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Investment Results	2019	2020	2021	2022	2023	2024	2025	YTD 2026	Since Inception ¹
LVS Event-Driven (net)	7.0%	13.2%	9.1%	3.8%	6.2%	7.5%	9.1%	4.6%	78.6%
LVS Levered Event-Driven (net)	-	-	-	-	-	-	-	6.5%	6.5%
LVS Growth (net)	-	61.9%	16.1%	(35.8%)	7.0%	36.7%	6.2%	(4.2%)	79.6%

Note: Investment performance is presented net of all fees and expenses. Investment results are as of June 30, 2026.

(1) LVS Event-Driven was inceptioned on January 1, 2019. LVS Growth was inceptioned on January 1, 2020. LVS Levered Event-Driven was inceptioned on January 1, 2026.

July 27, 2026

Dear Investors,

The above results are for the first half of 2026. Our Event-Driven and Levered Event-Driven strategies have performed well, but our Growth strategy has underperformed. I believe all three strategies are well positioned for strong performance going forward. In this letter, I will focus on specific investments we have made in the Event-Driven and Growth portfolios.

Event-Driven Portfolio: Our Investment in Vistance Networks

Vistance Networks (Nasdaq: VISN) is a busted roll-up in the telecom infrastructure industry. Formerly known as CommScope, the company sold cables, wires, fiber equipment, and wireless networking systems to data centers, internet service providers, and corporate campuses.

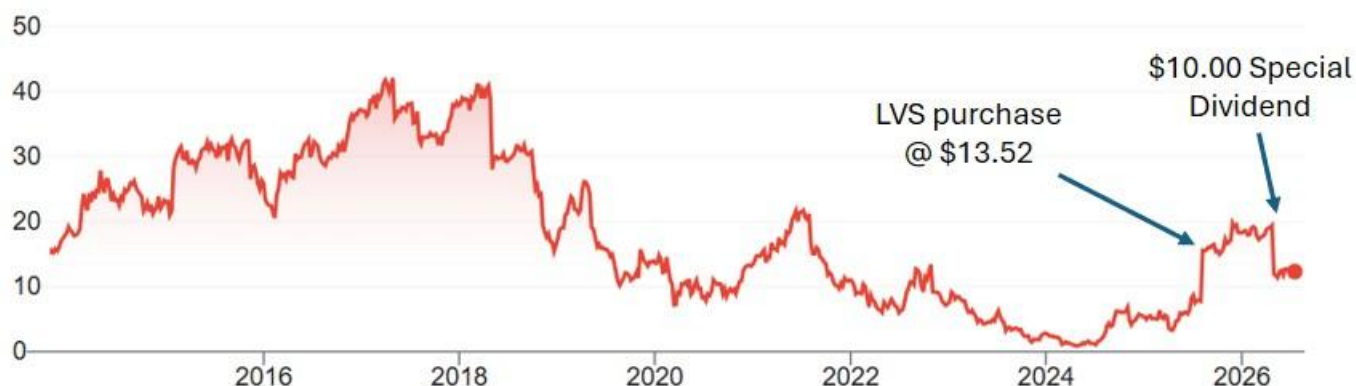


For years, the company employed an aggressive acquisition strategy to roll up the legacy cable and copper wire industry in an effort to become the leading end-to-end provider of wired and wireless communications. Vistance took on an enormous amount of debt to complete the \$3 billion acquisition of BNS from TE Connectivity in 2015 and later the \$7 billion acquisition of Arris in 2019. At its peak, the company had accumulated a total of \$10.5 billion of debt with a net leverage ratio of 7.1x. The debt load became unsustainable, and the stock collapsed from



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over \$40 per share in 2018 to less than \$1 per share by 2024. Vistance nearly bankrupted itself, and investors left it for dead.



Source: Google Finance, LVS Advisory.

The board ran a sale process in 2025 in a last-ditch effort to save the company from bankruptcy. This resulted in a series of asset sales that paid down debt and returned capital to shareholders.

