OUR BEST KEPT SECRET

All things considered, the Funds performed adequately for the month. The Income Fund and Catalyst Fund posted gains while the Founders Fund posted a slight loss (the aftermath of the Japan earthquake cost the fund an estimated 2%). Our actual results are posted below.

Instrument	March's Return	Year-to-Date
Venator Founders Fund[1]	**-1.4%**	**3.1%**
Venator Income Fund[2]	**2.4%**	**7.4%**
Venator Catalyst Fund	**0.9%**	**0.9%**
TSX Composite	0.1%	5.6%
Russell 2000	2.6%	7.9%
S&P Toronto Small Cap	1.2%	4.2%
S&P 500	0.0%	5.9%

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.*

We haven't really talked about our Income Fund in the past for a variety of reasons. For one thing, it's boring (even if the returns aren't – see the table and graph below).

VENATOR INCOME FUND PERFORMANCE CLASS "F" UNITS (NET OF FEES)													
	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD
2008								1.8%	-8.4%	0.7%	-5.6%	2.9%	-8.8%
2009	6.5%	-2.3%	0.1%	3.7%	3.8%	3.8%	4.3%	5.0%	2.3%	1.5%	2.2%	5.4%	42.6%
2010	0.1%	2.2%	3.6%	1.8%	-2.6%	-0.5%	4.7%	-0.1%	3.6%	1.6%	1.3%	2.1%	19.1%
2011	3.2%	1.6%	2.4%										7.4%

The vast majority of the Fund is invested in shorter term bonds trading in excess of 90, meaning that that there is a fairly low likelihood of default. The short-term nature of the bonds, coupled with the low likelihood of default, means that we generally don't have to worry about yield curves (when the press talks about an over/undervalued bond market they are generally referring to 20+ year bonds, not what we own), or the quarterly operating results (as long as they are close enough to the mark, and asset value is unimpaired). Furthermore, most of our trading decisions are made for us in terms of our bonds getting "called", expiring or converted. Since the Fund is always fully invested, we don't tend to worry about hedging issues the way we might in our other Funds (although we do still hedge the currency).

The Venator Income Fund is designed to provide an underlying yield of 8%-10% (plus a few extra points in capital gains) using a low amount of leverage (average of 130% invested). These low return goals put a limit on the fees we can charge for the Fund, which is why the fees are half those of our other Funds.

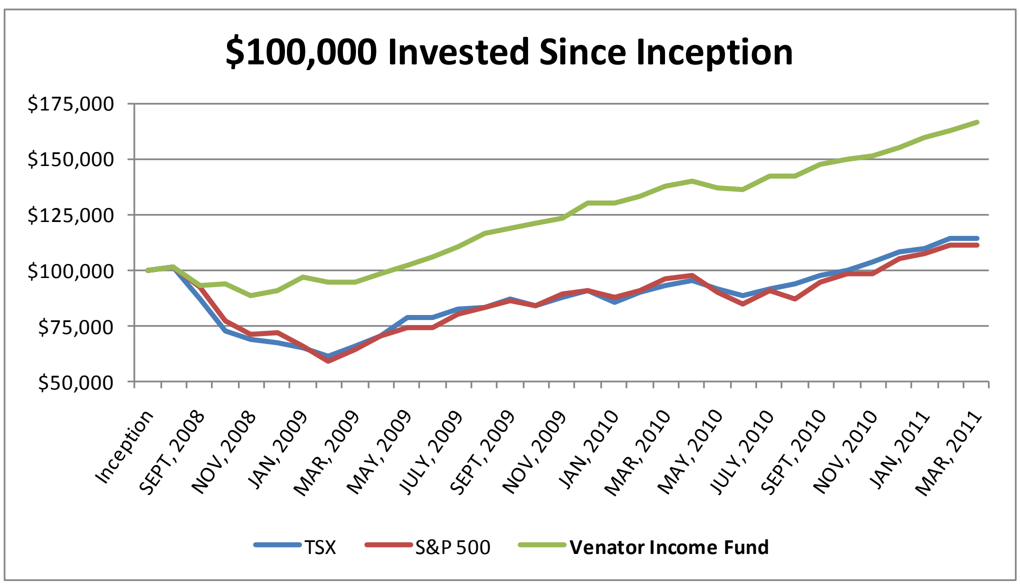
The Fund was started on the request of one of our clients who was looking for yield and believed that a Fund investing in high yield Income Trusts could provide relatively stable returns given the high income levels. This was in mid-2008, several months before the market crash. Needless to say, an un-hedged, long only Fund invested in equities was going to lose money in the back half of 2008, but our high-yielding value stocks managed to lose less than 10%, while the market plummeted 35%.

It was at this point that one of our largest investors suggested that several very safe bonds were yielding in excess of 10% to some fairly short maturities. Our first purchases were Magna bonds and Ace Aviation bonds, both of which:

- matured, or were putable, inside of two years; and
- had massive net cash positive positions; and,
- had immaterial cash commitments over the time horizon of our investments.

By March of 2009, the Fund had significantly shifted its assets into shorter term close-to-par bonds, which is the same asset mix we see today. Our returns in 2009 were fueled by companies recalling bonds at an extraordinary clip as they sought to extend maturities on expiring bonds in an uncertain credit environment. We would buy bonds at 90 only to see them called from us at 105 three months later; this occurred multiple times in 2009, resulting in our stellar risk-adjusted return for that year.

The excess returns since 2010 (relative to our 8-10% return goals) have largely been due to our purchase of several high yielding convertible bonds where the underlying stocks have done particularly well. This is a bit of a trickier exercise as the arbitrageurs tend to crowd out this market, eliminating math skills as a factor and putting stock picking skills at a premium.



Currently the Income Fund is approximately 140% invested with an underlying yield of just over 10%. The reason for this higher-than-normal leverage is we expect between 20-30% of our positions to be called from us within the next several months, which will bring our investments levels back to normal. We expect that the current strategy of being 100%-110% invested in bonds and an additional 30%-50% invested in dividend-bearing equities should allow us to maintain an 8% yield going forward.

When I started this business by launching the Founders Fund, I told anyone with a certain level of over-confidence in my investing abilities that the only person allowed to put more than 10% of their investable assets in the Founders Fund was ME (little did I know that when times got tough in 2008 the

Founders Fund would post a not-so-bad 20% loss while many “supposedly” less risky investment vehicles fared far worse). The Income Fund is our vehicle for our investors who think highly of our investing abilities and ethical standards, yet who were unable, uncomfortable, or not allowed by us, to invest a more significant percentage of their assets with us (don't laugh, we have turned down money before when we believed that the Founders Fund's risk profile was too high for certain investors). If you would like more information on this unique investment vehicle feel free to call me.

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.

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