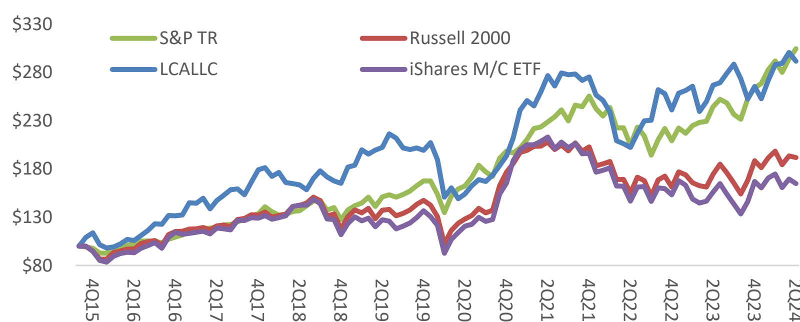
Long Cast ADVISERS LLC

Dear Partners & Friends:

For the 2Q24 quarter (ended June 30, 2024), cumulative net returns improved 1%. Year to date cumulative net returns are 10%. Since inception in November 2015 through quarter end 2Q24, LCA has returned a cumulative 192% net of fees, or 13% CAGR. As a backdrop to returns, on a cumulative net basis, since inception we comfortably exceed two widely used representative indices for passive small company investing, the iShares MicroCap ETF and the Russell 2000 Index, and are roughly in line with the S&P. *Past performance is no guarantee of future results. Individual account returns may vary*. [1]

Net returns	Long Cast	R2000	IWC	S&P TR
2015 (2-mos)	14%	-5%	-5%	-2%
2016	15%	21%	21%	12%
2017	36%	15%	13%	22%
2018	-8%	-11%	-13%	-4%
2019	21%	25%	22%	31%
2020	-3%	20%	21%	18%
2021	42%	15%	19%	29%
2022	-12%	-20%	-22%	-18%
2023	10%	17%	9%	26%
1Q24	9%	5%	5%	11%
2Q24	1%	-3%	-6%	4%
Cumulative chg	192%	92%	65%	205%
CAGR	13%	8%	6%	14%
YTD	10%	2%	-1%	15%
LTM	9%	10%	6%	25%



PORTFOLIO UPDATE

The outcome of investments today will be determined in the future, which is by nature, unknowable. Long term corporate operating performance should ultimately drive the outcome, but in the short term, randomness and "noise" are significant factors, especially in the small and under-owned companies we invest in.

To account for this noise, I look for what I consider "long and wide opportunity pathways", long to enable ample room for compounding and wide so market conditions and inevitable stumbles don't result in terminal value destruction. I think our concentrated portfolio is positioned with companies that meet this profile.

CCRD, MAMA and ENVX were the biggest contributors to returns in the quarter. The largest detractors were MTRX, RSSS and SOTK. We modestly reduced our positions in MAMA and PESI (as discussed in our 1Q letter), and added to RSSS and RELL.

We have not meaningfully added new names to the portfolio in over a year; the last ones were MAMA and MTRX. Though I've identified a handful of promising new ideas, the IRR's on our existing portfolio continues to appear more attractive.

[1] Performance data is based on Interactive Brokers "Portfolio Reports" function; shown net of management fees, expenses, and commissions; unaudited; and unless otherwise noted, since inception in Nov. 2015. Past performance is not a guarantee of future results. Individual account performance may vary. Any investment entails a risk of loss including the total loss of capital. ADV form available through Broker Check; CRD # 175005

