

WHAT'S ON THE AGENDA FOR Q4

HEDGE FUNDS (Inception)	SEP 2026	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006) ¹	0.1%	4.3%	8.8%
Venator Select Fund (September 2013)	-0.1%	8.2%	9.2%
S&P/TSX Total Return (March 2006)	-2.6%	13.0%	8.6%
Russell 2000 Total Return (March 2006)	-5.3%	13.7%	8.2%
S&P Toronto Small Cap Total Return (March 2006)	-1.8%	20.8%	6.4%
S&P 500 Total Return (March 2006)	-0.3%	12.7%	11.2%

ALTERNATIVE MUTUAL FUNDS (Inception)	SEP 2026	YTD	1-YR	3-YR	5-YR	10-YR	INCEPTION
Venator Alternative Income Fund (January 2020) ²	-2.4%	0.3%	0.4%	6.4%	1.8%	4.1%	7.8%
B of A Merrill Lynch High Yield Index (August 2008)	-2.5%	0.0%	1.4%	7.9%	3.6%	4.9%	6.7%

	SEP 2026	YTD	3-MTH	6-MTH	1-YR	INCEPTION
Venator Ascendant Alt Fund UF (USD) (Jul 2025) ³	-3.7%	11.2%	-4.1%	9.8%	12.2%	12.0%
S&P 500 Total Return (USD) (Jul 2025)	-0.3%	12.7%	2.3%	17.9%	15.7%	19.3%

As of September 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 UF (USD) inception date is July 11, 2025

Not a lot happened in September, at least not at the broad index level, where the S&P 500 finished roughly flat (down 0.5%, or 0.3% including dividends). If we are searching for narratives, the Fed was first on the agenda. On the 16th, the FOMC raised its target range by 25 basis points to 3.75%–4.00%, unanimously, and it was the first hike since July 2023. It has been quite some time, and during the last Presidential election, the assumption was that the next move would be down (the President's own view, posted that same afternoon, was that rates "should be 1%, or less"). Instead, the markets are now looking for one more hike before year-end.

The second narrative was the return of Big Tech. Meta roared back into the AI game on the 8th with Muse, the first successful "purpose built" personal agent. Each user's agent runs on its own dedicated virtual machine, and the app went straight to the top of the App Store. Meta stock rose 6.6% the next day and finished the month up roughly 27%. That translated into a leg up for the chips: an agent that runs a virtual machine per user needs CPUs as well as GPUs, and CPU lead times are stretching to 25–30 weeks against a normal 16–20. The Philadelphia Semiconductor Index gained 9.5%.

In short, Big Tech drove the market, while the rest of the market suffered from the higher rate/don't fight the Fed narrative. Technology and communication services now make up 49.5% of the S&P 500, while everything else lagged: the equal-weight S&P 500 fell 5.0%, the S&P MidCap 400 fell 4.4% and the Russell 2000 fell 5.4%. Interest rates had risen before the Fed decision anyway despite the White House's attempts to intervene. The two-year Treasury yield climbed 33 basis points in the first half of the month on a hot jobs report, before the Fed did anything, and the ten-year now sits at 5.29%, its highest level since May 2002!

The story for October is likely to be what appears to be a looming defeat for the Republicans. While polling has had a rather spotty record of late, it does appear that the Republicans are likely to lose one, if not both, Houses on November 3rd. Early estimates put the Democrats' odds at 75% for the House and 54% for the Senate. Even the President seems to be resigned to this result. Rather than forcing decisions in a bid to win back voters, he has been deferring them until after the midterms: the proposed \$5,000 "dividend" checks are now a post-election item, and reports suggest the next decisions on Iran are as well.

Recent bouts of inflation have taken their toll and are being largely blamed on tariff policy and the longer-than-expected Middle East conflict. August CPI came in at 3.4% year-over-year with gasoline up 27.4% (Brent crude is back above \$100), and diesel touched a record \$6 a gallon. This has taken its toll on house prices, which impacts a lot of voters. Wedge issues such as AI and data center proliferation aren't helping matters either. Gallup finds 71% of Americans oppose a data center in their area, and more than 99% of the \$31 million spent this year on political ads mentioning data centers have been in opposition. In our opinion, the President is 100% right on this issue; the alternative is to cede leadership of this important industry to China, which is not going to slow down development. If we were to take a guess, we think the market will appreciate the coming two-year Washington stalemate, especially after the tweet-induced volatility of the last two years.

