1,614,491	1,625,763
Series F1	1,275,067	1,092,297
	<u>\$ 13,417,957</u>	<u>\$ 11,698,885</u>
Number of redeemable units outstanding (note 6):		
Series A1	1,500,284	1,682,967
Series F	110,913	148,533
Series F1	177,722	202,475
Net assets attributable to holders of redeemable units per unit:		
Series A1	\$ 7.02	\$ 5.34
Series F	14.56	10.95
Series F1	7.17	5.39

Approved on behalf of the Trust:



Trustee

Venator Capital Management Ltd.

VENATOR FOUNDERS ALTERNATIVE FUND

Statements of Comprehensive Income (Loss)

Years ended December 31

	2023	2022
Income		
Interest income for distribution purposes	\$ 564,510	\$ 238,596
Realized gain (loss) on sale of investments, including foreign exchange adjustments	907,060	(10,689,577)
Net change in unrealized appreciation/depreciation in value of investments	3,363,218	127,237
Dividends	28,720	92,250
Other income	2,787	589
	<u>4,866,295</u>	<u>(10,230,905)</u>
Expenses		
Interest and borrowing fees	621,026	280,618
Management fees (note 5)	256,878	336,755
Operating costs	127,539	89,962
Commissions and other portfolio transaction costs	106,139	166,440
Audit fees	29,999	30,208
Legal fees	22,851	23,905
Withholding taxes	8,858	9,390
	<u>1,173,290</u>	<u>937,278</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>\$ 3,693,005</u>	<u>\$ (11,168,183)</u>
Increase (decrease) in net assets attributable to holders of redeemable units per Series (note 11):		
Series A1	\$ 2,902,246	\$ (8,394,553)
Series F	462,834	(2,004,894)
Series F1	327,925	(768,736)
	<u>\$ 3,693,005</u>	<u>\$ (11,168,183)</u>
Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 11):		
Series A1	\$ 1.72	\$ (4.59)
Series F	3.78	(9.62)
Series F1	1.72	(3.96)

VENATOR FOUNDERS ALTERNATIVE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units Years ended December 31

	Net assets attributable to holders of redeemable units, beginning of year	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 year
2023					
Series A1	\$ 8,980,825	\$ 814,642	\$ (2,169,314)	\$ 2,902,246	\$ 10,528,399
Series F	1,625,763	–	(474,106)	462,834	1,614,491
Series F1	1,092,297	8,062	(153,217)	327,925	1,275,067
	<u>\$ 11,698,885</u>	<u>\$ 822,704</u>	<u>\$ (2,796,637)</u>	<u>\$ 3,693,005</u>	<u>\$ 13,417,957</u>

* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2023 were \$nil and \$nil, respectively.

	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued**	Redemption of redeemable units**	Decrease in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
2022					
Series A	\$ 19,515,339	\$ –	\$ (19,515,339)	\$ –	\$ –
Series A1	547,203	19,515,342	(2,687,167)	(8,394,553)	8,980,825
Series F	5,461,255	–	(1,830,598)	(2,004,894)	1,625,763
Series F1	819,869	1,381,936	(340,772)	(768,736)	1,092,297
	<u>\$ 26,343,666</u>	<u>\$ 20,897,278</u>	<u>\$ (24,373,876)</u>	<u>\$ (11,168,183)</u>	<u>\$ 11,698,885</u>

** Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2022 were \$20,720,681 and \$(20,720,681), respectively.

VENATOR FOUNDERS ALTERNATIVE FUND

Statements of Cash Flows Years ended December 31

	2023	2022
Cash provided by (used in):		
Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 3,693,005	\$ (11,168,183)
Adjustments for non-cash items		
Net realized (gain) loss on sale of investments, including foreign exchange adjustments	(907,060)	10,689,577
Change in unrealized appreciation/depreciation in value of investments	(3,363,218)	(127,237)
Change in non-cash balances		
Decrease (increase) in due from broker	430,324	(822,744)
Decrease (increase) in dividends receivable	15,498	(10,476)
(Increase) decrease in receivable for investment sold	(1,753,804)	1,494,005
(Increase) decrease in other assets	(264)	1,655
Increase in interest receivable	(9,091)	(41,063)
Decrease in due to broker	–	(2,124,840)
Increase in accounts payable and accrued liabilities	2,450	7,013
Increase (decrease) in management fees payable	1,553	(23,670)
Decrease in performance fees payable	–	(336,796)
Increase in payable for investment purchased	438,761	359,671
Proceeds from sale of investments	93,523,739	108,215,492
Purchase of investments	(90,359,417)	(101,847,401)
Cash provided by operating activities	<u>1,712,476</u>	<u>4,265,003</u>
Financing Activities		
Proceeds from redeemable units issued	823,370	176,931
Amount paid on redemption of redeemable units	(2,834,325)	(3,615,507)
Cash used in financing activities	<u>(2,010,955)</u>	<u>(3,438,576)</u>
(Decrease) increase in cash and cash equivalents during the year	(298,479)	826,427
Foreign exchange gain (loss) on cash	292,678	(806,621)
Cash and cash equivalents, beginning of year	<u>79,325</u>	<u>59,519</u>
Cash and cash equivalents, end of year	<u>\$ 73,524</u>	<u>\$ 79,325</u>
Supplemental information*		
Interest paid	\$ 586,157	\$ 210,949
Interest received	561,554	199,969
Dividends paid	88,362	13,731
Dividends received, net of withholding taxes	122,669	94,432

