

ECONOMICS FINDS A WAY

HEDGE FUNDS (Inception)	MARCH 2026	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) *	-13.0%	-13.2%	8.1%
Venator Select Fund (September 2013)	-13.2%	-11.2%	7.9%
S&P/TSX Total Return (March 2006)	-4.3%	3.9%	8.4%
Russell 2000 Total Return (March 2006)	-5.0%	0.9%	7.8%
S&P Toronto Small Cap Total Return (March 2006)	-9.0%	11.4%	6.1%
S&P 500 Total Return (March 2006)	-5.0%	-4.3%	10.5%

ALTERNATIVE MUTUAL FUNDS (Inception)	MAR 2026	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund (January 2020) **	-1.4%	0.7%	3.4%	7.2%	2.4%	5.0%
B of A Merrill Lynch High Yield Index (August 2008)	-1.2%	-0.5%	6.9%	8.5%	4.2%	6.0%

	LAUNCH VALUE	CURRENT VALUE
Venator Ascendant Alternative Fund Series UF (USD) (June 2025) ***	10.0000	10.7414
Venator Ascendant Alternative Fund Series A1 (CAD) (June 2025) ***	6.9223	7.5102
S&P 500 Total Return (June 2025)	13,461.10	14,560.75

As of March 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

March was a tough month for us and financial markets globally, and there is no way to sugarcoat it. The Iran-U.S. conflict and the effective closure of the Strait of Hormuz dominated every headline, every trading desk, and, seemingly, every tick in the market. Our gold positions—which we maintained as a defensive position—were anything but, as the prevailing narrative shifted to a chain that we believe is flawed: oil up equals inflation up equals rates up equals U.S. dollar up equals gold down. It is an intellectually tidy “with hindsight” framework that the market embraced after the fact, but we are skeptical that central banks will increase rates in the face of temporary artificial inflation. This was not your typical geopolitical event pattern, and as of this writing, the market is moving by the “Truth Social” tweet. The magnitude and duration of the conflict remain pure guesswork.

We did not have meaningful energy exposure heading into March, as the world appeared awash in supply prior to the conflict. As the worst-case narrative gained steam, we didn’t go to cash, as this is historically rarely the answer in situations like these, because missing the initial move at the end of hostilities can mean missing an entire year’s return; it’s easy to miss that move among a multitude of false starts. The better approach, historically, is to rotate into opportunities offering asymmetric upside on the way out of these temporary macro shocks.

One of the reasons for our skepticism vs the doomsayers is that economics often finds a way. Every time we read/see an expert talking about 20% of global shipments transiting the Strait of Hormuz

being at risk of sinking the global economy, our first thought is: can we get a clip/article of what you said a few years ago about the energy complex discussing Russia-Ukraine? The consensus at the time was oil to \$150, European natural gas to €150, North American natural gas to \$12 (which was never realistic—you cannot simply export gas on a whim; LNG capacity was spoken for and new facilities would take years to build; the market hasn't made that same mistake this time around with gas below \$3.00), millions of people freezing throughout the winter, and fertilizer shortages because Belarus would be sanctioned as a Russian puppet state. This was the consensus view *before* Nord Stream 1 was destroyed. Two years later with Russia and Ukraine still at war, oil and gas were in material oversupply. No one froze. Every expert got it wrong (perhaps the issue is that the media would rather speak to pessimistic experts than optimistic ones).

The off-ramps in the current events in the Persian Gulf are readily observable. Trump could declare victory (even if no one else sees it that way), withdraw, and let China, India, and Europe sort out their own oil and gas/LNG transport arrangements—North America does not need hydrocarbons from the Middle East, as over 80% of Persian Gulf shipments is destined for Asia (note: We wrote this paragraph last week, although, this now seems to be the new consensus view). Iran has already demonstrated selective enforcement, allowing Chinese, Pakistani and Indian destined vessels through the Strait on a limited basis (plus additional negotiated exceptions). Saudi Arabia is rerouting some crude through their Red Sea pipeline. And as sanctions ease on Russia, by necessity, Germany has the ability to open Nord Stream 2 for natural gas needs. Like Russia-Ukraine—a conflict that continues to this day—there are commercial off-ramps to immaterial supply disruption within several months, even if hostilities persist. None of these are particularly hard to implement but require political will largely between Iran and its Asian trade partners (would Iran want to stay in an economic war with Asia and its Middle East neighbors if the US just set sail and left?). That said, we do not want to appear flippant: it does appear that some hydrocarbon disruption cannot be easily undone; jet fuel will likely remain in an elevated state for at least six months while refineries are repaired, with airlines already cutting routes and hiking fares by double digits. While we don't profess to be experts in global energy logistics, based on how Russia-Ukraine played out in energy markets, the experts were hardly experts either, so it's good to have your opinion.