I became interested in August 2025 when the company agreed to sell the Connectivity and Cable Solutions (CCS) business to Amphenol for \$10.5 billion. Vistance was able to use the proceeds to pay off all the remaining debt and also pay a \$10 per share special dividend. Importantly, Vistance would still own two business units that generated over \$1 per share of free cash flow. We paid \$13.52 per share for the stock, which meant that after getting paid the \$10 per share dividend at deal close, we were only paying ~3.5x pro forma free cash flow per share.

While the remainco of Vistance isn't a sexy business, we did our homework and developed a view that it should be worth somewhere between \$8 to \$12 per share.

Fast forward to April 2026 and Vistance agreed to sell its Ruckus segment for an additional \$1.8 billion. The company outlined a similar plan to return the proceeds to shareholders via a special dividend. We estimate that the company has \$8.00 of cash per share on its balance sheet today post-Ruckus sale – most of this cash will be paid out in the dividend. This still leaves a remaining business segment that will generate an estimated ~\$0.90 per share in free cash flow this year.

The stock is currently trading for \$12.13, which means we are paying a little over \$4 per share for \$0.90 in free cash flow, a ~4.4x multiple. We believe the remaining business could be worth \$6 to \$8 per share, which implies that the stock should be worth \$14 to \$18 per share vs. \$12.13 today. Adding it all up, we paid \$13.52 for \$24 to \$28 in value (including dividends) in less than 1 year. What makes the situation particularly compelling today is the high likelihood that the remaining business will be sold soon.



Growth Portfolio: Our Investment in Hikari Tsushin

I have a strong bias towards investing in the US due to my familiarity with domestic business, financial reporting, and laws; however, the Growth portfolio has an open mandate to invest wherever we find the best opportunities. This occasionally leads us to invest internationally. Approximately 81% of our portfolio today is invested in US-listed stocks; the remaining 19% is scattered across countries including the UK, Canada, Mexico, Bermuda, and Japan. Hikari Tsushin is our first and only investment in Japan.



Hikari Tsushin is a Berkshire Hathaway-style conglomerate based in Tokyo. The company focuses on buying and owning capital-light, recurring revenue businesses. Hikari operates five primary business units: utilities, telecom, insurance, finance, and consumer services. These businesses generate significant cash flow that is allocated into investments in over 140 wholly owned subsidiaries and over 700 publicly traded investments. The company's operating units and most of its publicly traded holdings are focused on the domestic Japanese market.

What makes Hikari Tsushin special is that it has proven to be extremely good at allocating capital and compounding value. Shareholders' equity has compounded at a 17% annualized rate over the past 15 years while the revenue of its operating business units only grew at an 8% annualized rate. These strong results over a long period piqued my interest in figuring out what has been driving this off-the-radar Japanese company.

Hikari Tsushin was founded in 1988 as a distributor of office equipment such as copiers and fax machines. The company became a mobile phone distributor in the 1990s and rode the Dot-com bubble in Japan. Hikari's stock fell 99% from the peak of the Dot-com bubble, and the company was on the verge of bankruptcy. However, the founder injected ¥10 billion of his own money and began to rebuild the company.

Hikari's near-death experience during the Dot-com bubble had a lasting impact that shaped the company's culture and operating model today. The company redefined itself around financial discipline and operational efficiency.

First, Hikari has steadily diversified itself out of the telecom industry. The company will invest in any business so long as it operates with a capital-light, recurring-revenue business model.

Second, the company adheres to a strict internal investment hurdle requiring a 30% IRR over a 5-year period. In 2026, Hikari decided to cut incremental investment in its utility business unit due to insufficient returns. Cutting investment in the utility unit has created a temporary headwind in the company's operating results, but it demonstrates Hikari's commitment to only funding projects that meet its high investment hurdle. The good news is that Hikari has other valuable ways to allocate capital. Hikari pays out around 35% of its earnings in dividends and will allocate excess capital to share buybacks, acquisitions, and public stock market investments. Hikari's stock carries a ~2.1% dividend yield today, and the quarterly dividend payment has grown at an 18% annualized rate over the past 15 years.

