OTSI KETA QUARTERLY

OTSI KETA CAPITAL

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

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QUESTIONS...

Contact us at:

312.473.3982
888.563.7349

F. William Schwarz, III
bill@otsiketacapital.com

Frederick P. Rollins, Jr.
fred@otsiketacapital.com

ON THE ROAD

For our long-time readers, it is no surprise that we have affection for businesses that help other businesses make more money. We are big fans of productivity and the benefits it brings—to society generally and company profits specifically. When you help a company produce more or improve its margins, they tend to appreciate your help, and that often translates into higher and more sustainable margins. The proverbial win-win situation.

In August, we had the opportunity to visit with the senior management of Wabash National, a commercial semi-trailer manufacturer and an Otsi Keta Focus Fund holding. If you recently have driven on a highway, you have undoubtedly passed or been passed by a trucker pulling a 53' Wabash dry van semi-trailer or a Beall tanker. The firm sold 57,000 units last year and has the leading market share nationally.

We believe that meeting and spending time with the managers of the companies we invest in is an important part of understanding risk. There are four areas we focused on during the visit: current product portfolio, supply-chain initiatives, product pipeline and ability to manage through slower economic conditions. We were pleased with the additional clarity we gained in each of the areas we probed.

Over the next five years, the company expects to grow its earnings by 90% and sales by 50%. Our estimates for the firm aren't quite that high, but for a company selling at 10 times earnings, we see solid value. The firm's growth plans will require both organic growth and tuck-in acquisitions. The product portfolio and development pipeline includes innovation.

On our visit, we reviewed a new 53' dry van semi-trailer that weighed 10,980 pounds. Trailers in this category usually weigh closer to 14,000 pounds. Empty trailer weight matters a great deal to Wabash National's customers. Lighter trailers mean greater payloads, as most shippers cube out before they weigh out. Said differently, for the average customer, weight is a semi-trailer's trailer's shortcoming, not space.

Two major drivers in the industry should become medium-term tail winds for Wabash. New regulation will require customers to upgrade trailer aerodynamics. Wabash has a full line of add-on aerodynamic accessories that address fuel efficiency required by phase II GHG standards. Next year, it is also expected that DOT regulations will allow tandem pup trailers to go from 28' to 32', driving modest incremental volume.

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OUR OPINION

From time to time we deem it necessary to weigh in on the macro landscape of the marketplace. Throughout our five and one half years, the markets have given us reason to share our thoughts. This happens to be one of those times, again. And, don't worry; this will not be our last foray with this opinion piece.

The Fed made a huge mistake last week with their decision to keep rates unchanged, in our opinion. The world was looking for a sign of strength from the lead country, and we decided to continue our hiatus. Moving rates up one-eighth of a point would have been better than doing nothing. The unintended consequences created by this error in judgment allowed the world to read that the domestic economy of the United States isn't that robust.

Now I can think of dozens of topics to complain about around the United States currently (taxes, healthcare, debt??), but it certainly does not appear that the country is slowing down. We could also have a letter that is 20 pages deep discussing our feelings around the efficiencies of our public sector. And the election, don't get us started.

Back to the Fed. Our Federal Reserve chairperson has put the country into a corner. Coming out and raising rates in October will only seem reactionary to the lack of move in September. Raise again in December, and you now look like you were asleep at the switch in September.

Bottom line, we love the companies in the portfolio (I am back to my comfort zone). Some companies were on sale in August; well the deal has become even better in some instances in September. We are being very proactive with the Fund's cash to redeploy into sound midwestern holdings. We also realize that we have never called the bottom, ever. Which means patience will have to be a virtue once again, as we wait out the irrationality of the market's pricing.

We continue to be excited for the future, and we trust you are as well. If you need some reassurance from time to time, you have our contact information, and we would be pleased to speak with you. If you have been monitoring us from afar, give us a call. We think your timing should be good, if you share our timeline for success.

The Window Indicator

As the third quarter winds down, we continue to observe an active fleet of United States, Canadian, and other countries flagged ships ply the waters of the Great Lakes. The season continues to be active with some nuances that are new to this season. Let us walk you through some of our observations as we gaze out the window.

First, we have seen a curtailing of windmill equipment on decks of freighters, indicating that the wind farms created in the states or provinces surrounding the Great Lakes are nearing capacity. Though our opinion has never been pro wind farms (due to high costs of the electricity that they create and the inconsistency that they run), they have been adequate producers of local work. The focus in the area now revolves around the future of coal-fired power plants. We will continue to monitor the winds of change in the United States, because Ontario is out of the coal-fired business.

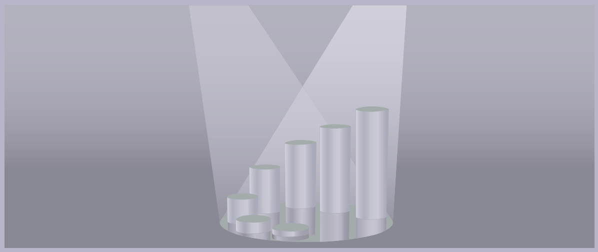
Second, the iron ore hauling trade continues to move along at a muted pace. The foreign dumping of steel on our shores has driven the price of steel and other by-products of ore down, but the demand of steel-based finished goods continues to be good domestically (see auto sales). This will keep the ships hauling throughout the season.

Note: An indicator that a ship is hauling ore would be the pinkish or orange dust that is permanently fixed to the hull of the ship. This by-product is a result of the loading process at the docks in Lake Superior.