VENATOR ASCENDANT ALTERNATIVE FUND (VAAF)

A reminder that the VAAF is our index strategy constructed as a quantitatively managed cap weighted index of approximately the bottom half of the S&P 500 constituents. The fund performed roughly in line with the S&P 500 in March and is currently sitting on a small gain year-to-date but still materially outperforming its benchmark S&P 500. One interesting development this month: EchoStar (SATS) was added to the S&P 500 as part of the March quarterly rebalance and qualified for entry into the fund. At this point, EchoStar's primary asset is its approximately 3% stake in SpaceX, acquired through spectrum trades, currently worth the majority of the value of EchoStar's equity. SpaceX is expected to file for an IPO soon, but the stock itself will not formally be in the S&P 500 for at least twelve months after listing—possibly years given float and GAAP net income requirements. So, for now, EchoStar is the public market's most direct proxy for SpaceX exposure, and it just landed in our index at roughly 7x its weight in the S&P 500.

EQUITY STRATEGIES

Our equity strategies had a rough month. Our gold positions fell materially, which we were not expecting in a geopolitical crisis—the oil-rates-dollar narrative overwhelmed traditional safe-haven flows. Earnings across our holdings were generally fine, but the pattern was punishing: good quarters were met with short-lived gains that were quickly given back, while any hint of weakness had no support at all. We would note that we do have quantitative stop losses for individual positions that can range from 10-35% depending on fundamentals vs valuation as well as standard deviation of an individual security (i.e. a 15% drop in Walmart would be far more concerning than a 15% drop in the junior mining company which might not generate an alert until it dropped 25%). These models ensure we don't get stubborn in our views, and they impact stock purchases as well, ensuring that we don't buy something that would be a stop loss had we owned it already.

As is often the case, while we have no problem selling companies with declining fundamentals or extended valuations, we often find it difficult to sell companies that are doing well because of macro-economic factors that we don't believe to be impactful to the businesses. Porch Group (PRCH) initially jumped over 30% on a very strong fourth-quarter report that landed materially ahead of expectations with strong 2026 guidance but gave it all back, and then some, as the broader market rolled over; as primarily a technology led home insurance provider, we do not expect current events to have a material impact on growth plans (in fact, insurance premiums in their core markets have continued to rise this year). Badger Infrastructure (BDGI), the leading provider of non-destructive excavation equipment, was punished for an increased capex guide, even though the reason was record demand—management guided to building 270 to 310 new hydrovac units (vs a current unit count of 1,700), the highest build rate in company history. The market refuses to wait for Zedcor (ZDC) to report, which just raised money to increase its production of rentable AI monitored security cameras (it already boasts a growth rate in excess of 80%)—the stock dropped roughly 16% this month. Hammond Power (HPS.A) jumped 15% after reporting a record quarter and backlog owing to the ongoing shortage in custom power transformers but gave back the gains within days.

The point is that we do not believe current geopolitical events will materially impact most of our holdings, which are largely domestic-only businesses. We have no consumer products (i.e. retail and restaurants) exposure and little exposure to AI-at-risk-enterprise software (although we are noting differentiated opportunities surfacing in this space). We are not attempting to be contrarian here; we are sticking with growing companies with earnings, visibility and backlogs—healthcare providers, electrical equipment, pharmaceuticals, financial technology—but as they say, “in a bear market, all correlations go to one”. But when too many companies fall because of “the market” at the same time it creates a different dynamic than when one or two are struggling and you can single them out based on a more specific company/industry narrative to push you temporarily to the sideline.

INCOME FUND

The Income Fund was stable but leaky, down just over 1% for the month. The decline was driven by mark-to-market leakage rather than any material deterioration in credit quality. Several homebuilder credits that carry a substantial margin of safety—in the form of developed and undeveloped property equating to roughly two times the face value of the debt—saw their quotes soften. One high-yielding

cash-flow-positive issuer in the portfolio currently has more cash on hand than the market value of its outstanding debt. We expect that several energy bonds will accelerate their deleveraging in the current elevated commodity price environment and a significant allocation to EchoStar debt is backed by the spectrum it is selling to SpaceX. The fund yield is pushing towards 8%, everything is liquid, and every position is marked to market.

Markets and single stock volatility has been tough to manage if one wants to be invested in good businesses vs trading “Truth Social” posts. Day-to-day, we are seeing multiple 5–8% single-stock moves in either direction, absent any company or even industry specific news. We do not want to catch a falling knife, but we are also hesitant to sell good companies doing well, with attractive valuations and visibility that will be largely unaffected by international events. Right now, we have a willingness to add selectively when the risk-reward becomes compelling.

We reserve the right to change our mind!



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