# OTSI KETA QUARTERLY

Fifty-eighth edition – April 2026


OTSI KETA CAPITAL

Q1 2026

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

## IN THIS ISSUE...



## QUESTIONS...


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*"Buy to the sound of cannons, sell to the sound of trumpets."*
– Nathan Mayer Rothschild (June 18, 1815)

# SMALL CAP STRENGTH

This classic investing adage from Nathan Rothschild (tied to his legendary profits around the Battle of Waterloo) advises buying stocks amid the fear and chaos of war, then selling when peace returns and markets stabilize. We aren't hearing the trumpets yet. Small companies have always felt the bumps in the road more acutely than their larger counterparts—raw material costs, supply chain hiccups and borrowing expenses hit home faster when you're operating closer to the ground. As of the end of March 2026, the index finished the quarter up approximately less than 1% year-to-date after experiencing notable swings. Our portfolio was up 10.86% net of all fees and expenses.

| VEHICLE | Q1 2026 RETURN |
|---|---|
| OKFF LP | 10.86% |
| Russell 2000 | +1.0% |
| Russell 2000 Value | +4.45% |
| S&P 500 | -4.63% |

Early volatility driven by fluctuating commodity prices and persistent geopolitical headlines tested sentiment. Sticky inflation concerns from industrial metals and energy, along with supply disruptions overseas, created some headwinds.

| Commodity | Opening (Jan 1) | Q1 Peak | Late March Level | Q1 Character | Portfolio Implication |
|---|---|---|---|---|---|
| LME Copper | ~$12,470 / MT | $13,952 / MT (Jan 29 record high) | ~$11,925–$12,529 / MT | Firm & elevated most of quarter | Strongly supportive for electrification & infrastructure names |
| WTI Crude Oil | ~$58–$62 / bbl | $104–$118 / bbl (March spike) | ~$102–$105 / bbl | Sharp geopolitical volatility | Managed well by our operators; input-cost discipline key |

Our domestic-focused portfolio, however, has been built precisely for these kinds of environments. We own businesses with solid balance sheets, low debt and genuine pricing power that can absorb these pressures better than most. Knowing what you own—and why you own it—helps maintain the conviction needed when the macro noise gets loud.

Geopolitics continues to layer on uncertainty—ongoing conflicts, U.S.-China tensions and regional flare-ups keep markets on edge. Small caps carry higher beta, so they swing harder on risk-off days. Yet the Russell 2000 has shown good resilience, clawing back to positive territory by quarter-end. This underlying strength is encouraging.

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The brighter path ahead? Earnings growth estimates for small caps remain robust—potentially 17-22% this year—supported by the Fed's rate cuts easing debt burdens. Reshoring trends and the prevailing tariff environment continue to favor our domestically oriented names. While we're not ignoring recession risks some analysts continue to flag, our conviction in the specific companies we own has only strengthened.

| 2026 Earnings Growth & AI Margin Runway | | | |
|---|---|---|---|
| **Category** | **Current Operating Margin** | **2026 Consensus EPS Growth** | **AI Margin Expansion Opportunity** |
| **Russell 2000 (Small-Cap)** | ~6.0% | 17-22% | +200 bps (potential ~33% earnings uplift) |
| **S&P 500 (Large-Cap)** | ~18.0% | 13-15% | More modest gains |

## AI's Broadening Reach Is Creating Opportunities

In 2026, the AI story is evolving beyond the mega-cap headlines and into the heart of American small businesses. While the giants built the infrastructure, it is our domestic small-cap companies that are increasingly positioned to capture the real productivity gains and margin expansion that will define the next phase.

Small caps start from a lower profitability base—often around 6% operating margins versus 18% for large caps. For those keeping track at home, the OKFF portfolio average EBIT margins are more than double the small cap average. Regardless, we see more runway. Analysts project that meaningful AI adoption could deliver a 200 basis point margin lift, potentially boosting earnings by one-third for the Russell 2000. That compares favorably to the more modest gains expected from larger firms. We're seeing early signs of this in several of our industrial and infrastructure holdings.

