



# LVS ADVISORY

Investment Results	2019	Year-To-Date 2020	Since Inception <sup>1</sup>
<b>LVS Growth</b>	-	<b>27.8%</b>	<b>27.8%</b>
<i>Benchmark: S&amp;P 500 Total Return Index</i>	-	<i>2.0%</i>	<i>2.0%</i>
<b>LVS Defensive</b>	<b>9.3%</b>	<b>5.9%</b>	<b>15.7%</b>
<i>Benchmark: S&amp;P Long-Only Merger Arb Index</i>	<i>6.1%</i>	<i>0.7%</i>	<i>6.9%</i>

Note: results presented gross of advisory fees and net of brokerage commissions. Investment results are as of July 31, 2020.

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

August 4, 2020

Dear partners and friends,

Financial assets around the world have started to recover along with the economy from the shock created by the COVID-19 pandemic. I am pleased to report that our actively managed investment strategies have more than kept up with the markets.

To recap, our growth strategy invests in approximately 20 high-quality companies with significant business tailwinds and investment opportunities. The goal is to achieve the highest rate of return possible over the long term by investing in companies that will grow cash flow per share at spectacular rates. [In the prior update](#), I outlined our investment thesis on the online gambling industry and highlighted an example of a stock in our growth portfolio.

In this update, I'd like to highlight a strategy we employ in our defensive portfolio. As the name would suggest, our defensive strategy is primarily focused on not losing money. Secondly, we aim to produce a return superior to other defensive asset classes. Examples of the types of investments we make for our defensive portfolio include bonds, preferred stock, dividend stocks, merger stocks, and other securities that fit a "bond-like risk/reward profile".

Earlier this year, we identified an opportunity to invest in special purpose acquisition companies (SPACs). SPACs are a unique asset where a shell company goes public with the intent of acquiring a private company in order to take the acquired company public. A key feature to SPACs is that individual investors can ask for their money back if they don't like the deal proposed by the manager. These "redemption rights" are worth a proportional share of a SPAC's cash holdings.

The opportunity to invest in SPACs came about during the market crash in March and April. SPACs traded at levels below their "redemption rights". In other words, investors could buy SPACs for less than cash and then ask for their cash back to generate a return. In the extremely uncertain environment created by the COVID-19 pandemic, we viewed the prospect of buying a dollar bill for \$0.90 and sometimes \$0.80 quite attractive. Furthermore, we believed that SPACs could be more valuable than ever because they had cash in a world where many companies needed liquidity.

We created a database of the SPACs available in the market and then purchased a basket portfolio of about two dozen SPACs with the most interesting management teams and investment strategies.



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... And then a most unusual thing happened over the summer. SPACs became one of the hottest places to invest and our portfolio of SPACs trading for 10% to 20% *discounts* to cash began trading at 10% to 20% *premiums*. This past week, SPACs were even featured as the [cover story for Barron's magazine](#).

INVESTING | COVER

## SPACs Are the New Hot Thing on Wall Street. What You Need to Know.

"Blank-check companies" give investors an opportunity to ride along with deal makers like Bill Ackman looking to bring new businesses public



MAGAZINE

At this point, we have started taking profits on many of the SPACs in our portfolio, but we will continue to invest in SPACs available at attractive prices or that present interesting deals.

I recently participated in a podcast exploring and explaining the SPAC market. If you are interested in learning more about SPACs, you can listen to that podcast episode [here on the web](#) or [here on Apple podcasts](#).

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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This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied upon as statements of fact.

LVS Advisory LLC is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy, investment process, stock selection methodology and investor temperament. Our views and opinions include “forward-looking statements” which may or may not be accurate over the long term.

You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

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