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Investment Results	2019	Year-To-Date 2020	Since Inception[1]
LVS Growth	**-**	**2.0%**	**2.0%**
Benchmark: S&P 500 Index	-	*(9.3%)*	*(9.3%)*
LVS Defensive	**9.3%**	**(3.4%)**	**5.5%**
Benchmark: S&P Long-Only Merger Arb Index	*6.1%*	*(0.8%)*	*5.3%*

Note: results presented gross of advisory fees and net of brokerage commissions. Investment results are as of April 30, 2020.
(1) LVS Defensive was incepted on January 1, 2019. LVS Growth was incepted on January 1, 2020.

May 7, 2020

Dear clients and friends,

I sincerely hope you are safe and healthy. Being based in New York City, many of my neighbors and friends have been directly impacted by the COVID-19 pandemic. While the current situation is bleak, I have tremendous faith in the human spirit and know that this too will pass.

Unfortunately, the health crisis has resulted in an economic and financial crisis. Jobless claims have soared to levels not seen since the Great Depression and the financial markets have been extremely volatile. However, I am pleased to report that the strategies managed by LVS Advisory have performed well. The LVS Growth strategy is so far up on the year and the LVS Defensive strategy hasn't lost much ground.

The health crisis and resulting government actions have created extreme dislocations in the stock market. Many businesses that have seen their operations temporarily impacted by the stay-at-home orders have seen their stock prices plummet. Even businesses that are not directly impacted by the crisis and otherwise have strong financial footing have seen their stock prices go on sale. I have never seen a more opportune time to deploy capital into the stock market.

In light of these recent developments, I am raising additional funds to take advantage of the current opportunity. If you have funds available to invest, I would encourage you to consider investing with LVS Advisory. And to the existing clients who have contributed additional funds -- thank you for the contribution and vote of confidence. While I cannot predict where stock prices will be over the next 3 or 6 months, I strongly believe the prospective returns over the next 3 to 5 years will be unusually attractive.

In the duration of this letter, I would like to highlight why the stock market is attractive today. I will also walk through some of the moves we have made to navigate the current investing environment.

THE STOCK MARKET IS CHEAPER THAN IT APPEARS

I can already anticipate the pushback I will receive for writing this letter: "the stock market is only down 10%, it should be down way more given the extreme economic recession ahead". There is some truth in that pushback, but simply looking at how the S&P 500 or Nasdaq Composite has performed masks a great deal of chaos lying beneath the surface.

