

2026 YEAR IN PREVIEW

HEDGE FUNDS (Inception)	NOVEMBER 2025	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) *	-1.1%	5.7%	8.9%
Venator Select Fund (September 2013)	-6.7%	16.5%	9.2%
S&P/TSX Total Return (March 2006)	3.9%	30.0%	8.3%
Russell 2000 Total Return (March 2006)	1.0%	13.5%	7.9%
S&P Toronto Small Cap Total Return (March 2006)	5.2%	46.7%	5.5%
S&P 500 Total Return (March 2006)	0.2%	17.8%	11.0%

ALTERNATIVE MUTUAL FUNDS (Inception)	OCT 2025	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund (January 2020) **	0.5%	1.9%	2.7%	7.7%	4.0%	5.0%
B of A Merrill Lynch High Yield Index (August 2008)	0.5%	7.8%	7.5%	9.5%	4.8%	6.1%

	LAUNCH VALUE	CURRENT VALUE
Venator Ascendant Alternative Fund Series UF (USD) (June 2025) ***	10.0000	10.5736
Venator Ascendant Alternative Fund Series A1 (CAD) (June 2025) ***	6.9223	7.4311
S&P 500 Total Return (June 2025)	13,461.10	15,211.14

As of November 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

November continued to showcase the extreme volatility the market has become accustomed to since the spring tariff tantrum. This month, it was just too much AI bubble press for the overweighted big cap tech market to handle, sending the S&P 500 down 5% and back again. While retail earnings reports and guides were looking good, the Gaps, Abercrombies, Khols and Urban Outfitters of the world just don't have the influence in the tech dominated S&P 500 to make a dent when multi-trillion dollar market caps experience minor setbacks. In that vein, the money shift from big cap tech to "everything else" definitely benefited our Venator Ascendant Alternative Fund (VAAF) Index Strategy, which had a strong month in the face of the narrative shift. Our active equity funds struggled a bit as our largest position, Porch Group, disappointed with the guidance raise that wasn't above expectations enough for the Street's liking. That said, Porch remains a top idea headed into 2026. Our Income strategy was flat on the month along with broader fixed income. While Private Credit remains under scrutiny, we would note that, at this point, all our bonds are backed by public companies.

With a new year ahead of us, we thought we would give our thoughts on what we see as the two biggest issues facing markets in 2026 along with some of our favorite ideas headed into the new year.

Political Shifts and Interest Rates. Trump's quest for attention and desire to set policy by posting on social media is unavoidable. So are mid-term elections, which aren't looking like a lock for Republicans. We would expect governing by polling in order to avoid "lame duck" status, a label the President would likely find offensive. With this in mind, it's worth pointing out a major discrepancy between what drives markets and what drives the "main street" economy. Big tech and AI might be sexy, but the reality is that the Crazy Eight (by which we mean the Magnificent Seven plus Broadcom), which constitutes nearly 40% of the US stock market value, only employs about 2M people out of a total of 163M jobs in the US (of which Amazon employs about 1M Americans, most of which are in the retail/logistics part of the business). By contrast, the rest of the S&P 500 employs about 20M Americans.

With "lame duck" status at stake, it stands to reason that policy will be directed at votes from the rest of the economy. While it's difficult to ascertain what types of policies this could result in, the primary targets will likely be onshoring manufacturing, construction and interest rates. A new incoming Fed Chair in the Spring doesn't have total control over the direction of rates but clearly has disproportionate influence. There is no doubt that the Chair will be appointed based on a desire to get rates down to 3% (or lower) by Labor Day. While lower rates raise all boats, valuation-wise, they have greater potential to raise the underlying business prospects of the physical economy (construction, retail, onshoring, trucking) which have been subdued over the past several years. Because of this potential policy and interest rate shift, we think 2026 could be a year the MegaCapTech trade takes a relative step back.

The Shifting Sands of AI: We got into the whole bubble debate last month, so we don't want to rehash it here. Having worked as a software tech analyst through 1999-2001, I think this one is inconclusive and there are flaws in both the bull and bear theses. Assuming the AI integration into the broader economy is a given and growing in importance, we prefer to focus on how the leadership evolves rather than valuations for startups and whether or not too much capital is being spent. The bubble talk is healthy though in that it can frame the fundamentals. Last month, we talked about the risk of how much of the AI trade depends on OpenAI's \$1.5 trillion in spending commitments, a risk that has become more appreciated over the last month. The emergence of Alphabet's Gemini has put OpenAI's technological leadership narrative at risk and taken down some significant OpenAI partners as well, including Coreweave, Microsoft, Oracle and Nvidia. What we take away from this temporary leapfrogging of OpenAI is that this shouldn't come as a big surprise anymore. Facebook wasn't the first social network, Google wasn't the first search engine, Dell wasn't the first PC manufacturer, Oracle wasn't the first database, Windows wasn't the first graphical interface and none of the Office applications were the first of its kind.

The bigger issue is that we have seen Grok, Meta, Gemini, Anthropic and OpenAI all claim leadership at some point this year. The real risk is commoditization of large language models; the technology might be fantastic, but if five companies all have relatively undifferentiated technology, competitive pricing becomes an issue. The other pricing issue could rest on Nvidia's shoulders, which was very defensive with regard Alphabet using its own chips. This comes after both Amazon and Meta, both major GPU consumers, have shown a desire to lower their dependence on Nvidia GPUs. Combined with the return on investment and useful life of a GPU coming under scrutiny, there is a decent likelihood Nvidia will have to revisit the pricing of its 60%+ EBITDA margin business, unusual in the

cyclical semiconductor world. There is a possibility that Nvidia has to drop prices to keep volumes flowing given projections of AI capital spending growth starting to slow to sub-20% in 2027. The Crazy8 stocks will all trade with heavy correlations and offsets next year, and we think this could lead to underperformance as the AI world sorts itself out.

