OTSI KETA QUARTERLY

Forty-second Edition - January 2021

OTSI KETA CAPITAL

Q4 2020

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

IN THIS ISSUE...

QUESTIONS...

Contact us at:

312.473.3982

F. William Schwarz, III
bill@otsiketacapital.com

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

"For some organizations, near-term survival is the only agenda item. Others are peering through the fog of uncertainty, thinking about how to position themselves once the crisis has passed and things return to normal. The question is, 'What will normal look like?' While no one can say how long the crisis will last, what we find on the other side will not look like the normal of recent years."

– Written 11 years ago by Mckinsey Managing Partner Ian Davis

LOOKING THROUGH THE NOISE

Well, 2020 is behind us, and speaking for most, we say good riddance. Let's dispense with the lengthy recap—the Fund had a very good year—and discuss where we go from here. Volatility will remain high for an extended period, created by macro events like the Georgia runoffs, presidential transition, neverending international flare-ups and vaccination rollouts. We remain optimistic around global economic growth and business profitability improvements as the year progresses.

A great deal of government life support was provided in 2020 with the intention of supporting the economy. There will eventually be a price that has to be paid for saving the citizenry and economy from a shutdown-induced depression. In the long term, that price will be higher taxes and eventually slower growth. In the medium term, we expect stocks will continue to benefit from the liquidity injections. The amount of support was of such a scale and scope that it will likely take years, not months, to see its full impact.

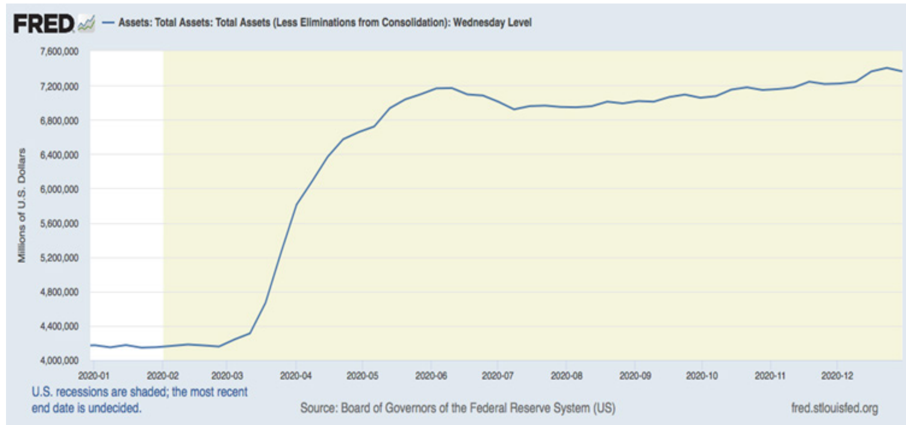
The first graph on the following page is the Federal Reserve's balance sheet. The balance sheet basically tracks the amount of Treasury securities the Federal Reserve owns. When the Fed buys bonds and puts them in their account, they are essentially injecting money into the economy. Every bond they buy was owned by an investor, and those investors now have cash in their account to spend or reinvest dollar-for-dollar.

Not all of the Fed's purchases will result in new liquidity for the markets—some will be reabsorbed as broker-dealers, hedge funds and institutions buy up newly issued debt. Fed purchases added to stimulus programs like the $2 trillion Cares Act and pushed $5 trillion into a $21 trillion economy. This is more than five times as much help as was provided during the great recession, and it is happening on a global basis, not just here.

Continued on page 2...

Continued from page 1

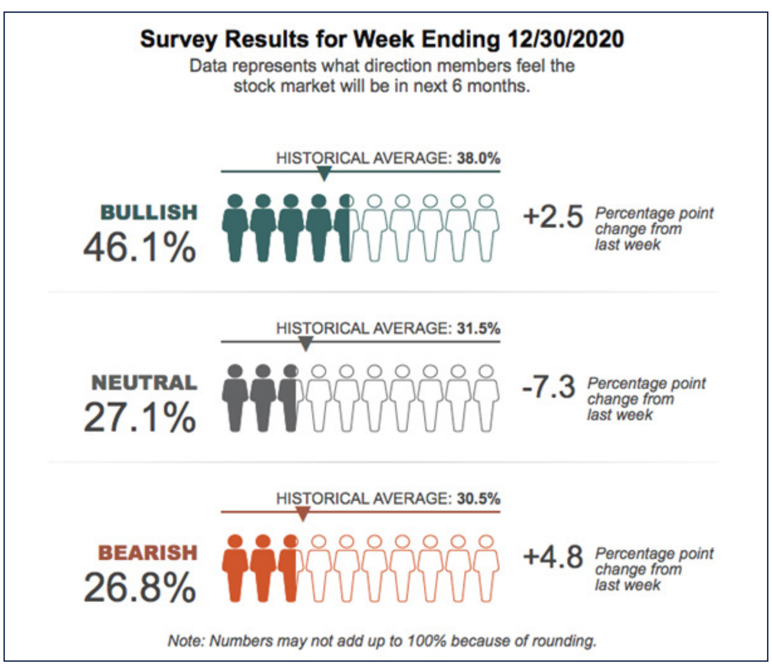
If COVID-19 winds down as we hope, the global economy will reopen together. There have been only a few times when the globe has had synchronized growth, WWII the most noted. Strong global growth should create an improved business environment domestically.



