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Investment Results	2019	2020	2021	2022	2023	2024	2025	Since Inception ¹
LVS Event-Driven (net of fees)	7.0%	13.2%	9.1%	3.8%	6.2%	7.5%	9.1%	70.7%
LVS Growth (net of fees)	-	61.9%	16.1%	(35.8%)	7.0%	36.7%	6.2%	87.5%

Note: Investment performance is presented net of all fees and expenses. Investment results are as of December 31, 2025.

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

February 10, 2026

Dear Investors,

For the full year 2025, the LVS Event-Driven Portfolio gained 9.1%, and the LVS Growth Portfolio gained 6.2%, net of all fees and expenses. This compares to the high-yield bond index which gained 8.8%, and the S&P 500 which gained 17.9%, our benchmarks respectively.

In this letter, I will discuss the launch of a levered version of the Event-Driven portfolio, a new strategy for LVS, and I will discuss the 2025 performance of the Growth Portfolio.

Strategy Launch: Levered Event-Driven

When I launched the Event-Driven strategy in 2019, my goal was to provide a low volatility, uncorrelated portfolio that could consistently generate high-single digit annual net returns. 7 years later, I am proud to say that I have accomplished this goal. With a max drawdown of 5.3% and no down years despite steadily outperforming liquid income strategies, the track record speaks for itself.

I've long believed that it could make sense to add leverage to "juice up" the returns. I did not pursue this vision for various reasons. Primarily, I knew adding leverage would increase volatility, and I already manage the Growth Portfolio, which is a higher-vol, higher-return strategy. I also lacked the capital base to seed new ideas.

But something changed in 2025. The opportunity set for Merger Arbitrage and Event-Driven situations has improved due to surging M&A volumes, declining interest rates, and a laxer regulatory environment. These factors contributed to the Event-Driven Portfolio's robust 9.1% net return during 2025, and this momentum has carried forward into 2026.

At the same time, the US stock market surged to record valuation levels hinged on the success of a narrow set of technology stocks which now account for roughly half of the S&P 500's overall value. While I am a believer in US stocks over the long run, the current levels of S&P 500 index concentration and valuation make me cautious about allocating fresh capital to the market.

I believe it is a good time to diversify from US stocks and from the S&P 500 specifically.



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Within that context, I conducted a study last summer to explore the impact of adding varying degrees of leverage to the Event-Driven Portfolio. I took the actual returns from 7 years of running the strategy and simulated the impact of buying on margin and paying margin interest. While this study is hypothetical, I have a high degree of confidence in it because the daily returns are real and were generated over several volatile regimes of data (high & low interest rate environments, drastic market sell offs in 2020 and 2022, etc.).

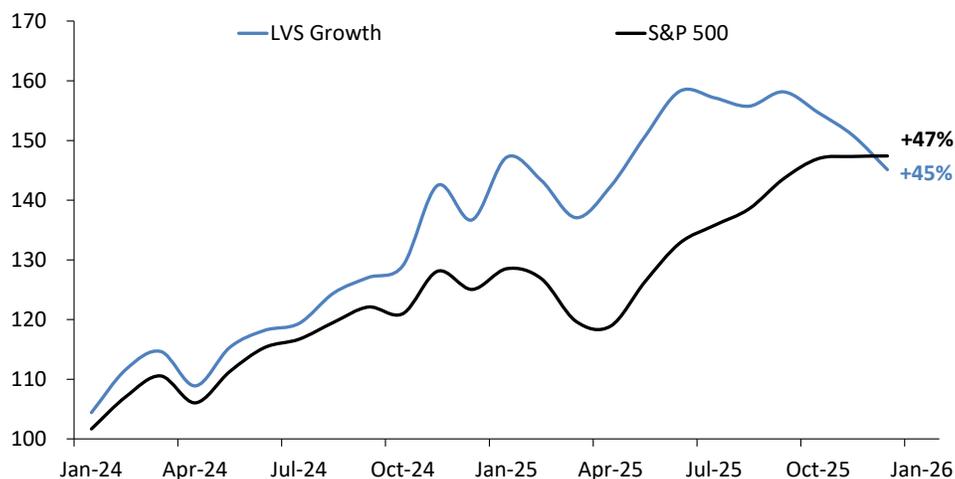
The results are extremely promising. A modestly levered version of the strategy can generate returns that would have rivaled the S&P 500 over the past 7 years with less than half of the downside risk. I won't cite the exact stats here, but I am happy to provide the data upon request.

I secured the backing of a sizable family office, and we went live in October 2025. The strategy is available to accredited investors via separately managed accounts. We are exploring the creation of a hedge fund for the strategy in 2026.

Nothing will change for investors in the unlevered version of the strategy. The levered version of the strategy has the same positions, which means that there is no incremental analytical effort required to manage the additional strategy. A higher-risk strategy isn't for everyone, and I see value in offering both versions to investors.

Growth Portfolio: 2025 in Review

I have less exciting news to report on the Growth Portfolio. After beating the S&P 500 for the first three quarters of 2025, the strategy lost 8.2% in Q4 which caused us to underperform the benchmark for the year. I am disappointed with how the year ended, but taking a step back and looking at the strategy's performance over the past 2 years shows that we performed in line with the S&P 500 over a longer period.



The table below shows the key stocks/themes that detracted from our performance during Q4.