Third, Hikari has steadily reduced headcount over the past 20 years to operate more profitably. The company employs fewer than 4,000 people today compared to 13,000 people in 2016 despite significant growth in revenue and operating income.

The three strategic elements above may appear to be very common-sense good business practices in the United States, but these strategic elements are rare in Japan. Japanese companies tend to be more focused on preserving a business's legacy and providing for its employees than on prioritizing high-return projects and human capital efficiency.

In May 2026, I traveled to New York City and had the opportunity to meet with several senior executives of the company. Hikari's executives admitted that the company has an unusual corporate culture that is focused more on "capitalism" and "shareholder value" than legacy – music to my ears! In those meetings, I also learned that Hikari Tsushin has a highly entrepreneurial and meritocratic culture. Strong performers are aggressively promoted within the organization, and every year the company will take new business ideas from its staff and agree to fund the best proposals. This internal investment initiative led to the creation of several profitable businesses, including the company's water delivery business, Southeast Asian microfinance business, and cell phone insurance business, which cumulatively account for 22% of total company revenue today. In fact, one of the executives I met proudly told me the story of how he conceived and then executed the cell phone insurance business, which now has a 90% share in the Japanese market for cell phone insurance.

The management team is a big part of the story. Chairman Yasumitsu Shigeta is the founder of the company. Shigeta saved the company from bankruptcy and then architected the recovery. Shigeta has retained his shares and currently owns roughly 50% of the company. President Hideaki Wada spent his entire career at Hikari Tsushin and was appointed President in 2019. Wada has invested his paychecks in buying Hikari's stock over the years. Wada now owns roughly 0.9% of the company worth ~\$90 million US dollars.

Wada and Shigeta are responsible for allocating capital and deserve much of the credit for Hikari's strong shareholder returns. Capital that is not reinvested back into the owned subsidiaries or returned to shareholders is used to acquire businesses and invest in the stock market. Drawing inspiration from Warren Buffett and Constellation Software, Hikari Tsushin has a strong value-oriented investment philosophy. The company focuses on buying dirt-cheap Japanese small-cap stocks that trade at low single-digit P/E multiples or even below the net value of their cash holdings. Hikari will often influence the companies in its public portfolio to close the value gap by distributing excess cash or running a sale process.

Hikari's publicly traded portfolio has compounded at a pre-tax IRR of approximately 18% over the past 9 years. This compares to 14.0% for the Nikkei 225 Index. However, the Nikkei 225 Index carries a forward P/E of 22x. Based on our review of Hikari's holdings, Hikari's public portfolio carries a valuation multiple of less than 10x forward P/E.

Given the complexity of the conglomerate business model, Hikari Tsushin is not easy to value, but a common-sense approach quickly shows that the stock appears to be attractively priced today. If you were to take Hikari's ¥1.6 trillion market capitalization and subtract the company's net cash and investment holdings of ¥1.3 trillion, it would imply a value of ¥0.3 trillion for the operating businesses. At ¥0.3 trillion, an investor is paying just 2.0x earnings

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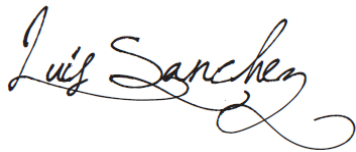
for the operating businesses. This is remarkably cheap even for a Japanese conglomerate, but it is especially cheap given Hikari's strong track record, capitalistic culture, and alignment of interests between shareholders and senior management.

Hikari Tsushin's stock is currently experiencing a modest ~15% drawdown from its recent highs due to recent disappointments in the earnings of its operating units. I believe the current drawdown represents a good buying opportunity.

Until Next Time

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

Best regards,



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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