

SAM ALTMAN: THE BOY IN THE BUBBLE

HEDGE FUNDS (Inception)	OCTOBER 2025	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) *	-1.2%	7.0%	9.0%
Venator Select Fund (September 2013)	4.4%	24.9%	9.9%
S&P/TSX Total Return (March 2006)	1.0%	25.1%	8.1%
Russell 2000 Total Return (March 2006)	1.8%	12.4%	7.9%
S&P Toronto Small Cap Total Return (March 2006)	2.3%	39.4%	5.3%
S&P 500 Total Return (March 2006)	2.3%	17.5%	11.0%

ALTERNATIVE MUTUAL FUNDS (Inception)	OCT 2025	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund (January 2020) **	-0.9%	1.4%	4.0%	7.6%	5.3%	4.8%
B of A Merrill Lynch High Yield Index (August 2008)	0.2%	7.3%	8.0%	10.0%	5.5%	5.8%

	LAUNCH VALUE	CURRENT VALUE
Venator Ascendant Alternative Fund Series UF (USD) (June 2025) ***	10.0000	10.3219
Venator Ascendant Alternative Fund Series A1 (CAD) (June 2025) ***	6.9223	7.2807
S&P 500 Total Return (June 2025)	13,461.10	15,173.95

As of October 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

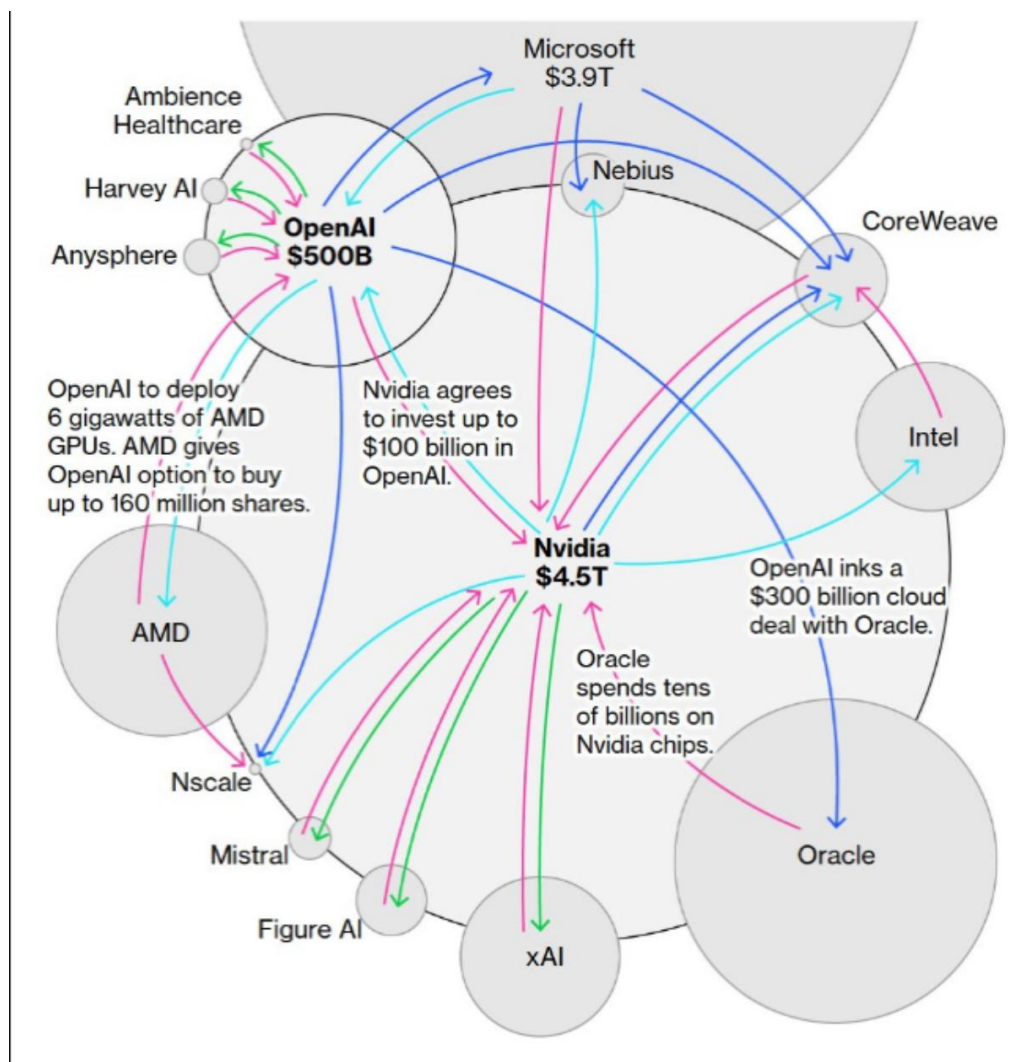
Markets continued to move higher in the face of a US Government shutdown and more tariff and trade war machinations. Canada remained resilient off the back of mining resources. There is a lot of bubble talk out there, but it's worth noting that in terms of the average stock, as opposed to the mega caps, there is no bubble to be seen. Interestingly, the median return for the combined S&P large, mid, and small cap indices (1500 stocks) is 0%, showing how dependent the market returns have been on mega caps (the median return of the mid and small cap 1000 has been negative).

