OTSI KETA QUARTERLY

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OTSI KETA CAPITAL

Q1 2025

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

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QUESTIONS...

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REAGANOMICS REVISITED: BALANCED YET OPTIMISTIC

We're fairly certain the 47th president isn't a genius, but his unpredictability has proven a potent weapon in global trade negotiations. In the first quarter of 2025, his tariff strategy caught us off guard—we leaned the wrong way, and our results suffered for it. That we weren't alone in misjudging the move offers little comfort. Initially, we viewed tariffs as mere bargaining chips, lacking the vision to see their potential for broader impact. Real change. Now we are rethinking that stance. Despite the skeptics, we see an attractive economic path forward in the U.S.' 2025 playbook—its focus on self-reliance, national sovereignty and lower government spending could deliver real change, outpacing the doubts of those who cling to conventional wisdom.

In our daily work evaluating companies, we often split a prospective company's efforts into two buckets: maintaining the status quo and driving significant transformation. Incremental improvements keep a business steady, but jumping from the bottom tier of financial performance to the top demands bold, structural shifts. The same applies to nations.

The U.S. has rolled out hefty tariffs—125% on Chinese imports, 25% on steel and aluminum and 25% on non-USMCA goods from Canada and Mexico, with a 10% levy temporarily for the EU. Academics warn of stagflation and trade chaos, but these measures could ignite domestic production more than expected, shielding industries from cheap imports and fostering a manufacturing resurgence that defies the pessimistic forecasts of theorists detached from practical outcomes.

President Trump's economic vision hinges on clear goals: repatriating jobs, cutting dependence on foreign powers,nd bolstering national sovereignty. His tariffs aim to flip the script on decades of offshoring, making imports pricier than homegrown goods—a blunt instrument, no doubt. Critics slam the approach for risking supply chain upheaval and retaliation, yet the intent holds water. In a world rattled by geopolitical tensions—China's tech rise, Europe's energy woes—self-sufficiency is a logical play. Even if the tariff sledgehammer rankles, the push to revive Rust Belt factories and secure key sectors like semiconductors aligns with a nation weary of outsourcing its core strengths.

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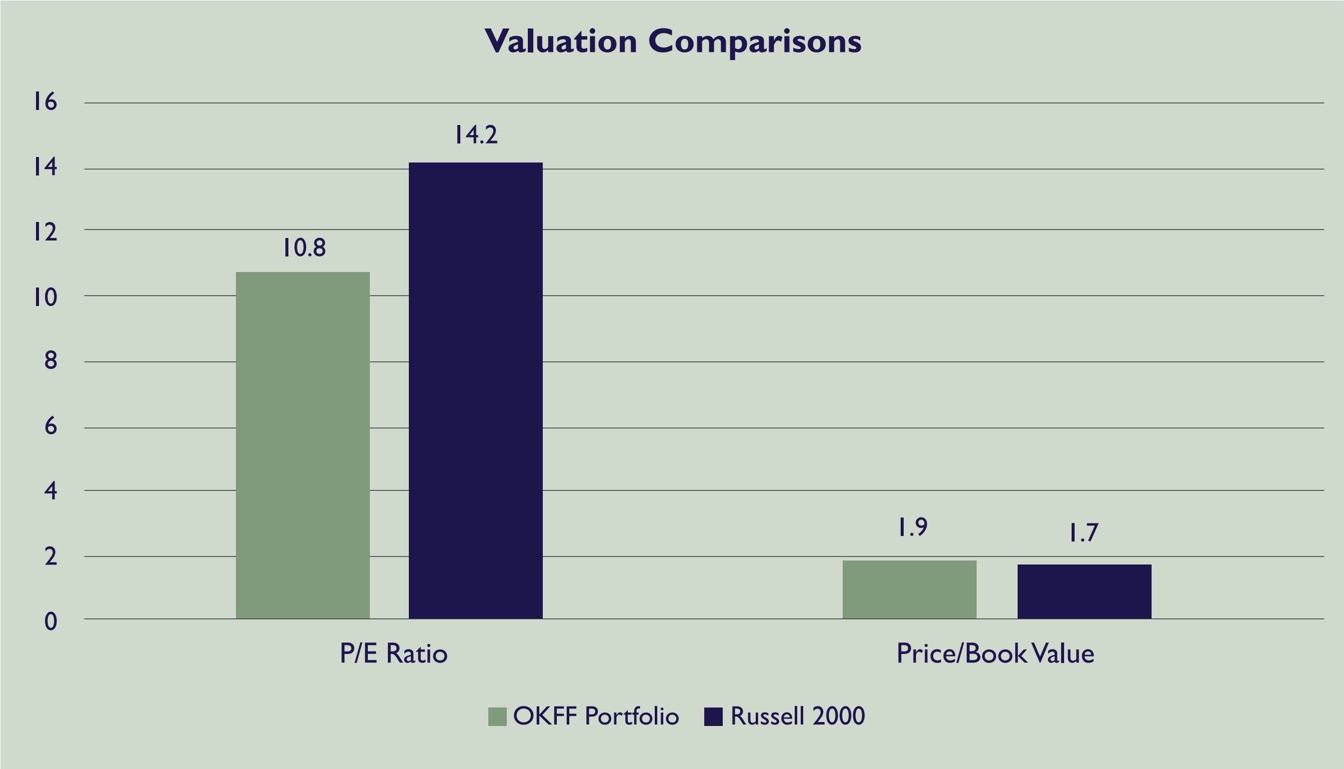
Trump's secondary aim—flexing economic muscle to reshape global trade deals—carries a practical edge, even if the rollout feels messy. He bets short-term pain (higher prices) will yield long-term leverage, pressuring allies and rivals alike with moves like 25% tariffs on EU cars or threats to Japan. Detractors hate the strong-arm tactics, but the reasoning stands: why go soft in a cutthroat global game? If successful, the U.S. could call the shots on trade terms. Dislike the bluster, and the goals still make sense in a less cooperative world. The academic class, stuck on textbook scenarios, might miss how businesses adapt—say, pivoting to U.S. suppliers under 25% tariffs on Canadian lumber—shrinking trade deficits faster than anticipated. The U.S.' current boldness might just prove more potent than the consensus expects, tapping into an adaptability that turns big risks into bigger rewards.