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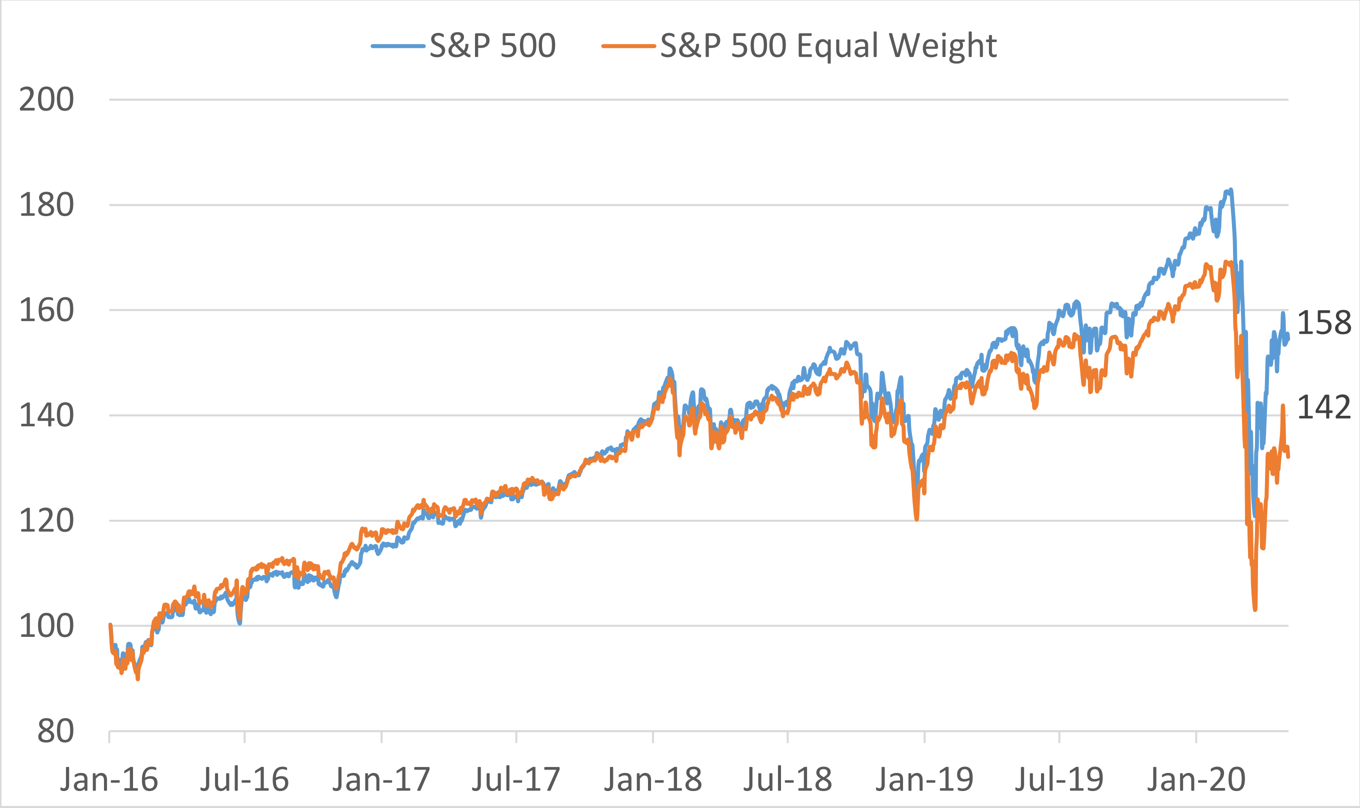
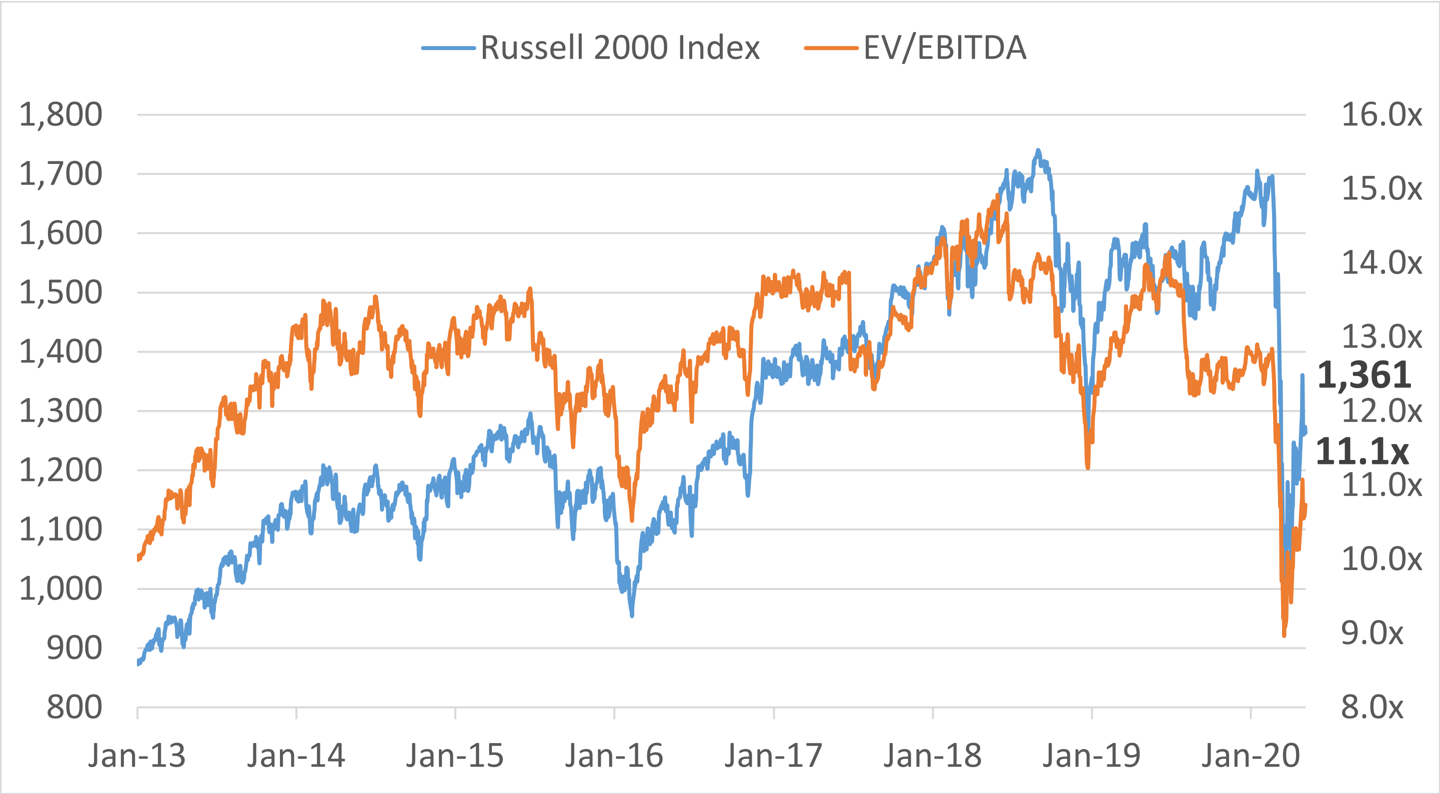
To understand why the performance of the market index is misleading, you need to understand how it is constructed. Most indices (including the S&P and Nasdaq) are "capitalization-weighted" which means that larger companies have greater influence on the price of the index.

