OTSI KETA QUARTERLY

Fifty-ninth edition – July 2026

OTSI KETA CAPITAL

Q2 2026

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

IN THIS ISSUE...

QUESTIONS...

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

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

"The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time, and still retain the ability to function. One should, for example, be able to see that things are hopeless and yet be determined to make them otherwise."

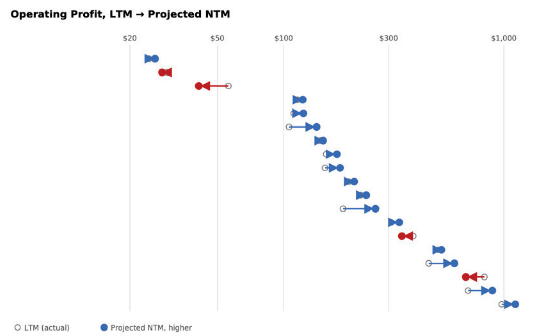
— F. Scott Fitzgerald

PROFITING FROM THE BUILD

The Otsi Keta Focus Fund delivered a strong second quarter, building on a solid start to the year. Our portfolio companies reported improved operating results, and our holdings performed well despite renewed conflicts in the Middle East, ongoing tariff uncertainty and the rapid advances in artificial intelligence.

While the market appears to have largely shaken off the geopolitical and trade-related disruptions, AI stands out as the defining secular force of our era—one that is already reshaping capital allocation, infrastructure needs and competitive landscapes across industries. Yet for all the excitement, we approach this transformation with a measured eye, recognizing that real investment outcomes will ultimately hinge not on grand projections, but on which businesses translate these technological tailwinds into sustainable cash flows and increasing operating profits.

As equity investors, we know there will always be periods of volatility and macro headlines that rattle investor sentiment. When that happens, we keep coming back to the same principle: long-term price risk ultimately comes down to the operational performance of the businesses we own. Right now, the broader market is struggling to find clarity on the future path of earnings, with AI, tariffs and geopolitical tensions all clouding the picture. The market seems to be projecting better earnings in the second half after analysts under-estimated the first half.



NTM figures are the fund's own forward operating-income estimates, not company guidance or consensus — treat as directional. One recent IPO is excluded for insufficient reporting history.

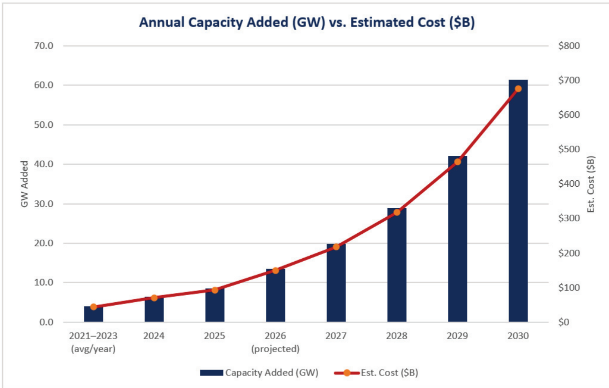
We have been well-positioned for the enormous data center buildout, but we are approaching it with a healthy dose of caution. The projections are staggering—hundreds of billions in spending and gigawatts of new capacity that seem to double every couple of years. Like many others, we are skeptical that the profits will ultimately justify the enormous investment. That said, the spending is very real. It is flowing through the U.S. economy right now, filling order books and boosting the P&Ls of many of the companies we own.

Continued on page 2...

Continued from page 1

US Data Center Build-Out: Capacity Growth & Cost Trajectory

Annual capacity additions vs. estimated construction cost (at $11M/MW)



Source: Capacity additions 2021–2026 from Sheet1; 2027–2030 are projected using the implied 2024→2026 CAGR (~45.8%). Cost estimated by applying the $11M/MW average construction cost assumption. Figures are illustrative estimates based on the underlying tables, not independent third-party projections.

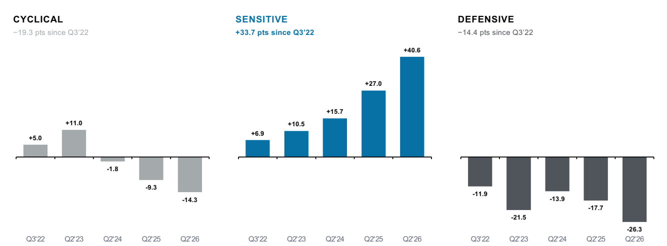
History shows that when capital floods into any single theme this aggressively, challenges inevitably appear. Power availability, grid connections, water usage, permitting delays and rising construction costs are already creating real friction. Not every announced project will get built on schedule—or deliver the returns investors are hoping for.

