YEAR IN REVIEW

As the year winds down, we would like to go into our review a bit early so that we can start fresh in January as we look forward to 2011. As you can see from the chart below, all of Venator's Funds should finish the year with healthy gains, in-line with the broader averages.

Instrument	November's Return	Year-to-Date
Venator Founders Fund[1]	**1.0%**	**8.3%**
Venator Income Fund[2]	**1.3%**	**16.6%**
Venator Catalyst Fund	**2.8%**	**13.6%**
TSX Composite	3.9%	13.0%
Russell 2000	3.5%	17.5%
S&P Toronto Small Cap	4.6%	26.6%
S&P 500	0.0%	7.9%

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.*

The market's strong move for the year 2010 is somewhat deceptive. The reality is that the market started the year up 9% through April, retreated 10% plus through June, then rallied 15% until now. This basically means that buying and holding (the strategy employed by the Founders Fund and Income Fund) yielded some decent returns, while more active trading strategies (as employed in our Catalyst Fund) may have yielded either positive or negative returns based on your timing (however, given that the strong moves came in four-month streaks, market timing generally worked well this year).

There was definitely money to be made this year on the long side. Depending on your view coming into the year, the more aggressively you invested, the better you did. Using the S&P500 subsectors as our guidepost, cyclical bets on a multi-year robust economic rebound paid off nicely, as did material resources. Unfortunately, two of the weakest sectors of the market this year were healthcare and technology, which are areas the Founders Fund has historically favoured.

Making money was much more difficult on the short side this year. Sectors that tend to be a target for shorts (the aforementioned cyclical, as well as low growth/high multiple stocks) had across-the-board gains, over-levered companies had no problems as debt was easily refinanced, and scams were tough to come by as many were wiped out in 2008/2009.

Founders Fund Review: The Founders Fund is on pace for its first year of underperforming the various indices we track, with a YTD gain of 8.5%. While the Fund was a steady outperformer through June, the Fund is up only 3% since then, while the market has rallied 13%. A focus on more defensive sectors, coupled with underweighting on resources and economically sensitive cyclical, are largely to blame, as is the fact that we actively hedge the portfolio through short-selling, which impacted returns in the last several months. On an attribution basis, the long side of the portfolio slightly outperformed the market with a better than 20% total gain, while our shorts increased by about 15%. As we stated in our June and August reviews, we believed that a Fall market rally was in the offing, but chose to make money through increased market exposure with undervalued (in our opinion) defensive value stocks. This strategy yielded some healthy gains, but not the type of gains we would have expected given the strong move in the overall market. That being said, the Founders Fund is up over 86% since its March 2006 inception, and 20% since the beginning of 2008, compared to respective market averages of 15% and 1%.

Income Fund Review: The Income Fund continued its stellar performance, due in part to a strong market in yield-related instruments. We got positive performance out of our shorter term bonds and defensive equities. One area of strength has been the de-levering of many of our bond holdings, which are paying off debt through asset sales at a brisk pace. Since its pre-crash inception date of July 2008, the Fund is up approximately 51%, despite a lower risk profile consisting of near term bonds trading near PAR, and high-yielding dividend stocks.

Catalyst Fund Review: The Catalyst Fund has continued its steady performance in 2010 posting its third straight year of gains (including 2008). The Fund continues to exhibit the characteristics of its low volatility investments including a healthy investment in cash, bonds, low volatility blue chips such as off-the-radar value microcaps, as well as minimal short selling. Since its inception in January 2008, the Fund has returned 33% compared to the market average of 1%.

We are proud of our various Funds' performance numbers, all of which have posted significant market-beating returns with significantly less risk/volatility. With the market stable we have been uncovering new growth opportunities and lightening up on the more defensive value-oriented investments that have helped us preserve your capital over the past several years. That being said, we are keeping a firm eye on some of the high risk factors that could still derail the market, including:

- The possible demise of the Euro: we expect the Euro to continue its decline which will impact overseas earnings of North American companies. We also believe that there is a very real "tail risk" that the Euro dissolves as the strong countries get tired of supporting the weaker/irresponsible ones.
- Signs of runaway inflation in China: Inflation in China is already approaching 5% and the government is already tightening in several creative ways. A slowdown in Chinese growth would have serious negative implications for both commodity demand as well as global growth forecasts.
- US government debt situation: Fiscal responsibility in the US is top of mind and could result in a subdued employment and/or wage picture for quite some time. The US's effort to escape their trillion dollar deficit in the absence of 5%+GDP growth or economically sapping tax policy could be a long, painful and drawn out one.

We will be around for the Holidays so feel free to call us, drop by for lunch, or come down for a visit after market close. Have a safe and happy holiday season.

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.