Long Cast ADVISERS LLC

Dear Friends:

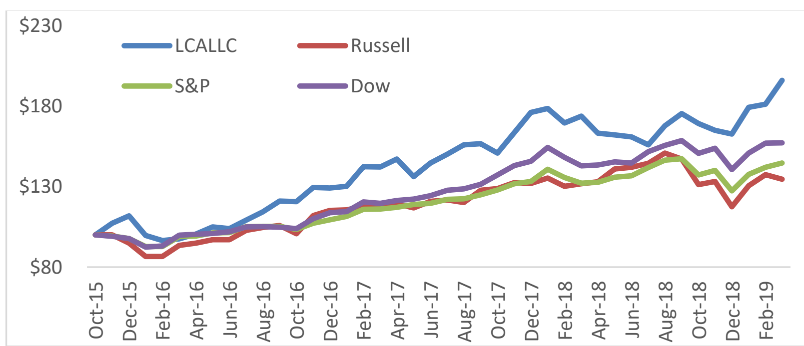
Cumulative returns on accounts managed by Long Cast Advisers increased 20% in 1Q19, net of applicable fees. This was better than the baseline market indices. Returns for separate accounts managed by LCA ranged from 17% to 26% for the quarter.

Since inception three years ago, LCA has returned a cumulative 96% net of fees, or 22% CAGR, ahead of the baseline market indices. Because our portfolio is comprised of just a handful of typically very small businesses, it is expected that returns will vary considerably from the baseline.

It remains my desire to grow LCA thoughtfully and incrementally with just a handful of new clients per year. If you know other like-minded and patient investors who would appreciate working with me and vice versa, please let me know so we can arrange an introduction.

PERFORMANCE / PORTFOLIO HOLDINGS

	Long Cast	R2000	S&P	Dow
	Percentage Change			
2015 (2-mos)	12%	-5%	-2%	-2%
2016	16%	21%	12%	17%
2017	36%	15%	22%	28%
1Q18	-1%	0%	-1%	-2%
2Q18	-7%	8%	3%	1%
3Q18	9%	4%	8%	10%
4Q18	-7%	-20%	-14%	-11%
2018	-8%	-11%	-4%	-3%
1Q19	20%	15%	14%	12%
Cumulative chg	96%	35%	45%	57%
CAGR	22%	9%	11%	14%
LTM	13%	2%	9%	10%



This quarter benefited enormously from the impact of **INS** rising 3x in short time. Other significant contributors to quarterly returns include **QRHC** and **EVI**. There were no material detractors.

Capital returns certainly brings a lightness to the step, but short-term results are rife with randomness. It is therefore wholly inappropriate to say “INS validates my repeatable process, prowess and skills.” However, I think I sized it right, and for the right reasons, in order to be a meaningful contributor to the portfolio. It reflects, I think, the maturing of my “beginner’s mind” as a portfolio manager.

I started in institutional equity research at CSFB in 1999, so I have significant experience analyzing, assessing and researching companies, and I love interacting with the world through the lens of business. However, my *only* experience in portfolio management is the three years of LCA. With a beginner eyes, there are many possibilities, and so much is fascinating, frustrating, beguiling and new.

In my 2Q18 letter, I wrote about some struggles I’d encountered with portfolio management, reflecting an awareness that – quite frankly - it’s hard, with a lot of bad / easy solutions (like a “model portfolio” or indexation, for example), but no real good ones at the ready.

This quarter saw more success with it, but everything still feels a bit like an "Experiment in Portfolio Management." And that's okay, as long as I'm learning and growing and minimizing the costs of mistakes. I reckon it's the same for all investment managers, until they settle on their techniques.

But here's an observation: I'm totally floored by how one quarter of outperformance moves the needle in overall returns for each account. On average, account returns since each one's inception, increased incrementally last quarter to this quarter by ~20 percentage points.

I realize this sounds humblebrag-ish but it's much *much* more a cautionary tale on small sample sizes, the marginal impact of outlying events and the ability for anyone to look smart doing something right just once in every while.

Alpha is where the rubber meets the road and in a business such as investment management with near zero barriers to entry, everyone takes it where they can. But "one strong quarter" really illustrates why investors need be wary of headline returns and focus on process, experience, differentiation and repeatability.

Which is why I think value unlocking events announced in 1Q19 by CTEK and QRHC are more indicative than INS of LCA's repeatable process.

