# LVS ADVISORY

| Investment Results | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | YTD 2025 | Since Inception[1] |
|---|---|---|---|---|---|---|---|---|
| LVS Event-Driven (net of fees) | 7.0% | 13.2% | 9.1% | 3.8% | 6.2% | 7.5% | 0.8% | 57.8% |
| LVS Growth (net of fees) | - | 61.9% | 16.1% | (35.8%) | 7.0% | 36.7% | 0.3% | 77.1% |

Note: investment performance is presented net of all fees and expenses. Investment results are as of March 31, 2025.
(1) LVS Event-Driven was incepted on January 1, 2019. LVS Growth was incepted on January 1, 2020.

April 2, 2025

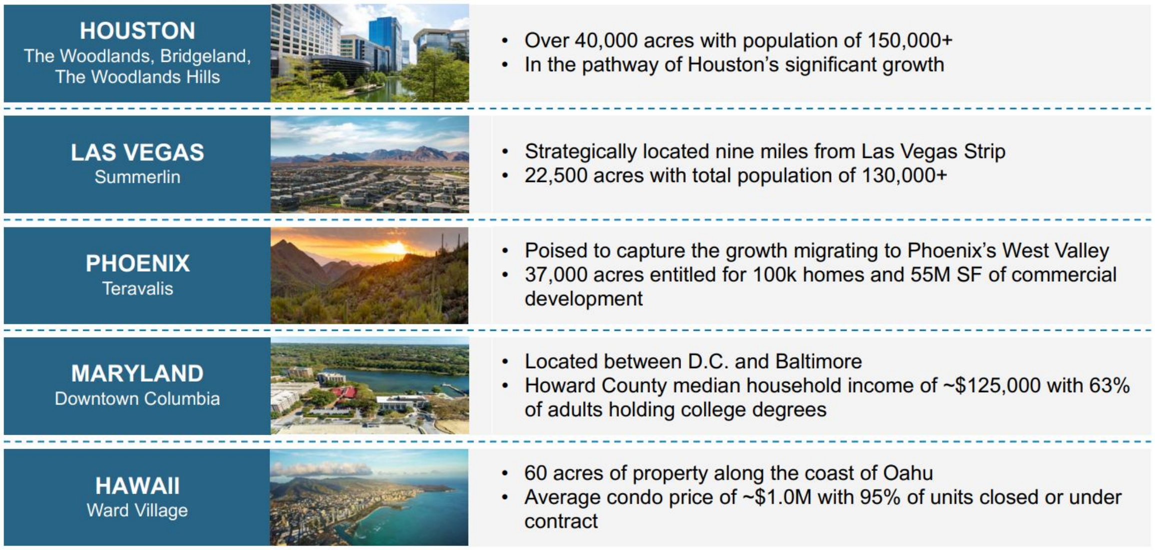
Dear Investors,

For the first quarter of 2025, the LVS Event-Driven Portfolio gained 0.8% and the LVS Growth Portfolio gained 0.3%, net of all fees and expenses. This compares to the high-yield bond index which gained 0.9% and the S&P 500 which declined 4.3%, our benchmarks respectively.

While I tend to discuss stocks we purchased in our investment letters, I wanted to flip the script and discuss some stocks we recently sold to highlight our approach to risk management.

## Event-Driven Portfolio: Selling Howard Hughes

Howard Hughes Corp (NYSE:HHH) is a real estate holding company that owns several master planned communities ("MPCs") across the United States. Master planned communities are large-scale residential developments designed to integrate commercial spaces (stores, offices) and recreational facilities (parks, golf courses). In other words, MPCs are mini-cities within cities that cater to upper-middle class families. The flagship MPC in Howard Hughes's portfolio is The Woodlands located in Houston, Texas.




*Source: HHH Investor Presentation.*

I became interested in Howard Hughes last summer after the company divested the South Street Seaport. The Seaport had been a disaster project for the company, incinerating cash, and made the rest of the business difficult for analysts to value. After conducting research on the remaining assets, we learned that the MPC portfolio consisted of high-quality real estate assets and we believed that the stock implied a significant discount to the net asset value. Furthermore, the stock was poised to be re-valued higher as the financials improve post-Seaport spin-off. We purchased shares of Howard Hughes in August 2024 for ~$74.55 per share.

