LVS ADVISORY

Investment Results	2019	2020	2021	2022	2023	YTD 2024	Since Inception[1]
LVS Event-Driven (net of fees)	**7.0%**	**13.2%**	**9.1%**	**3.8%**	**6.2%**	**4.9%**	**52.9%**
Benchmark: High-Yield Bond Index	*13.4%*	*5.0%*	*4.0%*	*(11.4%)*	*12.5%*	8.0%	33.2%
LVS Growth (net of fees)	**-**	**61.9%**	**16.1%**	**(35.8%)**	**7.0%**	**27.1%**	**64.1%**
Benchmark: S&P 500 TR Index	-	*18.4%*	*28.7%*	*(18.1%)*	*26.3%*	22.1%	92.5%

Note: investment performance is presented net of all fees and expenses. Investment results are as of September 30, 2024.
(1) LVS Event-Driven was incepted on January 1, 2019. LVS Growth was incepted on January 1, 2020.

October 15, 2024

Dear Investors,

For the first nine months of 2024, The LVS Growth Portfolio gained 27.1% and the LVS Event-Driven Portfolio gained 4.9%, net of all fees and expenses.

The Growth Portfolio extended its lead vs. the S&P 500 during the third quarter. We have continued to make some minor adjustments to the holdings. During the quarter, we added to Medpace (discussed below), added to Booz Allen (discussed in the Q1 2024 letter), added to Talen Energy (discussed in the Q2 2024 letter), and established a new position in an undisclosed cyber security business.

The Event-Driven Portfolio had a strong Q3, gaining nearly 5%. This momentum has so far carried into Q4. Despite a rough Q1, we are roughly on track for the year albeit at the low-end of the typical performance range. The Event-Driven Portfolio continues its streak of resilient performance which includes no down years and no drawdowns greater than 6% since inception in 2019.

Growth Portfolio: Medpace Investment

This quarter I will discuss an investment we made in Medpace (NASDAQ:MEDP). We initiated a small position in Medpace during the fourth quarter of 2023, but we increased our investment after the company's stock price declined following its Q2 earnings miss. I will provide an overview of the Company and discuss why I believe the issues weighing on the stock are likely temporary and provide a buying opportunity for investors.

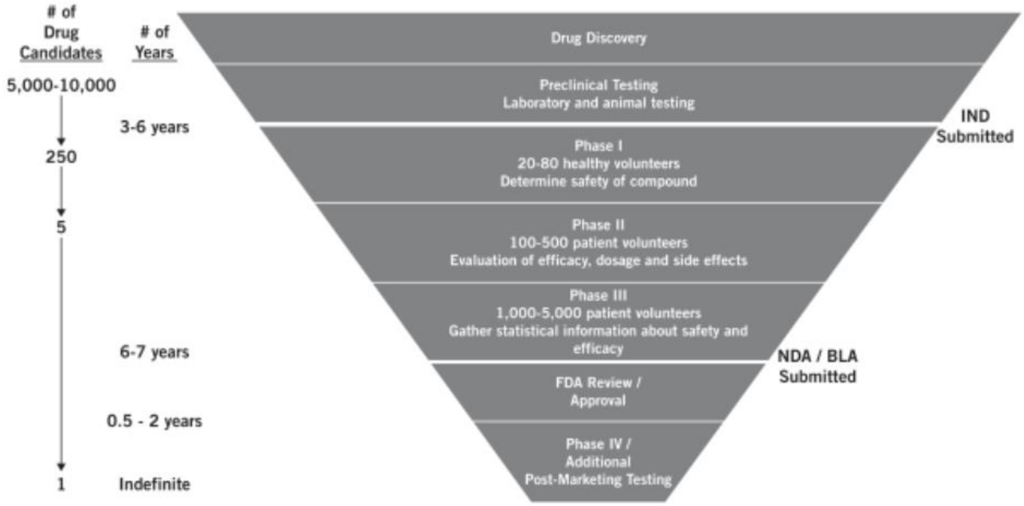
Source: Finviz.com

Medpace overview

Medpace was founded in 1992 by August Troendle who remains the CEO and largest shareholder today. The Company operates as a contract research organization ("CRO"). CROs manage the clinical trials for pharmaceutical companies through an outsourced relationship. The scope of work for a CRO can include everything from designing the clinical study, recruiting study patients, monitoring patients, collecting study data, analyzing data, performing lab work, writing medical documentation, submitting findings to the FDA, and more.