We are a domestic portfolio and are wired tightly to the performance of the United States. What is good for the U.S. has often been good for our investment performance. The portfolio has priced in a significant amount of bad macro news, much of which will not turn into bad individual company performance. Knowing what you own and why you own it doesn't prevent bad outcomes, but does create the conviction necessary to stay the course when adversity hits.

From a value perspective, the portfolio is attractive. We own low-debt, high-quality balance sheets. We are optimistic for the remainder of the year.



Nobody is happy when markets drop, but what was flashing yellow a month ago is starting to look green.

The Window Indicator: Q1 2025 Update

Shipping Season Begins

The Great Lakes shipping season is underway! The Soo Locks opened on March 21, 2025, and the St. Lawrence Seaway followed on March 25, marking the end of winter slowdowns. While shipping never fully stops, activity drops significantly when ice clogs the waterways. Now, with the locks open and ice mostly cleared, vessels are moving steadily past our window.

Lock Maintenance and First Vessels

The Poe Lock in Sault Ste. Marie underwent routine maintenance, with approximately $3 million invested to ensure smooth operations. The Erie Trader, a tug and barge combo, was the first to pass through at 8 a.m. on opening day. Similarly, the St. Lawrence Seaway completed standard upkeep, with the articulated tug and barge Everlast and Norman McLeod leading the way through the locks.