Some Investments We Like For 2026 (and One We Don't):

VAAF Index Fund: Pardon our enthusiasm for our newest strategy, but we think November could be a harbinger of what's to come. It wasn't so much that it had a good month relative to its S&P 500 benchmark, but that it was up when the S&P 500 was down over 2% mid-month. Consistent with what we predicted above, we think that the more diversified and "real economy" weighting of the constituents of VAAF will benefit from infrastructure, construction and interest rates more than the Crazy8 stocks that make up nearly 40% of the S&P 500. Our expectation would be material but correlated outperformance vs the S&P 500 in 2026, if we are right.

Forestar Group (FOR): We have owned this one for a few years and it remains a favorite. Regardless of the homebuilder trends in general, Forestar Group, which is backed by DR Horton, continues to grow and add to its book value, noting that it trades 30% below book value. Forestar stock should be a major beneficiary of lower interest rates and any political mandates for accelerated support for affordable housing.

Wesco (WCC): The leader in industrial distribution of electrical equipment, Wesco finds itself in the middle of one of today's most powerful narratives. The US needs power and it needs to transition to electrical power. The company has just gone through a two-year software systems improvement cycle after a major acquisition, and we believe it is about to reap the benefits from a margin perspective as it has been under-earning for the past several years.

Badger Infrastructure (TSX: BDGI): A multi-year holding, Badger rents hydrovac trucks for safe excavation around underground infrastructure. If we are right about a renewed focus on infrastructure, Badger, which has been growing at a healthy clip over the past several years, could see another leg of growth as the market leader in a supply constrained industry. The company has already been indicating a ramp up in its capacity over the next twelve months.

PACS Group (PACS): PACS Group was a thriving and growing skilled nursing facility operator before an aggressive short report derailed the stock in late 2024. Abandoned by the Street, the company didn't report financials for over a year while they conducted an internal investigation. Last month, the company finally reported five quarters in a single day, and each quarter beat the expectations that were in place prior to the short report sending the stock from \$11.00 to \$33.00 last month. While we were lucky to have been in this stock at the time of the report, we would note that the stock was at \$40.00 a year and a half ago, the company is now 25% larger and has a clean balance sheet with excess cash to go along with its operational clean bill of health. We expect there to be another leg in this growth story as the story is re-discovered by the Street.

Zedcor (TSX: ZDC): Zedcor is what we like to categorize as "unstoppable growth". 80% growth combined with 30% EIBTDA margins puts it in rarified air among North American growth companies. Zedcor makes security cameras but monitors them remotely using algorithmic software such that

one person can monitor over 1000 cameras. This can save customers a lot of money in security. The company is already experiencing huge growth with customers such as Home Depot and DR Horton. Thus far, the company has only scratched the surface of its potential as its US operations, only launched in the last several years, has not yet reached the size of its Canadian operations; over time, it should be multiples of the size of the Canadian division. Consistently increasing its capacity for its rental fleet buildout, we expect to see reinvigorated growth in Canada because of the increased infrastructure project build out up here as well.

Porch Group (PRCH): It was a wild year for this turnaround, going from \$4.00 to \$19.00 and eventually settling at \$10.00. One of our big winners on the year but our biggest loser last month due to what we see as a misunderstanding of a very complex structure involving its connection as the exclusive back-end software provider to its reciprocal insurance customer. The market simply became acclimated to massive guidance increases and the last guidance increase for 2025 just wasn't enough above expectations. That said, this company continues to move ahead aggressively and remains cheap for a high growth FinTech company. We believe that market will be surprised by the structurally favorable terms of its next acquisition. We also see the enterprise software business benefiting from lower rates and a reinvigoration of the existing home sales market.

Bitcoin (the one we don't like): It's been a great ride, but we think Bitcoin has broken too many of its promises and outlived its usefulness. It is not the future of currency. It is not easy to transact. If quantum computing fulfills its promise, its cryptography code base will not be secure. It's traceable, hackable and taxable. The technological benefits of Bitcoin in terms of being online and easily stored and portable now also applies to stablecoins and tokenized securities such as currencies, stocks, bonds and commodities. Blockchain transactions are increasingly fulfilled by currency backed stable coins. Even Bitcoin miners are seeing the writing on the wall and retargeting their power assets to AI datacenters. While Bitcoin has been relegated to (or as bulls would say reinvented itself as) "Digital Gold", there are stablecoins backed by actual gold which is less volatile and better established as a non-fiat store of value. Beyond its large market value allowing it to continue to be "a thing to be traded" among algos and speculators, it is rapidly losing its practical reasons to exist as the evolution of practical blockchain, and crypto applications have ironically chipped away at the usefulness of this original cryptocurrency.

As you can see, we are heavily invested in the theme of reshoring, infrastructure, and lower rates as political focus shifts to midterms. This could float all boats, but we think it will disproportionately benefit the lower two-thirds of the S&P 500, which is oddly a segment of the market that the complete S&P 500 doesn't have much access thanks to its historically high concentration in the top eight market caps. From an index perspective, we can find no better broad index way to take advantage of this than our own VAAF fund, which is currently invested in approximately 260 stocks in the bottom half of the S&P 500 on a market cap-weighted basis.

We reserve the right to change our mind!



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