OTSI KETA QUARTERLY

Twentieth Edition - April 2015

OTSI KETA CAPITAL

Q1 2015

Otsi Keta Quarterly is designed to share insight on both current performance and future potential.

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QUESTIONS...

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LOOKING FORWARD

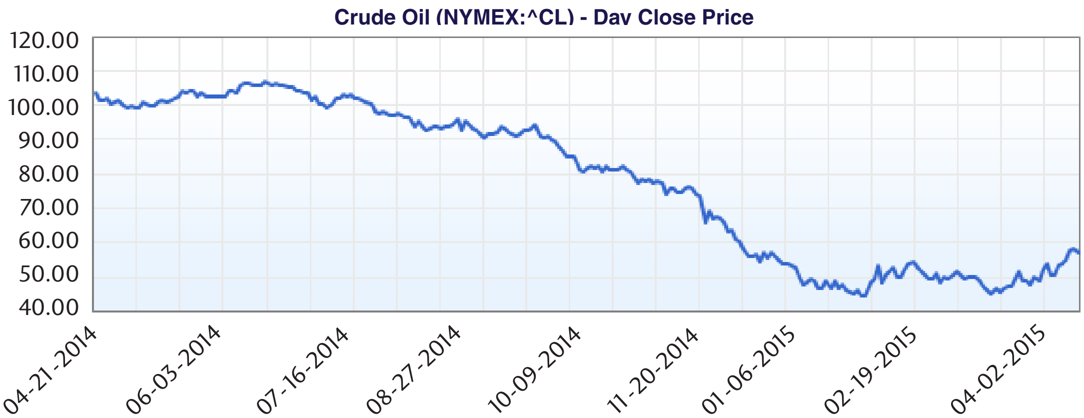
We take a meaningful amount of time to look down the road and evaluate what type of company might gain from events happening today. The topics of the day in the first quarter were the drop in oil and the rise in the dollar. The drop in oil captured the consumer's attention, and the rise of the dollar had large international firms adjusting quarterly guidance as F/X losses weighed on earnings.

While these two macro factors are roiling many portfolios, they are having a limited direct effect on our portfolio companies. In fact, lower energy prices and a stronger dollar will likely be a net positive for us during the remainder of the year. Who knew small capitalization, Midwest companies were the perfect antidote to the shale oil revolution and European economic malaise? We would love to take credit for this genius, but we buy our companies bottom-up not top down, as our long-term partners know.

Oil

Certainly oil and the by-products of drilling are popular topics in the news today. We have not been aggressive investors over the last five years in the energy space. These businesses tend to carry large debt burdens. We have expressed our concerns over the years on this recipe for smaller companies. We don't think this tends to be a successful combination when the business slows.

That being said, we are very positive on what cheaper transportation, farming and heating commodities can do for the domestic economy. We feel that oil should be a tail wind to the farming sector and any business that uses a petroleum-based fuel to transport goods. There isn't enough space in our letter to name all of those industries. We like the farming plays in the portfolio right now. In fact, the marketplace gave us an opportunity recently to add a holding in this category that we feel will be advantageous to all of our partners.



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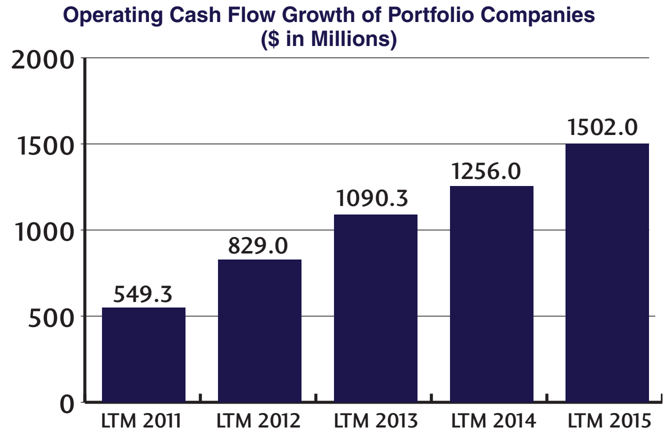
OUR PORTFOLIO

The nightly news and stock market pundits continue to supply investors with long lists of potential market moving events – most of them negative in nature. Understanding the macro landscape is important, but too often it is not balanced with the specifics of an actual investment. In times of turbulence, we remind ourselves that we are invested in actual businesses, not just pieces of paper. This mindset keeps us focused on the real economics and results of the businesses we own.

