

## DÉJÀ VU ALL OVER AGAIN

HEDGE FUNDS (Inception)	FEBRUARY 2026	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) *	1.1%	-0.3%	8.8%
Venator Select Fund (September 2013)	1.0%	2.2%	9.2%
S&P/TSX Total Return (March 2006)	7.7%	8.6%	8.7%
Russell 2000 Total Return (March 2006)	0.8%	6.2%	8.1%
S&P Toronto Small Cap Total Return (March 2006)	12.6%	22.3%	6.6%
S&P 500 Total Return (March 2006)	-0.8%	0.7%	10.9%

ALTERNATIVE MUTUAL FUNDS (Inception)	FEB 2026	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund (January 2020) **	1.5%	2.1%	3.9%	7.8%	2.8%	5.6%
B of A Merrill Lynch High Yield Index (August 2008)	0.2%	0.6%	7.0%	9.3%	4.5%	6.6%

	LAUNCH VALUE	CURRENT VALUE
Venator Ascendant Alternative Fund Series UF (USD) (June 2025) ***	10.0000	11.4444
Venator Ascendant Alternative Fund Series A1 (CAD) (June 2025) ***	6.9223	7.8254
S&P 500 Total Return (June 2025)	13,461.10	15,323.80

As of February 28, 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

February was a month when the market narrative felt strangely familiar. US markets ended the month roughly where they started, masking considerable volatility beneath the surface. Canada, on the other hand, continued its relative strength, buoyed by a resource and metals complex. Gold held \$5,000/oz during the month and the broader Canadian index extended its impressive year-to-date lead over its US counterparts after over a decade of underperformance. Our active equity strategies were up 1% for the month, and our bond strategy matched that result. Our passive quantitative S&P 500 subset index strategy is off to a strong start as market rotation and breadth caters to this strategy vs the full S&P 500.

Some quick thoughts on the investment implications of the events in the Middle East over the weekend. This is possibly a significant long-term negative for oil prices in the future. Naturally, the first move is going to be oil up 5%, and market down 1%. But as the saying goes “buy at the sound of the cannons, sell at the sound of the trumpets” - this would apply to financial markets where the initial move was down 1%, but the opposite would apply to oil prices for the same reasons. Once the situation is resolved, it will likely end with a regime that has no interest in pressing bad relations with the US or Israel (not unlike the current state of Iraq). This will remove a large chunk of the historical “geopolitical risk premium” embedded in oil prices for the foreseeable future. Oil supply was already projected to be in surplus for the next two years and we suspect this situation will eventually resolve

with a more freely producing Iran and some technological and financial boost from US contractors looking to do business in the country. Our active equity funds have little exposure to energy or energy services. Our Income Fund holds several bonds that would be net beneficiaries of a short-term spike in oil or LNG prices.

## **12 MONTHS LATER THE SCRIPT SEEMS FAMILIAR**

We have been struck by the parallels between 2025 and 2026. Last year, tariffs dominated the headlines as the administration imposed sweeping duties under the International Emergency Economic Powers Act. Last month, the Supreme Court struck those tariffs down in a 6-3 decision. The White House pivoted within 24 hours to replacement tariffs—initially 10%, then raised to 15%—but those must expire in 150 days unless Congress votes to extend them. We would note that the market has effectively gone from fearing permanent tariffs to pricing in temporary ones, which is a meaningful shift in the risk calculus, though markets have been remarkably restrained in their reaction thus far, as both of these actions were widely anticipated, the moves in retail stocks were small and short lived.

The AI parallel is arguably more interesting. In early 2025, DeepSeek rattled markets by demonstrating that effective AI models could be built at a fraction of the cost investors had been pricing into the hyperscale buildout narrative. That was a single shock, concentrated in a few trading sessions. This year, AI disruption fears have metastasized into a roaming, sector-by-sector anxiety attack. It started with software (the software sub-index, as we noted last month, is down over 20% from its highs as public stalwarts are treated as disruption victims rather than beneficiaries). Then it moved to commercial real estate intermediaries—Cushman & Wakefield, CBRE, and Jones Lang LaSalle each fell 10-15% in a matter of days on fears that AI agents could disintermediate brokerage services. Logistics was next: C.H. Robinson and RXO fell 20-25% when an AI-powered logistics freight matching tool made by a pre-revenue former karaoke machine distributor made headlines. Financial advisory firms took their hits as well as investors worried about private credit exposure to these sectors.

