



LVS ADVISORY

Investment Results	2019	Year-To-Date 2020	Since Inception ¹
LVS Growth	-	39.1%	39.1%
<i>Benchmark: S&P 500 Total Return Index</i>	-	9.3%	9.3%
LVS Defensive	9.3%	6.4%	16.3%
<i>Benchmark: S&P Long-Only Merger Arb Index</i>	6.1%	0.7%	6.8%

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

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

September 12, 2020

Dear partners and friends,

Despite a global pandemic triggering the sharpest recession in modern history, 2020 has managed to deliver attractive returns for stock market investors. I laid out the case for why I was bullish on the stock market [in the note I sent out May 2020](#), and I'd like to thank the partners who heeded the call to add to their exposure.

It is safe to say that the "easy money" has been made. The stock market has soared to new highs despite a lagging economy and a large degree of remaining uncertainty. During the first 2 weeks of September, some of the froth has come out of the market with the S&P 500 declining ~7% and the Nasdaq Composite declining ~10%.

Some market participants view the recent sell-off as a sign that another crash could be coming; however, I view the sell-off as a healthy adjustment after the market got a little too hot. The stock market is poised to continue its bull run over the medium to long run because it's the best game in town. Investors in the private market have been burned in 2020 due to a lack of liquidity and the 10-year government bond yields a paltry 0.7%. What's more, the Federal Reserve recently indicated it would not raise interest rates even if inflation rises. These factors will just push more investors into equities and put a floor under the market's valuation.

Will the next move in the stock market be up or down? In the short-term, I have no idea (and neither does anyone else). I have advised new clients to be cautious after the big run in the market. However, now that the market has cooled off a bit, we may be approaching another good buying opportunity in the near future.

TALKING TO EXPERTS

At LVS Advisory, we pride ourselves on our "deep dive" research approach. In addition to tearing through investor materials available through the SEC and company websites, we gather our own proprietary research through calls with management teams, competitors, former employees, independent industry experts, and other investors in the companies we are seeking to invest in. In the average week, we will field 2 to 5 calls to "industry experts" which has added a great deal to our understanding of the investments we hold.

For example, in July, [I wrote about our investment in the online gambling industry through Flutter Entertainment](#). Before getting comfortable with Flutter, we spoke to nearly a dozen online gambling industry experts who broke down the competitive landscape, business model economics, and regulatory issues, in addition to studying the




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investor materials. And the work is never “over”, we continue to schedule calls with online gambling industry experts to learn more about developments on the ground.

Are there pitfalls to speaking to industry experts? Yes. Everyone we speak to whether it’s the management team of the target company or a former employee of a competitor has a unique perspective and a bias. Any single expert can have a contrarian view but we gain a level of conviction when everyone across the board is corroborating a similar story. It is our job to ask the right questions, assess the validity of each interview, and challenge assumptions.

Generally speaking, we keep our conversations private and confidential, but we recently had the great pleasure of [interviewing Paul Guyardo the CEO of Petplan for The Motley Fool](#). LVS Advisory holds several investments in the pet industry and our conversation with Mr. Guyardo provided interesting context for some of the trends we are betting on.

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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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.

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