*Included as a part of cash flows from operating activities

VENATOR FOUNDERS ALTERNATIVE FUND

Schedule of Investment Portfolio

As at December 31, 2023

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian equities				
12,600	ADENTRA Inc.	\$ 384,323	\$ 402,822	3.00
30,900	D2L Inc.	301,264	330,939	2.47
7,700	Docebo Inc.	454,731	492,723	3.67
26,400	Dye & Durham Ltd.	299,156	379,104	2.83
19,700	Hammond Power Solutions Inc.	315,975	1,609,490	12.00
36,500	NFI Group Inc.	350,175	499,685	3.72
15,300	Trust	77,234	78,948	0.59
5,200	Onex Corp.	484,592	481,156	3.59
		<u>2,667,450</u>	<u>4,274,867</u>	<u>31.87</u>
U.S. equities				
5,000	Academy Sports & Outdoors Inc.	367,302	435,748	3.25
19,300	Alphatec Holdings Inc.	291,193	385,074	2.87
10,000	Beazer Homes USA Inc.	377,773	446,180	3.33
3,100	BlueLinx Holdings Inc.	370,446	463,823	3.46
2,500	Builders FirstSource Inc.	500,376	551,090	4.11
1,300	FleetCor Technologies Inc.	460,829	485,124	3.62
14,900	Forestar Group Inc.	534,437	650,642	4.85
8,500	General Motors Co.	372,189	403,160	3.00
18,100	Harrow Health Inc.	268,118	267,682	1.99
16,900	JELD-WEN Holding Inc.	326,270	421,319	3.14
17,600	Levi Strauss & Co.	346,796	384,388	2.86
4,800	M/I Homes Inc.	503,925	873,018	6.51
2,300	Meritage Homes Corp.	405,541	529,051	3.94
13,000	Nuvei Corp.	340,122	450,775	3.36
8,505	Red Violet Inc.	234,655	224,272	1.67
6,700	Skechers U.S.A. Inc.	351,641	551,523	4.11
6,100	Taylor Morrison Home Corp.	369,169	429,721	3.20
9,900	The Chefs' Warehouse Inc.	326,572	384,722	2.87
13,500	The Lovesac Co.	361,473	455,456	3.39
5,400	The St Joe Co.	413,428	429,109	3.20
10,500	Uber Technologies Inc.	450,320	853,651	6.36
3,900	Wayfair Inc.	286,944	317,740	2.37
1,800	WESCO International Inc.	368,335	413,280	3.08
6,900	WillScot Corp.	415,193	405,444	3.02
24,000	Zeta Global Holdings Corp.	289,238	279,513	2.08
1,500	Zscaler Inc.	327,666	438,838	3.27
		<u>9,659,951</u>	<u>11,930,343</u>	<u>88.91</u>
U.S. option				
6,000	Walmart Inc. Put \$140 15MAR24	23,519	6,259	0.05
	Total investments owned	<u>12,350,920</u>	<u>16,211,469</u>	<u>120.83</u>