On deck for November is the probable IPO of Anthropic, reportedly targeting a valuation near \$2 trillion and a raise of up to \$100 billion. Fundamental investment watchers (the few that are left anyway) are looking forward to the details of the prospectus. They are expected to be very telling on the economics of the market leader, and likely to give some good insight into OpenAI, which has also filed confidentially and is said to be leaning toward a 2027 listing. It's one thing to narratively publish very selective information to one-up your rival, and another to completely open the kimono on your inner financial workings. The early leaks of the draft filing are a taste: 2025 revenue of \$4.6 billion against an operating loss of more than \$8 billion, and roughly \$518 billion of compute and data center commitments over the next ten years. We suspect that seeing how much money the new leaders of this frontier are losing will reflect well on the comparatively disciplined Microsoft, Amazon, Meta and Alphabet, after a year of "they are spending too much" concerns. Those four have guided to a combined \$720 billion-plus of capital spending this year, up from roughly \$410 billion in 2025, but they are doing it from businesses that are solidly profitable.

Finally, we are unsure of the future direction of interest rates, but they are likely to remain in the news. The bond market has moved them well above, and well before, where the Fed has made its intentions known: a 5.29% ten-year against a policy rate of 3.75%–4.00%. We don't expect that higher rates will have much of an impact on inflation driven by energy prices as long as the Middle East conflict drags on; nor will they have much impact on the data center and grid buildout and the associated construction products and services, as the major tech companies are willing to eat higher rates and unwilling to fall behind in the arms race. We would like to think that the Fed realizes this, but it's entirely possible they don't!

VENATOR ASCENDANT ALTERNATIVE FUND (VAAF)

VAAF, our passive proprietary “index” strategy based largely on the lower half of the S&P 500 underperformed this month, falling 3.7%. As described above, it was a mega-cap month. For reference, the equal-weight S&P 500 (RSP) fell roughly 5% against a roughly flat S&P 500, a gap of more than four percentage points in a single month, and small caps fared worse still. Big Tech is getting close to 50% of the S&P 500 index and the fund is underweight at about 20%. We like to think of that as being more diversified, and by extension poised to outperform in the inevitable eventual leadership change, as our models showed in the 1998–2008 period. We think Big Tech is poised to do well fundamentally for the next five years, but markets discount the future in valuations, and the best companies aren’t necessarily the best stocks to own going forward, not to mention that chips and hardware are historically highly cyclical sectors that currently combine for close to a 25% weight in the index.

EQUITY STRATEGIES

Flat on the month, with minimal turnover. We admittedly have some substantial tech exposure of our own, but have been paring that back, and we have been looking more closely at specialty retail. Signet Jewelers (SIG) is a new position. It is inexpensive value on a forward P/E basis. At roughly \$102, the stock trades at about 6.4x the \$11.55 consensus for the calendar year 2027 (net of a substantial cash hoard on the balance sheet). They are buying back a lot of stock, with \$170 million repurchased so far this fiscal year, a \$125 million accelerated repurchase announced in September and the authorization raised to \$700 million. The diluted share count has gone from roughly 62 million five years ago to 39 million today, and trailing free cash flow of \$537 million works out to roughly a 13% yield on the market cap.

The catalyst, which is somewhat ongoing, is the transition to lab-grown diamonds. It has been a headwind for the last several years and Signet is just now becoming agnostic to it. Lab-grown stones accounted for 61% of US engagement rings last year according to The Knot, and wholesale lab-grown prices are down 96% since 2018, falling far enough that De Beers shut its Lightbox lab-grown business in 2025. That deflation hurt the average ticket for years. Lab-grown pricing now appears to be stabilizing near a floor, though, and the product carries gross margins of 60–65% versus 40–45% for natural stones. Management now frames the two as complementary (“often in the same customer’s jewelry box”) rather than as competitors. It is also a fragmented industry with a lot of struggling vendors. The US jewelry store count fell below 16,700 in the first quarter, down 2.4% on the year and about 1,700 fewer than in late 2021, and more than half of jewelry store owners are over 60. Signet holds roughly 8.5% of a \$63 billion US market, and we think they can gain substantial market share over the next several years.

INCOME FUND

The sector and the fund struggled with rates during the month, with the two-year and the ten-year each up 54 basis points. We have been trading in some of our lower-yielding, sub-7% bonds for higher-yielding 8%-plus opportunities. That said, we are keeping maturities inside five years, for the most part,

which limits the price sensitivity to any further move higher in rates. The troubled bond we have referenced in prior months had a surprisingly good quarter. The associated stock went up over 100% on the day on surprising revenue and earnings growth, but the bond quotes have yet to adjust. We remain optimistic that these now “distressed”-level bonds can find their way out of the woods by year end, which would be a material positive for the fund.

We reserve the right to change our mind!



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