LOOKING LIKE A BUBBLE VS. BEHAVING LIKE A BUBBLE

HEDGE FUNDS (Inception)	JUN 2026	YEAR-TO-DATE	INCEPTION
Venator Founders Fund (March 2006) [1]	**5.5%**	**16.9%**	**9.5%**
Venator Select Fund (September 2013)	**7.3%**	**28.4%**	**10.9%**
S&P/TSX Total Return (March 2006)	0.5%	11.2%	8.7%
Russell 2000 Total Return (March 2006)	3.7%	22.6%	8.7%
S&P Toronto Small Cap Total Return (March 2006)	-4.0%	18.0%	6.3%
S&P 500 Total Return (March 2006)	-1.0%	10.2%	11.2%

ALTERNATIVE MUTUAL FUNDS (Inception)	JUN 2026	YTD	1-YR	3-YR	5-YR	10-YR	INCEPTION
Venator Alternative Income Fund (January 2020) [2]	**-0.4%**	**3.7%**	**5.5%**	**7.9%**	**2.4%**	**4.7%**	**8.1%**
B of A Merrill Lynch High Yield Index (August 2008)	0.2%	1.9%	5.7%	8.9%	4.1%	5.7%	6.9%

	JUN 2026	YTD	3-MTH	6-MTH	1-YR	INCEPTION
Venator Ascendant Alt Fund F (CAD) (Jun 2025) [3]	**6.1%**	**20.1%**	**16.5%**	**20.1%**	**26.8%**	**27.0%**
S&P 500 Total Return (CAD) (Jul 2025)	1.9%	14.0%	17.5%	14.0%	27.6%	28.8%
Venator Ascendant Alt Fund UF (USD) (Jul 2025) [4]	**3.0%**	**15.9%**	**14.4%**	**15.9%**	**-**	**20.4%**
S&P 500 Total Return (USD) (Jul 2025)	-1.0%	10.2%	15.2%	10.2%	-	21.9%

As of Jun 30, 2026

[1] *Venator Offshore Fund is available as the US dollar version of Founders Fund strategy*

[2] *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*

[3] *Venator Ascendant Alternative Fund F (CAD) inception date is June 24, 2025; currency unhedged*

[4] *Venator Ascendant Alternative Fund UF (USD) inception date is July 11, 2025*

June was another constructive month for our equity strategies and a subdued one for credit. The equity Funds posted healthy gains, while the Income Strategy ticked lower as the long end of the US curve backed up — the market's first real read on a more hawkish Federal Reserve after Kevin Warsh was sworn in as Chair in late May. The two big macro stories of the month sat on opposite sides of the inflation debate: the winding down of the Iran war, and the roughly $70 oil that came with it, on the disinflation side; another round of electronics and memory price increases on the other. Our own view is unchanged and admittedly a little boring — higher rates won't stop the datacenter buildout, we assume the Fed knows this too, and so we remain neutral on rates.

Which brings us to the question we keep seeing debated: is this a bubble? We don't think the market looks like one, despite plenty of press to the contrary. Recall our long-standing estimate — laid out last October and again last month ("The Real Reason the Market is Not the Economy") — that roughly 60% of the S&P 500 is, directly or indirectly, dependent on AI datacenter infrastructure spending. So, most of the "bubble" worry is really a statement about the cyclical nature of that spending, particularly in hardware — chips, memory, fiber optics and the associated kit — where gross margins can go negative when the cycle inevitably turns.

The non-tech builders — think electrical and mechanical products and the contractors who install them — will watch backlogs disintegrate and sales decline; capacity built for a perpetual-growth scenario that never quite arrives will end, as it always does, in a price fight to the bottom. This is inevitable. It is also nearly impossible to time, and the companies in question could well take their lumps on revenue bases far larger than today's. By way of example, the memory names could have anchored this entire bear case coming into the year — right up until Micron (a Venator holding) rallied from $84 at the start of 2025 to $285 by year-end, a more-than-tripling that already looked like a blow-off top, only to nearly quadruple again to roughly $1,145 as we write.