VENATOR FOUNDERS ALTERNATIVE FUND

Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
	Canadian equity			
(38,200)	iShares S&P/TSX Capped Energy Index ETF	\$ (642,642)	\$ (592,864)	(4.42)
	U.S. equities			
(1,200)	AptarGroup Inc.	(196,499)	(195,880)	(1.46)
(3,100)	Brown-Forman Corp.	(226,426)	(233,732)	(1.74)
(2,100)	CH Robinson Worldwide Inc.	(255,222)	(239,555)	(1.79)
(3,200)	General Mills Inc.	(273,343)	(275,245)	(2.05)
(6,100)	Hormel Foods Corp.	(265,293)	(258,638)	(1.93)
(6,500)	Invesco S&P 500 Equal Weight ETF	(1,355,177)	(1,354,386)	(10.09)
(1,500)	Oracle Corp.	(207,833)	(208,823)	(1.56)
(6,900)	Reynolds Consumer Products Inc.	(251,279)	(244,542)	(1.82)
(2,000)	Wal-Mart Stores Inc.	(431,753)	(416,338)	(3.10)
		<u>(3,462,825)</u>	<u>(3,427,139)</u>	<u>(25.54)</u>
	Total investments sold short	(4,105,467)	(4,020,003)	(29.96)
	Commissions and other portfolio transaction costs	<u>(11,279)</u>	<u>—</u>	<u>—</u>
	Net investments owned	\$ <u>8,234,174</u>	12,191,466	90.87
	Other assets, net		<u>1,226,491</u>	<u>9.13</u>
	Net Assets Attributable to Holders of Redeemable Units		\$ <u>13,417,957</u>	<u>100.00</u>

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements

Years ended December 31, 2023 and 2022

1. Trust organization and nature of operations:

Venator Founders Alternative Fund (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.

2. Basis of presentation:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency. These 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 financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"). They were authorized for issue by the Trustee on March 25, 2024. These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

3. Material accounting policy information:

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.

(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.

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

3. Material accounting policy information (continued):

(b) Classification (continued):

Other financial assets including due from broker, subscriptions receivable, dividends receivable, receivables for investment sold, other assets and interest receivable 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, management fees payable, payable for investment purchased, 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.

(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 (loss).

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.

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

3. Material accounting policy information (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 (loss) 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 (loss).

(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

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

3. Material accounting policy information (continued):

(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 year.

(i) Increase (decrease) in net assets attributable to holders of redeemable units per series:

Increase (decrease) in net assets attributable to holders of redeemable units per series is based on the increase (decrease) 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 year. Refer to note 11 for the calculation.

(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).

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

3. Material accounting policy information (continued):

(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 (loss) based on the trade date.

(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 12:00 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 (loss) 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 (loss) 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.

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

3. Material accounting policy information (continued):

(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.

(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.

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

3. Material accounting policy information (continued):

(s) Changes in accounting policies:

The Trust adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Manager reviewed the accounting policies and made updates to the information disclosed in Note 2 in certain instances in line with the amendments.

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.

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

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 year ended December 31, 2023 were \$256,878 (2022 - \$336,755), with \$22,253 payable as at December 31, 2023 (2022 - \$20,700).

(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 year ended December 31, 2023 were \$nil (2022 - \$nil) with \$nil payable as at December 31, 2023 (2022 - \$nil).

(c) Related party unitholders:

Directors and employees of the Manager own units of the Trust representing 41.16% (2022 - 36.20%) of units outstanding.

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

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 year	Redeemable units issued	Redemptions of redeemable units	Redeemable units, end of year
2023				
Series A1	1,682,967	151,200	(333,883)	1,500,284
Series F	148,533	–	(37,620)	110,913
Series F1	202,475	1,343	(26,096)	177,722
2022				
Series A	1,072,165	–	(1,072,165)	–
Series A1	55,850	1,991,829	(364,712)	1,682,967
Series F	274,829	–	(126,296)	148,533
Series F1	83,710	174,279	(55,514)	202,475

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

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

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

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

7. Financial instruments and risk management (continued):

(b) Other price risk (continued):

The following table sets out the concentration of the investment assets and liabilities of the Trust at December 31, 2023 and 2022 as a percentage of the net assets attributable to holders of redeemable units of the Trust:

	December 31, 2023	December 31, 2022
Canadian equities	31.87%	29.49%
Canadian warrants	–	–
U.S. equities	88.91%	84.29%
U.S. fixed income	–	–
U.S. options	0.05%	0.26%
U.S. warrants	–	–
Canadian equities sold short	(4.42)%	(8.40)%
U.S. equities sold short	(25.54)%	(8.37)%

As at December 31, 2023 and 2022 the equity investments held by the Trust are concentrated in the following industries:

	December 31, 2023	December 31, 2022
Communications	-	0.71%
Consumer discretionary	38.43%	35.08%
Consumer staples	(7.78)%	3.23%
Financials	10.56%	0.00%
Health care	4.86%	9.97%
Indicies	(14.47)%	(4.60)%
Industrials	40.10%	26.16%
Information technology	11.97%	11.39%
Materials	(1.46)%	7.67%
Real estate	8.64%	0.00%
Energy	-	5.84%
Utilities	-	1.78%

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

7. Financial instruments and risk management (continued):

(b) Other price risk (continued):

As at December 31, 2023, 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 year 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 \$1,219,147 (2022 - \$1,137,819). 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. The carrying amount of investments and other assets represents the maximum credit risk exposure as at the date of the Statement of Financial Position.