In both cases, I've long seen good businesses with wide opportunity pathways, even while the stocks trade as if they're standing still (or even in the gutter). And in both cases, I've long offered educated and informed advice on reasonable and prudent actions management should take to help facilitate their journeys on that pathway. And in both cases, changes were recently taken.

Some companies welcome or appreciate this engagement, some companies do not (I'm told I'm vilified by QRHC management) but I strongly believe one voice added to a chorus of reason and prudence can have a cumulative effect on management and Board improvement.

In 1Q19, **CTEK** sold its MPS business, as I'd recommended in a Sept 2018 letter to the Board. That company is now a pure play IT staffing / cyber-security-focused consulting and technology company, in healthcare (and increasingly in other verticals as well).

There is a case to be made that this smaller, nimbler, less capital intensive and faster growth company now deserves a re-rating to a higher multiple. There is another case to be made that it is appropriately valued b/c it trades at the same revenue multiple Auxilio paid when it acquired the then private Cynergistek in the first place. Each case has its justifications.

I think it's really up to management to determine where this trades, and that's a powerful option for them. If they can grow operations and generate FCF, as the business has in the past and should in the future, this will more than re-rate. Evidence suggests ample demand from customers eager to pay for their services.

However, post-sale, CTEK's income statement has a significant imbalance between too-low revenues of a now smaller company relative to too-high overhead sized for the footprint of a larger firm. This situation is likely to persist through 1H19 while management realigns costs concurrent with seasonally weak sales.

The way forward obviously is to shrink costs, grow revs (organically or via acquisitions) or pursue an outright sale to a company that can leverage its existing overhead. I think that if the company sold today to such a buyer, it would easily justify an $8 / share takeout value.

Management and the Board have expressed an intent to grow it alone. No problem. While they pursue this tack, I will continue to emphasize to them - and pray they heed to the notion - that their return hurdle, as they think about the future, isn't the current $4.80 / share but the presumed $8 / share they could get under a sale today.

Opportunity costs in this case are quite tangible – and I think management understands this – but regardless of these short-term issues, I think the ingredients that warrant continued patient ownership of CTEK have only improved.

Also in 1Q19, **QRHC** announced a significant and material change in ownership that I think widens and lengthens its long-term success pathway. Through an agreement announced during the quarter, and a stock offering completed just after, the company will soon have a new Chairman – Dan Friedberg - who has a history of engagement towards operating improvement at business services companies such as this. (I've shared my due diligence on him here.)

The plan is for Friedberg to acquire 11% of the company from the current Chairman at a price of $2 / share(!!). Concurrently, the old Chairman and two additional uninterested insiders (all dead weight) have sold 4.3M shares (out of a total of 15M outstanding) in an offering through Roth capital markets at $1.50 / share. Friedberg will then control the Board.

If you wonder what LCA process might have contributed to changes at QRHC, I'd refer you to the link below, where I posted all 15 un-answered correspondences I sent to its CEO or Chairman since Autumn 2017. I like to think that the opportunity I offered the CEO and Chairman to dwell on their shortcomings may have inspired some change.

I imagine Friedberg (and others) see what I see here, not only how the business is today, but where it could be. The current management team has turned QRHC to profitability and cash flow. Yes, they've made mistakes, but who doesn't? They seem to be learning from them.

With more support by an engaged and intelligent Board that can help management fill its holes, there appears a clearer path to creating value over time for customers, employees and shareholders. And with the stock trading at less than 0.3x sales, and a new Board soon to be in place, I think the long-term opportunity to compound has dramatically improved.

INS. In 2006 I was promoted from associate to analyst at BMO Capital and assigned to cover transaction processors. I studied that industry for two months before getting reassigned to E&C, but in that short period I awoke to the incredible attractiveness of an industry that acts like a tollway, accruing revenue on someone else's efforts. (Appended to this letter is my initial one pager on that industry)

I have been told that INS is complicated. The legacy holdco structure definitely contributes to that. But at heart, it is akin to FDC's the Global Financial Solutions segment, a $1.5B annual revenue business with 40% segment EBITDA margins.

I suggest reading that segment description. You'll note in the first paragraph that everything within that segment is done "… utilizing our proprietary VisionPLUS solution." VisionPlus was developed by PaySys, a fintech software company that INS developed, funded and grew through the 1990's and sold to FDC in 2001 (for a measly $20M).

At the time of the sale, INS retained interests in two development stage companies spun off from PaySys. These are the progenitors of CoreCard, INS's sole operating business. The pedigree is not irrelevant. INS has been investing in that business over the last 18 years, funded by cash flow from other INS operating businesses that have since been sold.