There are many factors we look at in evaluating how well our investments are performing. Operating cash flow remains a favorite. We are fans because it focuses on the core economics of the business' products. Increasing operating cash flow is difficult to create through financial engineering; most often it is the by-product of profitable growth.

The chart below shows the aggregated operating cash flow of the companies in the portfolio. The companies we are invested in have a solid track record of growing their cash flows, which can provide real risk protection for our investors now and in the future.



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U. S. Dollar

Whether the writing or commentary has been about our portfolio specifically or the effects of other currencies against ours, the dollar is right behind the oil conversation.

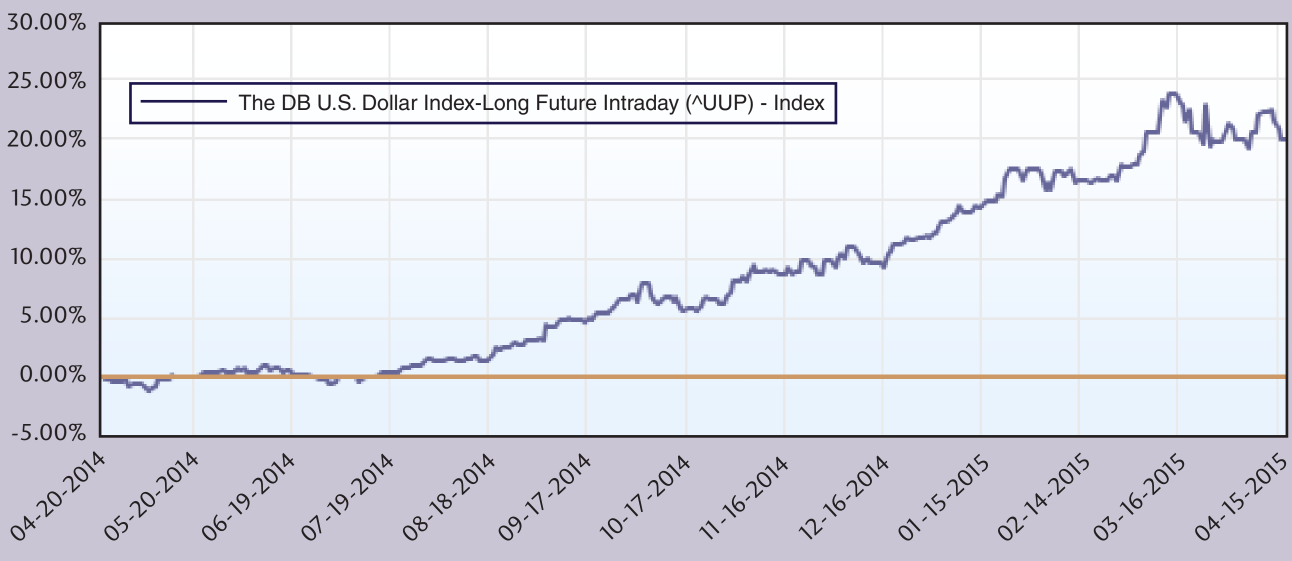
We stressed in the past that our holdings had a small exposure to businesses outside of the continental United States. That still holds true today. What does that mean for the portfolio?

We feel that being invested domestically gives our companies a distinct advantage through the strong U. S. dollar. The portfolio companies are earning in U. S. dollars and are able to buy their raw materials globally for less.

