OTSI KETA QUARTERLY

Twenty-Seventh Edition - January 2017

OTSI KETA CAPITAL

Q4 2016

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

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QUESTIONS...

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CLARIFYING CHOICES

Measured risk is a path to growth

We believe the most challenging decisions can be tackled using the right framework. The difficulty lies in finding a framework that exposes the important factors—providing greater clarity while diminishing random noise. Experience remains the best oracle for organizing our thinking into a winning framework. When it comes to managing our partners' capital, as well as our own, we focus on clarifying the choices.

Investors have been navigating through a difficult period for our economy. In recent years, investor and business confidence have remained low. Given the environment, companies invested little in capital assets and repurchased significant amounts of their own stock. Not to revisit bygone times, but "you didn't build it" was not an awe-inspiring mantra, encouraging people to invest in the future. Many people saw the national framework of higher taxes, greater regulation, expanding entitlements and zero percent interest rates, then retreated from equities. The future looks different today, uncertain as always, but optimism has begun to creep back into conversations and conference calls.

We will not be changing our strategy based on the new winds that are blowing. Our measured risk approach and focus on small capitalization companies works in all weather conditions. We believe measured risk provides the best path to growth and capital appreciation. We expect the economy to grow faster over the next six years than the previous six years. The rising tide of real economic growth should enhance the strengths of our investing framework.

The Fund's success requires the constant balancing of risk with return. We are less concerned with short-term volatility than the risk of permanent capital loss. A significant portion of risk comes from the critical state of the business you are investing in, at the time of the investment. Don't get us wrong, we love growth, but lack of growth doesn't typically kill you unexpectedly. So, as investors, we strive to clarify the choices that add or reduce risk. Companies with high unfunded pension liabilities add risk. Companies where management owns significant common stock reduce risk. Companies carrying high debt loads add risk. Companies with high net cash positions reduce risk. Paying a high valuation when initiating a position can reduce your margin of safety if you are wrong. Our goal is always the same: to compound our investors' capital, while taking measured risks.

Our results on the following page compare our gross returns and the gross benchmark returns, as well as show our annual net returns to limited partners. The Fund's annualized net returns to investors, after all fees and expenses, has been 11.23% since inception.