The net result has been a meaningful rotation into what we have seen described as the "HALO" trade—Hard Asset, Low Obsolescence—and away from the technology-heavy composition that dominates the S&P 500. The logic is straightforward: businesses with heavy physical assets, long replacement cycles, and high barriers to replication (think electrical grids, power transformers, industrial infrastructure, commodities) are inherently harder for an AI code/chatbot to disrupt than a commercial real estate broker. This rotation happens to favor Canada, whose index composition is naturally tilted toward resources rather than mega-cap technology. It is no surprise that the S&P/TSX has been materially outperforming US large cap indices year-to-date.

## STRATEGY REVIEW

Our passive quantitative equity strategy, the Ascendant Alternative Fund (VAAF) continued to materially outperform the S&P 500 year-to-date, extending the pattern we highlighted last month. As a cap-weighted index of the bottom half of the S&P 500, the VAAF naturally has far less exposure to the Magnificent Seven and, by extension, far more exposure to the HALO-type sectors that have been leading. The strategy's structural underweight to mega-cap technology, which can feel like a headwind in momentum-driven markets, has been a tailwind in 2026 as the market broadens and rotates. This rotation is precisely what the fund was designed to capture while it waits for "the next" megacaps of tomorrow to naturally emerge.

Our active equity strategies were up modestly for the month. We currently don't carry much direct technology exposure, which insulated us from the worst of the AI disruption selloffs, but there was no shortage of volatility under the surface. Our gold exposure, initiated last year, has been a meaningful contributor as the metal pushed through \$5,000. Hammond Power Solutions (TSX:HPS.A), which manufactures electrical transformers – a quintessential HALO asset in a world that needs to electrify everything – traded near all-time highs during the month. Badger Infrastructure Solutions (TSX:BDGI) which provides "no shovel" excavation services, continues to compound quietly. On the US side, homebuilders M/I Homes and Forestar Group both had constructive months; Forestar trades near its 52-week highs on a P/E below 9x and book value still below 1 – you can't "vibe code" land. ArcBest Corporation, our trucking and logistics holding, was a name we discussed last month following strong earnings. The stock has been caught up in some of the broader AI-disruption-of-logistics narrative, which we view as overstated for an asset-heavy LTL carrier with 250+ service centers and 14,000 employees – while this market is still searching for its turnaround after an extended slump, AI is not going to "vibe code" the goods from point A to point B. We are starting to look at the software carnage in the interest of finding some value amidst the wreckage. Market leading large caps, such as Salesforce and Workday, are trading near 10x 2028 EPS estimates, which is astonishingly low even for expectations that far out. That being said, the "AI will destroy the enterprise software business" is a tough macro narrative to overcome on a case-by-case basis (noting today's macro driven markets don't seem to operate on a case-by-case basis currently), so we are trading lightly.

The Income Fund had a good month, returning over 1%. Credit quality across several positions improved during the month, and the gross portfolio yield remains around 7%. As always, we continue to value the transparency and liquidity of listed bonds, particularly as the broader credit landscape continues to surface stories of private credit vehicles encountering liquidity constraints. We would still characterize the corporate bond market as tight – it remains easier to sell than to buy – but the quality of what we hold gives us confidence in the carry.

Looking ahead, we think the HALO rotation has room to run, though, as always, we are mindful that markets can reverse course on a headline or "post". The SCOTUS tariff decision, while largely priced in, introduces a 150-day clock that will create its own policy uncertainty. And the AI disruption narrative, however overdone we believe it to be in certain sectors, is unlikely to dissipate in the near term given that each earnings season will bring a new batch of companies claiming to be "integrating AI" and a new batch being punished for not integrating it fast enough. Our focus remains on well-run

businesses, bought at sensible valuations, with real assets and real earnings. That approach has not always been rewarded on a monthly basis, but over longer periods, it tends to work out.

We reserve the right to change our mind!



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