If there is a bubble, it's not because of crazy valuations, which is unlike what we saw in 2000. We can see 30x earnings on the growthy names, which is always something of an acid test (Microsoft, Apple, Meta, Google, Amazon and Nvidia all trade below 30x 2027 estimates; by contrast less than real-GDP growth and persistent market share loser Walmart trades over 30x 2027 earnings estimates). The top of the market might be expensive but not "bubble" expensive based on growth and quality factors.

The bigger bubble issue is in the high valuation adjacencies. We can't see 30x earnings on Tesla, where the car business is unlikely to earn more than \$5.00 per share in the visible future, leaving investors paying over \$1.2 trillion for a nascent robotaxi business (noting the leader in rideshare has a market cap of only \$200B), and a pre-proof-of-concept humanoid robot business. Nor can we see 30x earnings on Palantir, which trades at 100x 2025 revenue (!) putting Cisco 2000 bubble metrics to shame (Cisco had \$19B in revenue to Palantir's \$4.5B and growth of over 55% to Palantir's 45% - both measured off a roughly \$500B market cap). The combined market cap for the several largest

unproven, unpermitted, uncontracted, seven years until operation small nuclear reactors tops \$50B, while the independent quantum computing cabal is similar despite competition from the likes of Google, IBM, and Microsoft. But it's worth noting that the cannabis sector market cap topped \$100B at its peak and its demise didn't take a lot of other stocks with it.

The primary bubble issue is the interconnectedness whereby everyone is funding each other in a conflict-of-interest fashion that obscures the independent health of the growth rates of the most influential players. At the center of this is Nvidia and OpenAI, which continue to write checks with Nvidia's bank account that its financials may never be able to cash. OpenAI, which has \$12B in revenue and over \$8B in losses, has committed to roughly \$1.4 *trillion* in spending over the next seven years. Nvidia has granted them \$100B, provided workloads are on their GPUs, and AMD has handed over \$50B in stock in exchange for using their chips. That is still a sizable funding gap that will likely require both a \$100B+ IPO raise (off an expected \$500B+ market cap) and \$100B+ of debt (which would be a tougher sell given the lack of earnings and tangible assets). Further outside the inner circle are utilities, electrical supply chain, infrastructure contractor, private lending and energy. The following chart has been making the rounds:



We actually think this chart should swap OpenAI and Nvidia's places. As much as Nvidia GPUs have been at the center of the buildout, it's actually OpenAI that is the centerpiece from a narrative standpoint. No one gets excited about Oracle buying \$40B of Nvidia chips; they get excited about OpenAI committing to spend \$350B for Nvidia GPU capacity bought by Oracle (note much of OpenAI's funding for this will come from Nvidia). What is happening is that a disproportionate amount of market value depends on whether one believes that \$12B OpenAI can spend \$1.4 *trillion*+ over the next several years. Azure (Microsoft), Datacenters, Oracle, AMD and Nvidia have trillions of dollars of market cap depending on this assumption. Without it, there is no \$350B Oracle backlog, or \$100B Microsoft equity stake and \$250B Azure spend, Nvidia probably loses \$50B+ in revenue, AMD just offered up 10% of its business for no reason and the "Stargate" Datacenter network doesn't get built, which would impact the unlicensed nuclear reactor crowd and all the electrical infrastructure providers. OpenAI is effectively laundering press releases for all the other companies with money it doesn't have. We would note that none of these commitments are likely "real" in the sense that if Oracle buys \$50B in Nvidia chips and OpenAI doesn't end up spending the \$350B promised, we doubt Oracle can sue the eventually indebted OpenAI out of existence for breach of contract.

