

Q1 REVIEW: WHAT A DIFFERENCE A YEAR MAKES

HEDGE FUNDS (Inception)	March 2021	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund** (March 2006)	-1.2%	7.1%	13.0%
Venator Select Fund (September 2013)	2.2%	12.6%	18.5%
S&P/TSX Total Return (March 2006)	3.9%	8.1%	6.2%
Russell 2000 (March 2006)	1.0%	12.7%	9.1%
S&P Toronto Small Cap (March 2006)	-0.2%	9.7%	3.1%
S&P 500 (March 2006)	4.4%	6.2%	10.1%

ALTERNATIVE MUTUAL FUNDS (Inception)	MAR 2021	YTD	1-YR	3-YR	5-YR	10-YR
Venator Alternative Income Fund*** (January 2020)	0.6%	5.6%	42.1%	7.2%	7.8%	7.7%
B of A Merrill Lynch High Yield Index (August 2008)	0.2%	0.9%	23.3%	6.5%	7.9%	6.3%

*As of March 31, 2021

**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

The first quarter was a good one for Venator's family of Funds, all of which are off to a strong start this year. In fact, our equity funds have experienced the strongest twelve-month period in their history, up in excess of 100% over the year! Almost exactly a year ago, we were grappling with a monumental global disruption unlike any that we had witnessed before. Our March 2020 review was all about the *temporary* nature of COVID-19 and the great long-term opportunities that were presenting themselves if we could get through the summer. While we were off in our timing of getting through the pandemic, we were right that there were some great opportunities, and we benefitted from being prudently courageous in the eye of the storm.

Last month we called out excessive euphoria in high growth technology stocks, electric vehicles, and acronym-of-the-day SPACs. That trade has since unwound remarkable quickly. In a relatively benign market, as measured by monthly performance of the broader indices, these investment themes experienced major corrections. While most SPACs were trading north of \$11 last month, by the end of March, the majority had traded below cash value of \$10. Tesla was probably the best faring EV stock, dropping over 20% from recent highs, while the broader high growth software sector has also experienced a 20%+ correction. The entity that likely best exemplifies the correction in high growth tech is probably the ARK Innovation fund, one of the best performing ETFs over the last several years, which experienced an over 30% correction from mid-February to late March. At one point, telemedicine leader Teledoc was actually down over the trailing twelve months just to give you a sense of the anti-work-from-home trade. Kudos to cryptocurrencies for hanging in there, as they still sit near all-time highs!

VENATOR ALTERNATIVE INCOME FUND REVIEW

The high yield bond market is off to an anemic start this year. While one might think it is because the stock market is grabbing all the attention, the reality is that bond pricing on new issues contains coupons that are too low and terms that are too long. The HYG high yield ETF currently carries a yield to maturity below 4%. We are not accustomed to "reaching" when the market is not there, so we continue to find other places to invest. Approximately 50% of the fund is currently in low yielding convertible bonds where, apart from a few higher yielding issues, we believe there is negligible credit risk, but some decent optionality upside over the term of the bond. I would note that the top five gainers in the fund during the quarter were all convertible bonds. Furthermore, we took advantage

of the SPAC meltdown to buy a basket of diversified investments near or below the \$10+ redemption value, providing another low yielding but near riskless arbitrage opportunity. The current yield of the portfolio is near 5%.

Q1 2021 ALTERNATIVE INCOME FUND STRATEGY ATTRIBUTION (bps)			
TOP CONTRIBUTORS		LARGEST DETRACTORS	
Avaya Holdings Corp. (2.25%, Jun 15/23) - CONV	97	Alteryx Inc (1%, Aug 1/26) - CONV	(32)
J2 Global, Inc. (1.75%, Nov 1/26) - CONV	68	Splunk Inc (1.125%, Jun 15/27) - CONV	(22)
Tabula Rasa Health, Inc. (1.75%, Feb 15/26) - CONV	64	Lendingtree Inc (0.5%, Jul 15/25) - CONV	(17)
Wayfair, Inc. (0.625%, Oct 1/25) - CONV	51	First Quantum Minerals (7.25%, Apr 1/23)	(11)
Fortress Trans & Infra LLC (Sep 15/24) - PREF	45	Osisko Gold Royalties (4.0% Dec 31/22) - CONV	(9)

VENATOR FOUNDER FUND REVIEW

Our equity strategies performed well during the quarter (again, they were up 100% over the past year). We had our share of winners, but none was disproportionately so. We also managed to avoid any significant losses during the quarter. Our hedge book, largely comprised of options, was somewhat punitive due to the strong markets and the timing of our expiries as we, unfortunately, rolled them forward at a time when volatility was expensive. We continue to favour underestimated “re-opening” stocks in the portfolio, including some not-so-obvious thematic investments (e.g. Levi Strauss, Molson Coors). We have also selectively invested in several stay-at-home beneficiaries of COVID-19, such as building products (Masonite), where we think the street is underestimating the resiliency of these trends (Lowes). We remain underweight technology stocks while we wait for them to come to us as we do not believe last month’s correction was the bottom.

Q1 2021 FOUNDERS FUND STRATEGY ATTRIBUTION (bps)			
LONG POSITIONS	1,298	SHORT/HEDGES	(526)
TOP CONTRIBUTORS		LARGEST DETRACTORS	
Optimize (OPRX)	200	Red Violet Inc (RDVT)	(79)
Atkore International Group I (ATKR)	176	Cargojet Inc (CJT)	(65)
Wayfair Inc (W)	143	Apollo Healthcare Corp (AHC)	(36)
Alcanna Inc (CLIQ)	132	Air Canada (AC)	(31)
Bally S Corp (BALY)	111	Zovio Inc (ZVO)	(28)

We reserve the right to change our mind!



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