Now let's get back to 40% EBITDA margins. The oligopoly upon which rests the backbone of the consumer credit industry has been ~~screwing~~ servicing its customers for decades. Up until recently, this oligopoly and their high margins were insulated from competition by the high costs of scale. This is changing, I think among other reasons because processing power and costs have both declined and are transitioning from fixed to variable. So market share is up for grabs … and it is an enormous market.

I've been told that INS is overvalued and itself susceptible to competition. Now reflect on pedigree. They are not a quirky startup; they are a quirky very experienced. If, as rumored, Goldman / Apple really are new licensees, this offers some validation to the value of that pedigree. There is evidence as well that INS is supporting Sallie Mae's new consumer credit card relaunch.

I've been told that INS doesn't have enough recurring revenues to justify its valuation. To me that speaks to investors who want every SaaS company to look the same. By the time the company completes the transition from a software licensor to a transaction processor, its value will possibly have grown by multiples.

The fact that it's increased so much so quickly presents another opportunity to "Experiment with Portfolio Management". But the way I think about it, quite frankly, is that the future cash flows don't care about my cost basis.

I don't know the future and I suspect it will not unfold in a straight line, but I think the combination of growth, cash flow, a focus on solving tangible customer problems, a large TAM up for grabs and a company with a long history of efficient capital allocation are all ingredients that support an attractive long-term investment.

CONCLUDING THOUGHTS: IN THEORY, THERE'S NO DIFFERENCE BETWEEN PRACTICE AND THEORY

Both my kids "levelled up" in school this year, one to high school and the other to middle school, and both had the same initial complaint about homework: "We can't understand the question!"

It's a wonderful complaint. As any adult should affirm, as we get older, understanding the problem becomes a bigger part of the solution b/c once we're out of school, it all becomes an abstraction. Is there a problem? Gotta figure that out first. One of the wonderful benefits of marriage is always having someone else to blame.

The benefit of good schooling is learning how to learn, learning how to direct curiosity, learning how to read through or test a hypothesis, true for the sciences and the liberal arts.

In business school, we finance majors all learn CAPM. I think it's a pretty crappy tool full of holes and assumptions that too easily validates stupidity over reasonableness but it is also helpful as a stepping stone towards the path of deeper knowledge of finance. If you stop at CAPM, you're stuck at one of many bad / easy solutions. The good / hard solution comes from building on that foundation.

This is where learning from experience comes in and where practice > theory. Imagine the alt/Avi saying confidently, in his new fleece vest: "I know portfolio management. I studied it in graduate school." What a tool!

I make no secret that I'm learning as I go. There are many benefits to learning from experience, so long as mistakes aren't repeated. To date, there are two things I can say for certain in my "Ongoing Experiments in Portfolio Management. " First, equity analysis is Newtonian but portfolio management is Quantum, which nobody understands.

Second, after surveying PM's large and small, famous and unknown, and reading up on the subject, I think the secret to Portfolio Management is simply: "Take your best ideas and buy the most of it". I will continue to aim to do that until I'm proven wrong.

As always, I appreciate your entrusting me with your capital and the responsibility associated with being its steward. If you have any comments or questions, please don't hesitate to write.