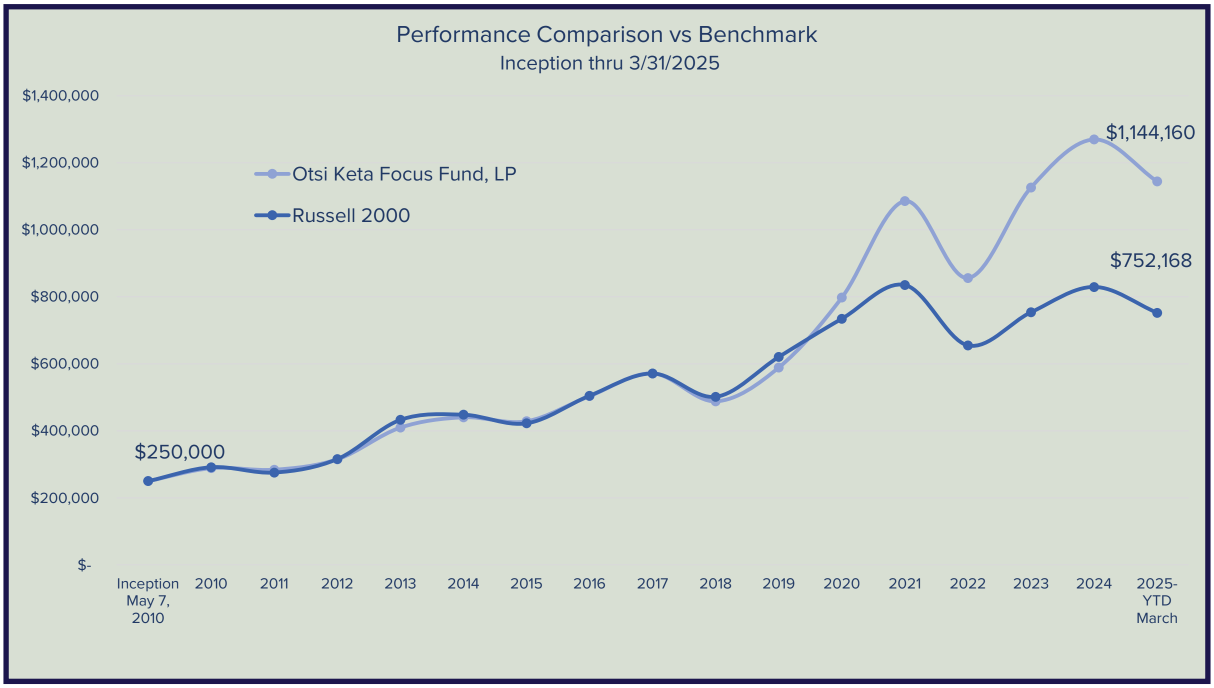
Fleet Activity

Major Canadian shipping companies—Algoma Central Corp, Lower Lakes Towing and Canada Steamship Lines—have their fleets out of dry dock and active on the Great Lakes. U.S.-flagged freighters are also navigating the waters. However, we've noted the absence of Interlake Steamship Company's Mesabi Miner and Paul R. Tregurtha at the time of writing. This could be due to a reporting delay, and we'll keep monitoring for updates.

Did You Know?

- **Active Lakers:** The Great Lakes fleet, known as "Lakers," currently numbers fewer than 140 active vessels, down from about 300 in the mid-20th century. These U.S.- and Canadian-flagged freighters, including self-unloading bulk carriers and straight-deck vessels, are tailored for the Great Lakes-St. Lawrence Seaway system. Larger ships (over 1,000 feet) are limited to the upper lakes (Superior, Michigan, Huron and Erie) due to lock size restrictions.
- **Cargo Volume:** The fleet handles around 81.4 million tons of cargo annually across thousands of trips. U.S.-flagged vessels carry roughly two-thirds of this total, underscoring their critical role in the region's trade.

Until next quarter!



OUR PERFORMANCE

"Trust in the system of global trade has been shattered and will require pain and patience to repair. Inflation, recession or worse could result. But positive surprises could also materialize.

If you overhaul your entire portfolio in response, you aren't just acting as if you know what the market is going to do next, which is close to impossible. You're also acting as if you know what Donald Trump is going to do next—which is impossible."

-Jason Zweig, *The Wall Street Journal*

Fund Name	ROR 1st Quarter 2025	Since Inception Annualized	5-Year Annualized	Since Inception
Otsi Keta Focus Fund Limited Partnership*	**(9.87)%**	**10.73%**	**21.33%**	**357.66%**
Russell 2000 Index (^RUT)	(9.28)%	7.67%	11.90%	200.98%
Russell 2000 Value (^RUJ)	(8.24)%	6.01%	12.93%	138.76%

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%/10% from inception, May 7, 2010. The figures are blended with a former maximum charge of 1.5%/20%.

Otsi Keta Focus Fund Q1 2025 Performance Update

For the first quarter ended March 31, 2025, the Otsi Keta Focus Fund declined by 9.87%, compared to a 9.28% decline in the Russell 2000 Index. Since inception, the Fund has achieved a net return of 357.66%, after all fees and expenses. We remain committed to measuring our performance against the Russell 2000 Index, the benchmark established at the Fund's inception, to provide a clear and consistent gauge of our progress.

Portfolio Activity and Positioning

This quarter, we trimmed select holdings that reached or exceeded our fair value estimates, building a modest cash reserve by the end of March. Our fair value calculations are grounded in current financials and conservative projections of future performance. In some cases, we retain partial positions above fair value when supported by strong company backlogs or optimistic guidance, signaling potential for sustained growth.

Tariff Exposure Analysis

As a fund invested in U.S.-based public companies, we face new considerations with the evolving U.S. economic policies, particularly around tariffs. Estimating exposure is complex, as some holdings have overseas operations or joint ventures that produce and sell locally or regionally. The application of tariffs in these scenarios remains uncertain, adding a layer of unpredictability.

After analyzing our portfolio—reviewing each holding's share of total assets, studying company 10-K filings and investor presentations, and factoring in unknowns—we estimate that 15% to 17% of the portfolio's business is potentially affected by these policy changes.

Market Outlook and Strategy

Markets often react irrationally during periods of uncertainty, and we anticipate volatility as these policies unfold. Rather than broadly retreating, we're taking a precise approach, seeking opportunities to add or initiate positions where value emerges. While we aim to be prudent, we're mindful of the risk of being overly cautious and missing potential upside. Time will reveal the market's direction.

Our Commitment

We manage your investments with the same care and conviction as we do our own, investing alongside you as partners. Our goal is to navigate this period thoughtfully, emerging stronger, better informed, and ahead of our benchmark.

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