

Q4 2025

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

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QUESTIONS...

F. William Schwarz, III
bill@otsiketacapital.com
810-247-3133

Frederick P. Rollins, Jr.
fred@otsiketacapital.com
810-357-8566

“Investors think far less than they think they think.”
— John Kearen

ONWARD...

2025 was another good year for the Otsi Keta Focus Fund; our returns outperformed the major averages and nearly doubled our benchmark. Details on our performance can be found on the last page of the letter. Today we remain as committed to our process and responsibilities as we were when we began almost 16 years ago. In that time, we have learned to have a good bit of humility when handicapping the year ahead. As 2026 kicks off, we feel comfortable saying we are optimistic and expect higher-than-usual volatility driven by the tug of war between a strong U.S. economic backdrop and a world arguing with itself.

Earnings were stronger than the market expected in 2025. Many market forecasters are pointing to elevated multiples as a cause for concern. We are not seeing that in our portfolio. Below is a table looking at the portfolio's starting P/E for the last seven years. What jumps out is how stable P/E levels have been in our portfolio.

YEAR	PORTFOLIO JAN 1ST P/E	NEXT 12 MONTHS PORTFOLIO RETURNS
2026	12.3	TBD
2025	12.8	19.9%
2024	11.7	12.7%
2023	11.2	31.5%
2022	15.2	-21.1%
2021	17.3	36.1%
2020	13.3	35.5%

We like the economic backdrop as 2026 gets underway. Recent GDP and productivity numbers have come in stronger than expected, and that should continue to lift domestic-oriented businesses—the kind of companies that make up the bulk of our portfolio.

That said, the global competitive landscape is shifting in meaningful ways. We never take those forces lightly, even as we keep macro considerations secondary in our process. Over the next 18 to 24 months, we expect three themes to move front and center:

1. A growing recognition that the European Union (EU) is losing ground—both economically and geopolitically—in a world that increasingly rewards speed, scale and innovation.
2. U.S. companies have built exceptional balance-sheet strength. Through years of deleveraging and the virtual elimination of legacy pension deficits, management teams have the firepower to invest aggressively in new technologies and growth opportunities.
3. The U.S. healthcare system remains fundamentally misaligned, with costs far outrunning the benefits delivered—an issue that will demand serious restructuring in the years ahead.

These crosscurrents reinforce our longstanding focus on resilient, well-capitalized American enterprises that can compound value through cycles and structural change.

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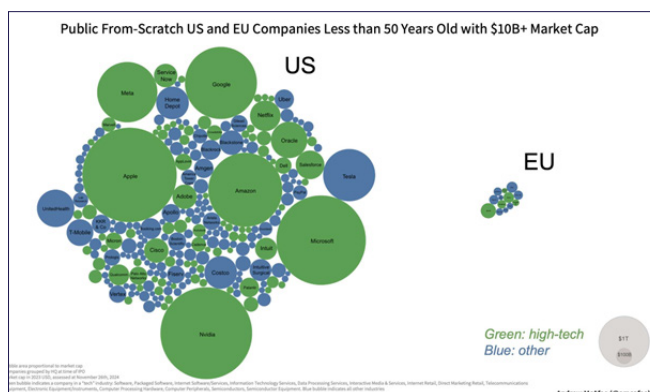
THE EU

One of the most important structural shifts playing out right now is the growing gap between the U.S. and the EU in economic vitality, growth and innovation leadership.

For decades, the EU's combined GDP roughly matched or even edged out the U.S., and the EU appeared to hold comparable global influence. That picture has changed decisively. Powered by rapid advances in AI, semiconductors, biotechnology and energy production, the American economy has pulled ahead in scale, momentum and wealth creation. Capital, talent and new businesses have flowed disproportionately to the U.S. Meanwhile, the EU has been held back by regulatory complexity, underinvestment in defense and infrastructure, unfavorable demographics and lingering energy constraints. The result is a clear and widening divergence.

This isn't just a matter of statistics—it is reshaping alliances and opportunities worldwide. The EU has become more reliant on American security, technology platforms and investment. Global standards in data, AI and critical supply chains are increasingly set in Washington, DC and Silicon Valley rather than Brussels. Emerging markets in Asia, Africa and Latin America are taking notice, tilting toward partnerships with a faster-growing, innovation-rich U.S.

For investors focused on domestic-oriented businesses, this rebalancing is a meaningful long-term tailwind. The rewards of technological progress and economic dynamism are accruing disproportionately to companies operating inside the U.S. ecosystem. It's another reason we remain optimistic about the ability of American enterprises to compound value in the years ahead.



PENSIONS AND DEBT

One of the most underappreciated tailwinds for corporate America over the past 15 years has been the dramatic improvement in defined-benefit pension plans.

