Long Cast ADVISERS LLC

Dear Friends / Clients / Investors:

Cumulative returns on accounts managed by Long Cast Advisers increased 13% in 4Q17, net of applicable fees. This was better than the various indices against which we benchmark ourselves. Full year 2017 returns were 37% net of fees. Since inception, we have returned a cumulative 77% net of fees, materially ahead of our benchmarks.

While we are pleased with initial results, LCA has been around for little more than two years, concurrent with one of the most incredible bull markets in stock market history. Consistency and longevity are the hallmarks of great investors and we are just getting started.

PERFORMANCE

	LCALLC Gross	LCALLC Net	R2000	S&P	Dow
	Annual Percentage Change				
2015 (2-mos)	12%	12%	-5%	-2%	-2%
2016	17%	16%	21%	12%	17%
1Q17	10%	10%	2%	6%	5%
2Q17	2%	2%	2%	3%	4%
3Q17	9%	8%	6%	4%	6%
4Q17	13%	13%	3%	7%	11%
2017	39%	37%	15%	22%	28%
Cumulative chg	81%	77%	32%	33%	46%

Returns for separate accounts managed by LCA ranged from +7% to +22% for the quarter and +9% to +60% for the year. Timing (that is, when clients join LCA and we start investing for them) and Portfolio Management remain the biggest drivers of variances between accounts.

Timing I cannot control but Portfolio Management is 100% mine and I think there's room for improvement. You should have already received information on steps I intend to take to improve this effort, the start of a longer and private conversation.

As a reminder, LCA invests with a three-year time horizon – what we call our "1,000 day portfolio" – while avoiding companies in the hydrocarbon cycle and weapons / defense industries. We continue to seek opportunities in our investable universe.

PORTFOLIO

2017 benefited from other worldly returns for EVI and the acquisitions of three companies over the summer: ARIS, SEV and CDI. Replacing those acquired stocks has been our priority in 2H17 and we have largely done so with three new ones: QRHC, SIFY and CTEK. These companies currently or in time should sustainably generate cash flow that can fund their own operations, expansions and / or balance sheet de-leveraging. If we are correct that they are good businesses run well, then their current multiples are indeed too low and growth, multiple expansion and returns should follow.

Two stocks have been headwinds to returns: IVTY and PSSR. In both cases, despite sitting on paper losses, we see optionality and opportunity. Both company's products solve tangible problems for their customers ("Bomb Cyclone" impact on JFK, et al). With smarter or more thoughtful strategies, we believe these businesses would have substantially more value than they now have.

A sports analogy comes to mind. Consider former NFL coach Jeff Fisher whose history of (mis) managing QB's is well known to football fans. This year alone, four of his former QB's - Nick Foles, Case Keenum, Jared Goff and Sam Bradford – all middling under his coaching, made the playoffs.

I am not so deep in the football trenches to know why Coach Fisher gets weak results out of his QB's but I do have ideas on why these companies are underperforming. I will continue to encourage the executives at the companies we invest in (particularly these) to reflect on how they can do better and prod them to focus on the singular most important aspect of their businesses, which is the wise allocation of capital for the long-term benefit of its employees, customers and shareholders. Everything else is noise.

IN CONCLUSION: ONLY THE PARANOID SURVIVE

The first time I ever heard anyone acknowledge the difficulty with making decisions was at the BRK meeting in 2013. This comment totally resonated with me (so much that I'm referencing it again) b/c it humorously gave voice to something I'd always known but had never found the words to articulate, and in Charlie Munger's drawl no less!

> ***CHARLIE MUNGER**:*
>
> *"… When we started we didn't know this modern psychological evidence that you shouldn't make decisions when tired and how tiring it is to make decisions.*
>
> *And how good caffeine and sugar are to decision making.*
>
> *Warren and I live on autopilot, we are totally habitual, and so we waste no energy making little decisions.*
>
> *That's why we ingest a lot of coke and peanut brittle."*

Since investing is a decision making business, it stands to reason that if you want to become a better investor, it's important to get better at making decisions. Since we are making decisions all the time, each embedded with their own parameters and expectations, there is ample opportunity – using feedback and self-assessment – to improve.

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The investment process is just an amalgam of decisions, each one not so much harder than what to wear, what to eat or what to post on Instagram. So anyone who has already made those decisions and has an interest in investing should simply focus their efforts less on those things and more on analyzing and assessing companies.

Read 10K's and weigh your impressions of companies against each other assessing the strengths of their balance sheets; their competitiveness, growth opportunities and sales strategies; their sources of cash flow and capital; the importance of their products or services to their customers; their access to customers; their access to labor, talent, raw materials and intellectual property; the risks and opportunities of technological advancements; etc.

Analyze a company's financial history to provide a basis for determining historical and potential returns.

Assess if management has a goal that's reasonable and realistic; and whether or not it has the ability to gather and manage assets towards achieving that goal, without materially diluting you and your fellow owners' holdings; and if their actions and behaviors are both ethical and aligned with their words.

When you think you've pulled all these things, seek what you don't know. You have to know what you don't so you'll be aware when you find it. And then consider what it's all worth.

Each one of these choices isn't so hard but keeping them all organized is hard, so keep a notebook for a journal. And when things go wrong as they often will with investing (as well as with shopping for clothing, choosing what to eat or what to post on Instagram), engage in the "blameless post mortem", an activity that is as much a catalyst for self-awareness as anything else.

Investing is fun. Administrative stuff not so much. I've spent the better part of the last two months making decisions on a host of items associated with the administrative portions of running Long Cast Advisers. The hope is that getting these things properly set up and organized will lay a solid foundation for continued growth of the firm. I have benefitted immensely from the advice of other RIA's who have done this before and professionals who have provided free and paid advice.

If I can do it anyone can. The barriers to entry as an RIA are low, which makes me especially appreciative of y'alls decisions to entrust me with your capital. Though it is unrealistic to expect 33% annual growth rates going forward, it is not unreasonable to believe that with continued efforts + patience we should continue to find companies trading below their long-term value, and that we can own indefinitely. I look forward to speaking soon.

/ Avi
January 2018
Brooklyn NY

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