There are counterforces worth respecting, though. For one, the very names cited as the bubbliest — memory and storage — trade at thoroughly reasonable valuations of roughly 7-11x 2027 estimates (Micron's consensus earnings power is approaching $150 a share vs a share price of $1150). Yes, it is a cyclical business; but so is the equally cyclical optical space, where multiples currently exceed 30x earnings, and that is before we get to the likes of Intel (CPUs) or ASML (hyper cyclical lithography used to make chips) or ARM (CPU technology licensing), all well through 40x. Meanwhile, the mega-cap hyperscalers — Microsoft, Google, Amazon and Meta, and let's throw Nvidia in for good measure — all trade under 25x forward earnings. Walmart, the 5%-growth, share-losing mainly-grocery store, trades north of 35x; which looks far bubblier than anything in the memory complex. The point is that today's "AI bubble" talk reads more like a business-cycle narrative — impossible to time, though someone eventually will — than the irrational exuberance of cycles past (RIP Alan Greenspan).

Behaving like a bubble, however, is a different story. The trading/volatility behavior today appears similar to what we saw during the tech bubble. But back then, the froth was driven by individual investors — "day trading" entered the popular lexicon — rather than machines. Today, that same short-term momentum is executed by computers and amplified by derivatives: zero-day options and levered single-stock ETFs. It is why we routinely watch the hardware-datacenter names mentioned above move 10%+ intraday with no company, industry or market catalyst whatsoever. Trading in these fifty-odd larger cap stocks in the US pre-market no longer looks much different from regular market hours: volumes are plentiful and bid/ask spreads are tight. This kind of narrow, sector-specific volatility is something we have all seen before — software and internet infrastructure in the late 1990s, gold in the 2000s, crypto a few years back — parabolic moves on heavy volume that dominate the 24/7 news cycle even when there is no news to report – this is what happens when the stock move is the news!

While we are not "calling" this a bubble; we are on narrow bubble watch. The end of the AI infrastructure trade has the ability to drag perhaps half of the S&P 500 down with it. But, it is worth remembering that there are whole swaths of the market — retail, trucking, housing, even enterprise software — that have been negatively impacted by the AI narrative, not helped by it. We think declining oil will prove a catalyst for discretionary spending, and perhaps some non-discretionary spending too. Markets have also historically liked a Washington stalemate, which is roughly where we appear to be headed into the fall midterms. A fair number of market seers think the tape is exhibiting "casino" behaviour. If they are right, the key point is that the money doesn't leave the market — it simply rotates from one sector to the next.

VENATOR ASCENDANT ALTERNATIVE FUND (VAAF)

As a reminder, the VAAF is our proprietary passive index strategy focused on the lower half of the S&P 500 by market capitalization, built with the goal of outperforming the broader S&P 500 over time — a methodology we believe is superior to either equal-weight or market-cap-banded alternatives. It had a good month, up 3.0% while the S&P500 was negative. The Fund benefited from memory and storage, as a group, which carried far lower S&P 500 weights only a year ago — and, on a relative basis, from the continued underperformance of the Mag 7 versus the index. As an added bonus, because the portfolio is unhedged, our Canadian-dollar-marked performance was particularly strong. In fact, YTD the Canadian Dollar Class is up approximately 20%, while the S&P 500 index is up approximately 10%.

To broaden access for investors, we have re-opened the Canadian dollar class (note the fund is currency unhedged, since the underlying portfolio holds S&P 500 securities) — and, effective July 6th, we will offer daily subscriptions and redemptions. The management fee is 0.5%, a figure we arrived at deliberately: the underlying dividend yield of VAAF runs roughly 0.5% higher than that of the S&P 500, so the fee is effectively "covered" by the income differential.

EQUITY STRATEGIES

A good month, helped by our memory and chip exposure, primarily Micron and AMD. Porch Group has started to get the attention we thought it deserved as insurance technology — and housing more broadly — comes back into vogue. We also continue to hold a basket of "Physical AI" enablers, where we are still benefiting from Ouster (highlighted last month) alongside a new position in BlackBerry. There, QNX — a safety-certified microkernel that walls a device's critical functions off from everything else — is steadily migrating from the car dashboard into a much wider universe of AI-enabled machines. Finally, there is real value emerging in enterprise software, a group that has been decimated by the AI narrative; we are watching it closely but currently own just one little-followed name, Red Violet.

INCOME FUND

Returns in the strategy remain subdued, in part because yields are tight and in part because of lingering concern that the Fed could yet hike. We have been hunting for new positions and have found very little that clears our return hurdle. The one pocket of promise has been broken convertible bonds in software, though willing sellers are hard to come by. The portfolio still yields north of 7% on a modest 25% of leverage, which we think buys us a level of patience — particularly with several near-term maturities coming due that should free up capital to redeploy.

We reserve the right to change our mind!

Brandon Osten, CFA
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