Back around 2010, in the wake of the financial crisis, many plans were deeply underfunded—funded ratios typically in the 70-80% range—with low interest rates and market losses creating large balance-sheet liabilities and ongoing cash drags. Fast forward to the end of 2025, and the aggregate funded status of U.S. corporate plans reached 104%. That's a complete reversal from deficit to surplus.

The turnaround came from a combination of forces: a long equity bull market that delivered strong returns (11% average in 2025 alone, with large caps up 18%), the sharp rise in interest rates starting in 2022 that slashed the present value of future liabilities and the fact that most plans had long ago been frozen to new accruals, capping liability growth. Many sponsors also derisked portfolios and made opportunistic contributions along the way.

The benefits for corporate balance sheets have been substantial. Mandatory contributions have largely disappeared, pension expense volatility has fallen sharply and former deficits—once hundreds of billions in aggregate liabilities—have flipped into surpluses now booked as assets. This has directly strengthened shareholders' equity, reduced

adjusted net debt and improved leverage ratios across many sectors. In a higher-rate environment, that cleaner balance sheet is a meaningful competitive advantage.

The bigger picture is that U.S. companies have shed a legacy burden that once constrained capital allocation. The freed-up cash flow and reduced financial risk give management teams far more room to invest aggressively in growth, return capital to shareholders or pursue full risk transfer through annuity buyouts. It's one more reason we remain constructive on the ability of domestic-oriented businesses to compound value in the years ahead.

THE U.S. HEALTHCARE SYSTEM IS UNSUSTAINABLE AND THERE ARE NO REAL ANSWERS

America now spends roughly 18% of GDP on healthcare—twice the OECD average—with per capita costs topping \$15,000 annually, far exceeding any peer nation. Yet the returns are starkly disappointing: life expectancy lags at around 78 years, several years behind comparable countries, while the U.S. continues to rank poorly on preventable deaths, maternal health and chronic disease outcomes. Costs are rising faster than wages or GDP, driven by administrative overhead that consumes nearly a third of spending, unchecked pricing in pharmaceuticals and hospital services and a fragmented insurance model that prioritizes complexity over efficiency.

The Window Indicator



The **Great Lakes shipping season** for the last calendar quarter of 2025 (October–December) marked the wind-down of navigation as winter ice conditions approached. The season featured a mix of activity, with ocean-going vessels (“salties”) wrapping up earlier than domestic (“lakers”), and overall

cargo tonnage showing some softness compared to prior years, though certain ports and commodities held steady or improved late in the year.

Key Closure Dates and Final Transits

- Saltie traffic largely concluded in late December 2025. For example, the final saltie of the season departed the Port of Duluth-Superior (Twin Ports) on the evening of December 23, 2025. The vessel Miedwie (Malta-flagged) left after 8 p.m. carrying durum wheat bound for Algeria. This followed a strong December at the port, with nine oceangoing vessel arrivals—the highest monthly total for salties in 2025 and marking the third straight strong December for the port.
- The St. Lawrence Seaway (Montreal-Lake Ontario section) officially closed around January 5, 2026 (with ships required to clear by 12:00 a.m. on that date), following waived surcharges for late-December transits (December 21–24) to facilitate traffic.
- Laker traffic extended longer. The Soo Locks (key for upper Great Lakes movement) saw the MacArthur Lock close earlier (in December 2024 for maintenance, but relevant for the cycle), while the Poe Lock remains open until January 15, 2026 (or until commercial traffic ceased). This allowed final laker movements into early January 2026, though the bulk of Q4 activity occurred before heavy ice set in.

Cargo and Performance in Q4

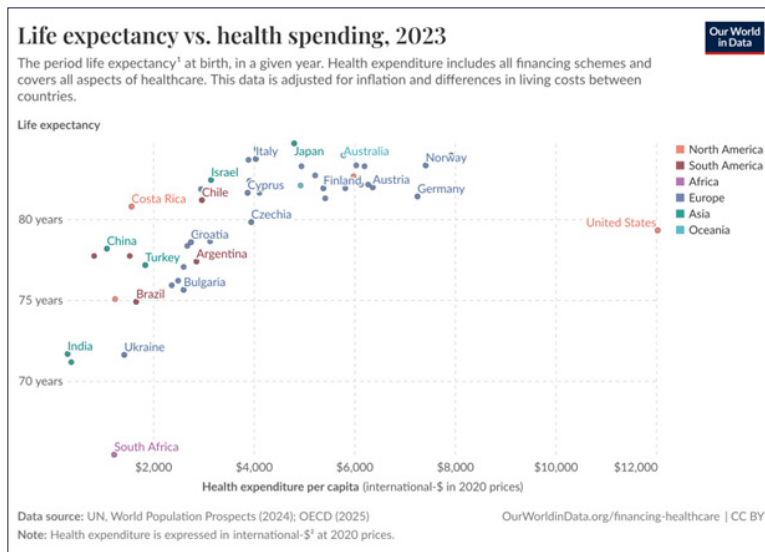
Reports indicate cargo tonnage was generally lagging compared to the same period in 2024 as the season neared its end:

- Major ports like Duluth-Superior saw gains in grain (on pace for a strong finish, the best since 2021), but overall tonnage through late fall (e.g., end of November) was down about 5% year-over-year.
- Broader Great Lakes U.S.-flag fleet shipments (tracked by the Lake Carriers’ Association) showed declines in key commodities like iron ore earlier in 2025, with trends continuing into the later months (e.g., iron ore down significantly year-to-date through prior periods, though specific October–December breakdowns were not fully detailed in available reports).
- Some ports reported closing gaps with strong December activity, potentially bringing annual totals closer to 2023 levels in spots.
- Factors included weather (milder late-2024 conditions aiding early momentum, but typical winter slowdown), commodity demand (e.g., grain up in some areas) and broader economic pressures.

Overall, Q4 2025 represented a typical seasonal close: robust late grain exports helping offset softer iron ore and other bulk movements, with saltie traffic ending strongly in key ports like Duluth-Superior before the full system shut down for winter maintenance and ice. The season highlighted the resilience of Great Lakes shipping amid variable conditions.

We are closing the curtains on the Window for 2025-26. See you in the spring!

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This mismatch is rapidly approaching a breaking point. An aging population is accelerating demand on Medicare and Medicaid, with the Hospital Insurance trust fund now projected to face insolvency as soon as the early 2030s without drastic intervention. Households and employers are already strained by soaring premiums, high deductibles and mounting medical debt, while provider burnout and access shortages compound the pressures. Absent meaningful reform, healthcare could soon claim one-fifth or more of the entire economy, crowding out investment elsewhere and threatening a crisis of affordability and access. Our three themes comprise The Good, The Less Bad and the Ugly. We look forward to sharing more of our ideas next quarter. Happy New Year.

OUR PERFORMANCE

Fund Name	ROR 4th Quarter 2025	Since Inception Annualized	5-Year Annualized	Since Inception
Otsi Keta Focus Fund Limited Partnership*	(1.04)%	12.22%	13.80%	509.03%
Russell 2000 Index (^RUT)	(1.86)%	8.69%	4.68%	269.21%
Russell 2000 Value (^RUJ)	(2.71)%	6.95%	6.62%	186.63%

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 Q4 2025 PERFORMANCE UPDATE

For the fourth quarter ended December 31, 2025, the Otsi Keta Focus Fund was down 1.04% versus the Russell 2000 Index up 1.86%. Since inception, the Fund has returned 509.03%. All Otsi Keta Focus Fund numbers mentioned are net of all fees and expenses.

Covering the portfolio for the last half of the year, due to our third quarter call with partners, tends to give us a little more ammunition for this section. It turns out there was not much to discuss. We did eliminate two names in the portfolio, Cal-Maine Foods (CALM) and Semler Scientific (SMLR). Both names aided in offsetting some profits for 2025. Semler Scientific was a name that was in play earlier this year with an offer from Strive (ASST). Unfortunately, it was an all-stock offer that didn't have the support from Wall Street. Strive's stock plummeted along with the perceived premium from Semler's stock. We exited the holding in December.

Cal-Maine was a more interesting story. We took a small tax loss for the portfolio with the name headed straight to the "bull pen" for future considerations. The company, currently the number one egg producer in the country, is working through some unrealistic expectations with year-over-year comparisons. We still believe in the management, their bullet-proof balance sheet and their business model. What we were unsure of was the Street's ability to take the share price down to very realistic expectations. The share price continues to degrade, and we believe it might find its way back into the Fund. Time will tell!

Finishing out the "sell" section, we continue to trim names that have reached their fair-value estimate. This accounted for multiple names to be trimmed as a cash need arose. We will continue to monitor these names in 2026.

On the buy side, we added two new positions in IDT Corporation (IDT) and PROG Holdings, Inc. (PRG). We also added to a current holding in Janus International Group, Inc. (JBI). Janus had drifted lower after good earnings that the Street misinterpreted, in our opinion. This allows us to bring this holding back to the five percent level for the portfolio. This door maker and technology firm for the personal storage sector remains well positioned to take advantage of a good economy in 2026.

IDT Corporations allowed us an entry into the telecommunication services sector. We think that their point-of-sale products will continue to serve a niche in the U.S. economy. We were also attracted to their solid balance sheet. PROG Holdings was an interesting company that we had been monitoring since their renaming from Aaron's Holding Company in 2020. Another point-of-sale company that provides a consumer finance option to the less served in the marketplace. This was also an investment in what should be a solid 2026.

With all that said and done, we were left with a modest amount of cash that we are happily collecting an interest rate on around 4 percent. For quite some time, we would have been in a hurry to deploy cash sitting around at zero percent. Now, we wait patiently for our next opportunity.



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

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



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

