A STUMBLE OFF THE WALL OF WORRY

HEDGE FUNDS (Inception)	FEBRUARY 2020	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006)**	**-3.3%**	**-4.3%**	**10.0%**
Venator Select Fund (September 2013)	**-5.1%**	**-3.2%**	**13.4%**
S&P/TSX Total Return (March 2006)	-5.9%	-4.3%	5.4%
Russell 2000 (March 2006)	-8.4%	-11.4%	6.6%
S&P Toronto Small Cap (March 2006)	-9.9%	-12.5%	0.8%
S&P 500 (March 2006)	-8.2%	-8.5%	8.4%

ALTERNATIVE MUTUAL FUNDS (Inception)	Feb 2020	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund* (January 2020)**	**-1.2%**	**-0.3%**	**3.8%**	**4.9%**	**3.9%**	**8.8%**
B of A Merrill Lynch High Yield Index (August 2008)	-1.6%	-1.6%	5.9%	4.8%	5.2%	7.2%

**As of February 28, 2020*
***Venator Investment Trust is available as an extension of the Founders Fund strategy, its monthly performance mirrors the Founders Fund, and it is eligible to be held in both registered & non-registered accounts*
****Performance data prior to January 24, 2020 relates to Class F Units of Venator Income Fund, which was distributed to investors on a prospectus-exempt basis in accordance with National Instrument 45-106*

VENATOR ALTERNATIVE INCOME FUND: The Fund had a very resilient month going right up until the final two days of February, when bids capitulated on low volume. While we tried to take advantage of the market decline by 'buying some dips', the reality is that there were limited sellers across the high yield bond positions that we own. That said, we were able to grab some *new* convertible bonds for the portfolio over the past several days and, as a result, the implied yield on the Fund has increased by much more than the slightly modest monthly decline would suggest.

VENATOR FOUNDERS FUND: Our long/short equity strategy also had a good month going before macro factors dragged the portfolio down along with the broader markets. Our hedge positions acted as expected, cushioning the impact of the severe market drawdown, but were not enough to entirely stem losses in the portfolio that averaged over 50% net long. As with the Alternative Income Fund, we did take the opportunity to increase positions in some particularly beat up names and initiate several new positions as well.

In general, the markets experienced a rather ugly decline during the past week, in one of the quickest 12% drawdowns in history. The pullback was so severe that the S&P 500 fell *below* its September 2018 levels, erasing one and a half years of market progress. It's also worth noting that the perpetually underperforming small-cap market currently sits roughly 15% below its September 2018 levels. During the last 18 months, the broader market has experienced some very extreme and, for some periods, historic volatility. Whether this is a function of high correlation related to the prevalence of ETFs or algorithmic trading all tuned to similar metrics is up for debate; however, there definitely seems to be an all-in/all-out mentality. The triggers of the recent sell-off were two-fold:

1) **COVID-19:** The coronavirus has created a classic buying opportunity and, in our opinion, most of the concern should dissipate within weeks. Every company is going to get a 'pass' should Q1 or Q2 earnings be weak, and Q3 earnings should be goosed by inventory catchup due to corona-related supply chain disruptions. By the fourth quarter, we likely will be looking at a first half of 2021 that looks quite good relative to the Corona-infected first half of 2020. If you can find a business that has seen its share price decline dramatically, but now looks cheap relative to 2021 expectations, you've probably spotted an excellent buying opportunity.

2) **Bernie Sanders**: Quite likely the greater and more tangible fear, a Bernie Sanders Presidency represents a worst-case scenario for the stock market (although Joe Biden, a much more palatable option for financial markets, gained some ground over the weekend). The Democratic nomination of Sanders seems to be a possible scenario at this point, and while a Sanders Presidency seems unlikely, unlikely things *can* and *do* happen all the time. Simply nominating Sanders could put the market in a holding pattern, and polling fluctuations could make for an interesting summer.

Looking ahead, the good news is that Fed policy (and that of its global counterparts) remains accommodative and, given the above concerns, is likely to remain accommodative for quite some time. While slow economies are frustrating, they do create an environment where the 'growthier' companies have an opportunity to really stand out. Every market downturn creates over-corrections and great buying opportunities. In this case, where the correction is due to one short-term event and one potential but unlikely one, we believe this to be a compelling long-term buying opportunity.

As always, we reserve the right to change our mind!

Brandon Osten, CFA
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