The energy demands of AI are particularly compelling. Data centers are on track to dramatically increase electricity consumption, creating tailwinds for companies involved in grid modernization and supporting infrastructure. Names like those providing specialized components for electrical networks are seeing steady order flow as hyperscalers and smaller users alike expand capacity.

We've long believed in the power of American manufacturing and technology application at the ground level. The combination of reshoring momentum and AI-driven capital spending is broadening the opportunity set. Lower interest rates after the Fed's cuts are also helping debt-sensitive small companies deploy technology faster.

Of course, not every quantum computing or pure-play name will succeed—some valuations have run well ahead of proven business models. We continue to stick to our discipline: quality businesses with tangible revenue and margin improvement potential rather than speculative stories.

The AI trade is shifting from pure infrastructure buildout toward commercialization and operational leverage. This plays directly into the strengths of the companies we own. As always, we manage with the same care as our own capital, staying focused on long-term value creation amid the excitement.

One last thing, we are aware there is an international conflict going on; we just don't have a lot to add that you're not hearing already from the nightly news.

# NATHAN'S FAMOUS (NATH) – A TEXTBOOK WIN FOR THE PORTFOLIO

In a landmark deal announced in January 2026, Smithfield Foods agreed to acquire Nathan's Famous, Inc. for approximately $450 million in an all-cash transaction at $102 per share. The iconic American hot dog brand, whose roots date back to a humble Coney Island stand in 1916, had been a long-time licensing partner of Smithfield since 2014. The buyout now gives Smithfield full ownership and perpetual rights to the Nathan's portfolio, eliminating future licensing uncertainty and allowing deeper integration into its packaged-meats business. Analysts viewed the deal as accretive to Smithfield, with expected annual synergies of roughly $9 million and an attractive valuation multiple.

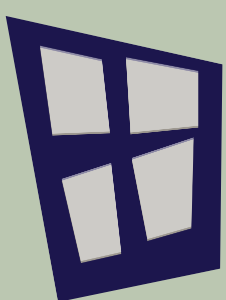
| Metric | Amount |
|---|---|
| Shares Purchased | 34,000 |
| Average Purchase Price | $55.64 |
| Average Sale Price | $101.21 |
| Realized Long-Term Capital Gain | $1,549,380 |
| Qualified & Special Dividends Collected | ~$450,000 |
| **Total Realized Profit to the Fund** | **~$1,999,380** |

For our Fund, the transaction marked the successful conclusion of one of our more nourishing holdings. Who can resist a good pun? Fair disclosure, the general partners of OKFF are big fans of the ballpark's most popular food.

Between October 12, 2020, and October 28, 2021, we accumulated 34,000 shares of Nathan's at an average price of $55.64. The business was a steady, high-quality name that fit our criteria perfectly—a well-run company trading at a reasonable valuation with a strong brand and consistent cash flow. During our holding period, the stock also delivered nearly $450,000 in qualified and special dividends to the portfolio. Then, shortly after the Smithfield acquisition was announced, we sold the entire position at an average price of $101.21. The entire capital gain was long term.

All told, this single name contributed almost $2 million in realized profit directly to the Otsi Keta Focus Fund. Nathan's became the sixteenth company to be acquired out of our portfolio since inception—clear validation of our approach: identify durable businesses that other sophisticated operators (public or private) would also find compelling. It provided steady, market-beating returns over its cycle in the Fund and served as a perfect reminder of why patience and a disciplined purchase price still matter. We were genuinely excited to see the deal close the circle in early 2026.

## The Window Indicator



The 2026 navigation season on the Great Lakes is finally underway! After the latest winter closure since 1959, the St. Lawrence Seaway and Soo Locks reopened in late March and early April. We're already seeing the first lakers and ocean-going vessels slide past our window, carrying iron ore, coal, limestone and the other bulk cargoes that keep the region moving.