The largest 25 companies (top 5%) make-up over 40% of the S&P 500. More egregiously, the largest 5 companies (top 1%) account for 20% of the S&P 500 index. Those 5 companies are Microsoft, Apple, Amazon, Facebook, and Google, and it just so happens that this small cohort with outsized influence on the index is performing extremely well in the current economic environment.

If instead of weighting the S&P 500 by size, you equal weight each company in the index, the market price level would be an additional 10% lower than the S&P 500 currently implies. The equal-weighted S&P 500 index is now back to where it was in 2017.



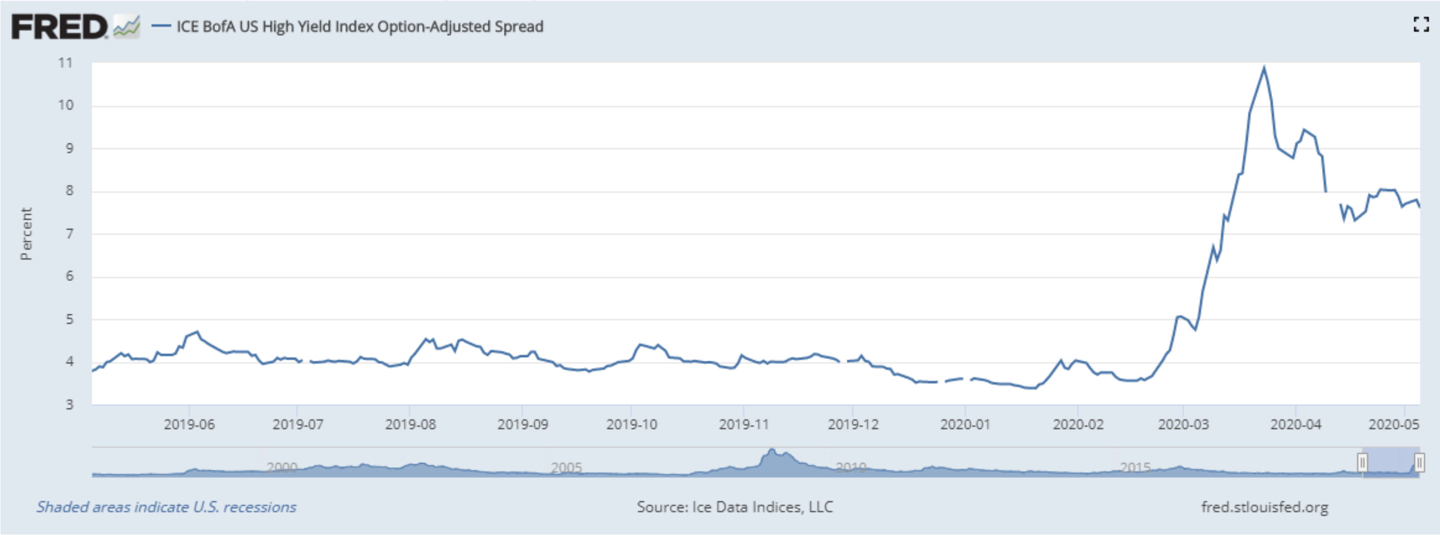
Outside of the 500 largest stocks, there is even greater value to be found. The Russell 2,000 is an index which skips the largest 1,000 stocks. The Russell 2,000 is down 24% so far this year and the index's valuation multiple is at historic levels (using EV/EBITDA as a proxy for valuation).



