2025: NEVER A DULL MOMENT

HEDGE FUNDS (Inception)	DECEMBER 2025	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) *	**2.0%**	**7.9%**	**8.9%**
Venator Select Fund (September 2013)	**-0.7%**	**15.7%**	**9.1%**
S&P/TSX Total Return (March 2006)	1.3%	31.7%	8.3%
Russell 2000 Total Return (March 2006)	-0.6%	12.8%	7.8%
S&P Toronto Small Cap Total Return (March 2006)	2.4%	50.2%	5.6%
S&P 500 Total Return (March 2006)	0.1%	17.9%	10.9%

ALTERNATIVE MUTUAL FUNDS (Inception)	DEC 2025	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund (January 2020) **	**0.5%**	**2.4%**	**2.4%**	**8.5%**	**3.3%**	**5.3%**
B of A Merrill Lynch High Yield Index (August 2008)	0.7%	8.5%	8.5%	10.0%	4.5%	6.4%

	LAUNCH VALUE	CURRENT VALUE
Venator Ascendant Alternative Fund Series UF (USD) (June 2025) ***	**10.0000**	**10.6022**
Venator Ascendant Alternative Fund Series A1 (CAD) (June 2025) ***	**6.9223**	**7.3056**
S&P 500 Total Return (June 2025)	13,461.10	15,220.45

As of December 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*

2025 finished quietly and well for North American markets as the typical optimistic New Year outlook comes into focus (We think 2008 is the only recent year we remember where the prevailing New Year outlook was negative; noting 2009 was a banner year for financial markets). There was a lot of optimism coming into 2025 as well with “businesspeople” at the helm of both the Canadian and US economies. By year end, it became difficult to remember that the S&P 500 fell over 20% in the spring, while the TSX fell nearly 15%. This was the result of the tariff war that threw markets into chaos as they absorbed the implications. We fielded calls warning that the market was “un-investible” with Trump unhinged and at the helm, while others told us the Canadian markets would collapse and the dollar would hit 60c. As it turns out, the Canadian dollar was up 4% on the year while a revival in precious metals catapulted the TSX Composite from years of underperformance (there is only one gold company in the S&P 500 – Newmont – and its weighting is 0.2%; while the TSX Precious Metals weighting is closer to 15%).

While we wouldn’t say that cooler heads have prevailed politically, markets did respond to various walk backs of threatened tariffs. The consequences of those originally announced would have been devastating to corporate profits (otherwise known as the TACO trade: Trump Always Chickens Out – except in the case of Canada apparently). The math was quite simple: for a typical business of 30% gross margins and 10% EBITDA margins, a 20% tariff would wipe out all the profits on those goods without significant seller concessions or price increases. It’s no wonder that after going through the ramifications, nearly every country that matters have received some concessions on the originally threatened tariffs except Canada!

The S&P 500 continued to exhibit a large cap bias with the market cap weighted index outperforming the equally weighted index 18% to 10%, although the largest of the large are going to dictate that statistic, given the top 10 names are close to 40% of the weighted index, a historically high number. It's worth noting that in the waning months, we have seen a broadening of returns further down the market cap spectrum, with small and mid-caps being able to keep up and even exceed the broad index. “Animal Spirits” have returned as well; while we didn’t write down the source, one of the banks in the US noted that zero (or near zero) revenue companies with market caps above $1B was one of the best performing sectors of the market with gains in excess of 30%.

EQUITY STRATEGIES: Our equity strategies had a solid but unspectacular year. We had our share of big wins, including Bombardier, Porch Group, Badger Infrastructure, IES Corporation, and PACS Group, all of which we still own, although, we were admittedly not aggressive enough in the Spring during the tariff tantrum. Historically, we have taken better advantage of market dislocations, but in this case, we were not analyzing anything “natural” like a financial collapse, a bursting bubble or a once in 100 years pandemic; we were trying to analyze a will he/won’t he daily tweet storm where it was difficult to figure out where profit margins would end up as rates and targeted countries were changing by the day. The portfolio largely consists of equities that we see as open-ended secular winners with “multi-bagger” potential, including Porch Group, which had an incredibly volatile year going from under $5.00 to nearly $20.00 and finishing the year around $10.00. We see credible scenarios where this stock could reach $100 by 2030 without any broader economic support to get there. We also continue to hold a few deep value names specifically in homebuilding. As this tends to be a sector where you need to “get in early”, we have limited our holdings to book value or less with high earnings and, in the case of long time holding Forestar Group, strong support from DR Horton that should ensure substantial growth over the next several years, even in a flattish housing environment.

