VENATOR
CAPITAL MANAGEMENT LTD.

THERE'S A DIFFERENCE THIS TIME

The Venator family of Funds has continued its strong start to the year, with all of them hitting all-time highs. This means that everyone in any of our funds has made money (and a pretty good return relative to the market, and alternative low-risk instruments) which is the whole point of the exercise. We would like to specifically thank those of you who have been with our firm from the beginning, for March 1st marks the four year anniversary of the launch of our Founders Fund, which has put up a healthy 80% return since inception, relative to a breakeven or loss proposition offered by our varied benchmarks.

Instrument	February's Return	Year-to-Date
Venator Founders Fund[1]	**2.4%**	**7.3%**
Venator Income Fund[2]	**2.2%**	**2.3%**
Venator Catalyst Fund[3]	**0.8%**	**4.2%**
TSX Composite*	5.0%	-0.6%
Russell 2000*	4.5%	0.7%
S&P Toronto Small Cap*	4.5%	1.4%
S&P 500*	3.1%	-0.6%

1. *The performance of the Venator Investment Trust approximates the performance of the Venator Founders Fund. Return is for Class "A" units.*
2. *YTD of Fund is for Class "F" units net of distributions reinvested.*
3. *The Venator Catalyst Fund has no benchmarks.*
* *Total Return (prior reporting was based on the Price Index)*

The Federal Reserve has gradually started to suck the steroids out of the system after a year and a half of injections. Meanwhile, the banks, beneficiaries of the so-called stimulus, are still not lending. Now if the banks weren't lending anyways, then some rate increases here and there shouldn't do too much damage. However, the beginning of the withdrawal of stimulus, regardless of the proclamation of near-term low rates, creates a longer-term issue. While the bulls argue that after the contraction we just had, the market is set up for a multi-year market expansion bringing back memories of 1982, we need to keep in mind that unlike in the early 1980s, the Fed is not your friend, and won't be for quite some time in terms of either the timeframe of rate increases or the speed of rate increases. While we talk about the U.S. Federal Reserve, the rest of the world is following suit, and this is a global phenomenon. It's never "different this time", but there is a difference this time in that any stumble we have out of the recession (and recent economic numbers look like a lot of toe-stubbing) cannot be met with any material action from the public sector to help smooth things out. There is a difference this time in that a major macro factor, interest rates, are likely to be working against investors for quite some time.

Over time, rising rates won't help valuations overall. They also won't help those cyclical companies whose customers rely on substantial debt financing, even if current low rates may help in the short term. However, true growth (secular as opposed to cyclical) and true value (hard cash flow as opposed to assets or intellectual property) will likely prevail in the current market environment. This is where our funds are currently focused, and they are balanced well between the two categories. To take it one step further, our bonds are in deleveraging companies and our value companies pay healthy dividends.

We have seen volatility start to subside recently. In the 15 months preceding the New Year we had become accustomed to 3%+ daily moves, and 9%+ monthly moves in the market, which made the "hedge" in hedge fund an exercise in frustration. While the year has started with a pair of nearly 5% monthly moves, the daily volatility has slowed to less than 1%. This gives us a little more time to conduct due diligence on our investments, and allows us a little more time to search for new opportunities. In other words, we believe that the current environment is ideal for us to put up strong and outperforming returns.

I apologize if the monthly review seems a little short, but I am somewhat distracted as I write this on the evening of the greatest weekend in Canadian sports history.

Yours Truly,

Brandon Osten, CFA
President, Venator Capital Management Ltd.

This is intended for informational purposes and should not be construed as a solicitation for investment in any of Venator's Funds. The Funds may only be purchased by Accredited investors with a medium-to-high risk tolerance seeking long-term capital gains. Read the Offering Memoranda in full before making any investment decisions. Prospective investors should inform themselves as to the legal requirements for the purchase of shares. All stated Venator returns are net of fees. It is important to note that past performance should not be taken as an indicator of future performance.