

June was our second uneventful month in a row, no surprise given the lack of news that characterizes the month. The Founders' Fund, returned a small loss of 0.3%. This puts our year-to-date return at 15.1%, our twelve month return at 61.2% and our NAV at \$15.33 per unit. June was a fairly weak month for the markets in general, which appeared due to concerns related to rising yields (this affects the private equity/corporate buyout boom) and a continued decline in housing (we haven't hit bottom yet) in the United States. Canadian markets were also weak despite seasonal strength in oil prices; we believe the weakness can be attributed the rising dollar's effect on manufacturing, rising rates effect on banking, and rising risk premiums on junior mining companies.

We don't really have a strong view of the market right now, although generally we are having continued difficulty find good value on our screens; mediocre growth is getting big valuations, and mediocre companies are valued as though they are already turned around or about to be acquired. In looking at the "trees" we would expect the market to be flat to down over the balance of the year. However, looking at the "forest", we don't believe that rates have yet moved high enough to discourage corporate buybacks and buyouts, and therefore its difficult to be overly bearish at this time.

The Fund is currently focused on two tasks. Firstly, we are trying to reduce the number of long positions we are currently holding from 30 names to approximately 20 names. This is largely the result of finding new investment opportunities before our existing ones hit our targets or disappointed us relative to our expectations. We are also currently looking for new short selling candidates to replace our ETF exposure. The fund is currently at its maximum 110% long exposure, offset by a 30% short position, for net market exposure of 80%.

We are also pleased to announce two important corporate developments at Venator Capital Management Ltd. Firstly, we are finally collecting initial investments for the launch of the RSP Trust. As a reminder, we need to get 150 non-RSP investors (at a minimum of \$500 per investor) before we can accept RSP money. We are also pleased to announce that JoAnne Halpern has joined us as the Managing Director of operations, effectively freeing up more of my time for the core portfolio management duties. JoAnne can be reached at joanne@venator.ca or 416-934-7994 for all account-related enquiries.

As Always, Thank you for your support,



Brandon Osten, CFA
President, Venator Capital Management Ltd.