TOUGH TIMES ARE HERE AGAIN

July feels like a year ago now. All of our Funds had a really strong July compared to a weak market. We had a strong earnings season and our Funds reflected this, driven by stock-specific events in the month. Our shorts also performed well in July as a number of our short positions missed expectations and our ETF hedge positions helped out a little, too.

Instrument	July's Return	Year-to-Date
Venator Founders Fund[1]	**4.3%**	**-0.7%**
Venator Income Fund[2]	**1.7%**	**8.9%**
Venator Catalyst Fund	**1.0%**	**7.1%**
TSX Composite	-2.5%	-2.3%
Russell 2000	-3.6%	2.4%
S&P Toronto Small Cap	0.5%	-3.9%
S&P 500	-2.0%	3.9%

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.*

That being said, we have given up all of those gains so far this month, plus a little extra to boot. As I sit here writing this, I can't help but be reminded of how I felt in 2008. Thus far in the month we have seen the Founders Fund drop 7%, the Catalyst Fund drop 3% and the Income Fund drop 3% vs. a market that is down 10%. From a trading standpoint, this market reminds me of 2008 when there was nowhere to hide in the stock market. Outside the stock market, gold is the most obvious safety net, but it isn't helping gold stocks (in a market correction gold stocks are more stocks than gold).

We believe that from a fundamental standpoint this market is much different than that of 2008. Two years ago companies were already seeing weakness in their businesses. This time around most companies are not seeing weakness in their businesses from current levels, but are admitting that street growth expectations are too high. Furthermore, credit is still available to companies that need it, and at fairly reasonable rates. So we don't think corporations are in particular trouble relative to 2008.
We also don't see any calamitous event on the horizon (i.e. the bank failures). Governments appear resigned to firing up the printing presses in the continued currency race to the bottom. This may have some consequences down the road (although if useful commodities such as oil, gas, zinc and copper (but excluding gold) keep going down there may be no long term negative consequences), but the money printers are providing stability to the system today. So as bad as things might seem, no systemic collapse is in the cards right now.

Finally, there are some good companies out there, where growth is high and secular, while valuations are inexpensive. Apple is probably the poster child for this (with Google a close second). Tablets, smartphones, internet advertising and mobile computing are high growth secular trends that can be bought for close 10x earnings-to-enterprise value. Tempur-Pedic continues to represent an emerging

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category in bedding (current unit share is still only around 5%). Green Mountain Coffee (Keurig single serve machines) is exhibiting monster growth and is still early in its adoption cycle. Boyd Income Fund can consolidate its market for a growth rate of 10% per year for the foreseeable future with minimal "macro impact". These are examples of names that we either own, or that are on our shopping list should they get cheaper.

The Funds' asset allocations tend to be a moving target within certain parameters, and the volatility we are currently seeing has those targets moving more than normal. Within the Founders Fund, the more stable positions are a 10% position in gold, a 10% position in Apple and a 30% position in bonds; the equity allocation of the Fund (on a net basis) has been ranging from 40% to 70% and currently stands at 60%. Within the Income Fund, we are approximately 150% invested, with 20% in stocks and 130% in bonds (average duration approximately 3.5 years); the current underlying yield of the Fund is approximately 12% and we expect over 25% of these bonds to be called away from us by the end of the year. Within the Catalyst Fund, 30% of assets are invested in bonds, while the Fund is 70% net invested in stocks.

If you have any questions, concerns, or heart palpitations (we can refer you to a good cardiologist) please do not hesitate to call me at 416-628-8198.

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.