You would expect interest rates to be higher, but they're not. Real rates are below zero. In an expansion, rates should rise, but with central banks around the world easing and buying almost all of the new debt issued, rates remain low. The second chart at the right shows a proxy for the real interest rates, or nominal rates minus inflation. Real rates have declined over the last two decades.

Improved growth and negative real rates make the economic backdrop supportive of asset prices.

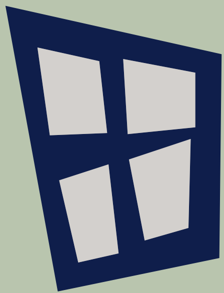
What could go wrong? As usual, a lot could go wrong. In the short-term, it is the stuff we can't plan for or predict: problems with the vaccine rollout, rocky presidential transition, global strife, etc. The issues we have our eyes closely on are tax policy and regulation. We believe the biggest tax risks will be capital gains and estate taxes. They both make for good sound bites and always sound limited in human targets. As usual, we expect any tax increase to be retroactive to the beginning of the year. As we mentioned earlier, we don't have to pay for COVID-19 relief today, but we will definitely be paying for it. Higher taxes will pay part of the bill. We expect regulatory changes to be focused in the education space, energy, big tech and immigration.



Investor sentiment isn't something we track religiously, but after a big rally, we—like most—can't help ourselves. We prefer the world to be bearish; it is when you get the best deals. At the left is a chart from the American Association of Individual Investors. They survey their members weekly on sentiment, and we thought we would share it with you. Historically, investors are about evenly split between bullish, neutral and bearish. Today, investors feel more bullish and less bearish.

When you add it all up, we think there is more positive than negative in the year ahead. And, one thing we are absolutely certain about is…there will be surprises.

The Window Indicator



The third and fourth quarters saw a steady pace of activity outside our window. Shipping kept a steady drumbeat of action as the economy continued to recover from the imposed shutdowns.

One of the beneficiaries this year was grain activity. The port in Thunder Bay, Ontario has reported strong activity all season long, as their numbers have exceeded its five-year average. Demand from Europe, the Middle East and Africa have led to the port to exceed all other reports over the last 20 years. This demand has brought over 150 international vessels and over 300 North American vessels into the port. The Port of Thunder Bay is projecting final numbers of 10 million metric tonnes for the first time since 1997.

Those seeing decreases in demand were:

- The domestic steel industry: impacted in the third quarter of 2020 by international closures as mills in Indiana were idled and part of the fleet that supplied their raw materials was prematurely laid up for the season.
- Limestone: experienced about an 11 percent decrease in demand from 2019. This is no surprise as it is a mineral used in steel making. Used in blast furnaces, limestone binds with silica and other impurities to remove them from the iron.

Also of interest outside our window:

The Interlake Steamship Company will be welcoming a new ship to its fleet in the summer of 2022. The Mark W. Barker will be launched in 2022 and be primarily used for the hauling of salt; not a popular cargo for steel-hulled freighters. The president of Interlake, the boat's namesake, explained recently that salt is a very profitable cargo to haul. We will look forward to seeing this 639-foot vessel in the next couple years.

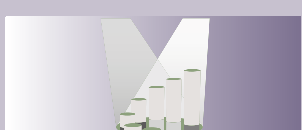
Ice, always an unwelcomed sight this time of year, is starting to appear in Lake Superior. The Coast Guard has been proactively sending cutters north to stem the effects mother nature can have on shipping. So far, the lake and ports along the coasts of Ontario, Wisconsin, Michigan and Minnesota have remained open. It looks promising for the season to close without major delays. Also, the water levels in the Great Lakes, which affected shipping all season long, is finally subsiding (thank goodness). We were afraid for a time this summer that the water might start washing up and into the Window!

The Soo Locks are on schedule for their annual winter closure and are gearing up for construction of a new lock, thanks to congressmen like retiring MI-District 10 Representative, Paul Mitchell. "The new lock at the Soo is in the first phase of construction, so no special preparations are needed or planned this year," said Mark Awbrey, who is chief at the new Lock. "The Corps of Engineers planned a winter-season suspension which will begin mid-December. Work will resume in April 2021. The project's first phase to deepen the upstream channel began this summer with the expected completion by November 2021. The project's second phase to stabilize the existing upstream approach walls will also begin in April 2021. The project's final phase constructing the new lock chamber is nearing design completion, with the site mobilization scheduled Spring 2022."

