NVDIA HAS THE AI WORLD ON ITS SHOULDERS, NOT IN ITS HANDS

HEDGE FUNDS (Inception)	SEPTEMBER 2025	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) *	**1.4%**	**8.3%**	**9.1%**
Venator Select Fund (September 2013)	**1.6%**	**19.6%**	**9.6%**
S&P/TSX Total Return (March 2006)	5.4%	23.9%	8.1%
Russell 2000 Total Return (March 2006)	3.1%	10.4%	7.8%
S&P Toronto Small Cap Total Return (March 2006)	8.9%	36.3%	5.2%
S&P 500 Total Return (March 2006)	3.6%	14.8%	10.9%

ALTERNATIVE MUTUAL FUNDS (Inception)	SEP 2025	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund (January 2020) **	**0.6%**	**2.3%**	**5.3%**	**8.1%**	**5.3%**	**5.3%**
B of A Merrill Lynch High Yield Index (August 2008)	0.8%	7.1%	7.2%	11.0%	5.5%	6.1%

	LAUNCH VALUE	CURRENT VALUE
Venator Ascendant Alternative Fund Series UF (USD) (June 2025) ***	**10.0000**	**10.5083**
Venator Ascendant Alternative Fund Series A1 (CAD) (June 2025) ***	**6.9223**	**7.3764**
S&P 500 Total Return (June 2025)	13,461.10	14,826.80

As of September 30, 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 dominant theme of the past few years has been Artificial Intelligence. It has been a fascinating one because trillions of dollars of market value have been created, yet financially, only two mega public companies have seen the bulk of the financial impact – Nvidia and Broadcom. You have to look hard to pinpoint where the AI cycle started when looking at the annual income statements of Microsoft, Meta, Amazon and Google. Even pure play Palantir had a higher growth rate three years ago and is currently annualizing only $4B in revenue. The main area of visibility is the Capital Expenditures spending lines of the Cash Flow Statements of the hyperscalers, which increased by $100B annualized over the past two years, with much of that accruing to Nvidia and Broadcom. Even the electrical infrastructure theme, where we are invested in several contractors and supply chain beneficiaries, hasn't broadly shown material increases in growth rates (we think power infrastructure demand goes beyond a few dozen datacenters in a handful of geographies). We don't mention this as a skeptic of AI as we are optimistic about the overall opportunity. We mention it because we are seeing some unusual business activity from the company at the epicenter of it all, Nvidia, as it looks to avoid the fate of Cisco, the premier "picks and shovels" supplier to internet/cloud computing circa 1996-2000.

Last month showed the investment community just how much heavy lifting Nvidia is being called on to do in order to keep the AI capital spend ecosystem going. Earlier in the month, Oracle reported an eye popping $350B increase to its long-term backlog, sending its stock up over 30% in a day. Over the ensuing 24 hours, information trickled out that nearly all of this was a single contract with OpenAI, which was committing to $350B in spending despite having less than $15B in revenue. Fortunately, after these funding concerns came to light, Nvidia stepped in to effectively guarantee financing for OpenAI, so that OpenAI can rent Nvidia GPU capacity from Oracle such that Oracle's purchase of Nvidia chips is effectively backstopped by Nvidia. This followed a lesser profile deal a few weeks earlier whereby Nvidia guaranteed to pay for any unused Nvidia GPU capacity that CoreWeave buys from them (this is after Nvidia was called on to invest in the CoreWeave IPO that wasn't going very well at the time, although it has been a homerun since). Back in the Spring, when OpenAI, Oracle and Softbank pledged $500B for the Stargate datacenter (which isn't happening anymore) and a photo-op with President Trump, Elon Musk stated on X/Twitter that these entities didn't have anywhere near $500B to spend on a datacenter. But never fear, there will be money to spend on Nvidia chips, even if Nvidia has to buy their own chips from themselves through an intermediary!!! Given how readily available capital is in today's market, it is a bit perplexing that these companies can't get third party non-arms-length financing for datacenter projects. The "artificial" part of AI might be the growth and not the intelligence. That said, we don't think it's wise to bet against the AI mega-trend, just to be aware of overcapacity overbuild and prepared when it comes to monitoring the dominant theme of the market. This is why we prefer software over infrastructure at this point in the spend cycle.

The AI trade is now represented by the Mag7+Broadcom names in the S&P 500, representing 35% of the weight and $22 trillion in market cap, the rest of the S&P 492 has become an afterthought. These Crazy8 names are all highly correlated and so big that if an AI selloff were to occur, the sheer amount of money that would have to find a new home from even a 10% reallocation could be enough to prop up everything else. For our part in providing a macro alternative, our newly launched Venator Ascendant Alternative Fund (VAAF) index-based fund (roughly the lower cap half of the S&P 500) has an aggregate market cap of only $6 Trillion.

One theme that we think isn't played out is Trump's forced onshoring of manufacturing and the related construction and infrastructure activity that comes with it. This means opportunities in many businesses that get most of their revenues domestically have yet to see the benefits of policy. While the Crazy8 gets less than half of their revenues domestically, the companies in VAAF get 70% of their revenues domestically. The industry diversification should provide a backstop if the AI trade proves to be overextended.

While the market has shown some concern over the US consumer with weakness in retail and restaurants, we would note that betting against the US consumer into Christmas is historically a bad idea. Americans always find a way to spend during the holiday season and we would expect the year to finish on a high note. We continue to believe that investment dollars will broaden out to other areas of the US economy. Although, in Canada, while we believe that infrastructure and some global commodities will continue to do well, we think the domestic Canadian economy will likely be challenged until US trade relations improve.

We reserve the right to change our mind!

Brandon Osten, CFA
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