The cash and cash equivalents are held with a major Canadian bank counterparty which is rated AA as at December 31, 2023 (AA - December 31, 2022).

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement. Credit risk relating to unsettled transactions is considered minimal due to the short settlement period involved and the high credit quality of the broker used. The Trust's prime broker was rated AA at December 31, 2023 (AA - December 31, 2022).

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

As at December 31, 2023, the Trust held investments in debt instruments with a fair value of \$nil (2022 - \$nil).

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

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 December 31, 2023 and 2022 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
December 31, 2023						
U.S. Dollar	\$ (8,556,141)	\$ 8,509,463	\$ (46,678)	\$ (427,807)	\$ 425,473	\$ (2,334)
% of Net Assets						
Attributable to Holders of Redeemable Units	(63.77)	63.42	(0.35)	(3.19)	3.17	(0.02)

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, 2022						
U.S. Dollar	\$ (9,846,927)	\$ 8,911,129	\$ (935,798)	\$ (492,346)	\$ 445,556	\$ (46,790)
% of Net Assets						
Attributable to Holders of Redeemable Units	(84.17)	76.17	(8.00)	(4.21)	3.81	(0.40)

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

7. Financial instruments and risk management (continued):

(d) Currency risk (continued):

As at December 31, 2023, 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 Trust would have increased or decreased by \$2,334 (2022 - \$46,790).

(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 December 31, 2023 and 2022, the Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

(f) Geopolitical risk:

Terrorism, war, military confrontations and related geopolitical events (and their aftermath) can lead to increased short-term market volatility and may have adverse long-term effects on the Canadian, U.S., and world economies and markets generally. Likewise, natural and environmental disasters, such as, for example, earthquakes, fires, floods, hurricanes, tsunamis and weather-related phenomena generally, as well as wide-spread disease and virus epidemics, can be highly disruptive to economies and markets into the medium term, adversely affecting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment and other factors impacting the value of the Trust's investments.

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

8. Fair value measurement:

The following is the summary of the inputs used as at December 31, 2023 in valuing the Trust's investments carried at fair values:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 16,205,210	\$ –	\$ –	16,205,210
Options	–	6,259	–	6,259
	\$ 16,205,210	\$ 6,259	\$ –	16,211,469
Liabilities				
Equities	\$ 4,020,003	\$ –	\$ –	4,020,003
	\$ 4,020,003	\$ –	\$ –	4,020,003

There were no transfers between the levels during the year.

The following is the summary of the inputs used as at December 31, 2022 in valuing the Trust's investments carried at fair values:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 13,310,491	\$ –	\$ –	13,310,491
Options	–	29,839	–	29,839
	\$ 13,310,491	\$ 29,839	\$ –	13,340,330
Liabilities				
Equities	\$ 1,962,142	\$ –	\$ –	1,962,142
	\$ 1,962,142	\$ –	\$ –	1,962,142

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

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

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, 2023, the Trust has \$10,839,525 (2022 – \$10,839,525) capital losses carried forward and has non-capital losses carried forward in the amount of \$1,847,312 (2022 - \$1,124,359) available for income tax purposes.

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

The increase (decrease) in net assets attributable to holders of redeemable units per series for year ended December 31, 2023 and 2022 is calculated as follows:

	Increase (decrease) in net assets attributable to holders of redeemable units per Series	Weighted average of redeemable units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
December 31, 2023			
Series A1	\$ 2,902,246	1,686,678	\$ 1.72
Series F	462,834	122,510	3.78
Series F1	327,925	190,767	1.72
December 31, 2022			
Series A1	\$ (8,394,553)	1,830,347	\$ (4.59)
Series F	(2,004,894)	208,374	(9.62)
Series F1	(768,736)	194,016	(3.96)

VENATOR FOUNDERS ALTERNATIVE FUND

Notes to Financial Statements (continued)

Years ended December 31, 2023 and 2022

12. Redemptions payable:

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

13. Involvement with unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Manager of the Trust has determined that its investments made into other investment funds, including ETFs, are considered to be unconsolidated structured entities. Please refer to the Schedule of Investment Portfolio for investments in structured entities.

During the applicable periods ended December 31, 2023 and 2022, the Trust did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.