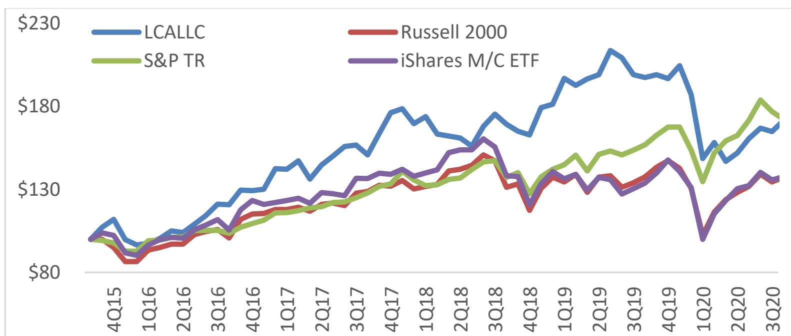
Long Cast
ADVISERS LLC

Dear Friends:

For the 4Q20 quarter, cumulative returns on accounts managed by Long Cast Advisers improved 16%, net of applicable fees, ahead of the S&P Total Return index but trailing the iShares MicroCap ETF and the Russell 2000 index. Full year returns declined 3%, lagging these indices by a wide margin. Since inception in November 2015 through year end 2020, LCA returned a cumulative 91% net of fees, or 13% CAGR. *Past performance is no guarantee of future results.*

Because our portfolio is comprised of just a handful of typically small "off the beaten path" businesses that we tend to own for long periods, it is expected that returns will vary considerably from the baseline. *As a reminder, LCA will not invest in companies exposed to the hydrocarbon or defense industries, a small effort to align capital growth, business ownership and personal ethics.*

	Long Cast	R2000	IWC	S&P TR
2015 (2-mos)	12%	-5%	2%	-2%
2016	15%	21%	21%	12%
2017	36%	15%	13%	22%
2018	-8%	-11%	-13%	-4%
2019	21%	25%	22%	31%
1Q20	-24%	-31%	-32%	-20%
2Q20	2%	25%	31%	21%
3Q20	9%	5%	4%	9%
4Q20	16%	31%	32%	12%
2020	-3%	20%	21%	18%
Cumulative chg	91%	77%	79%	98%
CAGR	13%	12%	12%	14%
LTM	-3%	20%	21%	18%



PERFORMANCE / PORTFOLIO HOLDINGS

More than 70% of the stocks in our portfolio were positive contributors in 2020, a good "batting average", but the overall portfolio declined due to the impact of weightings, further evidence that portfolio management is where the rubber meets the road in this business.

Last quarter I wrote about portfolio management lessons learned in 2020. Even as I implement these lessons my goal is to always be learning and to avoid making the same mistakes more than once.

Some stocks I commented on last quarter (**GTXMQ**, **FRMO** and **SIFY**) have done remarkably well in short order and I pared or sold these. As I wrote last quarter, I am a long-term investor but I think I can do better buying undervalued / selling overvalued than simply owning over a company's entire life cycle, which over time should converge on the company's cost of capital. That said, I think SIFY remains *absurdly under-valued*. But the stock recently had an explosive move likely related to some re-balancing with Indian ETFs after its near de-listing from March to July 2020, compounded by momentum buying. I'll take what the market gives me.

Already a few weeks into this quarter, I've continued to add to **CCRN** (details here) and **PDEX**, a growing medical device company. PDEX has launched a string of niche products tied to its torque controlled

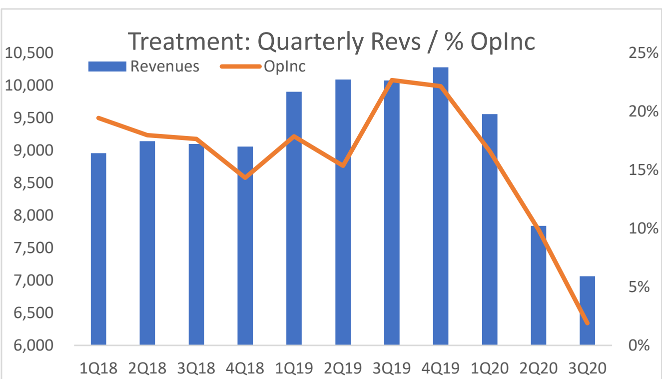
AVRAM FISHER PRINCIPAL | 917.697.4910 | AVI@LONGCASTADVISERS.COM | LONGCASTADVISERS.COM

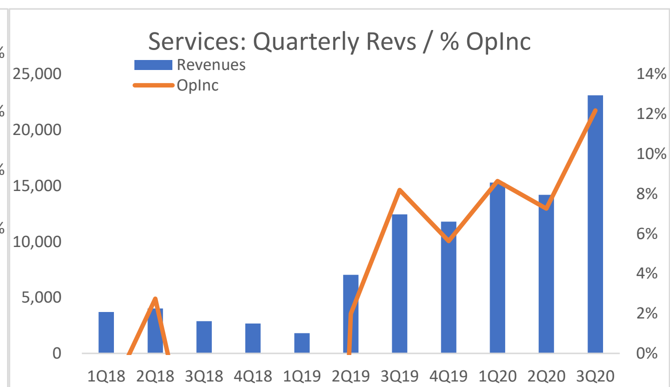
medical driver, which is used to accurately seat screws into bone without stripping. (With a little digging one can observe their products sold under brand names like Stryker and Johnson & Johnson.)

