OTSI KETA QUARTERLY

Forty-third Edition - April 2021

OTSI KETA CAPITAL

Q1 2021

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

IN THIS ISSUE...

QUESTIONS...

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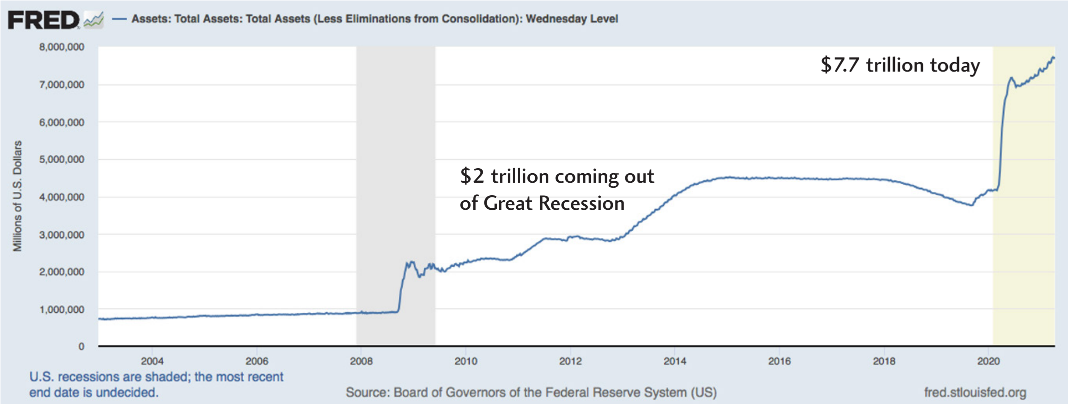
"History makes it easy for us to forget how unpredictable the world looked beforehand. So, we come up with reasons to explain the outcomes that appear as if they were inevitable."

— Michael Mauboussin

HOW MUCH STIMULUS CAN THE MARKET HANDLE?

The fund had another very strong quarter. As always, we recommend caution in projecting long-term returns from short-term periods. Our performance was driven broadly across the portfolio with a few names lagging and a few leading. In the quarter, market sentiment began to catch up to the underlying fundamentals of many of our industrial holdings. We continue to expect strong underlying economic growth throughout the rest of the year, as well as continued improvements in underlying business profitability.

We do not believe peak earnings have been achieved for this cycle. The size of the stimulus packages passed and proposed, as well as the expansion of the Federal Reserve's balance sheet, are going to fuel earnings and growth take a long time.

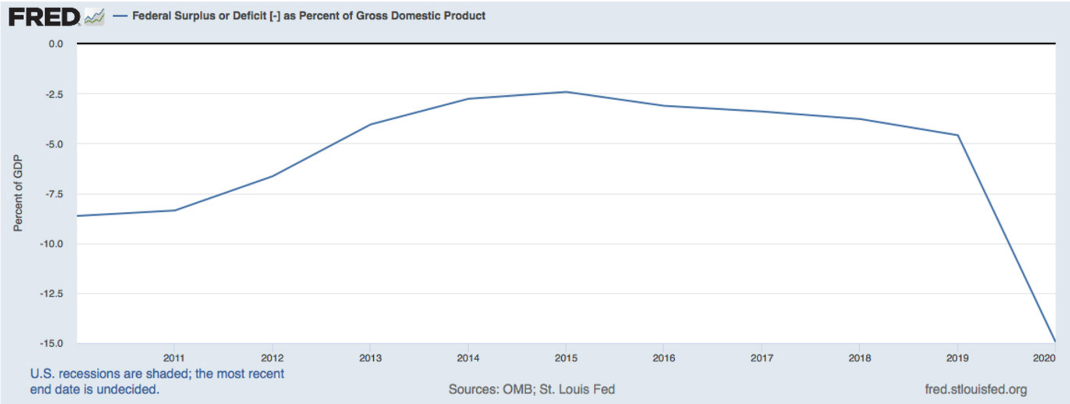


Our prospective is that analysts and pundits are underestimating the nominal economic growth of the country. The economic growth is being driven by pent up reopening demand and the amount of government stimulus, which is concerning because it may not be sustainable. The new paper income and wealth being generated by government programs will effectively support asset prices in the near term, while adding very little to our long-term standard of living.