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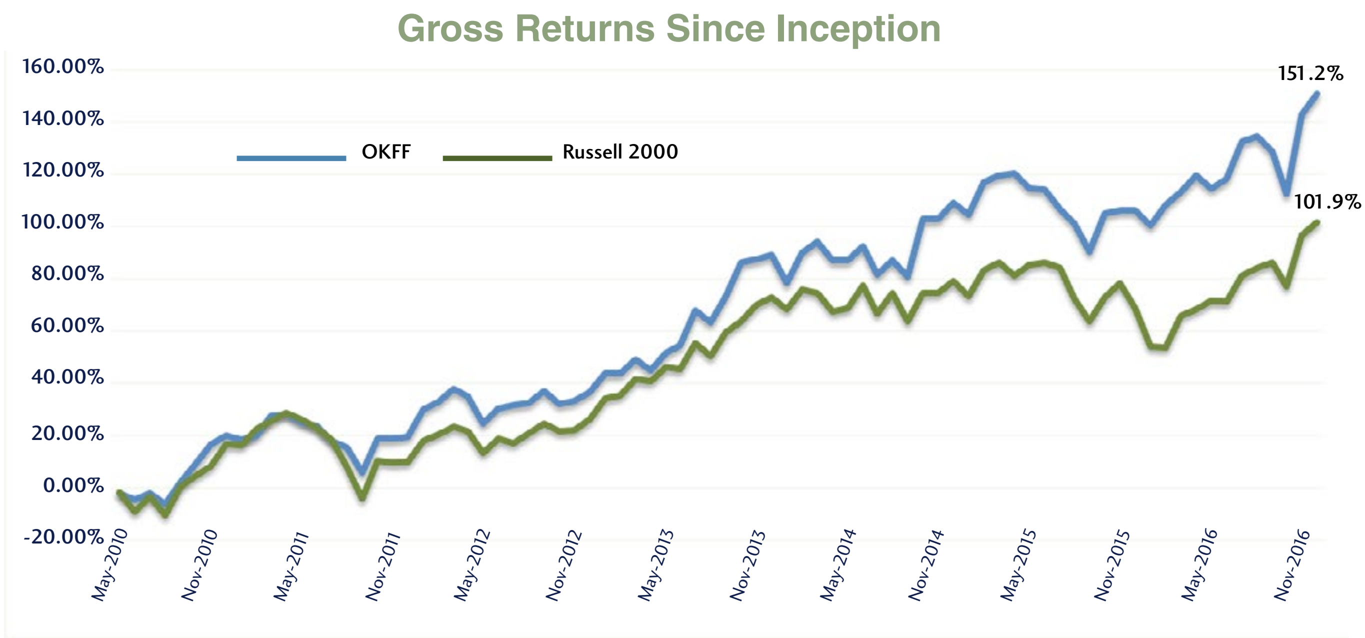
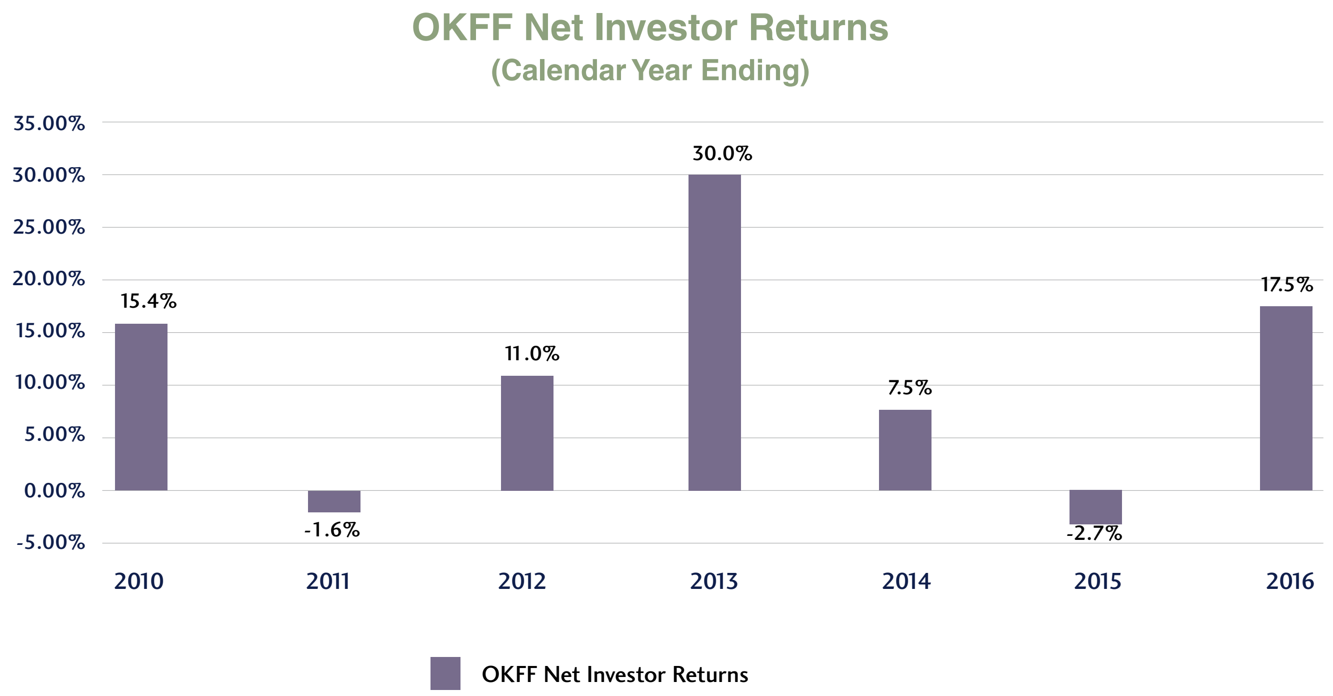
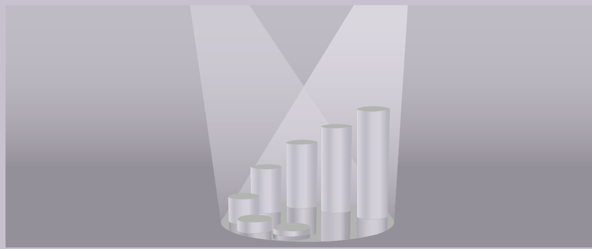


While past returns are no guarantee of future results, we are pleased with the results we have achieved. We remain optimistic about the current market conditions and opportunities to successfully deploy new capital. There will inevitably be ups and downs in the market, but historically for us, the ups continue to outperform the downs.





