



O'KEEFE STEVENS
ADVISORY, INC.

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The Value Connection

Our mission is to be responsible stewards of our clients' financial lives.

Market Update

As the stock market continues to rise we continue to be patient, cautious, and optimistic investors.

Patience is and will always be part of our strategy. We believe investing to be the disciplined, long-term ownership of a business supported by an understanding of the company and the market for their goods, services, or assets. We view anything less than intimate familiarity as speculation. Our method is to understand the facts and then be willing to wait for the opportunity to materialize. We buy when price looks attractive relative to value. We wait when the gap is not large enough to feel confident in buying with a margin of safety.

Caution is always important, and today we feel especially compelled to emphasize the need for caution. Either investor standards have dropped or the appetite for risk has expanded lately. Both situations are cause for concern in our opinion.

Howard Marks discussed two situations to illustrate the current complacency of investors in his May 2017 Memo titled *They Go Again...Again*. The first example is Netflix issuing €1.3 billion of single-B rated Eurobonds paying 3.625%. Last year alone, Netflix burned through \$1.8 billion of free cash flow. While it is an exciting company, the bondholders do not share in the gains but do risk the losses if the company is unable to sustain its customer loyalty. The willingness of investors to purchase this type of investment and exchange substantial risk for minimal returns highlights a certain looseness in investor standards.

The second instance Marks pointed to was SoftBank of Japan launching the largest technology fund ever known at nearly \$100 billion. While the bank has a terrific track record of past success, investors seem far too willing to pile money into this levered technology fund. Marks calls this activity exuberant and unquestioning. Neither of those adjectives top our list of desirable terms when describing an ideal investment climate.

Optimism is still our stance, despite what the previous paragraphs might lead you to believe. For one thing, we realize most people are aware of the risks in the market and are not of the belief that the bull market will continue onward forever. Today we are not in a euphoric environment. That's a good thing.

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Market Update Continued

Additionally, we are still finding valuable businesses on sale in many sectors. The top stocks are hyped and inflated and the massive shift to index investing continues to compound these inflated values. The popularity of Index and ETF investments creates a situation where all new money is directed into stocks that are overweight and have performed best recently. This happens regardless of the price being paid for the investment. Meanwhile, we believe many great businesses are being overlooked. The adage “buy-low, sell-high” is still our mantra. The passive investing trend is ignoring this timeless wisdom. We’re confident in our approach and in the market’s proclivity for price and value to intersect over time.

We continue to believe cash is an appropriate hedge to employ in our current environment. Our last quarterly call explained our view, and is worth reiterating:

We feel that there are 2 benefits of holding an outsized cash position in your portfolio. First, in the event of a downturn in the market, your portfolio would not experience the full effect of the decline. For instance, should the market experience a 20% correction, and only 80% of your funds were invested, you would only experience a 16% decline in your portfolio value. Not a superb result, however, it’s much easier to stomach than 20%. Second, if the market does decline and you have cash available, it’s often an excellent time to be a buyer of great companies at discount prices. I prefer to be a buyer when other people need to sell, not when everyone else wants to buy.

Our efforts to educate you and keep you informed on the investments and the approach we take continue to be our primary objective. This newsletter, our quarterly investor calls, and the personal meetings or phone calls to discuss your plans and investments all aim to keep you informed. Informed investors are less impacted emotionally by the extremes of the market. Investor behavior is the dominate factor in investor success. To that end, we’re behavioral coaches and we believe our method of being intimately familiar with you and your investments is the best possible path to success.

Please contact us with your questions. We’re here to spend time helping you better understand your investments. Our hope is the resources we’re providing are helpful to you.

Please Call Us!

We’ve received feedback during the recent months and realize we need to explain our role in our working relationship with TD Ameritrade.

We continue to be your primary point of contact for all your service needs and questions. Although TD Ameritrade is listed on your statement and is willing to provide support, their phone number routes you to a national call center. Our number is listed on your statement, and we’re able to provide you a personalized experience when you contact us with a question or request. We know you, your personal finances, your investments, and your accounts. This means we’re able to provide you with a more accurate response tailored to your preferences. If you have any questions or requests, please contact us directly. Every member of our team is here to help you.

Year-end Reminder: RMDs

If you are 70 ½ or older you need to take your Required Minimum Distribution (RMD) from your IRA or Beneficiary IRA before the end of the year. We will reach out to you in October and November to discuss the options for your distribution. You can also reach out to any member of the O’Keefe Stevens Advisory team to begin the process of taking your RMD.

If you hold IRA accounts outside of O’Keefe Stevens Advisory we can help determine if you have satisfied your requirement. We aim to ensure all clients with RMDs take their distribution before year-end. If RMDs are not taken, there is a 50% tax penalty. To avoid this penalty, we will automatically send out RMDs on December 15th with 20% federal tax withholding and 0% state tax withholding. You can connect with us before December 15th by email, phone or mail to request your RMD before the end of the year. Many of our clients choose to receive their payments throughout the year. If you would like to learn about your options please call us.

Technology Updates

We are introducing the new “OSA Client Portal” in October. You have access to this portal through our website www.okeefestevens.com (shown in the screenshot at the bottom of this page). You will still have the option to access TD Ameritrade’s online platform from our website.

This portal will provide you with access to all accounts held with us in one place. Additional performance data and account values, as well as notifications and upcoming events from our team are available to you in a user friendly format. Our team decided to invest in an additional tool within the client portal called “Wealth Access”. This is an aggregation tool to link outside bank accounts, investment accounts and retirement accounts to your investments at O’Keefe Stevens Advisory. Wealth Access generates a real-time net worth and income statement based on this information. Our plan is to replace the current financial review process and document with this software.

We will send you an email to provide instructions on how to set up your username and password on the new OSA Client Portal. If you have any questions, please reach out to our team for more details.



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What We Can Do For You

Tax Review

October is the month to start year-end planning activities. We can provide you with valuable information to review with your tax professional. Examples include gain/loss reports and contribution and distribution details to qualified plans. We know that many CPA's prefer to have this information before the end of the year so they can run a tax projection and advise you to make any changes to save money during the last few months of the year. This helps you spend less on taxes and potentially increases your refund! We're happy to host or attend a meeting with your CPA. If you don't have a CPA and would like to consider your need for one, we are happy to have a conversation and provide you with an introduction to any of the CPA's that we know and trust if it's appropriate.

Benefits Enrollment

It's Open Enrollment Season at most companies and we're here to help. Last year we helped several of our clients navigate the plans provided by their employer. This includes health insurance, life insurance, disability insurance, and retirement. We do this work as part of our working relationship with you, and find that people who utilize this service are relieved of the pressure of having to make these important decisions alone. If you provide us with the paperwork or online access to your company benefits website, we'll help you evaluate your options and provide you with a recommendation on the most effective choice for you and your family.

Upcoming Events

O'Keefe Stevens Advisory Value Connection Quarterly Call

When: Wednesday, December 6th, 2017 at 4:00 PM EST

How to Join: Visit <http://join.me/okeefestevens>

Dial in by phone: 1 (646) 307-1990

Enter conference ID: 734-977-219



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Please be advised that our disclosure document, Form ADV, is available upon request. As a reminder, always let us know if your investment objectives have changed.

Investment advisory services offered through O'Keefe Stevens Advisory, Inc., an SEC Registered Investment Advisor.

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