



LVS ADVISORY

Investment Results	2019	Year-To-Date 2020	Since Inception ¹
LVS Growth	-	16.9%	16.9%
<i>Benchmark: S&P 500 Total Return Index</i>	-	<i>(3.4%)</i>	<i>(3.4%)</i>
LVS Defensive	9.3%	2.9%	12.4%
<i>Benchmark: S&P Long-Only Merger Arb Index</i>	<i>6.1%</i>	<i>(0.9%)</i>	<i>5.1%</i>

Note: results presented gross of advisory fees and net of brokerage commissions. Investment results are as of June 30, 2020.

(1) LVS Defensive was incepted on January 1, 2019. LVS Growth was incepted on January 1, 2020.

July 7, 2020

Dear clients and friends,

2020 has been an incredibly challenging year to navigate on several fronts, but I am pleased to report satisfactory investment results for the first half of the year. In this note, I will provide a brief update on our investment strategies and then discuss a new investment we made in the online gambling company Flutter Entertainment.

The LVS Growth portfolio had a strong first half which was initially unexpected in the context of a global economic recession. Our growth portfolio focuses on investing in businesses with significant future cash flow; however, the common trade-off is that these growth stocks often do not generate much earnings today which creates the illusion that growth stocks are "expensive" and "over-valued". Historically, "expensive" stock have been poor performers during economic downturns because investors reduce their expectations for growth and overall market valuations fall (punishing the most expensive stocks the hardest). But the COVID-19 induced recession isn't a typical economic downturn...

The hallmark of the current economic situation is that many of the fastest-growing companies happen to be the gatekeepers of the pandemic economy. Tech-enabled companies are better equipped to serve customers in a world of "social distancing" and have taken market share from old-economy competitors. Therefore, growth expectations for these "expensive" stocks have risen in many cases and valuation levels have maintained or become more expensive due to the expectation of even greater future market power and cash flow generation. Needless to say that we are pleased with our current portfolio and expect continued strong performance as growth trends hold.

The LVS Defensive portfolio has also been able to navigate the current investment landscape. A staple of our Defensive strategy is merger investing but the number of available deals to invest in has waned due to economic uncertainty. Luckily we have found plenty of other interesting defensive assets including preferred stock trading below par value and special purpose acquisition companies (SPACs) trading below net cash levels. In March and April, we were able to pick up several SPACs at 10% discounts to net cash -- many of these same SPACs now trade at 10% premiums. The outlook for the Defensive portfolio is bright as the merger market is anticipated to provide many attractive opportunities in the second half of the year.

Now I would like to highlight a new investment we made in our Growth portfolio.



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FLUTTER ENTERTAINMENT

Online gambling is an attractive global secular growth story. Last year the total gambling market (including casinos) grossed ~\$450 billion in revenue with online accounting for ~11% of the total. Over time, online casinos are expected to continue to take market share from offline casinos, a trend that has only accelerated with the COVID-19 pandemic. Additionally, the overall pot is growing as many new countries and jurisdictions move to legalize and tax forms of casino and sports gambling.

We own shares of Flutter Entertainment which will be one of the largest beneficiaries of this secular growth trend as it is the global leader in online gambling. At a glance, the company has an impressive collection of assets including Poker Stars, the global leader in online poker, FanDuel, the leader in US sports betting, the leading brands in the UK and Australian sports betting markets, and more.

Flutter Entertainment's Flagship Brands



Online gambling companies operating at scale with well-known brands are high-quality businesses. It takes a significant amount of technical expertise to successfully operate an online casino which includes producing video game content, accepting payments, accurately setting the odds, and navigating complex legal and compliance issues which vary from region to region. Most notably, a large amount of capital, time, and media exposure is required to successfully build an online gaming brand and Flutter has many valuable brands built over decades.

What makes Flutter's stock particularly exciting is the legalization of sports betting and online casino in the United States. The race to build the leading sports betting franchise began in 2018 when the US Supreme Court paved the way for state legalization. In the past year, states including New Jersey, Pennsylvania, and Michigan have legalized both sports betting and online casino gambling. By 2030, it is expected that as many as 40 states could legalize sports betting and 30 states could legalize online casino. This would quickly create a new industry grossing tens of billions in annual sales. Flutter Entertainment is already the leader in US sports betting and is uniquely positioned to capitalize on the coming growth as it is the only operator that has the right combination of recognizable brands, market access (through state gambling licenses), and decades of experience operating online casinos.

Finally, Flutter Entertainment trades at a valuation discount to its American-listed peers. Recent IPO DraftKings is unprofitable and carries a \$14 billion market valuation. Flutter is already profitable and carries a market valuation of around \$21 billion, but Flutter not only has an asset equivalent to DraftKings in FanDuel, it also has the leading online gambling businesses outside of the US. By conventional metrics, Flutter Entertainment isn't a particularly expensive stock despite its immense growth opportunity.

Combining all of these factors makes Flutter Entertainment an attractive investment.



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UNTIL NEXT TIME

2020 will certainly be remembered as a historic year for many reasons and we haven't even had our presidential election yet! That being said, it has been somewhat uneventful on a personal level as we have all been stuck inside our homes. I know I am not the only person looking forward to a return to normalcy whenever that may be...

Thank you for your continued support and interest!

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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