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O'KEEFE STEVENS
ADVISORY, INC.

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The Value Connection

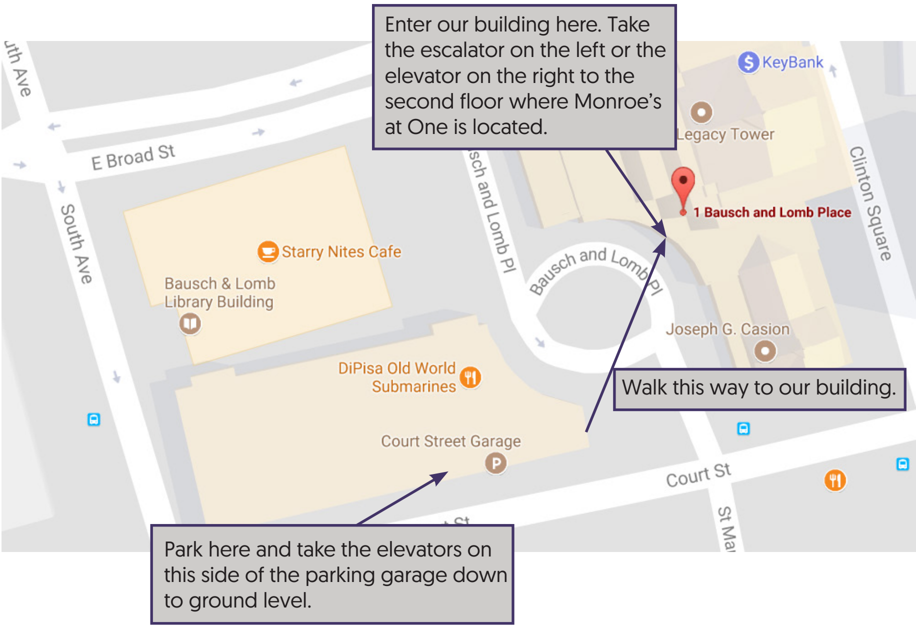
Our mission is to be responsible stewards of our clients' financial lives.

Team Updates

We are excited to share the news that Marissa and her husband Mike welcomed their baby girl, Faye Charlotte Bell, into the world on May 20th, 2017. Faye is very punctual, arriving on her due date. She weighed 6 pounds, 6 ounces and was 20 inches long at birth. Marissa and Mike shared the picture below. Marissa and Faye are in great health and Marissa will be returning to work in mid-July.

It's Party Time!

We are hosting our Grand Opening Party on Friday, July 21st. The event starts at 5:00 PM and will end at 8:00 PM. The venue is in our building at the second floor restaurant, Monroe's at One. This is a casual, drop-in event with great food, cocktails and live music for everyone to enjoy. Please see the map of our location below, including details on where to park. If you still need to RSVP for the event, please visit http://okeefestevens.anrsvp.com or email Carly at carly@okeefestevens.com.



Investment Process: Optimal Buying & Selling Opportunities

Expanded from the Value Conversation Call
Written by Justin Stevens

The most recent Value Conversation Quarterly Call focused on a section of our Investment Philosophy that we spend a lot of time discussing in our office: when to buy and when to sell. We encourage you to listen to the replays of these calls on our website in the Resources section. Also, you're able to submit questions to us prior to the calls so we can focus our discussion on the topics that interest you most.

Identifying when to buy and when to sell a stock might be one of the more difficult parts of the job. Finding great companies with the financial attributes that tend to yield positive outcomes is the first step. However, these companies often trade at a price higher than we would want to pay for them. Obviously, a great company should carry a higher price tag because its investors are able to sleep better at night, not having to worry about the company's ability to stay in business and to keep generating cash. Likewise, it is not reasonable to sell a stock of this type of company simply because it trades at a slight premium. Ideally, these companies would always stay in this rational price range and you could continue to own them for a lifetime with the share price increasing steadily as the business grows

Alas, the market goes on sporadic bouts of confusion and at times, it prices quality businesses way too high. At other times, the market drops prices too low considering the company's financial strength and staying power. It is at these times that we need to be able to act decisively.

We utilize this chart to aid in our discussions. After doing our research to develop an informed opinion of a business, we assign it to one of the yellow dots to visually represent where we feel the company falls when comparing its price, financial strength, and relative value. We've highlighted a buy zone and a sell zone on these sheets to indicate when a discussion needs to happen. This is just a first of many steps when it comes to initiating a transaction. We hope it helps you better understand our objectives and communications when we reach out to you about our trades.