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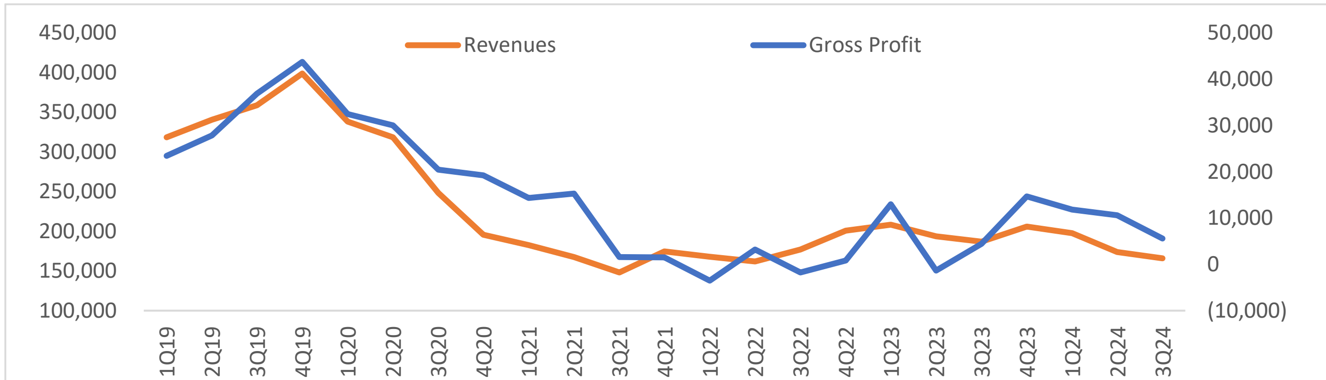
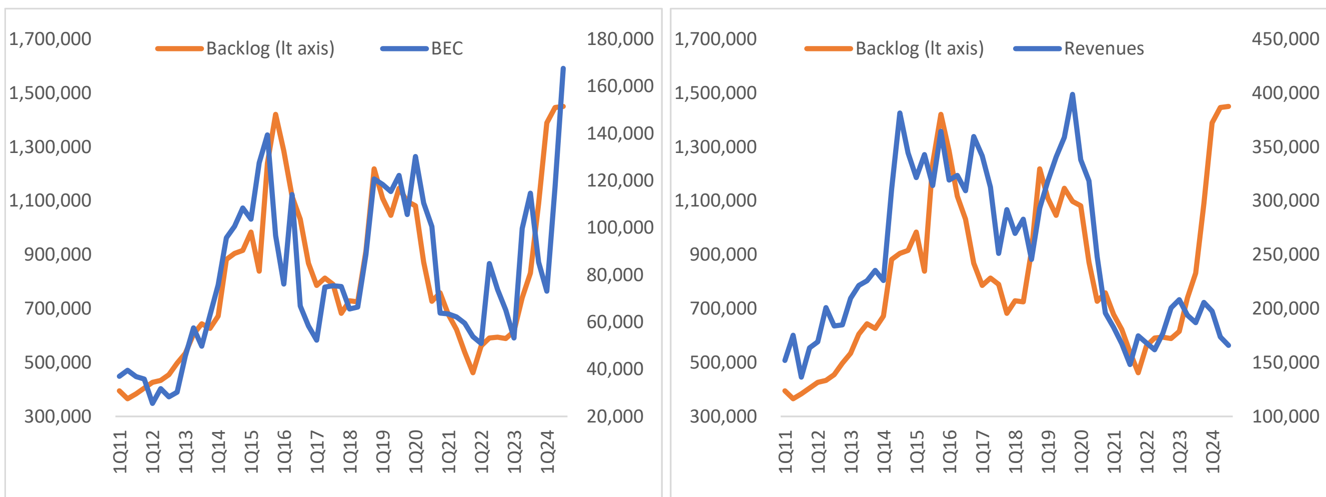
Our top five holdings at quarter end were 68% of the portfolio. Performance of these companies will have an overweight impact on overall portfolio returns. I write about two of them below.

Investing is a "what you have done for me lately" business and just about everything **MTRX** has done "lately" is unappealing, with five years of declines in revenues and gross profit and until a year ago, a material slide in backlog. It's easy to understand why the market isn't interested in this company.

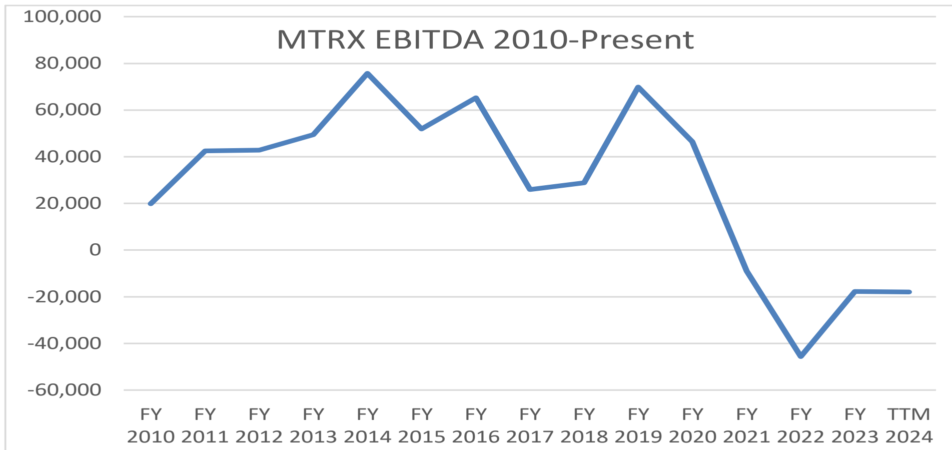


Things are changing, however, leading to what I think is a variant view. The charts below show the history of MTRX under the current management team (ie since 2011). One can observe that backlog, now at historic highs, tends to correspond with both revenues and "billings in excess of costs" (BEC), the latter a form of float ie cash collected ahead of work. Though backlog and excess billings have dramatically improved, revenue has recently lagged. This divergence is unusual: Is it a new normal or should we expect some trend reversion and therefore meaningful growth in revenues?



A few factors could explain the divergence (higher interest rates leading to project deferrals, Chevron's pending move to Texas), but management remains adamant that timing and seasonality are the primary issues. These are not unusual in the construction industry, especially on larger projects.

If these projects move ahead into the seasonally strong spring, summer and fall construction seasons, it will lead to a rebound in revenues, gross margin, earnings and cash flow.