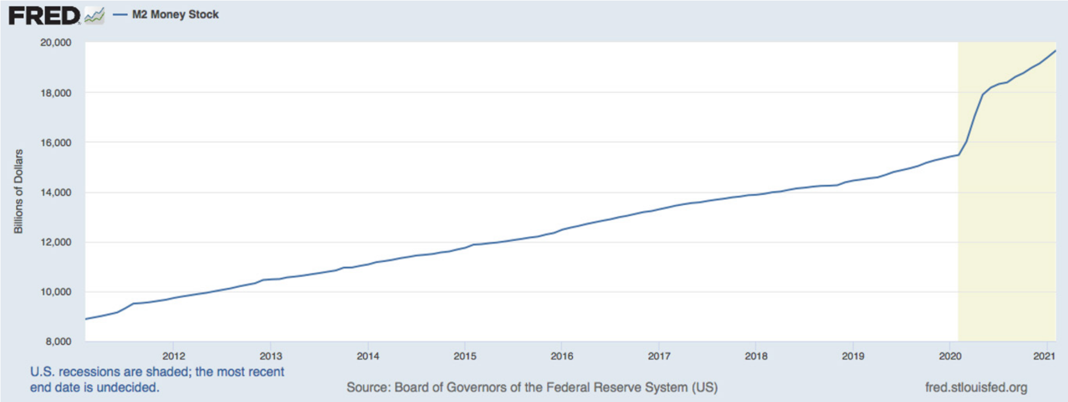
Continued on page 2...

Continued from page 1

Coming out of the pandemic, it was absolutely necessary for the government to provide stimulus to citizens and businesses. People have referred to the pandemic as a war; we think that's accurate. As with any war, it's important how you pay for them. In the case of the United States, we have three ways to pay for significant spending programs: we can borrow, we can tax or we can print. Today, we have chosen to borrow and print.



Given the challenging political situation in our country today, it is more than likely we will choose to exploit our currency to support the Treasury as opposed to raising taxes to pay for our spending. Tax increases are not easy to pass—ever. The tables above and below show the increases in the amount of money (M2) in circulation, as well as the federal budget deficits relative to our economy.



It is best to think of inflation not as a result of things getting more expensive, but rather as your money losing its value. It will help you focus on the right villains. COVID-19 showed us how a pandemic can crush a nation. Prior to pandemics, inflation was the assassin that could cut a country to the quick. Inflation destroys wealth and prosperity, while turning all possible segments of society against each other. Inflation doesn't always strike the mortal blow, but it certainly softens the battlefield.

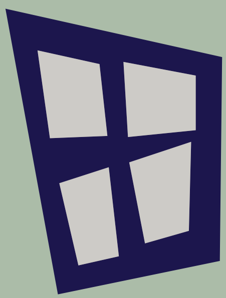
As adults, we are wired to look for cause and effect in every situation. Most investors, ourselves included, see the long-term problem of borrowing from our children and printing currency well in excess of economic growth. The disconnect comes in the realization that what is occurring, while morally objectionable, is not going to be bad for equity price appreciation.

Well-managed businesses with quality products, some level of pricing power and a strong balance sheet will be better positioned to withstand a higher inflationary environment compared to bonds or cash deposits.

It is unlikely the current policies will cause a precipitous drop in the value of equities—quite the opposite. The concern is more clearly that current policies create an environment where the critical factors that drive standard of living are discouraged. When a nation's standard of living declines, it is highly predictive of economic and political unrest.

Standard of living largely flourishes in places where choice is allowed to drive competition, competition forces innovation and innovation makes things better, cheaper and faster. Fictitious income driven by cheap money never improves a person's standard of living.

The Window Indicator



The first quarter of shipping was quiet. Of course, this was no surprise, as the locks were closed for maintenance through the winter and the Great Lakes do not provide consistent conditions to navigate due to ice. The traditional commerce that is done in January and February is the hauling of light petroleum and salt. Those industries mirrored hauling in 2020. The window stayed mildly active.

From the Lake Carriers' Association: "The U.S.-flag Great Lakes fleet continues to invest heavily in their ships and the region.

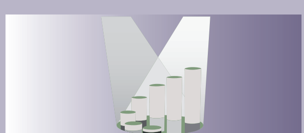
This year alone, U.S. Great Lakes shipping companies will invest nearly $87 million in their vessels at shipyards and facilities across the Great Lakes. That includes over $36 million in Wisconsin, $33 million in Ohio, $13 million in Pennsylvania and over $4 million in Michigan. The work includes replacing steel plating, engine overhauls, navigation equipment updates, and conveyor belt repairs and replacements.

The conveyor belt work is critical, as the U.S. Great Lakes fleet of ships are unique with their ability to unload massive amounts of bulk cargo without shoreside assistance. The innovative self-unloading technology allows a 1,000-foot ship to unload 70,000 tons of cargo in eight hours. "A ship can arrive in the middle of the night with cargo at any number of Great Lakes port facilities, unload before sunrise and shoreside workers awake to a huge stockpile of raw material critical to their operations positioned perfectly on the dock," stated Jim Weakley, President of the Lake Carriers' Association.