We cannot express enough the advantage to not having to worry about currency hedges within the portfolio. It certainly allows us to sleep better!

2015 Outlook

We are looking forward to 2015 with the same enthusiasm as we approached 2014. We believe our portfolio is as good today as when we initially constructed it in 2010—just some of the names within it have changed. Time will tell how this year plays out; we are very appreciative of your confidence in allowing us to manage some of your hard earned U. S. dollars.



The Window Indicator

Usually we have the window closed until the shipping season is in full swing. The lock systems don't come on line until the end of March. We thought we would share this article from the Lake Carriers Association as we prepare for another steady season watching the ships pass by our window.

CLEVELAND — The seemingly glacial ice that brought shipping on the Great Lakes to a virtual standstill last winter cost the economy more than $700 million and nearly 4,000 jobs, and has prompted Lake Carriers' Association to call for construction of a second heavy icebreaker to partner with the U.S. Coast Guard's MACKINAW to keep the shipping lanes open in the harshest of conditions.

The winter of 2013/2014 was so brutal that U.S.-flag cargo movement between December 1, 2013, and May 30, 2014, plummeted nearly 7 million tons compared to the same period in 2012/2013. At least two steelmakers had to curtail production, and some powerplants were extremely low on coal. The limestone trade did not resume in earnest until well into April, and U.S.-flag lakers suffered nearly $6 million in damage trying to resupply customers. Eventually, three vessels that had not been scheduled to operate last year were fit out to help overcome the shortfall in deliveries during the ice season, but the industry played catch-up the rest of the year.

"I want to stress that Lake Carriers' Association and our members' customers deeply appreciate the efforts of the U.S. and Canadian Coast Guards this past ice season," said James H.I. Weakley, president of the trade association representing U.S.-flag vessel operators on the Great Lakes. "They are the only reason we were able to move nearly 10 million tons of cargo under such challenging conditions. Still, it is clear that the ice conditions that prevailed last winter call for a reassessment of both nations' icebreaking fleets. At a minimum, Congress must authorize construction of a twin to the MACKINAW so we can have two high-powered American icebreakers on the Lakes. Another 140-foot-long icebreaking tug must be assigned to the Lakes at least until the service life extension program currently underway for the six existing 140s is completed later this decade."

Canada has only two icebreakers assigned to the Great Lakes. "Given that there are often as many Canadian lakers in service during the ice season as there are American, Canada should reassess its icebreaking forces. We appreciate that they temporarily moved in some assets to respond to difficult conditions, but it takes time to get icebreakers from the East Coast to the Lakes, and once the Seaway closes, that option is no longer available."

Weakley noted that Great Lakes basin industries such as steelmaking, power generation and construction are now geared to receive cargo nearly year-round. "The Soo Locks open on March 25 and close on January 15. After the locks close, iron ore will continue to load out of Escanaba, Michigan, at least until the end of January, often into February. The cement trade on the lower Lakes often resumes about March 1, and iron ore shipments on Lake Michigan and Lake Erie start back up not long after that. Demand for U.S.-flag cargos during periods of ice cover can approach 20 million tons. That's why the U.S. Coast Guard has nine icebreakers on the Lakes, although one is currently undergoing modernization at the Coast Guard yard in Baltimore and so will be unavailable this ice season."

A recent study found that the cargo U.S.-flag lakers carry supports nearly 130,000 jobs in the eight Great Lakes states, but an analysis of the past winter determined nearly 4,000 jobs were lost due to the heavy ice. "Make no mistake about it, some economic activity was lost forever because of the difficulties in keeping the shipping lanes open. Steel that had been ordered was not made, which means either some products were not produced or made with foreign steel. Worst yet, some North American products were outright replaced with imports. We estimate the lost business revenue topped $700 million."