We have also seen a clear lag between the big project announcements, the surge in investor excitement and the actual operating profits that show up in the numbers. In our portfolio, we have benefited from rising valuations as orders are booked, but the real profits are often still years away. This has made holding and valuing some positions more challenging, since so much of the value depends on distant future cash flows. We have been concentrated in the economically sensitive areas like industrials and benefitted from the data center boom over the last few years, but we expect to trim our exposure to some of these related industries in the back half of the year.

In the end, the second quarter reminded us that while AI represents a genuine secular force, lasting investment success still depends on companies that deliver tangible operating results today rather than distant promises. We continue to benefit from the real spending flowing through the data center buildout and the less clearly defined but promising downstream opportunities it may unlock, but we are already trimming exposure where future profits feel overly dependent on sustained hype. With improved operating performance across the portfolio and a bit of dry powder earning a decent return, we feel well-positioned heading into the back half of the year. As always, our approach remains straightforward: own solid businesses at fair prices and let time separate the signal from the noise.

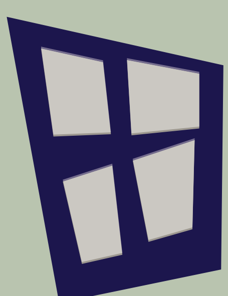
OKFF PORTFOLIO POSITIONING | VS. RUSSELL 2000, BY SECTOR CATEGORY — EXHIBIT 1

OKFF's benchmark tilt has concentrated sharply: the Sensitive overweight has grown nearly 6x since 2022, while Cyclical flipped from overweight to underweight



SOURCE: OKFF Portfolio Allocation by Sector data entry sheets, quarterly (Q3 2022, Q2 2023–2026). Values are OKFF equity sector weight minus Russell 2000 sector weight, aggregated by GICS supersector.

OTSI KETA CAPITAL | 1



The Window Indicator

The view out the window got fun fast this quarter. The locks don't open until late March, so ships don't really show up until mid-April—and 2026 was a textbook spring, with the ice clearing out in orderly fashion by late April/early May.

Lake Carriers Association numbers look promising through May: limestone dipped 8.1 percent, but iron ore climbed 8.4 percent, and the five-year average is still trending up. Watching closely.

On the tourist side, three cruise lines are now plying the Great Lakes—a nice signal on discretionary spending, and proof that what locals take for granted, the rest of the world will happily pay to see.

Making it all happen: the new lock at the Soo. Quick progress check:

The New Lock at the Soo is under construction and still on track for summer 2030.

Current Status (as of mid-2026):

- Phase 3 — the big one, the actual lock chamber—is in full swing: excavation, concrete, and mechanical/electrical work all underway.
- Milestones: tower cranes are up and running, old Sabin Lock structures cleared, hundreds of submittals approved. Passed the halfway mark in 2025.
- Contractor: KAT joint venture, with another $95M+ awarded in 2025 for Phase 3 work.
- Funding: $1.9B in so far against a $3.2B price tag—more needed to stay on schedule.

Background & Purpose:

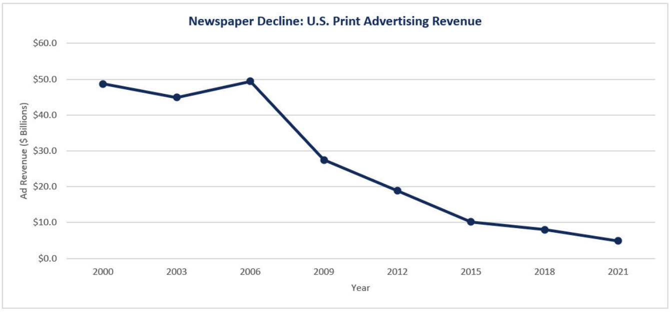
The new lock (Poe Lock-sized) replaces aging infrastructure and adds capacity for bigger ships—the first new lock here in over 60 years.

Note: The Poe Lock is running normal for 2026 (back open since late March). Construction has ramped up, so expect occasional access restrictions.

We'll keep watching from the window as summer rolls on—numbers and sunshine both look good. Here's to a strong season. See you in the fall!