Around the same time we became Howard Hughes shareholders, Bill Ackman announced his interest in potentially acquiring the rest of the company he didn't own. I viewed Ackman's involvement as win/win. If Ackman wanted to pay fair value for the company, we could earn a quick 30%+ return. If Ackman withdrew his offer, we would be left with a discounted stock that could still be catalyzed higher by the Seaport spin-off.

After several months of radio silence, Ackman came back with an offer in January 2025 to buy a minority interest in the company and then take control of the management team and board, making himself the Chairman and CEO. The puzzling thing about the offer was that not only would Howard Hughes stay public but Ackman's hedge fund would charge 1.5% management fees based on the size of the market cap as compensation for reinvesting the company's cash. I viewed this as a non-starter that would surely get rejected by the Board and potentially the starting point towards negotiating a full take private.

Unfortunately, Ackman came back in February 2025 with an even worse offer. Instead of buying out some minority shareholders at a premium, he was now offering to infuse cash directly into the company, take control of the board and management, and pay his hedge fund the 1.5% management fee based on the market cap. What really broke my resolve to hold on for a better offer was that Ackman was now threatening to force this deal upon the company without a shareholder vote. Given Ackman's outsized ownership in the stock and history of activism, it now started to feel like Ackman would get his way even if it was to the detriment of the rest of the investor base. We sold our shares of Howard Hughes in February 2025 for ~$76.80 per share for a slight profit over what we initially paid.

It is quite possible that Bill Ackman will transform Howard Hughes into a successful investment firm that gets diversified beyond real estate. However, this was not what we signed up for when we bought the stock. Furthermore, Ackman is not ingratiating himself by taking control of the company without a vote or paying existing shareholders. Clearly, he is only looking out for himself.

The bottom line is that when our thesis changes or we can no longer trust the leadership of the company, we will immediately sell our position and move on.

## Growth Portfolio: Selling Icon Plc

Icon Plc (Nasdaq:ICLR) is a contract research organization ("CRO"). In the Q3 2024 letter, I highlighted our investment in Medpace (Nasdaq:MEDP) another CRO that directly competes with Icon. I became interested in Icon because we liked the CRO business model (after learning about Medpace) and felt that the industry would benefit from long-term tailwinds. However, Icon has taken a different approach than Medpace.

Medpace is focused on serving small biotech companies with full service CRO work (read our detailed Medpace write-up for more context). On the other hand, Icon is more focused on serving larger pharma companies and has pursued an aggressive M&A strategy to roll-up the industry. For example, Icon acquired PRA Health Sciences for $12 billion in 2021. Therefore, we felt that Icon and Medpace were sufficiently different bets that were worth making. We purchased shares of Icon in March 2024 for ~$323.00 per share.

Initially we were quite impressed with Icon's financial track record. From 2014 to 2022, Icon grew revenue by 17.8% per year and grew EBITDA by 18.5% per year. Furthermore, the stock was available at a mid-teens EBIT multiple, which we felt was attractive. However, we found some cracks in the story as we dug deeper into our research.

The biggest issue we encountered was a lack of evidence supporting the synergies claimed from Icon's M&A activity. Our conversations with industry experts and CRO customers revealed that M&A actually hurt Icon because it resulted in disruptions in customer projects due to excessive staff turnover and corporate reorganization. Icon had also racked up a lot of debt which it had to work through during a period of rising interest rates.

Ultimately, our research on Medpace revealed that serving small biotech companies was simply a better model than working with large pharma as a CRO. We ultimately decided to sell our shares in Icon in July 2024 for ~$334.53 per share (taking a small profit) and used the proceeds to double down on our investment in Medpace.

The sale of Icon's stock was well-timed. Icon's stock has since declined by over 40%. Our investment in Medpace has not been a home run (yet) but has fared much better.

The bottom line is that when our research reveals flaws in an investment thesis, we will quickly sell our position and move on. And because we don't always get it right with our initial thesis, we must extensively research and validate our beliefs to avoid costly mistakes.

**<u>Icon Plc Stock Chart</u>**


*Source: Finviz.com*

## LVS Advisory Team Update

Last month LVS Advisory welcomed Daniel Yuan as an investment analyst supporting Luis. Daniel graduated from New York University's Stern School of Business in 2024 and spent the past year as an investment analyst at a family office. Daniel will be working from our legacy "NYC office".

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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