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LVS Investment	Q4 '25 Impact To Overall Portfolio
Netflix	-4.04%
Power Basket	-1.60%
Software Basket	-1.50%
Fintech Basket	-1.17%
Total	-8.31%

Netflix

Netflix remains our largest investment in the portfolio and was held at an 18% weight at the start of Q4. The stock declined 21.8% in Q4 primarily due to its announced \$83 billion acquisition of Warner Brother Discovery.

As a reminder, we purchased a 6% position in Netflix in 2022 at an average cost of \$28.31. Netflix became our largest holding because our thesis was proven correct and the stock price soared (we never added or trimmed after 2022). I kept the stock in our portfolio because I saw more potential upside. Netflix has become the global category killer in scripted entertainment and is rapidly eroding market share from linear TV. I believe the company will continue to take share as it reinvests in live entertainment, sports content, video games, and advertising capabilities.

Prior to the acquisition of Warner Brothers (which surprised us), I perceived the key risks to the thesis to be competition from short form video (TikTok) and user-generated content (YouTube). However, I also view short form video and user-generated content as potential expansion opportunities down the road. In fact, Netflix recently added podcasts to its platform, which is tangential to much of the content that is popular on YouTube. Simply put, Netflix has done an excellent job executing on growth initiatives in the past, and I trust management to navigate future changes in the entertainment industry.

Netflix's stock is roughly 40% below its mid-2025 levels due to investor concern that the company is overpaying for Warner Brother Discovery. I am neutral on the Warner deal. I don't believe Netflix needed to acquire a major studio but was simply being opportunistic when Warner went up for sale. Warner boasts one of the strongest content libraries and film production operations in the industry. Netflix could certainly find ways to get more value out of those assets. This is also a once in a generation opportunity to acquire an entertainment asset of this size and quality. I don't love the price tag or debt associated but believe that Netflix is large enough to absorb the costs. I also believe that owning these content assets will allow Netflix to accelerate its growth plans.

The stock trades for roughly 20x its forward expected earnings. This is incredibly cheap given that earnings are expected to compound at a 20%+ annual rate over the next 3 years without any help from acquisitions. Therefore, I view this as a win/win situation from the current price. Netflix's stock should perform well with or without the Warner deal over the next 3 years and beyond.

Power Basket

I spent the bulk of the [Q3 2025 letter](#) discussing our power thesis. I don't have much to add. The stocks have been volatile, but I like the longer-term trends.





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Software Basket

We held small positions in a handful of software companies. The software industry as a whole has sold off due to fears that artificial intelligence will create competition and reduce switching costs. Like everyone else, our team has spent an inordinate amount of time trying to better understand artificial intelligence and the many impacts it will have on the world. When it comes to software, I have a hard time building confidence regarding what the future will look like. It is hard to argue that AI will increase the terminal value of most public software companies. Given that most software companies started 2025 with relatively robust valuations, any impairment to terminal value would be tough to recover from. I ultimately decided to liquidate our software exposure and move on.

I still see value in owning tech platforms that benefit from physical economies of scale, network effects, and/or brand advantages. Unlike software, which is arguably more commoditized today vs. 3 years ago, platforms should accrue value from AI because they own the customer for reasons that transcend the digital world. AI should allow platforms to better serve their customers and potentially reduce costs.

Fintech Basket

Our fintech basket includes Interactive Brokers and Wise. These stocks are volatile due to potential changes in interest rates and sensitivity to consumer spending activity. Stablecoin risk became a new theme in 2025. I have studied stablecoins and do not see an immediate risk of disruption to our fintech holdings. Wise is more vulnerable given that cross-border pay is considered a strong use case for crypto and stablecoins. To date, stablecoins do not have much traction in cross-border transfer due to much higher costs than traditional payment rails. Wise has continued to post strong financial performance, which gives us some solace that the risk is still theoretical. However, this risk is worth monitoring closely as technology can quickly change (see the software basket above). I believe Wise still has an opportunity to adopt stablecoin technology and retain its reputation as a disruptor. Wise has an outstanding track record of execution, and I trust management to make the right decisions.

Semiconductors

Semiconductor stocks hurt our relative performance because we did not own them at all in 2025. While I am quite bullish on the utility of artificial intelligence, I stayed away from semiconductors because it is a highly technical sector dominated by specialists. Historically, the industry has been extremely volatile and cyclical, characteristics that I typically try to avoid in investments.

In hindsight, not owning semiconductors hurt us more than anything we owned on a relative basis. Of the S&P 500's 17.9% return in 2025, 8% (nearly half of the return) can be attributed to the semi industry. In other words, the S&P would have only returned 12% in 2025 if semiconductors had no impact.

I do not see us loading up the portfolio with semi stocks any time soon, but I will be more open-minded to the industry and other industries outside of my typical circle of competence.

What We Got Right in 2025

To end on a positive note, we did get several things right in 2025. Our power basket performed well with Talen Energy doubling and Curtiss-Wright ([pitched here](#)) appreciating 64%. Interactive Brokers ([pitched here](#))



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continued to compound, appreciating 48%. We also made money on our investment in tech platforms (Google, Amazon, Meta) and our healthcare basket, which included pharma distributors and medical device companies.

Until Next Time

I am energized to make 2026 a great year. I am excited to expand with the Levered Event-Driven strategy. We also have several promising new investments that I look forward to discussing in the future.

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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