

READY FOR ANYTHING

HEDGE FUNDS (Inception)	OCTOBER 2020	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund** (March 2006)	-0.8%	29.1%	11.7%
Venator Select Fund (September 2013)	2.6%	20.8%	15.6%
S&P/TSX Total Return (March 2006)	-3.1%	-6.1%	5.0%
Russell 2000 (March 2006)	2.1%	-6.8%	6.7%
S&P Toronto Small Cap (March 2006)	-0.7%	-9.3%	1.1%
S&P 500 (March 2006)	-2.7%	2.8%	8.8%

ALTERNATIVE MUTUAL FUNDS (Inception)	OCT 2020	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund*** (January 2020)	-1.1%	-4.3%	-2.5%	1.8%	4.3%	7.1%
B of A Merrill Lynch High Yield Index (August 2008)	0.5%	0.1%	2.4%	3.8%	6.1%	6.1%

*As of October 30, 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

Markets enjoyed a nice start to October, but finished with a strong reversal, leading to a monthly loss as the world awaits the result of tomorrow's US election. We have shifted into 'max hedge' mode within our long/short strategy, taking down our long exposures and increasing our hedges to the point where we are as close to market neutral as we have ever been. Meanwhile, Venator Alternative Income Fund remains fully invested, as we do not view any possible election outcome scenario as being able to negatively impact the solvency of the bonds held. The duration within the portfolio also remains short enough that we can profitably push through any near-term volatility.

We see the market dealing with three main issues heading into year-end: the outcome of the US election; a second wave of COVID-19; and earnings among COVID-19 darlings no longer being able to meet elevated expectations.

With respect to the election, the market appears prepared for a Biden Presidency, but is hopeful that Congress remains split, leading to four years of gridlock. We believe that a 'blue wave' (Democrat sweep), which is quite possible, would be a negative for markets longer-term; although a short-term rally could be in the cards as the long awaited stimulus bill would be forthcoming, with virtually no political resistance. While most observers appear prepared for the election to be contested in some form, our view is that if the results are largely decisive, people will not care about the formality of contesting what is ultimately a foregone conclusion. We believe that a closely contested Presidency will cause outsized volatility; however, if Congress is split, the market will eventually rise - which we believe is the ideal scenario given our current positioning.

The second wave of COVID-19 is another culprit for the back-half weakness experienced in October. Not only have we seen a 're-shutting' take place here in Canada, but Europe is also re-closing in large urban centers, and US cases are spiking once again. While we believe there will be a vaccine at some point in the next six months, there is unquestionable balance sheet damage for both companies and countries, some of which will be nearly impossible to repair in the intermediate term. Having gone through this roller coaster only six months ago, we doubt that the same buying opportunities that were available during the spring will manifest once again, but there will clearly be sectors to avoid until the recovery trade gets green lit by a vaccine.

The final theme we saw emerge in the October sell-off involved stocks that *had* been working over the summer (work from home, nesting, leisure, etc.) but recently ran into a wall of high expectations. Blowout earnings from big technology, homebuilding and transportation were met with apathy (at best), and in some cases declines (at worst), as the COVID-19 beneficiaries suffered from a '*as good as it gets*' narrative, while the re-opening stocks remain in a holding pattern pending a vaccine.

As stated above, we remain invested but largely hedged as we move into what could be a volatile year-end. That said, we do have clarity in terms of what we want to own heading into 2021, which will be summarized in next months 'Year in Preview' commentary.

In the meantime, stay safe, stay hedged – and, as always, we reserve the right to change our mind!



Brandon Osten, CFA
CEO, Venator Capital Management Ltd.

This commentary is intended for informational purposes only and should not be construed as a solicitation for investment in any of the Venator Funds. The Venator Hedge Funds may only be purchased by accredited investors with a medium-to-high risk tolerance seeking long-term capital gains. Please read the Offering Memorandum for each Hedge Fund in full before making any investment decisions. Prospective investors should inform themselves as to the legal requirements for the purchase of securities. All stated Venator Hedge Fund returns are net of fees. It is important to note that past performance should not be taken as an indicator of future performance. Commissions, trailing commissions, management fees and other expenses all may be associated with investing in any of the Venator Alternative Mutual Funds. Please read the prospectus and Fund Facts relating to each Alternative Mutual Fund before investing. The indicated rates of return of the Venator Alternative Mutual Funds are the historical annual compounded total returns, including changes in share or unit value and the reinvestment of all dividends or distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.