From 2011 until 2020, the company surpassed $30M in adj EBITDA eight years, with exceptions in ’17 and ’18. Given backlog and historical precedent, it seems highly reasonable that the company can re-achieve these levels. At $9 / share it trades for 5x this threshold.

The company is on a June fiscal year so we will know more when it reports 4Q / year-end results in early September. If I am right it would be meaningfully additive to the portfolio.

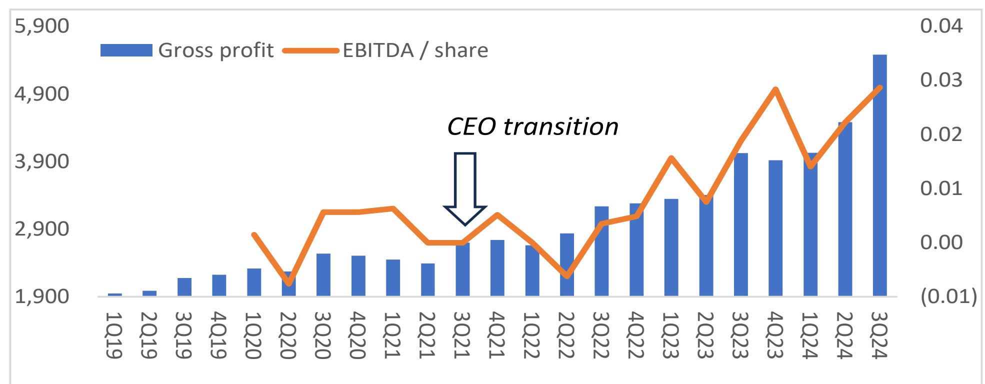
RSSS has reached the one-year anniversary of the first of its two major acquisitions, Resolute ai from July ’23, soon followed by the anniversary of the Scite acquisition from Nov ’23. The lack of earn-out at Resolute indicates a failure to achieve expectations. Fortunately, it was the smaller of the two acquisitions ($3M purchase price).

In contrast, early evidence suggests that Scite, purchased for $21M and with an earnout recently revised *upwards*, is performing ahead of expectations. Scite has the ingredients to translate into long term value accretion, including complimentary strength in the traditionally weaker academic markets, a complimentary pricing model with exposure to B2C customers and an energetic founder with industry “rizz” (as the kids say). A former manager lauded his addition as a big win for the company.

Scite is the second startup in the research reference management space for founder, Josh Nicholson, who is now Chief Strategy Officer of RSSS. Nicholson, was a microbiologist who encountered the same problems faced by RSSS customers with respect to references and citations.

He started his first business, the Winnower, to better cull research material. The Winnower was acquired by Authorea, now a subsidiary of the publisher, Wiley. After leaving Wiley, Nicholson founded Scite. He has recently begun to join senior management in investor meetings and is actively promoting Research Solutions’ solutions on social media.

Beyond these acquisitions, operating results since new management took over continue to impress. The stock however lags, part of the inevitable “randomness” or noise that plagues stocks in the short term.



In this case, I think the stock is burdened by the overhang of the bitter split between the company, and the founder and his brother in law, both large shareholders who enriched themselves through dilutive self-dealing (one can observe a product of this enrichment here). I'm told both are selling spitefully into the market, which sadly tracks what is known about them. If the company can continue its (impressive) operating performance it should translate into higher returns to shareholders over time.

IN CONCLUSION: THE INVESTING OLYMPICS

I've been up at camp again this year in Dutchess County, running the woodworking shop through the end of July. It's the camp I went to as a kid, where my kids went, and where my sister was working when she told me back in 2017 that they had a new arts facility and needed a woodworking instructor. I've returned from time to time, a respite from the city and market "noise", an exploration of creativity, and a value play on a lake house with a woodshop, where I don't have to mow the grass or cook, just oversee 4 hours of daily woodworking.

Now I'm back, the global economy is headline news and the markets are sliding. It all reminds me of something I heard watching a bit of the Olympics this summer, about the athletes who endure and suffer to have a chance to perform.

It seemed not far off from the experience of an investor, especially when the markets are down. As a portfolio manager and professional investor, I get paid based on how much money I manage (nearing $10M) and how well I perform. Seeing that I do very little marketing, I think performance drives everything.

Long Cast Advisers' long term strategy for generating performance rests on due diligence, fundamental analysis and patience. The due diligence aims to assess the capabilities and trustworthiness of management, the company's position in its industry and its value to customers. The fundamental analysis aims to hone expectations of potential future earnings and cash flow. And the patience ties these efforts together so we can comfortably own businesses, even when - especially when - the market insists we are wrong. Leaning on this helps to endure the painful aspects of market downturns.

As always, I remain committed to building a durable and sustainable business based on a repeatable investment process and intelligent capital allocation. I remain grateful to have clients (by design) aligned with my long term, small company centric and research-intensive focus and I welcome the continued interest from individuals and institutions as I patiently grow the business.

Sincerely / Avi
Brooklyn, NY
August 2024