VAAF: INVESTING IN TOMORROW'S S&P 500 GIANTS TODAY

HEDGE FUNDS (Inception)	JULY 2025	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) *	**4.2%**	**0.7%**	**8.7%**
Venator Select Fund (September 2013)	**6.1%**	**8.3%**	**8.8%**
S&P/TSX Total Return (March 2006)	1.7%	12.0%	7.6%
Russell 2000 Total Return (March 2006)	1.7%	-0.1%	7.3%
S&P Toronto Small Cap Total Return (March 2006)	1.5%	14.4%	4.3%
S&P 500 Total Return (March 2006)	2.2%	8.6%	10.7%

ALTERNATIVE MUTUAL FUNDS (Inception)	JUL 2025	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund (January 2020) **	**-0.8%**	**-0.2%**	**6.6%**	**5.7%**	**5.3%**	**4.5%**
B of A Merrill Lynch High Yield Index (August 2008)	0.4%	5.0%	8.6%	7.9%	5.1%	5.4%

	LAUNCH VALUE	CURRENT VALUE
Venator Ascendant Alternative Fund Series UF (USD) (June 2025) ***	**10.0000**	**10.1735**
Venator Ascendant Alternative Fund Series A1 (CAD) (June 2025) ***	**6.9223**	**7.1101**
S&P 500 Total Return (June 2025)	13,461.10	14,071.34

As of July 31, 2025
* *Venator Offshore Fund is available as the US dollar version of Founders Fund strategy*
** *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*
*** *Venator Ascendant Alternative Fund, previously named Venator Founders Alternative Fund, launched on June 24, 2025*

The markets continued to defy the doomsayers to start earnings season. So far earnings have been strong. Technology and related infrastructure remain in healthy growth mode. Trade tensions have continued to scale back. Geopolitical events continue to fade into the background (from an investing standpoint). Interest rates are globally low except for the United States, which is largely expected to join the party once tariff impact clarity is achieved. Even the high-velocity meme-stock traders have made their return after a three-year absence. Does it feel a little “bubbly”? Sure it does. But there will always be press-grabbing speculative high velocity moves in weird corners of bull markets.

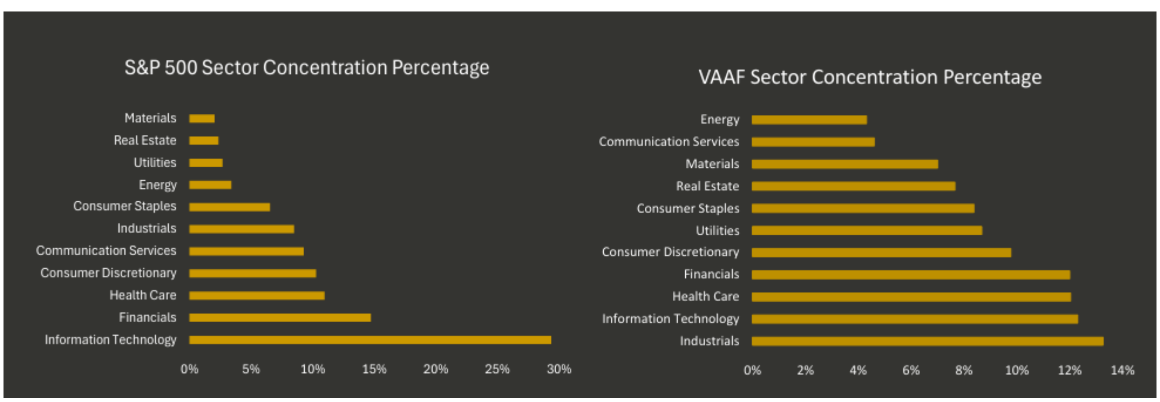
You may have noticed that in the table above there is a newly named strategy, the VAAF. Regulatory rules prevent us from publishing performance numbers for the first 12 months, so we are publishing the launch value and current value. We have highlighted the most pertinent lines in the table being the US Dollar “F Class” unit values vs the S&P500 as of the start date.

The VAAF is a low-fee, algorithmic, ETF-like strategy specifically designed to exploit an overlooked and underrepresented, yet historically critical segment of the market—the lower half of the S&P 500. By initially buying companies ranked in the bottom 200-300 by market capitalization within the index, the VAAF offers investors meaningful and efficient exposure to companies that often represent tomorrow's market leaders. By way of example, Apple, Nvidia and Amazon all once resided in this segment of the index. Our research indicates that since 1997 over 70% of today's top 250 S&P 500 companies ascended from the bottom half of the index, and more than half of the current top 100 names started from the same humble beginnings. Despite their demonstrated historical potential, these bottom-half constituents currently account for approximately 10% of the index's total market capitalization; if you own an index fund tracking the S&P 500, you only have 10% weighting to 50% of the companies.

Our strategy uniquely allows successful investments to compound over time without forced rebalancing or 'graduation' constraints common in equal-weight and cap-restricted indices. Through algorithmic adjustments, the fund dynamically manages new index inclusions, corporate events, and mergers, continually capturing emerging opportunities. Illustratively, our historical analysis of a 1998 vintage portfolio showed that:

- A total of approximately 1000 stocks would have been held from 1997-2024.
- Currently, the Fund would hold 400 names, including today's "bottom 250" and another 150 companies that ascended in market ranking, notably Apple, Nvidia and Amazon;
- Of the 600 names no longer held, 400 were acquired, and 200 fell out of the S&P 500 at minimal weights; reflecting a significant "out with the old, in with the new" component of this strategy.

It is fair to say that being "top heavy" has been a strength of the S&P500 over the past ten years. But it's worth noting that the only "Top 10" company remaining from 2005 is Microsoft so it's no guarantee that the MAG7 will still be the MAG7 in twenty years (there could be some Ciscos and Intels lurking). It's also worth noting that the current Top 10 carries a higher degree of correlation than in the past, when there was a broader mix of healthcare companies, financials, retailers, commodities and consumer products. As a result, the VAAF is more diversified than the full index:



Our comprehensive back-testing underscores the strength of this unique approach. Applying the VAAF strategy retrospectively from 1997 onwards, the Fund outperformed the Russell 2000 Index 97% of the time and the S&P Mid Cap Index 83% of the time. Importantly, it also demonstrated superior performance relative to the broader S&P 500 Index in 52% of annual vintage relaunches since inception, with an even stronger record of outperformance—79%—when assessed over rolling

15-year periods. Beyond returns, the Fund also offers a higher underlying dividend yield (currently 2% vs. 1.5% for the S&P 500) which “covers” most of the fund expenses in the “F Class” comparatively.

To find the next 100+-bagger is akin to finding the needle in the haystack. The VAAF strategically cuts the Haystack in half, increasing your exposure to potential future market leaders by 10x; the largest positions are approximately a 1.0% weighting vs their weighting of 0.1% in the S&P 500. We believe the Venator Ascendant Alternative Fund is positioned to provide investors differentiated large cap exposure to tomorrow’s market leaders. We have provided a link to the “Institutional” slide deck in the body of the newsletter email or click HERE if you are interested in more detail/data.

We reserve the right to change our mind!

Brandon Osten, CFA
CEO, Venator Capital Management Ltd.