CAN POLITICS GET OUT OF THE WAY?

HEDGE FUNDS (Inception)	JANUARY 2026	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) *	**-1.3%**	**-1.3%**	**8.8%**
Venator Select Fund (September 2013)	**1.3%**	**1.3%**	**9.2%**
S&P/TSX Total Return (March 2006)	0.8%	0.8%	8.3%
Russell 2000 Total Return (March 2006)	5.4%	5.4%	8.1%
S&P Toronto Small Cap Total Return (March 2006)	8.7%	8.7%	6.0%
S&P 500 Total Return (March 2006)	1.5%	1.5%	11.0%

ALTERNATIVE MUTUAL FUNDS (Inception)	JAN 2026	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund (January 2020) **	**0.6%**	**0.6%**	**2.4%**	**6.9%**	**2.8%**	**5.6%**
B of A Merrill Lynch High Yield Index (August 2008)	0.5%	0.5%	7.5%	8.8%	4.5%	6.7%

	LAUNCH VALUE	CURRENT VALUE
Venator Ascendant Alternative Fund Series UF (USD) (June 2025) ***	**10.0000**	**10.9863**
Venator Ascendant Alternative Fund Series A1 (CAD) (June 2025) ***	**6.9223**	**7.4765**
S&P 500 Total Return (June 2025)	13,461.10	15,441.15

As of January 31, 2026
** 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*

January brought a start to the year with no shortage of macroeconomics, weather events and politics such that single stock investing was at the mercy of broader narratives. The “Polar Vortex” sent short term natural gas prices up 60% in a week, although it had only recovered losses from the prior three weeks and has since retraced the majority of those gains. Various metals prices strengthened considerably only to retreat significantly on January 30. Silver prices stole the show and the headlines with an eye popping 70% January gain, only to have given up nearly all of it by 1:30 on January 30 (as did copper). The official “retroactive” excuse was the naming of a “Hawkish” Fed Chair on Friday morning which also strengthened the dollar, but that’s just a rationale after the fact for news outlets that didn’t notice that gold and silver were dropping 5%/10% overnight prior to the announcement; the second leg down was the CME announcing a rise in margin requirements mid-day Friday. The “Mag 7” fractured as Microsoft earnings were punished by over 10%, while Meta had the opposite reward of the 10% gain for its quarter – the exact opposite of what happened last quarter. In fact, the software sub-Index has fallen over 20% in the last several months as the market has decided that the software leaders of the AI revolution are found in private markets, while public stalwarts are just waiting to get disrupted. The US removed the leader of Venezuela while simultaneously threatening Greenland (GREENLAND!) with a military takeover. The Prime Minister of Canada expanded trade with China while announcing a “New World Order” that de-emphasized the United States all while heading into contentious free trade negotiations, resulting in a finger pointing singling out of

Canadian aerospace company Bombardier. To cap it all off, the new Federal Reserve Chair was named on the last day of the month, which didn't seem particularly impactful, but markets are always looking for an excuse to move directionally, so the US dollar rallied.

Our Ascendant Alternative Fund (VAAF) "Index Fund", launched last year as the cap-weighted bottom half of the S&P 500, had a solid month gaining over 3% vs the S&P 500s 1.3% gain. A big part of the gains were memory stocks, which have been experiencing substantial gains due to fears of a multi-year shortage as they deploy memory chips in datacenters. In the S&P 500, the entire sector only amounts to approximately 1% of the broad index, most of which is market leader Micron. But in our VAAF, we have closer to a 4% weighting despite not owning industry leader Micron (too big to qualify); the higher weighting is due to the positions not being diluted by the "MAG7" that dominate the broader index to the extent that it's nearly impossible for other stocks/sectors to have meaningful influence on the index. This is a core feature of the strategy giving outsized weights to the "next" market leaders within the index.

The Income Fund put up an uneventful 0.6% gain. Which is what it is designed to do given its underlying 7% yield. We continue to appreciate the value of the liquidity of listed bonds vs recent press around other credit investments being "locked" for indefinite periods due to a lack of liquidity in underlying investments. We also appreciate the transparency of bonds that have readily available financial filings. We would still characterize the bond markets as "tight" and find it easier to sell corporate bonds than to buy them.

Our equity strategies had a frustratingly flat month. While not many companies have reported, on the earnings front, we benefited from strong earnings out of General Motors and ArcBest Corporation, offset by the report of long time holding electrical contractor IES Holdings (the company marginally missed "consensus" expectations of one analyst, although growth and earnings did not deteriorate and backlog growth accelerated, but computers and some investors get hyper focused on "consensus" expectations on earnings days).

We don't typically like to reference intra-month returns but both funds were up well over 5% at the mid-point of January. However, these gains were undone by several macro news items causing material drops in several investments. These included the aforementioned Trump scapegoating of Bombardier, a proposed disappointing Medicare Advantage reimbursement rate for 2027 which impacted "value based care" leader Astrana Health, a division of Amazon releasing a security camera that may be competitive with Zedcor's managed security services, and finally a lawsuit brought by the bondholders of Canadian LTE satellite developer Telesat related to a divisional spin out last summer. The month end gold retracement didn't help our position either, which was initiated last year. Despite what we view as a lot of "noise", our preference is still to buy and hold well run and well valued companies, so we continue to hold most of these investments, and we do not believe that these developments put a dent in our investment theses.

Discipline can be both a long-term strength but a short-term weakness. It's difficult to keep your wits about you when at any time a stock can move 10% because "we are putting a 50% tariff on furniture" or "we are de-certifying Canadian aircraft" or "we are banning corporate ownership of rental houses" or "we are putting a 100% tariff on China because of rare earths". Naturally, the markets are going to react to these spur-of-the-moment posts, and it can be difficult to completely avoid these potholes because everything appears to be fair game. Not to mention, you have thousands of bots with billions of dollars looking to chase these posts, amplifying the effects. Did silver drop 30% because of the Fed Chair choice, or was it profit taking of an overbought chart, or raised margin requirements? We will never know for sure.

It can be difficult to hold conviction in your research in the face of extreme short-term volatility, especially when it’s brought on by more peripheral factors vs company/industry specific developments. There is a saying that the stock price is number today multiplied by a story about tomorrow. Recently, it seems that many investors arm themselves with only the story and a chart, as the market prefers to ignore the numbers that are supposed to validate the story and that involves a little work/analysis. Over time, the best companies, bought well, should make the best investments. While one of the best parts of investing in public markets is that you can change your mind, one of the worst parts is that everyone else can too – often several times per day. While we always “reserve the right to change our mind”, if you change it too often, you might not have been putting in the work to justify the investment in the first place.

We reserve the right to change our mind!

Brandon Osten, CFA
CEO, Venator Capital Management Ltd.