Ships that are 40 and 50 years old, or even older, continue to sail the Great Lakes efficiently because of annual maintenance work performed by Great Lakes shipyards paid for by the U.S.-owned, U.S.-operated and U.S.-crewed vessel operators. The freshwater of the Great Lakes allows vessels to sail for decades, while ocean carriers must completely replace their vessels frequently due to the corrosive nature of saltwater and a system built around disposal and replacement over maintenance, unlike the Great Lakes fleet.

The end of March saw the opening of the locks on the Great Lakes with iron ore traffic being slightly above 2020 numbers. All indications point to a better-than-average year, if all of the economic projections hold as we reopen as an economy. We will keep a watch out the window. See you in Q2.

Portfolio Spotlight



Great Lakes Dredge & Dock Corporation

Business Description:

A Houston, Texas-based corporation that provides dredging services in the United States. Originally based in Illinois, the company's name was derived from the lakes that it initially serviced.

The company now engages in capital dredging that consists of port expansion projects, coastal restoration and land reclamations; trench digging for pipelines, tunnels and cables; and other dredging that pertains to breakwaters, jetties and canals, primarily in salt water. The company was founded in 1890.

-from S&P Capital IQ site

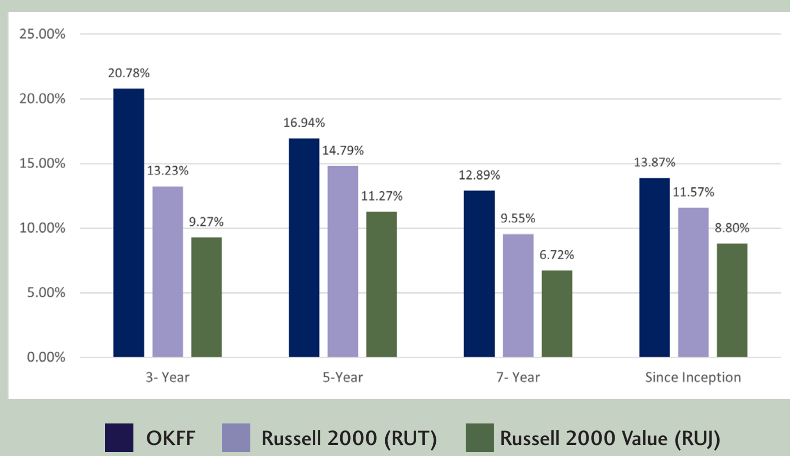
Catalyst:

One of the few large-scale dredging companies in the United States, Great Lakes Dredge & Dock competes with many sub-scale operations. A well-managed and fundamentally sound business that is constantly expanding their fleet. Natural conditions, like tides and hurricanes, provide a steady source of business annually. Their scale provides the ability to be competitive in larger projects.

OTSI KETA FOCUS FUND

Annualized Returns vs. Benchmarks

Inception May 7, 2010 - Q1 2021



OUR PERFORMANCE

For the first quarter ended March 31, 2021, the Otsi Keta Focus Fund was up 19.45% versus the Russell 2000 Index up 12.44%. Since inception, the Fund has returned 312.78%. 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 1st Quarter 2021	YTD 2021	Since Inception Annualized	Since Inception
Otsi Keta Focus Fund Limited Partnership*	**19.45%**	**19.45%**	**13.87%**	**312.78%**
Russell 2000 Index (^RUT)	12.44%	12.44%	11.57%	230.32%
Russell 2000 Value (^RUJ)	20.71%	20.71%	8.80%	151.17%

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 first quarter:

Portfolio Highlights

Position	Activity	Comments
Great Lakes Dredge and Dock	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.	Added	Excellent financials in a recovery play—commercial construction.
Ocean Bio-Chemical Inc.	Initiated	Packaged goods business centered around the outdoor recreation space, specifically the RV and boating segments. Good fundamentals and strong product line.
Onewater Marine Inc.	Added	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	Added	Excellent financials representing an entry into the healthcare sector. Former holding with updated management and a compelling story for 2021 and beyond.
Sanderson Farms	Added	One of the top chicken processors in the country with a strong brand and management. Good inflationary hedge.
Smith & Wesson Brands Inc.	Initiated	Well-known, outdoor enthusiast brand name with strong fundamentals and management. Second go-around with the company.
UFP Technologies Inc.	Trimmed	Midwest and East Coast packaging company that serves the medical, automotice, industrial and defense sectors. Trimmed due to valuation.
Virnetx Holding Corp.	Initiated	Interesting patent play in the application software sector. Undervalued.
MYR Group, Inc.	Trimmed	A Midwest-based construction company servicing the energy generation sector. Trimmed due to appreciation.

Conclusion

We feel the portfolio is well-positioned for 2021 and the new administration in the U.S. We added a couple of new names to the portfolio in the first quarter, while trimming some due to valuation. We continue to look for opportunities amongst the noisy bull market. The second quarter and beyond in 2021 should be similar.

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