Weakley acknowledged the winter of 2013/2014 was particularly harsh, but warned that there are very few options for customers needing cargo that is blocked by ice. "The reason so many steel mills and powerplants are located on the waterfront is so they can benefit from the efficiencies of waterborne commerce. The U.S. Army Corps of Engineers has estimated that Great Lakes shipping annually saves its customers $3.6 billion compared to the next least costly mode of transportation. But many of these mills and powerplants lack rail access. Others have limited rail access, but the railroads have little if any capacity to spare right now. The cost of new rolling stock and rail connections could only be justified by long-term contacts, not by spot market moves to fill a temporary gap in deliveries."

"During World War II, Congress authorized the first icebreaker MACKINAW for Lakes service, and that vessel was in operation from 1944 until the new MACKINAW joined the fleet in 2006. While the world has changed much since 1944, the need to move cargo during periods of ice coverage is even greater now than then. We need a twin to the MACKINAW and another 140 to complete the U.S. icebreaking fleet and more Canadian assets on the Lakes."

OUR PERFORMANCE

For the first quarter ended March 31, 2015, the Otsi Keta Focus Fund was up 3.94%. Year to date the Fund is up 3.94%. Since inception, the Fund has returned 83.09%. All of the Otsi Keta Focus Fund numbers mentioned are net of all fees and expenses. Please see the table below to review the performance of Otsi Keta Focus Fund Limited Partnership.

Fund Name	Morningstar Rating	ROR 1st Quarter 2015	ROR YTD Mar. 31, 2015	ROR From Inception (May 7, 2010)
Otsi Keta Focus Fund Limited Partnership*	**3 star**	**3.94%**	**3.94%**	**83.09%**
Russell 2000 Index (^RUT)	N/A	3.99%	3.99%	86.36%
Russell 2000 Value (^RUJ)	N/A	1.50%	1.50%	63.12%

Sources: Morningstar, Otsi Keta Capital, Yahoo Finance, Russell Investment
*Note: All OKFF performance data is shown net of all fees and expenses.

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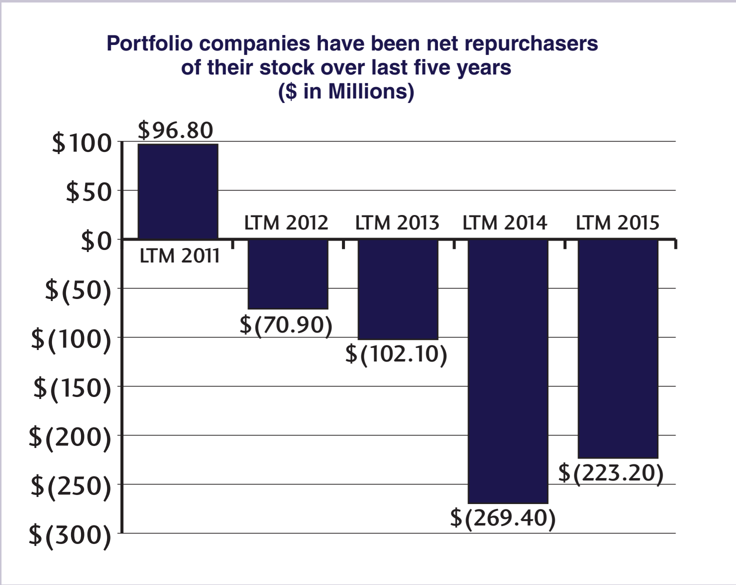
Where is some of that operating cash flow being invested? Share repurchase. As value investors, we hold stocks we think are worth more than they are selling for today. When companies in the portfolio embark on share repurchase programs, we are always supportive. Companies in the portfolio continue to initiate repurchase programs and grow earning-per-share economics by reducing the number of shares outstanding of their stock.

Markets will always be turbulent, and negative stories will always crowd out positive stories. We try to stay focused on finding and investing in companies that have the potential to compound capital and improve per-share economics. As for the current negative macro sentiment, if it keeps some investors out of the market or from thinking about fundamentals, we can live with that.



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