AI WON'T TAKE THE WORK. IT WILL TAKE THE JOB DESCRIPTION.

The popular story that AI will wipe out human work rests on a flawed idea: that the total amount of work is a fixed pie. History shows otherwise. New tools don't just automate—they expand what's worth doing.

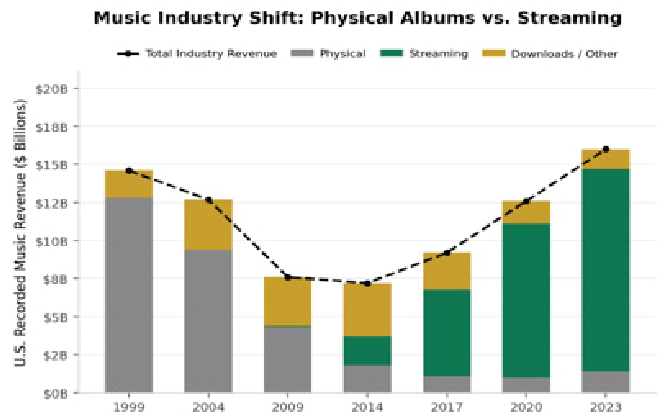


Illustrative, based on publicly reported industry trends (Pew Research Center / NAA).

We see this playing out in the small and mid-sized domestic businesses we own. Many good companies will rightly start with cost savings—using AI to handle routine tasks more efficiently. Getting the cost structure right in the transition will be critical. Looking ahead, we believe the next decade's biggest investment opportunities will lie downstream of the massive compute and data centers powering AI. Good companies will survive and prosper, but outcomes will vary widely depending on adaptability.

Consider two mental models. The internet largely crushed most newspapers. Their economics were built heavily on classified ads presented on newsprint, the internet was digital and classified ads were a loss leader, devastating revenue while offering readers far more choice and convenience.

The recording industry was a similar physical-to-digital transformation. The outcomes were different—the recording industry and many artists ultimately thrived under streaming. After an initial shock as physical album sales collapsed, labels adapted. Consumers gained enormous value through unlimited access, while the industry—thanks to high-margin streaming revenue—grew total revenues to new record highs. The technology disrupted old gatekeepers and distribution costs but expanded the overall pie for those willing to evolve.



Illustrative, based on publicly reported RIAA year-end revenue statistics.

Transitions take time, but customers in the AI age will likely move quicker. This is the lens we're applying to AI adoption. Some businesses will be like newspapers—defensive and slow to adapt. Others will be like the music labels and artists—using efficiency gains as a springboard to better serve customers and allocate capital wisely. For investors, the edge lies in identifying management teams that navigate this transition effectively.

At Otsi Keta, we continue to focus on well-run domestic companies with strong balance sheets that treat AI as a tool to strengthen their position, whether through capital returns or smart reinvestment. The work isn't disappearing. It's evolving—and the winners will be those who help shape what comes next.

OUR PERFORMANCE

Fund Name	ROR 2nd Quarter 2026	Since Inception Annualized	10-Year Annualized	Since Inception
Otsi Keta Focus Fund Limited Partnership*	**14.87%%**	**13.51%**	**15.74%**	**675.58%**
Russell 2000 Index (^RUT)	21.15%	9.75%	10.13%	349.90%
Russell 2000 Value (^RUJ)	16.64%	8.04%	8.62%	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 Q2 2026 Performance Update

For the second quarter ended June 30, 2026, the Otsi Keta Focus Fund was up 14.87% versus the Russell 2000 Index up 21.15%. Since inception, the Fund has returned 675.58%. All Otsi Keta Focus Fund numbers mentioned are net of all fees and expenses.

The Indexes had a lot of catching up to do in the second quarter to the Fund, and they put their best foot forward. This surprised us not at all as the small cap's continued their robust run compared to the other sectors in the U. S. equity market in 2026.

Continued rebalancing for partner cash needs using the holdings that have exceeded their fair value was the theme for the second quarter. The bullpen started to stir as well as we look to reposition some holdings for the second half of the year. We are encouraged by the numbers that we are seeing from the portfolio holdings and are looking forward to the next round of earnings that will start to materialize in late July and all through August. Summer is always a fickle time as the marketplace volumes give way to the "professionals" vacation time.

Rest assured we are always monitoring the Fund and look forward to the summer movements. We are excited to be talking with you for the third quarter report via Zoom. Enjoy your summer!

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

OTSI KETA CAPITAL