Portfolio Spotlight

Inteliquent (ticker: IQNT)

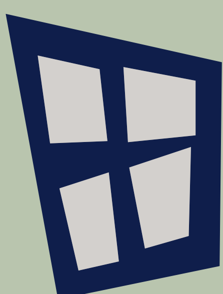
Business: In 2003, when Inteliquent was known as Neutral Tandem, they created an independent tandem backbone network—the first of its kind—that streamlined call routing across wireless, cable and broadband networks. From day one, the focus was on doing this one thing well. That vision allowed them to quickly grow to be the largest provider of tandem network services in the United States. The simplest way to think about their core business: they let people with different mobile service providers connect to each other. Mobile providers use Inteliquent because they don't like relying on their competitors to originate and terminate their customers' calls efficiently.

Stock-Market Value: $790.3 million ($22.90 per share)

What's Happening: On November 2, 2016, Inteliquent agreed to be acquired by an affiliate of GTCR, a Chicago-based private equity firm, and merged with a subsidiary of Onvoy, a fast-growing communications enablement provider owned by GTCR.

Key Numbers: Under the definitive agreement, GTCR will acquire all the outstanding common stock of IQNT for $23.00 per share in cash. The purchase price represents a 37% premium over the previous day's closing stock price. The buyout values the company at roughly 9.4 times enterprise value/EBITDA based on LTM. Inteliquent is one of the fund's holdings and is based in Chicago, Illinois. We are in support of the deal, which is expected to close in the first quarter of 2017. The firm acquired most of its position below $10 per share.

Investment Thesis: Otsi Keta believed IQNT was well positioned to benefit from the proliferation of wireless communication and networked devices. The core problem of efficiently connecting across competitor networks will remain a challenge even as the shift from wireline to wireless slows. The firm developed the market and maintained a leadership position. The businesses economics are compelling, with the firm typically converting 30% of its revenue into free cash flow. The firm also was supported by a strong balance sheet with net cash more than $100MM.



The Window Indicator

As the inauguration was winding down on January 20, so was the Great Lakes shipping season. Another year goes in the books, as the locks in Sault Ste. Marie closed for annual repairs on January 17 and the lakers head toward ports to relieve crews and get proper outfitting for another season. This year was not a record setter by any stretch of statistics. U. S. steel mills struggled early in the year with imported competition. And, the agricultural crops did not have a banner year for exporting due to the strong dollar and good crops globally. A middling year still brought good employment to the Midwest on the boats and around ports and provided plenty of reasons to bring back the boats for another year. On the plus side, there were quite a few foreign vessels sighted out the window during the summer. This also was due to the strong U.S. dollar and the continued need for domestic goods to serve the global economy.

During the Christmas season, a standing tradition on the lakers has been decorating the boats in some fashion. In years past, this typically was a tree stationed on a part of the ship's superstructure and possibly some lights. In recent times, this tradition has faded along with the traditional less efficient boats on the Great Lakes.

However, this season brought back all those childhood memories. The laker Alpena came sailing up the St. Clair River on the evening of Christmas Eve. Its pilot house was festooned with Christmas lights. A tree was decked out amidships, and a large wreath-like decoration hung from the stack in the aft. What a sight to observe! It made Christmas unique again along the shores of the St. Clair River.

2017 is setting up to be an above-average year. The tailwinds are being felt in the steel industry, and the need for coal along the shores of the Great Lakes and abroad is not waning. Depending on the strength of the dollar, the demand for coal could be tempered. The consumer in the United States is showing no signs of slowing down. Imports from the ocean-going ships should remain robust. This will drive goods being shipped out as well, as these boats unload in port and rarely go home empty.

There have been no recent updates to the progress of the Soo Locks upgrade. This remains a priority for local politicians, and we should wait and see the agenda of the new administration. It certainly is an important issue for Great Lakes commerce. There also has been no news around the updating of fleets in the off season. It looks to be a typical winter.

