TRUMP PART DEUX

HEDGE FUNDS (Inception)	NOVEMBER 2024	YEAR-TO-DATE	ANNUALIZED
Venator Founders Fund (March 2006)**	**7.0%**	**16.3%**	**9.4%**
Venator Select Fund (September 2013)	**9.7%**	**30.8%**	**9.4%**
S&P/TSX Total Return (March 2006)	6.4%	25.8%	7.4%
Russell 2000 (March 2006)	11.0%	21.6%	8.1%
S&P Toronto Small Cap (March 2006)	2.7%	22.9%	3.9%
S&P 500 (March 2006)	5.9%	28.1%	10.8%

ALTERNATIVE MUTUAL FUNDS (Inception)	NOV 2024	YTD	1-YR	3-YR	5-YR	10-YR
Venator Founders Alternative Fund (July 2021)**	**7.0%**	**14.5%**	**26.6%**	**-6.4%**	**-**	**-**
Venator Alternative Income Fund* (January 2020)**	**1.8%**	**10.4%**	**14.1%**	**2.0%**	**4.1%**	**4.3%**
B of A Merrill Lynch High Yield Index (August 2008)	1.0%	8.5%	12.5%	3.7%	4.5%	5.0%

** As of November 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*

Trump's victory felt more decisive for the winner than the last two elections. Despite a lot of concern and consternation from his first victory (losing to "popular vote") and re-election defeat (which he refused to concede), this win was a landslide in the electoral college, Congress and even the popular vote. As a result of definitive victory, there was very little controversy of either the process or the result. What we find interesting is that unlike the first time around, when he didn't seem to have much idea of what he wanted to do or could do, this time he has a fairly clear agenda when it comes to items that would concern financial markets, even if the extent and execution of that agenda remains in question. The mantra appears to be focused on government spending, tariffs and regulation.

It is this last item that financial markets appear to have placed the most weight on as we have seen strength in those industries and companies most affected by regulatory oversight. In fact, the financial sector has experienced some of the strongest gains as the markets are hopeful for a lighter regulatory touch on this highly regulated industry (less than two years after some questionably lax regulatory oversight/rules led to the collapse of Silicon Valley Bank and a bailout of other regionals). Mergers should get easier, only months after the FTC's refusal to allow Tapestry and Capri to merge because they might have too much share in high-end handbags (a baffling decision to say the least). Tesla rallied on hopes that the National Highway and Safety Administration will allow Tesla's "Level 2" (out of 5) robotaxis loose on the roads, whereas they currently insist on level 4 autonomy for safety reasons. Finally, crypto currencies rallied on the hopes that the SEC will be told to relinquish regulatory oversight of the sector, a fairly dangerous proposition as it would allow for the creation of an unlimited amount of alt-coin scams with minimal oversight (that said, private equity and private credit, which has been exploding in dollars over the last ten years, has questionable regulatory oversight as well).

Trump is known to say some pretty wild things as a precursor to a negotiation. NAFTA was going to get “cancelled” but that led to a minor renegotiation of terms. We imagine the 25% tariff threat, unless Canada and Mexico tighten their borders, will not come to fruition (tariffs seem to be Trump’s favorite threat, even if it appears that he has no idea how they work, claiming the foreign country pays the tariffs when it’s American companies that pay). If anything, stocks selling off on the threat of tariffs are a buying opportunity, as they are already treating them as fait accompli, even if history suggests they are anything but.

Outside of the knee jerk reaction and the “angry algos” that amplify these violent swings, predictions will eventually give way to first principles: good companies will still be good and bad companies will still be bad. There could be some benefits and detractions at the margin. It’s probably a good idea to add caution around companies/industries heavily dependent on US government spending thanks to the stated goal of material cost cutting. It might be worthwhile to give a little extra thought to companies that import from China or even sell a lot of product into China. It might be worth considering if the Fed slows the pace of rate cuts until they see which of the largely inflationary measures Trump is actually able to enact. In the end, we think that all these factors are largely immaterial to the majority of companies out there.

That being said, it’s hard not to be bullish on the future of much of the stock market. We say “much of” because large cap indexes are weighted to mega cap stocks to an unprecedented extent, and it’s hard to see the tremendous upside for sub-7% growers trading at over 30x earnings for us dinosaurs that still consider valuation a factor in making investment decisions. It’s easier to see a lower risk investment environment for more reasonably priced companies in a constructive business environment and an administration that is less critical of acquisitions (and a potentially easing regulatory environment for private equity looking to make acquisitions).

A broadening market, exclusive of whether deregulation lives up to expectations, should be beneficial to “medium”-rate growth (where expectations are not too high) and cyclicals looking for recovery (such as trucking/logistics/industrial distribution, durable and capital goods, and possibly retail). It could also allow higher growth rates to maintain those higher rates of growth. These are areas of historical focus for us, and we have a deep roster of companies we are already familiar with. Small cap stocks are only now reaching new highs as they have been lagging large caps for years, which suggests plenty of upside for smaller and middle cap companies.

We reserve the right to change our mind!

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