A little over a year ago, (pre-COVID), I visited the company for its annual meeting and it was "busting at the seams". It recently acquired a building in order to double its production footprint, funded partially through an award to build a NASA designed ventilator. They are thoughtful growers and while the company might appear solely a contract manufacturer (often not a good business), I view them as a contract engineering firm with manufacturing capabilities, since its margin is derived more from smarter / better design than from race to the bottom, low cost manufacturing.

CTEK remains the big drain on returns. What I wrote last quarter, about the frustration and the opportunity, remains relevant. My patience in the company was recently enhanced via conversations with industry participants as well as by December's announced entry into the CMMC market. This is a new regulated market that requires DoD sub-contractors to use third party certification assessments (C3PAO) to audit their cybersecurity practices, previously done by self-audit. While I expect the market to be competitive (and eventually saturated), they are currently one of only 22 approved to perform these assessments. I'm "hanging my hat" not on CMMC since the approval process is a low bar, but on the strong brand in the important healthcare cybersecurity niche. At less than 1x sales, I think the stock is cheap. At some point I think it will return to growth and our patience will be rewarded.

PESI is another stock that has been a drag on results for the quarter and year, despite the fact that it's undergoing a remarkable turnaround partially masked by COVID related issues. The chart below summarizes revenues and operating margins in the company's two business segments.





The Treatment segment (left chart) is an asset-heavy processor of low-level nuclear waste – mostly derived from the cleanup of soils and machinery at closed federal facilities - at four locations in the US. This business makes money on the capacity utilization of its facilities; as long as the machines are running and the waste is flowing the business generates 15%-20% OpInc margins. The Services segment (right chart) does "boots on the ground" type work which it bids and conducts similar to a construction project, (though it's more likely deconstruction). This segment was stagnant under prior management but has been rejuvenated under the current CEO Mark Duff, who joined the company in 2016 and was promoted in 2017.

The large decline in Treatment mirrors the large COVID-related decline in waste shipments across the country. A data point that's illustrative of the decline: At YTD 3Q19, ~760k cubic feet of waste was disposed at a variety of federal facilities and cleanup sites nationwide. At YTD 3Q20, that dropped to ~380k cubic feet. (A keen observer of these links might notice significant growth at the Perma-Fix facility at TN, but that's the result of an acquisition in Feb 2020 of a high volume low margin sorting facility.) As a result of declining waste shipments nationwide, margins in the normally stable Treatment segment have collapsed and ~$2M in *quarterly* operating profit has temporarily disappeared.

The cumulative effect of the temporary decline on high margin Treatment concurrent with growth in lower margin Services makes it appear as if the company is experiencing decremental margins or "running to stay in place", likely why the company gets no credit for the improvement at Services. At some point, Treatment will come back, growth in Services will be additive and I think shareholders will be rewarded.

The stock trades for about 12x TTM EBITDA, slightly above the peer group, but this is against an EBITDA figure that's understated by ~$3M due to the aforementioned temporary factors. Adjusting for these factors, it's trading at 8x "normalized" EBITDA. When the environment re-normalizes, we should see the full benefit of the turnaround in Services + improved results in Treatment. None of this even remotely considers some of the large federal cleanup projects on which the company is actively bidding.

IN CONCLUSION: A MOB IS UGLY

Mr. Leonard, my HS English and Creative Writing teacher, taught a few things about investing, though as with many things of that time and age, I didn't realize it until later.

Here's one: How we value things is swayed by how other people value things.

For the Christmas gift exchange one year, we were assigned to bring something junky from home, wrapped, for a gift swap with a random selected classmate. Big opening. Chatter about the presents. As a surprise he then initiated an after-market gift trade. Wouldn't you know, seeing other people want the things we'd brought, many ended up trading for the very valueless thing they'd brought to school in the first place.

Here's another: A mob is ugly.

This was written in bold letters, each letter on its own piece of construction paper and hung for decades off to the side of the chalkboard in his classroom. He'd point to it when arguments broke out in the classroom, a purposeful reminder to not get too carried away.

It's been on my mind a lot, apropos to current events. Getting carried away is the MO of mobs and manias taken over by "animal spirits". It's fun – so much fun - at a concert or sporting event, fed on by excitement and tension, amplified by the crowd all around, all for the price of a ticket and a ride home. The circus outside the tent is different: It has no walls, feeds on endless spectacle (topped by spectacle), and carries on as if there are no costs. There is no certainty of a safe landing and a ride home.

We've recently seen a glimpse of the cost of that circus in our nation's Capitol, which as of this writing is heavily fortified against the risk of a domestic terrorist attack at the inauguration of our 46th

President. Maybe that's part of the spectacle or maybe it's wise precaution but learning how to think about these things isn't just a privilege paid for by Adam and Eve, whose knowledge of right and wrong got them kicked out of Eden, it's an obligation, esp in a Democracy "… of the people, by the people and for the people." Giving into impulse is a well-trod path that leads nowhere good.

The same is true in the capital markets, though - with persistently low interest rates and another $2T of stimulus coming – the costs of inflation remain largely hidden. I've been urged by a few friends with astounding returns in 2020 to look into PLUG and JMIA and NIO, etc. but when I glance at the financials, I just don't see a good night's sleep ahead. I prefer focusing on companies trading at reasonable multiples whose paths don't require astounding feats of success or more mania to win.

I learned in high school, when I gave my dad back his ugliest tie, that I'm as susceptible as everyone else to the sways of the crowd. I also learned that a mob is ugly, so I aim to avoid them, aspiring, as an investor, to keep my head when all about are losing theirs. I can't promise it will lead to better returns, though that is the goal over time, but I am quite sure they will be different.

As always, I appreciate your entrusting me with your capital and the responsibility of being its steward. I look forward to continuing this conversation in the future.

Sincerely / Avi
January 2021
Brooklyn, NY