The market concentration and trading correlations that didn't exist to the same extent 25 years ago heightens the risk. The total S&P 500 market capitalization is roughly \$52 trillion. The AI Crazy 8 (AMZN GOOGL AVGO META NVDA MSFT TSLA AAPL) is roughly \$22 trillion. Add in Oracle, Palantir, Dell, Constellation Energy, Intel, QUALCOMM, Eton as well as some other AI adjacencies, you are looking at an additional \$5 trillion. So basically, half of the S&P 500 is dependent on the AI buildout, with a good chunk of that dependent on OpenAI being able to spend over \$1.4 *trillion* over the next several years (reminder OpenAI has \$12B in revenue). In an attempt to isolate companies that would be directly negatively impacted if \$12B OpenAI were unable to meet its \$1.4 *trillion* spending commitments, you would be looking at \$12 *trillion*, or 23% of the S&P 500, that has directly hitched its wagon to a company with \$12B in revenues.

The issue is that if the narrative cracks, they will all go down together. An overthinker might point out that if OpenAI disappeared tomorrow, that would be great for Google and Meta and Amazon, and immaterial to Tesla and Apple. But practically speaking, it never works out that way due to algorithmic trading, correlations, and overlapping ETFs nowadays. The money flow out of the overlapping NASDAQ and S&P 500 would be too much liquidity for the longer-term beneficiaries to withstand.

To be clear, we are not saying this is what is going to happen, nor would we venture to time it in the wake of at least six more months of positive news flow. OpenAI could probably get a lot of funding with a \$500B+ IPO value (noting it is 3x the size with 3x the growth rate of \$500B Palantir). We were very clear in our earlier note that we don't subscribe to "doomscrolling". We are just trying to frame the risk. We also think that for index investors, our Venator Ascendant Alternative Fund (VAAF Index Fund), made up of the approximately 250 smaller names in the S&P 500, could be a relative beneficiary should things go wrong as it would avoid the cross currents that impact the NASDAQ and S&P 500 ETF flows. Indeed, we have observed increasing divergent performance of VAAF vs the S&P 500 over the last several weeks.

Admittedly, our active equity strategies do carry several AI-leveraged positions including Meta, Amazon and Microsoft, as well as Wesco (the largest distributor of electrical products), IES Holdings (an emerging electrical contractor) and Nebius (a datacenter operator). After all, these companies are doing well, and we do not believe they have demanding valuations. (Meta stock fell 18% recently after beating earnings because they committed to spending over \$115B next year but is still expected to generate record earnings; this seems a bit extreme because it's not like they don't have the money and committed to spending \$1.4 *trillion* (!!!), which is apparently OK). We do believe that the electrical grid expansion and enhancement are likely to continue as these projects are tough to stop once they get started but, narratively, they are vulnerable to a turn in the datacenter buildout theme, so we keep a close eye on the "group" as a whole.

We acknowledge that the Income Fund has been lagging this year. This is primarily due to the cost of hedging currency which should come down as the US Fed cuts rates (noting that with the Canadian dollar being up 2.6% this year hedging has been a net neutral as we would have lost an equal amount on the translation of our US holdings). We have also suffered losses in the fast decline of a US LNG Terminal operator "senior secured" corporate bond. While we were "next in line" in terms of our 2026 maturity, and the company has the cash to pay it and stated an early redemption as a priority, recent geopolitical events have caused all bondholders to fight over the assets prior to the maturity and, as such, the bond has suffered a substantial decline in value while everything gets sorted out. Currently, the bond only represents a 0.6% weight in the portfolio as we await the results of the recapitalization process. The projected yield of the fund, not including this particular bond, is over 6%.

We reserve the right to change our mind!



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