In exchange for managing the clinical trial, CROs are paid fixed contract fees and are reimbursed for any out-of-pocket expenses related to the studies. Taking a drug through all four phases of the FDA clinical trial can take as long as 10 years and any given phase can last multiple years. Therefore, as a CRO, Medpace's revenue is recurring and predictable.

Stages of Clinical Development



Why Medpace is a "better mousetrap"

Most contract research organizations operate under a functional service provider ("FSP") model where a CRO will assist with aspects of a clinical trial, but the pharmaceutical company insources much of the work. Medpace exclusively operates under a full-service outsourcing ("FSO") model where it handles the entire clinical phase study end-to-end.

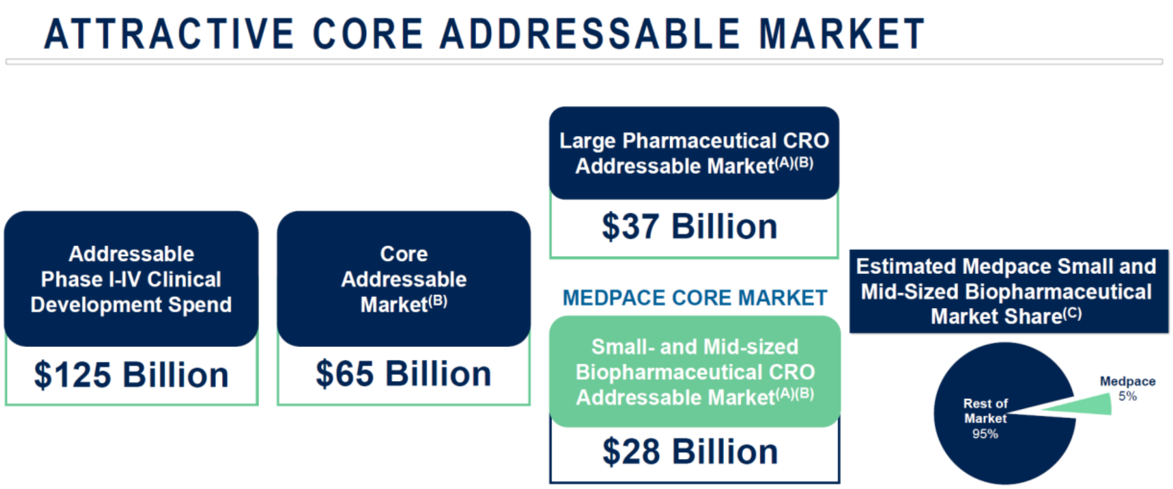
The FSO model lends itself to smaller biotech companies that do not have the internal resources or experience to run their own clinical trials. For these customers, Medpace is a high-value-add partner and takes on projects that often entail technical consulting and a degree of hand-holding. In other words, a customer chooses to work with Medpace for reasons that extend beyond just saving money. As a result, the FSO product is less commoditized than the FSP product and tends to be more profitable.

CROs that are accustomed to working with large pharma companies are not well-equipped to offer the tailored solutions smaller biotechs need. Medpace also has a low-cost advantage because it is vertically integrated (it owns its own labs, technology, recruitment capabilities, etc.). One of the more impressive aspects of the Medpace story is that while its competition has focused on acquisition-driven growth strategies, Medpace has built out its platform organically.