Well, until March 25, the window will be observing only the occasional ice breaking. Though based on recent weather, the Coast Guard could be saving a lot of federal money this year on fuel. Until the second quarter letter, when the window opens, have a safe and happy winter!

OUR PERFORMANCE

For the fourth quarter ended December 31, 2016, the Otsi Keta Focus Fund was up 7.94%. Year to date the Fund was up 17.54%. Since inception, the Fund has returned 101.48%. 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 versus competitive indexes.

Fund Name	ROR 4th Quarter 2016	ROR YTD Dec. 31, 2016	ROR From Inception (May 7, 2010)
Otsi Keta Focus Fund Limited Partnership*	**7.94%**	**17.54%**	**101.48%**
Russell 2000 Index (^RUT)	8.43%	19.48%	101.88%
Russell 2000 Value (^RUJ)	13.50%	28.92%	87.76%

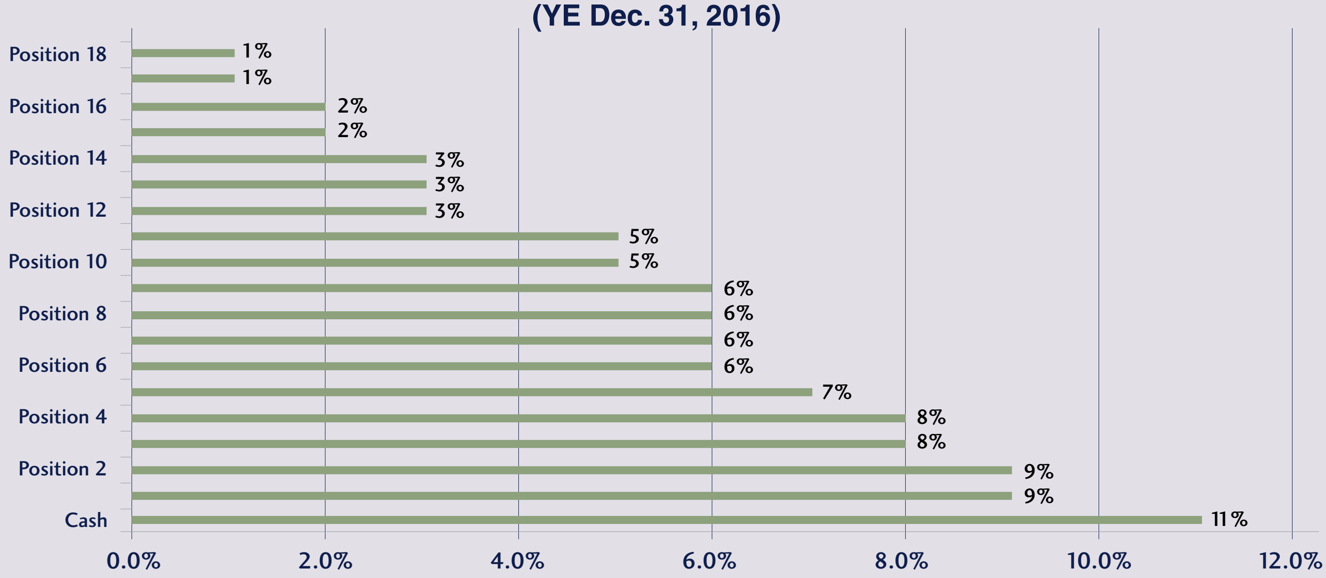
Sources: Otsi Keta Capital and Russell Investment
*Note: All OKFF performance data is shown net of all fees and expenses and is based on an investment with the maximum charge of 1.5%/20%.

The fourth quarter saw the market catching up to our portfolio as certain sectors rallied. Financials took off after a Trump victory in November. We were confident that our portfolio was well positioned for any outcome in November. It turned out better than anticipated as our returns were up over 12% during that month.

We spent the last part of the year re-evaluating holdings that had run close to our fair value estimates. Carrying a larger than normal cash position into 2017, the portfolio is poised to add a couple new holdings. Fortunately, we have been evaluating some names and look ready to invest at the right price. 2017 looks to be a good year, though we have that opinion at the start of every year. If you know what a company is worth and you have done your homework, there is always reason to be excited for the coming year. Here's to a great 2017!

Otsi Keta Focus Fund's Position Size

(YE Dec. 31, 2016)



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