



O'KEEFE STEVENS  
ADVISORY, INC.

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# The Value Connection

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

## Team Updates

Written by Justin Stevens

At the writing of this newsletter the broad US Market and our portfolios are up for the year, but that only tells a part of the story. Through the first four months of the year positive results were delivered in each consecutive month. More recently, the Federal Reserve's capitulation surrounding interest rate cuts and its announcement that it will cut rates sent the market on a roller coaster ride beginning in the month of May. Further intensifying this volatility is the uncertainty about trade between the US and China, a presidential impeachment, and a politically charged environment as we enter an election year.

There are reasons to be skeptical about several attributes of the current market environment. Overall investor sentiment seems to be defined by worry about what will happen. Prices are sent tumbling or soaring based on news reports almost daily. Investors have the jitters and move in and out of investments as the news shifts. Historically, this type of behavior has proven to be an irrational long-term investment strategy.

Simultaneously, investors appear to be greedy and fear of missing out on the next big thing is a prevailing theme. There are the most Initial Public Offerings (IPOs) in any year since 1999, with many of these businesses lacking profitability and lacking scalability without continued access to new capital. If the money spicket gets turned off, many of these newly minted public companies will be in big trouble.

When fear and greed are the prevailing themes (which both are today), the thing to do is to remain cautious and price sensitive. There are many sectors offering value investors opportunities in the current market situation. It is smart to explore the areas other investors have deemed unloved and unwanted for lack of certainty in the future. Energy, real estate, and cyclical industries are full of bargain priced securities. Success will come through identifying a handful of these businesses, developing a clear understanding of their ability to produce profits, buying them at reasonable prices, and holding onto them regardless of what happens in the market. This disciplined approach has delivered lower returns in the current years, but it continues to be the path forward at O'Keefe Stevens Advisory.

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# Team Updates Cont'd

The sectors of the market that performed best so far in 2019 are Information Technology, Real Estate and Utilities, each notching 25% returns or better year to date. The lowest returning sectors (all positive, nevertheless) are Energy, Health Care, and Materials. Your portfolio is positioned in many different sectors, and the highest weightings are in Real Estate, Financials, and Information Technology. New money coming into the portfolios today is being allocated into Energy and Real Estate.

At O'Keefe Stevens the goal is to own businesses in a variety of sectors and pay close attention to the price paid for those investments. To balance the lumps and bumps in returns of the portfolio, you should maintain ample cash reserves to fund your lifestyle during the next three years. If you are retired or about to retire, that means having cash set aside in the bank or your portfolio to cover distributions over and above your Social Security and other recurring income sources. If you're still accumulating, it means maintaining a six-month emergency reserve, paying down debts, and saving a minimum of 15% of your income. If prices decline substantially, this provides you with optionality to take advantage of low-priced stocks and retain the ability to sleep well at night.

## Team Updates

Peter and Justin attended the Manual of Ideas Conference, a full day event at the end of September in New York City. Eight presenters shared their investment philosophy and presented several timely ideas. There were 150 attendees and networking with like-minded peers always proves to be one of the best idea generation sources.

Peter has logged a record number of meetings with management and investor conferences this year. The familiarity with the portfolio of stocks and documentation of the OSA Investment Process is continuing as one of the key areas of growth for the firm. The process is well-developed, repeatable, and is available to you if you'd like to review our Investment Process document.

## Awards and Recognition

Each year FA Magazine does a ranking of the Registered Investment Advisory Firms in the country. It is estimated at the end of 2018 there were over 30,000 firms in the United States. O'Keefe Stevens Advisory is ranked number 600, measured by assets managed. This establishes a baseline for the team here, and as time goes on it will be something to look forward to and celebrate as the business grows.

Justin was recognized by Nazareth College as the Graduate of the Last Decade (GOLD Award). The award honors individuals who embody the Nazareth College values and who show their support to the Nazareth Community. Justin serves on the Board of Trustees for the college, participates in the student alumni mentoring program, and is working to endow a scholarship to support freshman and sophomore students who pursue unpaid and underpaid internships.

# Team Updates Cont'd

## Client Advisory Board

Each year a representative group of O'Keefe Stevens clients assembles to share thoughts on their experience as a client, ways for the service to improve, and ideas for how OSA can become a better business. On October 4th, the 7th Client Advisory Board meeting was held in Buffalo and half a day later, there are valuable insights for the team to incorporate into business planning for 2020.

Thank you to the members of the advisory board who committed their time to this event. If you are interested in serving as an advisory board member, please let any member of the team know. What follows is a summary of the key takeaways that will be implemented in the upcoming months:

It's clear that a reengagement effort is needed on the two online platforms for accessing your investment information. Many clients continue to utilize the TD Ameritrade Client Advisor website but have not converted to the newly improved version of Client Advisor. Similarly, the OSA Client Portal is underutilized and some clients are unaware that it exists. A personalized statement of your login credentials and a clear instruction path to access your account information is available to you at any time. The team will post helpful instruction documents in the client portal so the answers to commonly asked questions are easy to point to and can be retrieved at your convenience.

Other ideas included the creation of a one to two-page synopsis of each core investment holding in the O'Keefe Stevens portfolio, with details about the thesis for the investment, attributes of the business, and specifics about the initial purchase and progress during the holding period. These documents could be retrieved in the client portal as well, so as an investor, you can check into your investments at any time at a deeper level than just seeing it on your statement.

A story about the team and a timeline of events that led to the formation of O'Keefe Stevens Advisory is also a recommended addition to our website and can be used as to share with new and existing clients. This will help you better understand the team and be able to tell the O'Keefe Stevens story.

The quarterly calls are only appealing to a small number of people and most clients do not feel compelled to listen to these calls. The calls are recorded and available for replay on the website but are not being visited frequently. Peter and Justin benefit the most from these calls because the thought process is captured and can be referred to at later times. Summarizing these calls and investment updates in the newsletter is probably a better way to share the information and might lead to more people visiting the website to listen to the call recordings.

Professional partnerships are one of the most valued elements in the advisory working relationship. Profiling firm partners and offering you access to other professionals who provide ancillary financial or non-financial services is something that improves the overall experience.

Commitment to getting better is a core value at O'Keefe Stevens and making incremental improvements each year is an intentional focus of the business. Thank you to the clients who support the team in this effort. Stay tuned for improvements in the coming months.

# TD Ameritrade Made the Move to \$0 Commissions

You may have seen the news... TD Ameritrade is eliminating base commissions for online exchange-listed stock, ETF (domestic and Canadian), and options trades, moving from \$6.95 to \$0.00.



TD Ameritrade Institutional has been a valued strategic partner to our firm and we're thrilled by their move to lower the cost of investing and trading for you. The change went into effect on October 3, 2019.

As always, we're here for you if you have any questions about these exciting changes.

## Save the Date!

### O'Keefe Stevens Advisory Value Conversation Investor Call

**When:** Wednesday, December 11<sup>th</sup> at 4:00 PM ET

Details on how to join the call will be emailed to you at a later date.



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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.

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