THE FED MAKES IT OFFICIAL

HEDGE FUNDS (Inception)	SEPTEMBER 2024	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006)**	**2.9%**	**9.6%**	**9.1%**
Venator Select Fund (September 2013)	**4.8%**	**22.7%**	**8.9%**
S&P/TSX Total Return (March 2006)	3.2%	17.2%	7.1%
Russell 2000 (March 2006)	0.7%	11.2%	7.6%
S&P Toronto Small Cap (March 2006)	3.8%	18.0%	3.7%
S&P 500 (March 2006)	2.1%	22.1%	10.6%

ALTERNATIVE MUTUAL FUNDS (Inception)	SEP 2024	YTD	1-YR	3-YR	5-YR	10-YR
Venator Founders Alternative Fund (July 2021)**	**2.9%**	**8.2%**	**31.1%**	**-7.9%**	**-**	**-**
Venator Alternative Income Fund* (January 2020)**	**2.0%**	**8.0%**	**14.1%**	**1.1%**	**3.9%**	**4.1%**
B of A Merrill Lynch High Yield Index (August 2008)	1.6%	8.0%	15.7%	3.1%	4.5%	5.0%

** As of September 30, 2024*
*** Venator Founders Alternative Fund, which holds the same securities as Venator Founders Fund, is available as a Liquid Alternative Mutual Fund; 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 Offshore Fund is available as the US dollar version of Founders Fund strategy*

Well, the Fed started their easing cycle with a bang of a 50bp rate cut. While the reaction seemed muted in the moment as markets had been expecting the easing cycle to start for at least two months, the money has clearly been flowing from cash accounts into everything else as a result. Commodities, bonds and equities are largely on the rise at a relatively modest but consistent pace. Cash is quickly moving from King to Crap. While some bears keep poking holes in the bull trend (slowing economy, sluggish employment, AI/Mag7 fracturing, China struggling, the prospect of tariffs, Middle East strife), you just can't fight the money flow from cash into investment assets. Heading into Christmas, where every year is usually a record year, we imagine the market will remain strong through year end regardless of the election results.

Admittedly, when everything is going up, it does present some unique challenges. There are stocks we have been waiting to buy but for fear of "being early" (there is an old investing adage: being early is the same as being wrong), and yet making room in the portfolio for some of these would require selling positions trading at all-time highs (for all the fancy AI-based algos out there, there is no more reliable technical indicator than buying/holding stocks trading at 52 week highs).

An example of "we might be too early but if we wait any longer, we could be too late" would be the building products sector, where the renovation sector remains historically subdued to the point of it being difficult to see things getting worse. That said, we are fully aware that the next two or three quarters are not going to be very strong, although this could be already anticipated by the markets. In Canada, we hold Adentra, a distributor of building products to the new home and large renovation markets, and in the US, we have Jeld-Wen, one of the three scale manufactures of doors in North

America. It's worth noting that Adentra has always been an efficient business and consolidator, whereas Jeld-Wen has been a perpetual troubled turnaround that recently appointed new management. There is little doubt in our mind that the company is capable of achieving 50% higher margins than analysts are currently forecasting, and that new management is driving towards this goal even if they haven't stated it publicly. But we can also understand the analysts' skepticism given the failure of the prior team. The risk/reward skew is likely greater with Jeld-Wen vs Adentra, as they are trying to get leaner during a period of weakness, but the potential is also quite high, as it is a $15.00 stock with earnings power materially in excess of $3.00 should its turnaround prove successful (with the consensus street recommendation being a "Hold", most don't believe they will pull it off). If not, at sub-10x earnings expectations on continued margin struggles, it could represent an attractive takeover target for anyone wanting to take another crack at restructuring the $4B market leader.

In corporate bond land, we are seeing the triple benefits of an anticipated economic rebound, lower interest rates, and more money searching for higher yields. The only issue is that it's tough to find sellers. The biggest source of liquidity is new longer dated issues looking to replace current shorter maturity bonds. We have had several bonds pulled away from us over the last several months but managed to pre-emptively replenish the roster, and, as such, we are currently fully invested with a yield in excess of 8%. We would also note that all of our securities are in public equity companies, which affords them better transparency, governance and refinancing options.

We are fully aware that there is an election coming up. Yet the financial media seems unconcerned with the result. While we could see a 3%-5% move in the immediate wake of the election, for the most part, we think it will be a non-event for markets with perhaps the only economically material platforms centered around import tariffs.

We reserve the right to change our mind!

Brandon Osten, CFA
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