Sincerely / Avi
April, 2019
Brooklyn, NY

Avram Fisher Launch Plan: Core Companies to Launch On 8/3/06

Ticker	Anlsts	Mkt Cap	10-Day Avg Vol	Pct Closely Owned	Launch Target	WORLDSCOPE DESCRIPTION
CORE COMPANIES					10	
FDC	31	$31,197.2	5.2	0.5%	Yes	First Data Corporation. The Group's principal activity is to provide electronic commerce, payment services and customer account management businesses. It operates in three segments: Payment Services, Merchant Services and Card Issuing Services. Payment services segment provides money transfer and bill payment services to consumers and businesses domestic and international. Merchant services segment provides merchant and network acquiring and processing services, automated teller machine processing and check verification and guarantee services. Card issuing services segment provides credit, debit, private-label, loyalty, smartcard and debit network issuing and processing services. In 2005, the Group acquired EuroProcessing International, Vigo Remittance Corp, Korea Mobile Payment Services, Austrian Payment Systems Services GmbH. The Group operates in the United States and other foreign countries.
TSS	14	$4,205.3	0.2	83.8%	Yes	Total System Services, Inc.(TSYS). The Group's principal activity is to provide electronic payment processing and related services to financial and non financial institutions. It operates under three segments: Domestic-based processing services, International-based processing services and Merchant processing services. The services include card production, statement preparation, electronic commerce services, portfolio management services, account acquisition, credit evaluation, risk management and customer service to clients. In addition, the Group provides other services consisting of mail and correspondence processing services, teleservicing and offset printing. The Group links buyers and sellers with a comprehensive on-line system of data processing services throughout the United States, Canada, Mexico, Honduras and the Caribbean. On November 2005 it acquired China UnionPay Co Ltd.
ADS	15	$4,195.5	1.4	18.9%	Yes	Alliance Data Systems Corporation. The Group's principal activities are to provide electronic transaction services, credit services and marketing services. The Group operates through three segments: Transaction services, Credit Services and Marketing services. The Transaction Services include card processing, billing and payment processing and customer care for specialty and petroleum retailers. It also includes customer information system hosting, customer care and billing and payment processing for regulated and de-regulated utilities and other processing-oriented businesses. The Marketing Services provide loyalty programs, such as the AIR MILES Reward Program and other marketing services. The Credit Services include private label receivables financing. It securitizes the credit card receivables that it underwrites from its private label programs. During 2005, the Group acquired Atrana Solutions Inc and Bigfoot Interactive Inc.
MA	15	$3,752.4	1.2	29.4%		Mastercard, Inc.. The Group's principal activity is to provides a variety of services in support of the credit, debit and related payment programs of nearly 25,000 financial institutions. It manages a family of well-known, widely accepted payment card brands, including MasterCard, MasterCard Electronic, Maestro and Cirrus which it licenses to the financial institutions.
CKFR	19	$3,399.6	2.8	16.2%		CheckFree Corporation. The Group's principal activities are to provide financial electronic commerce products and services. The Group operates through three segments: Electronic commerce, Software and Investment services. Electronic commerce services provide services that allow customers to receive electronic bills through the Internet, pay any bill electronic or paper to anyone and perform customary banking transactions. Software segment delivers software, maintenance, support and professional services to financial service providers and other companies. The software products include ACH Solution that provides software and services that are used in Automated Clearing House payments. Investment Services provides investment portfolio management services and investment trading and reporting services to financial institutions, money managers and investment advisors. During 2004, the Group acquired American Payment Systems Inc and Accurate Software. On 03-Jan-2006, PhoneCharge Inc.
GPN	23	$3,251.9	1.0	16.3%	Yes	Global Payments Inc.. The Group's principal activity is to provide electronic transaction processing services. It provides services through its Merchant services and Funds transfer offerings. The Merchant service offerings include credit and debit card transaction processing, business-to-business purchase card transaction processing and checking verification and terminal management services. The electronic funds transfer offerings include services such as cash management, account balance reporting, management information and deposit reporting to domestic and international financial institutions, corporations and government agencies. The Group markets its products and services throughout the United States, Canada and Europe. On 14-May-2004, the Group acquired 98.3% interest in Muzo, on 21-Dec-2004, it acquired Europhil and on 30-Jun-2004, it acquired Cash & Win.
MGI	11	$2,527.4	0.8	1.5%		Moneygram International, Inc.. The Group's principal activity is to provide global payment services. The products and services include global money transfers, money orders and payment processing solutions for financial institutions and retail customers. The Group operates through two segments: Global Funds Transfer and Payment Systems. The Global Funds Transfer division provides global money transfer services, money orders and bill payment services to consumers through a network of agents. The Payment Systems segment provides official check services and financial money orders to financial institutions and processes controlled disbursements. In January 2005, the Group acquired a 50% interest in a corporate aircraft owned by Viad. The Group has over 89,000 global money transfer agent locations in 170 countries. The Group has its operations in the United States and Europe. In April 2005, the Group acquired the assets of ACH Commerce LLC.