INDEX STRATEGY (Ascendant Alternative Fund - VAAF): Our newest strategy, launched mid-year has finished the year strong vs its S&P 500 benchmark due to the broadening of the markets away from mega caps. While we would normally have expected a high degree of directional correlation with S&P 500, lately, it has been moving up when the S&P 500 has been down as investors want to stay in markets but are looking at a wider pool of opportunities. We would expect this shift to continue as the mid-term political climate shifts away from employee light businesses and towards more employment intensive sectors, although, over the long term, the Funds’ success will be more influenced by emerging growth. We believe it is an ideal time for this strategy to outperform over the long term as it can benefit from a shifting investment landscape, while its new leaders emerge over the next decade. As a reminder, VAAF is an index fund which launched with the lower 250 names in the S&P 500 weighted by market cap, historically where the future largest companies can be found. Today, this offers diversified economic exposure but, in the future, as new leadership emerges, it should naturally evolve as a material overweighting in these next paradigms relative to the S&P 500.

INCOME STRATEGY: After a strong 2024, our income strategy had a subdued year in 2025 primarily due to two factors. Firstly, our currency hedging cost us over 2% this year due to the interest rate spread between Canada and the United States; it's worth noting that this cost would have been higher without the hedge as the loonie has appreciated nearly 5% vs the greenback. Secondly, we had one troublesome bond that we have outlined previously. This was particularly frustrating because the issuer had positioned our bond as the shortest dated in its capital structure and has the cash to pay it, but some rather convoluted circumstances have come to pass in the last six months and we are hoping for a favorable resolution in the next six weeks; this position is now less than 0.5% of the portfolio as of year-end. Going forward, the fund's underlying yield is close to 7%, including the cost of currency hedging, which we believe compares well to other debt investments noting that all underlying companies are publicly listed giving better transparency and liquidity than private debt that has been negatively and prominently profiled this year.

We are positively biased heading into the New Year. We believe that markets will continue to broaden out as we are seeing in small and mid-caps as well as commodities. The neglected old is becoming new as markets search for newer opportunities beyond the over-owned mega cap tech sector where companies appear in a race to outspend each other while weaning themselves off Nvidia dependance. Within the Mega Cap Tech space, we still own Amazon and Microsoft, but have a small short position in Nvidia (mainly because we believe pricing for their GPUs will come down as competition finally heats up) and a larger put option position on Tesla. Coming into 2025, Elon Musk promised 20%+ growth while the actual number will likely come in below zero. While robotaxis seem exciting, they are capital heavy and will have a negative impact on free cash flow (unlike Uber which is a capital light model). Also, we are unwilling to ascribe a $1 trillion value to humanoid robots that analyst "sum of the parts" targets are valuing this early. We believe that Tesla will miss the 15% growth target the street has set out for 2026 and that free cash flow will become an issue. Furthermore, we wonder if the street will get tired of related party shenanigans, such as the rumored purchase of unsold Cybertruck inventory by SpaceX (not yet disclosed by the company). Finally, we wonder if the IPO of SpaceX causes a sale of Tesla by Elon fans to purchase SpaceX shares leaving demand for Tesla shares adrift.

We reserve the right to change our mind!

On behalf of the entire team at Venator Capital Management Ltd., we wish you a happy, healthy, and prosperous 2026!

Brandon Osten, CFA
CEO, Venator Capital Management Ltd.

This commentary is intended for informational purposes only and should not be construed as a solicitation for investment in any of the Venator Funds. The Venator Hedge Funds may only be purchased by accredited investors with a medium-to-high risk tolerance seeking long-term capital gains. Please read the Offering Memorandum for each Hedge Fund in full before making any investment decisions. Prospective investors should inform themselves as to the legal requirements for the purchase of securities. All stated Venator Hedge Fund returns are net of fees. It is important to note that past performance should not be taken as an indicator of future performance. Commissions, trailing commissions, management fees and other expenses all may be associated with investing in any of the Venator Alternative Mutual Funds. Please read the prospectus and Fund Facts relating to each Alternative Mutual Fund before investing. The indicated rates of return of the Venator Alternative Mutual Funds are the historical annual compounded total returns, including changes in share or unit value and the reinvestment of all dividends or distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.