

SAY GOODBYE TO THE BENEFIT OF THE DOUBT MARKET

The Venator family of Funds has continued its recent success, with all of them hitting all-time highs. Again, everyone in any of our Funds has made money, which is the whole point of the exercise. As a show of appreciation to our very loyal investors, we are inviting you to our May 19th presentation of Robin Hood at the Yonge-Eglinton SilverCity; there will be a reception in our offices at 5:30 (with a pretty good menu to boot), and the feature film will begin at 7:30. While the theatre does seat over 400 moviegoers, we are capping the attendance at a considerably lesser number to ensure everyone gets a good seat. Please RSVP to joanne@venator.ca if you want to reserve a couple of seats.

Instrument	April's Return	Year-to-Date
Venator Founders Fund¹	1.5%	13.2%
Venator Income Fund²	1.8%	7.8%
Venator Catalyst Fund³	1.7%	7.5%
TSX Composite	1.7%	4.9%
Russell 2000	5.7%	15.0%
S&P Toronto Small Cap	3.4%	8.4%
S&P 500	1.6%	7.1%

1. *The performance of the Venator Investment Trust approximates the performance of the Venator Founders Fund. Return is for Class "A" units.*
2. *YTD of Fund is for Class "F" units net of distributions reinvested.*
3. *The Venator Catalyst Fund has no benchmarks.*

Something unusual happened to the beginning of earnings season. Many stocks declined despite beating their earnings estimates and increasing guidance for the balance of the year. This is in stark contrast to what we have become accustomed to over the last year, where companies put out disappointing numbers yet would still see their stocks go up as their futures were given the benefit of the doubt during an eventual economic rebound. At this point in the recovery, if you aren't putting out great numbers, then maybe you aren't that great a company, despite what the market may have told you over the past twelve months. So what we have seen so far is a market where earnings must be beaten substantially, because the market is expecting more than what the analysts are, and analyst expectations aren't exactly conservative.

This situation should eventually help us in our perpetual quest for stocks. Finding value has been difficult in a market where EVERY company was given the benefit of the doubt of a turnaround well before there were any signs that management was capable of pulling it off. In many cases, companies ventured far into "heroic assumption" territory, whereby expected operating margins were far higher than anything they had achieved in the past, and expected growth was often above what was achieved in the far more economically robust pre-2008 environment. This is bringing some near-term short-sale opportunities onto our radar screen, while we need to remain more patient while waiting for many stocks to come back to the point where we would buy them.

While we don't necessarily subscribe to the "sell in May and go away" theory of investing, we have been actively lowering our equity exposure across all of our portfolios. We have also been increasing our shorter term bond exposure and arbitrage/pair trade activity across the funds in order to provide some added returns at a time where

we are getting a little cautious after this phenomenal run in the equity markets. In fact, as of this writing, none of our Funds has more than 50% net equity exposure, which is the lowest net equity exposure we have had in any of our Funds since early 2009. We tell you this because, in the event of a sustained run in equities, there is a good chance that we could underperform the equity markets. However, we believe, as per our commentary above, that the "easy money" has been made, and that the market is going to be far more discriminating going forward.

Yours Truly



Brandon Osten, CFA
President, Venator Capital Management Ltd.

This is intended for informational purposes and should not be construed as a solicitation for investment in any of Venator's Funds. The Funds may only be purchased by Accredited investors with a medium-to-high risk tolerance seeking long-term capital gains. Read the Offering Memoranda in full before making any investment decisions. Prospective investors should inform themselves as to the legal requirements for the purchase of shares. All stated Venator returns are net of fees. It is important to note that past performance should not be taken as an indicator of future performance.