TSAI	3	$1,374.5	0.7	10.7%	Yes	Transaction Systems Architects, Inc.. The Group's principal activity is to provide enterprise e-payments software and services. Its principal operating unit, ACI Worldwide provides solutions for consumer and wholesale payments and application infrastructure. The Group's products are used to route and process transactions for automated teller machine networks, process transactions from point-of-sale devices, wireless devices and the Internet, control fraud and money laundering, authorize checks, establish frequent shopper programs, automate transaction settlement, card management and claims processing and issue and manage multifunctional applications on smart cards. It also offers complimentary services including consulting, project management, customization, testing, enhanced maintenance and facilities management. The Group serves its customers in over 83 countries on six continents, including financial institutions, retailers and payment processors. On 29-Jul-2005, the Group acquired S2 Systems Inc.
UEPS	5	$1,201.6	0.2	25.7%	Yes	Net 1 Ueps Technologies, Inc.. The Group's principal activity is to commercialize the smart card based universal electronic payment system. It commercializes the universal electronic payment system through the development of strategic alliances with national and international bank, card service or retail organizations. The UEPS is a software application that utilizes Fund Transfer System. The Group also licenses entities that will operate specific applications that use FTS intellectual property or the combined FTS/UEPS payment system. The Group is a development stage company.
EEFT	7	$966.2	1.6	7.1%	Yes	Euronet Worldwide, Inc.. The Group's principal activity is to provide secure electronic financial transactions. It operates in three segments: Prepaid Processing, EFT Processing Segment and Software Solutions. Prepaid processing segment provides prepaid processing and electronic top-up services for prepaid mobile phone airtime. EFT processing segment provides comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM management solutions and electronic recharge services for prepaid mobile airtime. Software solutions segment provides integrated electronic financial transaction software solutions for electronic payment and transaction delivery systems. In Mar-2005, the Group purchased 100% of the assets of Telerecarga S.L. ("Telerecarga"), a Spanish company. During 2005 the Group completed seven acquisitions.
EFD	5	$961.9	0.2	12.5%	Yes	eFunds Corporation. The Group's principal activities are transaction processing, ATM management, risk management and professional services to financial institutions, retailers and government agencies. It operates in four segments. Electronic Payments, Risk Management, Automated Teller Machine and Global Outsourcing. Electronic Payments segment provides electronic funds transfer, automated clearinghouse and other payment processing services. Risk Management segment provides data and other products that assist in detecting fraud and assessing the risk of opening a new account or accepting a check. ATM segment provides ATM deployment, management and branding services. Global Outsourcing segment provides business process outsourcing services and information technology services. It operates in the United States, the United Kingdom, India, Canada and other foreign countries. On 31-Jan-2005, it acquired Clear Commerce Corporation and on 01-Jul-2005, Wild Card Systems, Inc.
HPY	10	$843.0	0.1	60.1%	Yes	Heartland Payment Systems, Inc.. The Group's principal activities are to provide credit and debit card, payroll and related processing services to restaurant, hotel and retail merchants throughout the United States. The Group operates in two segments: Card segment provides payment processing and related services related to bank card transactions. Payroll segment provides payroll and related tax filing services. The services include merchant set-up and training, transaction authorization and electronic draft capture, clearing and settlement, merchant accounting, merchant assistance and support and risk management. In addition, it provides gift and loyalty programs, paper check authorization and payroll processing and sells and rents point-of-sale devices and supplies. It focus also allows us to better understand a merchant's needs and tailor our services accordingly. On 13-Feb-2006, the Group acquired Debitek and on 23-Sept-2005, 2,400 merchant contracts previously transferred to Certegy Inc.
ECHO	2	$105.4	0.0	#DIV/0!	Yes	Electronic Clearing House, Inc.. The Group's principal activity is to provide a complete solution to the payment processing needs of merchants, banks and collection agencies. The Group operates in two segments: Bankcard and Transaction Processing Services and Check Related Products. Bankcard and transaction processing services segment provides solutions to merchants and banks to allow them to accept credit and debit card payments from consumers. Check related products segment provides services like check verification, check guarantee, electronic check conversion (ECC), check re-presentment and check collection. It operates under the following brands: MerchantAmerica, National Check Network (NCN) and XPRESSCHEX Inc.
LMLP	--	$103.0	0.0	#DIV/0!		LML Payment Systems Inc.. The Group's principal activities are to provide electronic payment services employed primarily at the retail point-of-sale. The Group focuses on providing electronic check authorization services, including check verification, check conversion and check recovery solutions to supermarkets, grocery stores, multi-lane retailers and convenience stores.
TRMM	3	$98.5	0.2	#DIV/0!		TRM Corp. The Group's principal activity is to provide convenience services to consumers in retail environments. Convenience services include self-service cash delivery and account balance inquiry through ATM machines and photocopy services. It operates in two segments: Automatic Teller Machine and Photocopy. Automatic teller machine segment owns and operates ATM machines in retail establishments. Photocopy segment owns and maintains self-service photocopiers in retail establishments. Its locate ATMs and photocopiers in high traffic retail environments through national merchants. The Group operates in the United States, the United Kingdom and Canada.