OVER THE HORIZON LIES THE END OF THE AI TRADE?

HEDGE FUNDS (Inception)	OCT 2026	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006)[1]	**-1.2%**	**3.2%**	**8.7%**
Venator Select Fund (September 2013)	**-1.2%**	**7.1%**	**9.1%**
S&P/TSX Total Return (March 2006)	1.2%	14.4%	8.7%
Russell 2000 Total Return (March 2006)	0.6%	14.4%	8.2%
S&P Toronto Small Cap Total Return (March 2006)	-4.7%	15.1%	6.1%
S&P 500 Total Return (March 2006)	-0.9%	11.8%	11.1%

ALTERNATIVE MUTUAL FUNDS (Inception)	OCT 2026	YTD	1-YR	3-YR	5-YR	10-YR	INCEPTION
Venator Alternative Income Fund (January 2020)[2]	**-0.3%**	**0.0%**	**0.9%**	**6.7%**	**1.4%**	**4.1%**	**7.7%**
B of A Merrill Lynch High Yield Index (August 2008)	0.3%	0.3%	1.5%	8.5%	3.7%	4.9%	6.7%

	OCT 2026	YTD	3-MTH	6-MTH	1-YR	INCEPTION
Venator Ascendant Alt Fund UF (USD) (Jul 2025)[3]	**2.7%**	**14.2%**	**-0.2%**	**5.1%**	**17.3%**	**13.5%**
S&P 500 Total Return (USD) (Jul 2025)	-0.9%	11.8%	1.5%	5.7%	12.1%	17.2%

As of October 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

Our funds had a great month through October 29th and then had a bad month on October 30th, which we suppose one could say that for the markets at large (the semiconductor index falling more than 8% in one day was shocking to see, with Intel down 30% in its worst day since 1974 and Amazon, Alphabet and Meta sliding on free cash flow concerns tied to its AI spending). What we witnessed unravel over the month was a liquidity switch away from 40% of the market tied to the AI build out as the horizon came into focus. There is an old saying about cyclicals: they look the cheapest when they are most expensive. This is how people get to defending memory suppliers at 5x earnings with 150% growth. But the cyclical student says that 80% EBITDA margins are not sustainable, that they will eventually revert to a mid-cycle 25% and that those earnings will collapse; it's only a matter of when. SanDisk reported revenue up 378% this week and the stock fell roughly 9% in early trading; SK Hynix posted record results and dropped 7% in Seoul. That is what it looks like when the market stops paying for the peak and starts discounting the trough.

Therein lies the problem. A combination of hyperscalers no longer materially raising their Capex budgets mid-year, funding stress for smaller datacenters, the veil being lifted on Anthropic's prospectus, and six months of hardware capacity expansion agreements, have laid bare the horizon of

potentially too much supply as demand crests. This might not happen for another five years, and we are quite confident that we are in store for incredible reported growth for the next several years (hyperscalers will combine for hundreds of billions of datacenter spending *growth* next year, an expectation that is already "priced into the market"), but this doesn't matter when the markets are now questioning the longevity of the boom years rather than the degree of strength. When the market suggests we have seen "peak narrative", it's best to pay attention.

We would note that the Anthropic prospectus was, on its face, a blockbuster: $16.3 billion of revenue in the first half of 2026 versus $4.6 billion for all of 2025. But the same document disclosed roughly $417 billion of future compute obligations, with another $125-150 billion of capacity ordered for delivery between 2028 and 2031. One customer committing to over half a trillion dollars of capacity years in advance is a wonderful thing for its suppliers, right up until it isn't. We have seen this movie before (the fiber build of the late 1990s comes to mind), when every carrier ordered capacity as if it would be the only winner and the suppliers booked those orders as if they would never stop. The fiber eventually got used; the suppliers' peak earnings simply weren't worth peak multiples. We are not saying AI is a bubble. We are saying the market has started discounting the cycle, and the cycle has a way of showing up early in stock prices and late in reported numbers.

VENATOR ASCENDANT ALTERNATIVE FUND (VAAF)

Our passive proprietary "Index Fund" comprised of approximately the bottom half of names in the S&P 500 in terms of market cap, had a great (relative) month and is back ahead of its benchmark for the year. Broadening markets are beneficial to this index over the short term. We asked Anthropic AI to give us an unbiased measure of AI exposure of the fund vs the broader S&P 500. As it turns out, VAAF's exposure is less than half that of the broader index with less than 20% exposure vs over 40% for the full index, which undoubtedly helped this month with the AI cohort down 10% on average. By design, the VAAF is programmed to include future winners within the S&P 500 at 10x the carrying weight within the S&P 500, even though it may come at the expense of current leadership.

EQUITY STRATEGIES

As mentioned above, we had a great month…until Oct 30th. We didn't have any material exposure to semiconductors or own any datacenters, but we had some positions in electrical product distributors and contractors, along with several other tech-adjacent names that participated in Friday's downdraft. That being said, we were very encouraged by the strong momentum of a number of our investments. We saw some incredible numbers out of Porch Group, which we consider an emerging insurance tech leader (reciprocal policies written grew 42% year-over-year, adjusted EBITDA excluding the Reciprocal more than doubled to $44.5 million and full-year guidance was raised for the third consecutive quarter), as well as Wesco, which continues to exhibit a transformative margin turnaround (record adjusted EPS of $5.77, up 47%, on adjusted EBITDA margins up 100 basis points to 7.8%) but, unfortunately, has a quarter of its revenues leveraged to datacenters ($1.8 billion last quarter, up

roughly 55%) which left it caught in the storm. Several retail turnarounds were also strong including Signet Jewellers, RealReal and Capri Holdings. We are about halfway through earnings season and, while there have been some disappointments, overall, we like what we are seeing out of our special situation investments.

INCOME FUND

As with our equity strategies, we were having a strong month until October 30th. We thought we had opportunistically bought several datacenter bonds at attractive yields mid- month, but they weakened further. We remain confident in the bonds as their blue-chip contracts extend past the maturity dates of the bonds, but the shorter term choppiness has been frustrating. Interest rates remain in focus and present a headwind, but we think inflation is about to turn down. Electronic component pricing is showing signs of topping out (hence the AI infrastructure weakness) and oil is moving through the Middle East at prewar levels. Finally, a potential Democratic sweep could halt President Trump's inflationary policies as there is the possibility he loses interest as an international antagonist as a "lame duck" President. The fund is currently yielding above 7.5% and average term to maturity is shorter than 5 years.

Where does that leave us? As always, we would rather be early on valuation than late on narrative. Earnings season is only half over and the dispersion we are seeing (great numbers being sold alongside bad ones) is exactly the kind of environment where fundamentals eventually get paid. A broadening market should continue to favor VAAF and our special situations, and if the AI trade continues to deflate, we expect some very good businesses to get caught in the crossfire at prices we would be happy to pay.

We reserve the right to change our mind!

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