NEEDLE IN THE HAYSTACK

HEDGE FUNDS (Inception)	AUG 2026	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) [1]	**-0.4%**	**4.2%**	**8.8%**
Venator Select Fund (September 2013)	**0.6%**	**8.4%**	**9.3%**
S&P/TSX Total Return (March 2006)	3.1%	16.0%	8.8%
Russell 2000 Total Return (March 2006)	1.0%	20.0%	8.5%
S&P Toronto Small Cap Total Return (March 2006)	6.8%	23.0%	6.5%
S&P 500 Total Return (March 2006)	2.7%	13.1%	11.2%

ALTERNATIVE MUTUAL FUNDS (Inception)	AUG 2026	YTD	1-YR	3-YR	5-YR	10-YR	INCEPTION
Venator Alternative Income Fund (January 2020) [2]	**0.6%**	**2.7%**	**3.5%**	**7.1%**	**2.2%**	**4.4%**	**8.0%**
B of A Merrill Lynch High Yield Index (August 2008)	1.0%	2.6%	4.8%	8.4%	4.1%	5.3%	6.9%

	AUG 2026	YTD	3-MTH	6-MTH	1-YR	INCEPTION
Venator Ascendant Alt Fund UF (USD) (Jul 2025) [3]	**0.9%**	**15.4%**	**2.6%**	**7.0%**	**16.9%**	**16.7%**
S&P 500 Total Return (USD) (Jul 2025)	2.7%	13.1%	1.7%	12.4%	20.4%	21.2%

As of August 31, 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 UF (USD) inception date is July 11, 2025*

August looked like a quiet month but underneath that surface it was the same market we have been describing all year — an index that barely moves sitting on top of stocks that move violently and in opposite directions. The single-stock volatility index closed the month near 50 against a VIX in the mid-teens, a spread in the 98th percentile of readings since 2014. Here is the tell: on days this year when the semiconductor index fell more than 3%, the S&P 500 fell an average of 0.8%; the historical average is 2.4%. The index has become a remarkably good shock absorber, which is another way of saying that the index is telling you less and less about what is actually happening inside anybody's portfolio. Put simply, money is flowing between sectors with high velocity but staying in the market.

We wrote in June ("Looking Like a Bubble vs. Behaving Like a Bubble") that the froth in this market gets expressed through machines and derivatives rather than through valuation. CBOE reported that zero-day options reached a record 66.2% of total SPX options volume in July — two of every three contracts traded on the most important index in the world now expire the same day which seems crazy. Zero-day volume runs north of 20 million contracts a day, up 46% this year alone, and the industry is on pace for well above 18 billion contracts in 2026 versus roughly 4 billion a decade ago. Holding a position past the close has become the abnormal act. None of this changes what a business is worth; it changes how far a stock can travel before that matters.

Politics remained the dominant input. The US-Iran situation has settled into a stalemate: the sixty-day negotiating window from the June 17th memorandum expired on the 16th with no extension, Iran does not concede that the clock ever started, and the President's summary was "there's nobody to negotiate with," followed by a promise that he would be "declaring the Hormuz strait a territory of the United States." The market has stopped trading the war and started trading the shipping data — which, as we argued back in March ("Economics Finds a Way"), is roughly how these things tend to end up.

Closer to home, the trade file finally broke. After more than a year of negotiation — and after Washington declined at the July 1st joint review to renew USMCA in its current form, which now triggers a review every single year through 2036 — the July 20th proclamations imposing an additional 50% tariff under Section 338 of the Tariff Act of 1930 took effect on August 22nd, covering roughly $20 billion of Canadian goods: dairy, wine and spirits, motor vehicles and components, cement and, because someone in Washington evidently has a sense of humour, hockey equipment. These apply whether or not a good qualifies under USMCA. Talks collapsed the same day, with Prime Minister Carney describing the last-minute American terms as "unfair, uneconomic" and as an effort "to restrict our ability to have other trade deals," and dollar-for-dollar Canadian retaliation begins September 8th.

The genuinely consequential development for Canada, though, was not a tariff at all. Energy and potash were exempted from the 50% — Washington cannot readily replace four million barrels a day and Canada cannot readily replace the buyer — and then on the 28th the administration announced what it billed as "the biggest oil deal in world history": seventeen fields across the Orinoco Belt and Lake Maracaibo, 65 billion barrels of claimed potential, hundred-year development rights, and an effective 55% of the output to the United States. Venezuelan crude is a close substitute for Canadian heavy at Gulf Coast refineries, and the market has been front-running this since the regime change in January: the WCS differential to WTI has gone from roughly $4.15 last October, to $9.33 in early January, to $14.80 by early August. Venezuela produces about 1.2 million barrels a day against a peak north of 3 million, and the infrastructure required to change that takes years rather than quarters — but a differential does not wait around for the barrels to show up. Washington spared Canadian energy with one hand and re-priced it with the other.