This is all to say that there are fantastic buying opportunities within the stock market if you have the time and patience to look for them.

WHAT WE SOLD

Risk management has been a key factor in the strong performance of our portfolios. In early March, I became nervous about the situation unfolding in the markets due to unsettling activity I observed in the high-yield bond market. The bond market tends to be more sensitive to macro-economic conditions, so when the bond market signals distress, investors should pay attention.



As the chart above shows, the high yield bond market began to crash in the first week of March (note: higher yields indicate lower bond prices). In reaction to that change in the market, I sold the handful of stocks in our portfolio that rely on the high yield bond market for financing. By late March, stocks with weak balance sheets were down as much as 60% from their highs, and many of those stocks have not bounced back with the rest of the market.

This one decision saved us a lot of money.

WHAT WE ARE BUYING

Today, our portfolios are fully invested in high-quality businesses with strong balance sheets. In our Defensive strategy, we took advantage of mispricings in closed-end funds and purchased portfolios of income-producing assets below net asset value. Our Growth portfolio has built positions in several Asian tech companies and global consumer brands (such as LVMH which I highlighted in the February letter).

We will be harvesting some of the gains in our large capitalization stocks which have performed well and use the funds to buy shares in smaller companies that have been punished by the market. We have already started buying into smaller companies that are more attractively priced but expect more opportunities to come our way as we continue to pan for gold.

For example, in the last few weeks, we established a new position in a <$200 million market capitalization company that is aggressively building a national network of low-cost healthcare facilities. This company is already the market leader in its niche field but sees an opportunity to more than 3x its location count within the next 3-4 years. The company is profitable, well-run, and has no debt. Better yet, we were able to purchase the stock at a 50% discount to where it was trading just 3 months earlier.

In the coming months, I plan to share more details about the fantastic businesses we are accumulating.

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UNTIL NEXT TIME

Given the stay-at-home order, I have not been using my office. However, I am still working and am available for virtual meetings for those who would like to get in touch. TBD on when New Yorkers will be able to resume life as usual (hopefully soon).

I am also excited to announce that LVS Advisory will be taking on our first summer intern, Michael Welcer. Michael is an undergrad Finance major attending Florida State University (Go Noles!) and will assist in our research efforts.

I would like to wish health and safety to everyone during these unusual times.

Best regards,

Luis V. Sanchez CFA

ABOUT LVS ADVISORY

LVS Advisory is a full-service financial advisory firm providing active investment management, financial planning, and institutional investment research services for individuals, families, and institutions. Luis V. Sanchez CFA is the Founder and Managing Partner of LVS Advisory. Luis' professional experience includes working in investment banking, consulting, and investment management. Luis is a licensed Investment Adviser Representative and a CFA Charterholder. LVS Advisory LLC is a Registered Investment Adviser based in New York City.

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