

What are the Characteristics of a Bargain?

As value investors, we are consistently looking to invest in securities that are priced below their intrinsic value, also known as “bargain-priced” securities. Our investment philosophy stresses minimizing the risk of permanent loss of capital. By investing in bargain-priced stocks, our investors will lose less during market downturns and make greater returns in the long-run. By reading the questions and bulleted answers below, we hope to help you better understand how bargains are created in the market, how we find these bargain-priced securities, and why we invest in them.

What are the processes through which bargains are created?

- Potential bargains usually display some objective defect
- A company may be laggard in an industry
- The industry outlook is extremely poor
- Usually its price has been falling, making irrational investors flee the security and sell at lower and lower prices

Where is a good place to find bargains?

Companies that are...

- little known and not fully understood
- questionable on the surface
- controversial, unseemly or scary
- deemed inappropriate for “respectable portfolios”
- unappreciated, unpopular, and unloved
- trailing record of poor returns
- recently the subject of disinvestment, not accumulation

What are the necessary conditions for a bargain?

- Perception has to be considerably worse than reality.
- The belief that investment bargains don't have anything to do with high quality.

There will be times when the macro economy offers many bargain opportunities due to investor dislocation between perception and reality. When bargains are abundant we are more likely to be able to buy high quality assets at cheap prices. There will also be times when bargains are scarce (i.e. during market peaks) and the search for bargains needs to be conducted on a company specific level. Currently, we are in a market where bargains are scarce and we are continuing to do plenty of internal research to search and find bargains. While these bargains are not always found in high quality assets, our objective is consistent: prevent the permanent loss of capital.

2018 Tax Documents: Release Dates

TD Ameritrade provided us with a schedule of when they expect tax documents to be released. We wanted to share this important information with you. Please read the chart below and let us know if you have any questions. Please note, these forms will be available online and will be mailed if you elected to receive paper statements and confirmations.

Form Name	Description	Release Date
Consolidated Form 1099	All reportable income and transaction for the year. If you received at least \$10 in either dividends or interest during the tax year or had an equity sale in a taxable account, you will receive an Internal Revenue Service (IRS) Form 1099. If applicable to your account, Consolidated Form 1099s may include: Form 1099-B, Form-DIV, Form 1099-INT, Form 1099-MISC, and Form 1099-OID	We expect to have all 1099s available online by February 14, 2018. Depending on the activity and holdings in your client's account, the form may available earlier.
1099-R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, etc.	Distributions from qualified retirement plans (for example, individual 401(k), profit-sharing, and money-purchase plans), or any IRAs or IRA recharacterizations, conversions, or removals of excess	Online by the close of business on January 22, 2018
2439 Notice to Shareholders of Undistributed Long-Term Capital Gains	Undistributed capital gains from mutual funds and Real Estate Investment Trusts (REITs)	Online by the close of business on March 16, 2018
5498-ESA Coverdell ESA (Education Savings Account) Contribution Information	Contributions (including rollover contributions) to a Coverdell ESA	Online by the close of business on April 24, 2018
5498 IRA (Individual Retirement Account) Contribution Information	Contributions (including rollover contributions) to any IRA	Online by the close of business on May 18, 2018

Reminder: 2017 Contributions to IRAs & Roth IRAs

You still have time to contribute to your IRAs and Roth IRAs for the 2017 tax year. You can contribute up to the date you file your taxes or April 18th, 2018. If you would like to contribute to IRAs or Roth IRAs held at O'Keefe Stevens Advisory for the 2017 tax year, please mail a check made out to "TD Ameritrade Clearing" to our office. Please also notate "2017 IRA/Roth IRA Contribution" in the memo line of the check.