Regular maintenance to the Poe Lock will happen during the annual closure period; January 15 to March 25. The Corps of Engineers is not expecting any issues that would delay the reopening of the Lock for the 2021 shipping season.

Well, with that, we'll put a bow on the 2020 shipping season. What a year it has been! We look forward to reporting what we see outside our window in the second quarter newsletter. Happy New Year!

Portfolio Spotlight



Apogee Enterprises, Inc.

Business Description: A Minneapolis, Minnesota-based company that designs and develops glass and metal products in the United States, Canada and Brazil. The company operates in four segments: Architectural Framing Systems, Architectural Glass, Architectural Services and Large-Scale Optical Technologies (LSO).

The company's products and services are primarily used in commercial buildings, such as office towers, hotels and retail centers; and institutional buildings, comprising education facilities, healthcare facilities and government buildings. It markets its architectural products and services through direct salesforce, independent sales representatives and distributors to glazing subcontractors and general contractors; and value-added glass and acrylics through retail chains, picture framing shops, and independent distributors to museums, shops and galleries. The company was founded in 1949.

-from S&P Capital IQ site

Catalyst: A company transitioning from the large-scale high-end commercial building markets to the mid-tier and lower-end buildings. Apogee is creating a hub-and-spoke approach with their products and facilities that will serve markets in the future. Expansion in their operations around high-growth parts of the country (Texas and Florida) will serve the business well going forward.

The company remains a disciplined steward of shareholder's capital with targeted share repurchases and meaningful cost savings.

OUR PERFORMANCE

For the fourth quarter ended December 31, 2020, the Otsi Keta Focus Fund was up 24.04% versus the Russell 2000 Value Index up 30.99%. Since inception, the Fund has returned 245.56%. All 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 2020	YTD 2020	Since Inception Annualized	Since Inception
Otsi Keta Focus Fund Limited Partnership*	**24.04%**	**35.45%**	**12.33%**	**245.56%**
Russell 2000 Index (^RUT)	30.99%	18.36%	10.63%	193.78%
Russell 2000 Value (^RUJ)	32.72%	2.38%	7.11%	108.07%

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%/10%.

Fund Activity

Market volatility continued to influence the portfolio in the fourth quarter—for the continued good of our partners. Continuing our nimble approach to buying and selling allowed the Fund to realize much of the profits that were generated. Here's a look at the activity during the third and fourth quarters:

Portfolio Highlights

Position	Activity	Comments
Apogee Enterprises, Inc.	Initiated/Added	See "Portfolio Spotlight" on the previous page.
Compass Minerals Internatl., Inc.	Initiated/Added	Unduplicatable material company with the largest salt mine on the Great Lakes. Also, a profitable nutrition segment.
The Greenbrier Companies	Added	Rail car and barge manufacturer with superior management team and strong product breadth and depth.
Great Lakes Dredge and Dock	Initiated/Added	Domestic dredging operation that services primarily saltwater ports in the U.S. Tides and storms provide the continued need for business.
Limbach Holdings, Inc.	Initiated	Excellent financials in a recovery play—commercial construction.
Miller Industries	Added	Premier player in the tow truck market. Older portfolio holding that is well run by the Miller family.
Nathan's Famous, Inc.	Initiated	Excellent financials in a recovery play that serves the retail grocery segment, franchising and standalone restaurants. Iconic brand.
Onewater Marine, Inc.	Initiated	One of the top boat dealers representing multiple lines and demographics in the U.S., primarily servicing east of the Mississippi. Believe demand will continue to flourish in 2021.
Meridian Bioscience	Initiated	Excellent financials representing an entry into the healthcare sector. Former holding with updated management and a compelling story for 2021 and beyond.
DCP Midstream Partners LP	Trimmed	Midstream pipeline company in the middle of the U.S. Trimmed due to appreciation (9%+). Continued strength in 2021 seen.
Group 1 Automotive	Exited	One of the top car dealer networks in the U.S. Exited due to valuation.
Johnson Outdoors	Exited	Unique player in the outdoor recreation space. Exited due to valuation.
Mastercraft Boat Holdings	Exited	Midwest-based boat builder serving the tow boat, pontoon, fishing and luxury day-boat markets. Existed due to valuation.
MYR Group, Inc.	Trimmed	A Midwest-based construction company servicing the energy generation sector. Trimmed due to appreciation (9%+).
Unisys Corporation	Exited	Midwest-based technology company. Exited due to concerns over a legacy pension that was capped as planned.
Verso	Exited	A paper mill company that downsized through sales, then didn't execute on their turnaround plan. COVID-related pressures on their business.

Conclusion

The markets made for a wild ride in 2020. Activity at the Fund remained at a heightened pace throughout the year; all in the name of maximizing return for our partners. We admit that "seeing around the corner" was much more difficult this year. In the end, our results were positive. And, we feel the portfolio is well positioned for 2021 and the new administration in the U.S. We look forward to the first quarter with anticipation.

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

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

OTSI KETA CAPITAL