Lastly, we are seeing a continued trend to make the fleet more economical (see previous letters over new ships being built in China dry-docks) and more environmentally friendly. Private shipper Interlake Steamship Company, based in Middleburg Heights, Ohio, is currently in the middle of a $100 million improvement process for their nine Great Lakes freighters. Scrubbers are being installed in most of their ships to improve emissions, and they were the first company to create a hybrid freighter last season through retrofitting.

The investment made into fleets by the remaining shippers bodes well for an industry that has leveled off over the last decade. The numbers of North American ships that are needed during the season continue to be steady and necessary for the industry that is located at the bottom of the Great Lakes.

We will continue to monitor the bills in Congress to improve the locks, and aid shipping through new icebreakers. These will be important investments to a business that is unique to our area and vital for a healthy United States. Until next quarter, happy fall!



Portfolio Spotlight

Magnetek Inc. (ticker: MAG)

Business:

Magnetek provides digital power control systems to control motion and power primarily in material handling, elevator and mining operations. It offers power control and delivery systems, and solutions for overhead material handling applications (think cranes) used in industries that include aerospace, automotive, paper and logging, to name a few.

Stock-Market Value:

$188.9 million ($50.00 per share)

What's Happening:

On September 1st Columbus McKinnon Corporation (NASDAQ: CMCO) agreed to purchase all the outstanding shares of one of the fund's holdings, Magnetek Inc. (NASDAQ: MAG), based in Menomonee Falls, WI.

Key Numbers:

Under the definitive agreement, Columbus McKinnon will acquire all of the outstanding common stock of MAG for $50.00 per share in cash. The purchase price represents a 55.04% premium over the 30-day average closing stock price of $33.25 as of July 24, 2015, and enterprise value/EBITDA multiple of 12.1 times. The deal has closed.

Investment Thesis:

Otsi Keta believed Magnetek's application to the industrial and material sectors would prove a winning, cost-cutting strategy over the long-term. The company's ability to deliver a high-value product to working environments not only increased production, but also lessened worker downtime through the innovated technology that guided cranes across shop floors. This combination won over both business teams on the front line and the front office. Unfortunately, Columbus McKinnon recognized this same advantage shortly after we started acquiring the shares, as their purchase looks to be accretive by $0.40 in its first year to their company.

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The big potential, long-term industry disruptor is the changing delivery model for consumers. As more retail consumption gets shipped directly to consumer's homes, the need for "final mile" trailers and shipping containers will grow dramatically. These new body configurations represent a new market for Wabash's capabilities. The company has been ramping up their investment in this area, but we think the economic benefits are still well in the future.

After meeting with management and touring two manufacturing plants, we remain bullish, continue to see value in Wabash and think it will outperform its industry both in market share and earnings growth. As always, we are long-term oriented and can't predict when or if the market will recognize the value we see in the near-term.

OUR PERFORMANCE

For the third quarter ended September 30, 2015, the Otsi Keta Focus Fund was down 11.56%. Year to date the Fund is down 10.17%. Since inception, the Fund has returned 58.23%. 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	ROR 3rd Quarter 2015	ROR YTD Sept. 30, 2015	ROR From Inception (May 7, 2010)
Otsi Keta Focus Fund Limited Partnership*	**(11.56)%**	**(10.17)%**	**58.230%**
Russell 2000 Index (^RUT)	(12.22)%	(8.63)%	63.72%
Russell 2000 Value (^RUJ)	(11.21)%	(11.40)%	42.39%

Sources: Morningstar, Otsi Keta Capital, Yahoo Finance, Russell Investment
*Note: All OKFF performance data is shown net of all fees and expenses and is based on an investment between $250,000 and $999,000.

OKFF Portfolio Allocation by Sector

		OKFF Portfolio (Equity Weights)	Russell 2000	Weighting against benchmark
CYCLICAL (%)		**41.61**	**43.42**	**(1.81)**
	Basic Material	13.16	4.45	8.71
	Consumer Cyclical	28.45	14.16	14.29
	Financial Services	-	15.50	(15.50)
	Real Estate	-	9.31	(9.31)
SENSITIVE (%)		**47.74**	**33.38**	**14.36**
	Communication Services	3.54	1.26	2.28
	Energy	-	2.72	(2.72)
	Industrials	39.46	13.34	26.12
	Technology	4.74	16.06	(11.32)
DEFENSIVE (%)		**10.64**	**23.21**	**(12.57)**
	Consumer Defensive	5.73	4.21	1.52
	Healthcare	4.91	15.50	(10.59)
	Utilities	-	3.50	(3.50)
	Not Classified	-	-	-
Portfolio Statistics		**OKFF Portfolio**	**Russell 2000**	
	Price/Perspective Earnings	11.25	19.74	
	Price/Book Ratio	2.80	2.10	
	Return on Assets %	9.20	2.20	
	Return on Equity %	17.50	3.40	
	Return on Capital %	12.70	4.40	
	Total Enterprise Value/EBITDA	8.60	12.30	
	Projected EPS Growth - 5yr %	12.76	11.97	
	Dividend Yield %	1.22	1.54	
	Average Market Cap $mil	559.42	1,474.41	

Otsi Keta Capital, LLC
110 South Third Street
Suite 206
Saint Clair, MI 48079

888.563.7349
312.473.3982

F. William Schwarz, III
Partner
direct: 810.247.3133
bill@otsiketacapital.com

Frederick P. Rollins, Jr.
Partner
direct: 810.357.8566
fred@otsiketacapital.com

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