Freight volumes, however, face real headwinds. U.S.-flagged carriers moved just 71.3 million tons in 2025—a 9% drop from the year before—and lower-than-average water levels this season will keep loading capacities tight. We're watching closely to see how operators manage these challenges amid shifting trade patterns and tariff effects.

The bright spot? Great Lakes cruising is on track for a record year. Economic impact is expected to top $300 million—a 25% jump from 2025—with more than 23,000 passengers and over 800 port calls. It's a welcome boost for ports and local economies across the lakes.

We'll keep our eyes focused out the window all season long. See you this summer!

| Great Lakes Shipping Snapshot - Early 2026 | | |
|---|---|---|
| **Metric** | **2025 Actual** | **2026 Outlook** |
| **U.S.-Flagged Cargo (million tons)** | 71.3 | Headwinds persist |
| **Key Commodities** | Iron ore - 10% | Water levels constraining |
| **Cruise Economic Impact** | — | >$300 million (+25%) |
| **Projected Passengers** | — | >23,000 across 800+ port calls |

# OUR PERFORMANCE

| Fund Name | ROR 1st Quarter 2026 | Since Inception Annualized | 3-Year Annualized | Since Inception |
|---|---|---|---|---|
| **Otsi Keta Focus Fund Limited Partnership*** | **10.86%%** | **12.75%** | **23.06%** | **509.03%** |
| Russell 2000 Index (^RUT) | 0.58% | 8.59% | 11.47% | 271.36% |
| Russell 2000 Value (^RUJ) | 4.45% | 7.13% | 11.29% | 199.40% |

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 2026 Performance Update

For the first quarter ended March 31, 2026, the Otsi Keta Focus Fund was up 10.86% versus the Russell 2000 Index up 0.58%. Since inception, the Fund has returned 575.16%. All Otsi Keta Focus Fund numbers mentioned are net of all fees and expenses.

The table below compares performance across five actively managed small-cap value strategies. It includes offerings from five of Wall Street's largest and most established asset managers—JPMorgan Asset Management, Goldman Sachs Asset Management, Wells Fargo Asset Management, Fidelity Investments, Wasatch Asset Management—alongside the Otsi Keta Focus Fund, L.P. While these major institutions bring substantial resources and broad market presence, Otsi Keta has produced notably stronger results across the reported periods. This performance differential illustrates the potential benefits of our relatively small size, which provides greater investment flexibility, the ability to take meaningful positions in less-liquid opportunities and nimbleness that can be difficult to maintain at very large scale in the small-cap value market. As always, past performance is no guarantee of future results.

| Fund Name | Ticker | Asset Manager | YTD Return (%) | 3-Year Ann. Return (%) | 5-Year Ann. Return (%) | 10-Year Ann. Return (%) | As of |
|---|---|---|---|---|---|---|---|
| **JPMorgan Small Cap Value Fund** | PSOAX | JPMorgan Asset Management | 3.78 | 12.81 | 5.88 | 8.56 | 3/31/2026 |
| **Goldman Sachs Small Cap Value Fund** | GSSMX | Goldman Sachs Asset Management | 4.05 | 11.06 | 4.72 | 8.09 | 3/31/2026 |
| **Wells Fargo Small Cap Value Fund** | ESPRX | Wells Fargo Asset Management | -0.03 | 6.31 | 2.84 | 7.95 | 3/31/2026 |
| **Fidelity Small Cap Value Fund** | FCPVX | Fidelity Investments | 1.90 | 11.67 | 6.86 | 9.81 | 3/31/2026 |
| **Wasatch Small Cap Value Fund** | WMCVX | Wasatch Asset Management | 0.67 | 10.57 | 3.99 | 10.00 | 3/31/2026 |
| **OTSI KETA FOCUS FUND, L.P.** | **N/A** | **Otsi Keta Capital, LLC** | **10.86** | **23.06** | **12.12** | **16.99** | **3/31/2026** |

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