Even if larger CROs like IQVIA or Icon wanted to service smaller customers, they would have trouble matching Medpace's price and quality of service. For these reasons, Medpace has limited competition in the niche CRO market for serving small biotech companies.

Large and growing addressable market

The US pharmaceutical industry spends approximately $125 billion per year on research and development. Of that spend, $65 billion is outsourced to CROs. The small- and mid-sized biotech segment of the market is sized around $28bn. Medpace has just a 5% share of the small and mid-sized CRO market today, providing an attractive growth runway for the Company.

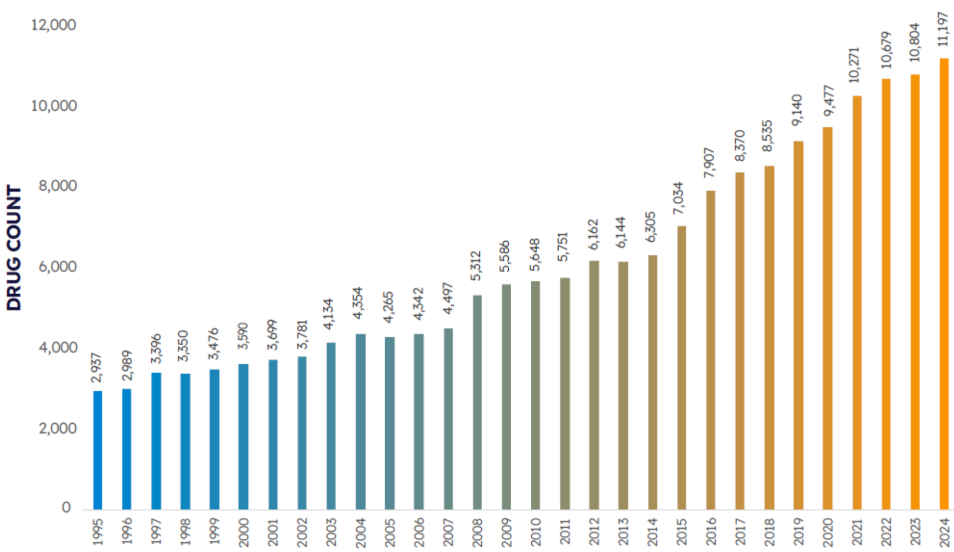


Source: Medpace investor presentation.

The overall addressable market for CROs is estimated to grow at a 5% rate over the next 3 years (source: Fortrea investor presentation); however, the small- and mid-sized segment is expected to grow at a faster 8% rate (source: Icon Plc 2024 Analyst day).

The most significant driver of industry growth is the continued expansion of US pharma R&D. The total number of clinical trials has increased over time driven by innovation in drug discovery (artificial intelligence, precision medicine, virtual and decentralized clinical trials, etc.) and therapeutic areas (cell and gene-based therapeutics, nuclear medicine).

Figure 18: Total US R&D pipeline size, 1995—2024



Source: Pharmaprojects®, January 2024

Impressive financial results

Medpace's financial metrics really jump off the page.

Over the past 10 years, the Company's revenue has grown organically at a 20%+ rate. Earnings have grown faster than revenue. Free cash flow converts at over 100% of GAAP earnings. Finally, Medpace's return on invested capital (ROIC) clocks in at over 50% and continues to expand every year.

At this point, it should be obvious why I am excited about Medpace. The company is a niche leader in an attractive industry and has a large remaining opportunity to reinvest capital at attractive rates. This should lead to outstanding results for shareholder holders over time if the future looks anything like the past.