Finally, Kevin Warsh delivered his first Jackson Hole speech on the 28th, and it deserves attention on two counts. The first is inflation: PCE is running 3.7% over twelve months and "a little above four" over six months, 49% of the basket is rising faster than 3%, and "we must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do." Despite the move from "Too Late Powell" to Trump's handpicked successor (noting Powell was also picked by Trump), it does not appear rate cuts are forthcoming. The second count is the more durable one. Warsh argued that "a quieter Fed, a more purposeful Fed in its communications, is better able to meet its objectives," that "oversharing policy deliberations and overcommitting to future decisions can lead markets, businesses, and households astray," and that forward guidance "risks creating ambiguity in the name of clarity." He is unimpressed with the Summary of Economic Projections and offered that "accuracy in economic forecasting is still just an aspiration." A generation of investors have been trained to trade the dot plot and the press conference, and that crutch is being removed on purpose. Our guess is that this makes data days more volatile and Fed days less so. All this with the midterms around the corner.

VENATOR ASCENDANT ALTERNATIVE FUND (VAAF)

As a reminder, VAAF is our proprietary passive index strategy that owns approximately the lower half of the S&P 500 by market capitalization, built on the view that this is a better way to hold diversified US exposure than either equal weighting or a market-cap band, and over the long-term, gain outsized exposure to the future top half. The premise is that the bottom half of the index is where the future Mega caps, but still undecided, businesses live, and that every so often one of them gets decided all at once. August saw an example of this in action.

On the 19th, Merck and Moderna announced that the Phase 3 trial met both its primary endpoint of recurrence-free survival and its key secondary endpoint of distant metastasis-free survival in fully resected Stage IIB-IV melanoma. Moderna closed up 177% that session on 185 million shares — roughly nineteen times its three-month average volume — the largest one-day gain in the company's history, taking the market capitalization from about $25 billion to roughly $69 billion. The stock finished August up better than 150% and is up 368% on the year through the 28th.

We want to be precise about why this matters, because it is a key argument for the strategy. Moderna was on nobody's radar. Its only meaningful commercial product to date has been a COVID vaccine of much-debated efficacy, and the revenue from it went from $19.3 billion in 2022 to $1.9 billion last year. Roughly 14% of the float was sold short into the print, and those shorts lost $4.8 billion in a single session — about $100 a share. The street didn't like it either: consensus sat at 5 buys against 16 holds and 2 sells. VAAF passively owned Moderna at roughly ten times its weight in the S&P 500. The index handed its holders a rounding error's worth of the outcome; we owned a position. This is what the strategy is designed to do.

EQUITY STRATEGIES

We continue to identify opportunities in the neglected places the AI narrative has emptied out and have built several positions in inexpensive consumer discretionary — specifically retail, in Levi Strauss, Signet Jewelers and Wayfair among others. We believe these companies are inexpensive and have strong, if not dominant brands. Wayfair has been particularly impressive delivering its strongest US growth since 2020 at 8.7%, with $242 million of EBITDA and $301 million of free cash flow in the quarter. With the competition largely struggling (with the exception of Williams Sonoma), we believe that the company is on the cusp of materially expanding its margin profile which will lead to upside earnings surprises.

The software names we purchased last month have had a revival as the market starts to identify the companies that can win even in an AI world. The group bottomed in March at 22.7x forward earnings — below the S&P 500 for the first time in the cloud era. Since then, holdings such as AppFolio is up 47% over three months against a 52-week return that is still negative 15%; ServiceNow went into its July print down 38% year to date and left August down 5.5%, having grown subscription revenue 24.5% and crossed $1 billion of AI annual contract value; Toast is up 41% over three months on 23% revenue growth and a record 9,500 net location adds in the quarter. The software index is up 19% in a month and still up only 3.6% on the year, which is a fair measure of how much damage there was to repair.

The core remains unchanged. Porch Group (PRCH), our largest position, is up 38% in August and 91% year to date, and the quarter we described last month — adjusted EBITDA of $39 million, up 150% — now sits behind a full-year guide of $119 to $125 million. PACS Group (PACS), our nursing home operator, raised full-year guidance again on 9% revenue growth and 25% adjusted EBITDA growth, with occupancy of 90.4% against an industry average nearer 79.5%, and trades at 16x forward earnings. And Zedcor (ZDC) grew revenue 68% year over year to a record C$22.7 million at a 39% adjusted EBITDA margin, with US revenue up 180% and the deployed tower fleet up 104% — and the stock is inexplicably down on the year. A company compounding at those rates somehow remains lost in the high-growth shuffle. That suits us fine; we would rather be early on the discovery than late to the story.

INCOME FUND

A fairly uneventful month. Corporate profitability remains good and high yield spreads tightened another 22 basis points. Rates remain the uphill battle — the two-year is up 73 basis points on the year and finished around 4.28% after Jackson Hole, and every basis point of that has to be earned back in coupon. We continue to have bonds called away or taken out in transactions, which is a good problem in that it returns capital at or above par and a real one in that the proceeds have to be redeployed into a tighter market. We still carry the one problematic issuer, which remains a 1.5% weight and is the only real blemish in the book. The portfolio yield is holding at roughly 7%, and we think the outlook from here is strong.

We reserve the right to change our mind!

Brandon Osten, CFA
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