We had an exciting first month at Venator Capital Management, which definitely saw its ups and downs (although not necessarily in that order). We put your money to work quickly with stocks that we had researched in the months prior to the official launch of the Founders Fund, and found ourselves fully invested by March 7th. As a result of commissions and trading impact of acquiring these positions, the Fund was in a net deficit position of approximately 2.0% at that time. However, with several of our companies reporting solid numbers over the next several days, we found that we had recovered these early costs quickly, and the Fund found itself in-the-money by March 13th. However, on Tuesday morning we ran into some serious trouble.

As I walked into my office, I looked at my empty desk wondering how I could be so forgetful as to leave my only computer at home that morning. Upon further reflection, I came to realization that I did not take my computer home the prior evening and, by the way, my digital projector and camera were missing as well. Yes, my office was broken into and my computer equipment was stolen (in fact, this happened to one of my neighbors as well, and two others have been robbed within the past twelve months; theft seems to be some sadistic rite of passage on my floor).

No sooner did I start making my calls to the police and insurance company, than I got an email (I took my RIM home) informing me that Zenon had just been taken over at 50% premium (incidentally we were short). Fortunately, by the end of the day I had a new computer, had reloaded my software, and the Fund was *only* down 3%.

Alas, that was the low point of the month. Our remaining companies that were yet to report all reported good numbers and by March 20th we were back “in the money”. For the last week of trading our stocks were simply subject to the ebbs and flows of market, and security-specific momentum, and we managed to finish the month with a modest gain of less than 1%.

I don’t know if there is any underlying theme to the stocks in our investment portfolio, other than that the majority are well under the “radar screen” of the investment community, yet established in their own market niches. In fact, 17 of our 24 long positions have either “none or one” analysts covering them. Naturally, our stable of companies would be characterized as “small-cap” and our decision to invest in these names is due to “bottom-up” analysis. We are currently vastly underweight resources (two “asset plays” in the uranium sector), and are overweight technology (due to bottom-up opportunities, rather than any view on the technology market in general). I would say that the fund is equally weighted to growth and value opportunities (although in some cases the two characteristics overlap).

Thank-you again for your support,

Brandon Osten