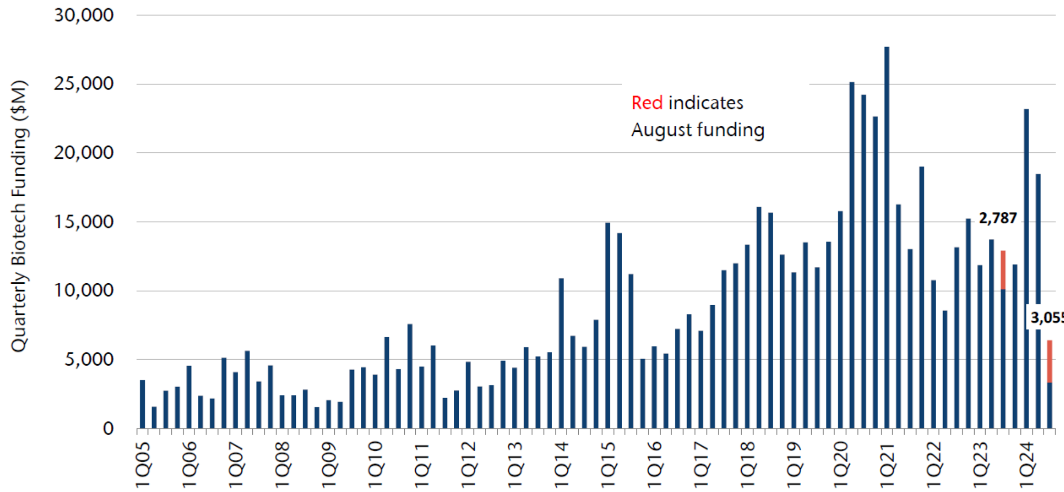
Buying opportunity today

Medpace's stock price is nearly over 20% below its recent highs due to a temporary slowdown in biotech R&D spending driven by a sluggish fundraising environment.

For context, biotech companies rely on funding from the venture market and public stock offerings to fund drug development and clinical trials. Biotech funding hit peak levels during the 2020/2021 period and investors have since taken a step back due to the need to digest high valuations and the increased opportunity cost from high interest rates.

Biotech funding has been soft since 2022 which has led to a number of rationalizations in the industry. Several clinical trials have been streamlined or canceled. This has led to a ~5% drop in the total number of ongoing clinical trials and has impacted the overall growth rate of the CRO industry.

Exhibit 5 - Biotech Funding Has Softened Considerably in Recent Months



Source: Factset and Jefferies

Blaming industry conditions, Medpace recently lowered its expected 2024 revenue growth from 15.4% to 14.0%. While 14% expected growth is still healthy, many investors are concerned that the industry's operating environment could continue to disappoint and lead to further reductions in expected financial results.

I am not particularly worried about the near-term uncertainty in the industry. I believe the long-term drivers of the industry (innovation in drug discovery) are still intact and could even be accelerated by the adoption of artificial intelligence. Furthermore, pharmaceutical companies will need to continue to invest in R&D to replenish drug portfolios that will be impacted by patent expirations. Finally, the recent funding environment data is backward looking and does not incorporate a potential for the environment to improve in a lower interest rate environment.

With the recent tumble in Medpace's stock price, the company is now trading for an earnings multiple in the low 20s. This is in-line with the company's historic valuation multiple and is a small premium vs. the average public company. I believe this represents an attractive bargain because Medpace's business has superior growth prospects and cash flow generation potential vs. the average company. The business has a healthy balance sheet, is extremely well run, and has a track record of shareholder-friendly capital allocation. There are certainly near-term risks due to the industry's ongoing slowdown but the facts overwhelming suggest that over the longer term, Medpace will prosper.

Until next time

Thank you for your continued support and trust in LVS Advisory.

Best regards,

Luis Sanchez

Luis V. Sanchez CFA

ABOUT LVS ADVISORY

LVS Advisory is a boutique investment firm focused on providing active investment management services for individuals, families, and institutions. The LVS Event-Driven Portfolio is an absolute return strategy focused on capital preservation. The LVS Growth Portfolio is a global equity strategy focused on capital appreciation. Luis V. Sanchez CFA is the Founder and Managing Partner of LVS Advisory. Luis is a licensed Investment Adviser Representative and a CFA Charterholder. LVS Advisory is a Registered Investment Adviser based in Central Florida.

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