The Market Today & Our Thoughts

Written by Justin Stevens

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Bottom) CBOE.
Drawdowns are calculated as the prior peak to the lowest point.
Guide to the Markets – U.S. Data are as of May 31, 2017.

Stocks, bonds, gold, even bitcoin – assets that seldom move in the same direction – are all crossing into new high territories. Add to this the fact that volatility is at historic lows. For market participants, this spring was enjoyable for all of these reasons.

As investors, we feel a bit torn about these facts. Behind the scenes, our nation is still dealing with a debt burden, which will certainly have implications on long-term inflation and could create high volatility if abrupt actions are taken towards repayment. To date, all moves being made by the Fed are slow and predictable to keep interest rates stable. We are not in the business of forecasting, but it would seem reasonable that this low rate environment will continue until a repayment plan is established. We're also aware that the risk-free rate of return (i.e. government debt) is one of the building blocks for long-term equity returns.

We've made a move to hold onto more cash by not reinvesting the proceeds from some sales, and holding onto our dividend payments. Historically, markets will correct themselves on average by 10% every year. That happened twice last year. Additionally, it's common to have a recession averaging 20% every three to five years. We're still waiting for this as we are now eight years into the bull market. We will likely keep our cash and look for opportunities to buy great businesses when the price is right.

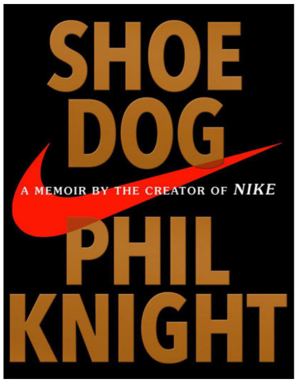
Despite our concerns, we are still in favor of holding onto most of our positions. Our favorite companies are cash-creators. All are businesses in industries with dependable demand, unique products, growing markets, with skilled capital-allocators at the helm. Most of our holdings meet these criteria. Some of our favorites are Corning, Investor AB, Nvidia, and Weyerhaeuser.

There are a few work-out scenarios in our portfolio as well. A work-out scenario is different from our other investments because the result hinges on a special event such as a court decision or restructuring for the investment to recognize its value. These investments will not act in lock-step with the market, as their results are driven. We tend to invest a smaller portion of the portfolio into these types of investments, because the payout could be years away and the stock price may fluctuate dramatically while we hold the stock. Nevertheless, the upside potential looks large and a positive outcome in just one of the many work-out investments could produce more than enough return for all the constituents of this group. Examples of some work-out scenarios are Capstone Mining, Fannie Mae Preferred, and Sears Holdings.

Fear of large drops in the market keeps many stock holders up at night. As stewards of your wealth, our duty is to keep you informed when Mr. Market decides to drop the price on great businesses around the world. You should be prepared for drops (even the large ones), and know that our action plan is to use downturns as opportunities to reposition your portfolio to grow as prices recover. In all scenarios, we are aiming to buy businesses when the price is right. Today, we're comfortable waiting for better prices. This patient, long-term orientation allows us to see opportunities when others are fleeing.

Book Review

Shoe Dog: A Memoir by the Creator of Nike by Phil Knight
Written by Zache Hemery, Summer Intern



Phil Knight upended the United States shoe and apparel markets by creating a new product line and a brand culture that never existed before. Initially named Blue Ribbons, Nike began as a fragile company. The corporation grew at exponential rates, all the while carrying a deadly amount of debt, and racking up an impressive list of rivals along its journey.

The value in reading Phil's writings is in realizing that a seemingly average man started from nothing and grew a company that is currently worth $88 billion, while many of Knight's competitors failed to stay alive. Blue Ribbons was borne out of Phil's life passion. He loved to run and he was a strong runner but never a champion; he was craving more. Phil had developed the idea of importing Japanese shoes to America while he was a student. He believed 100% that his idea would work. He made the decision to take action and it changed his life. Thanks to the brave ambitions of a 24 year old man, the world knows Nike.

The big question in the story is, "How did he transform his company in to the one of a kind business it is today?" Phil's secret is his incredible passion for his idea. He didn't just sell shoes. He sold what he loved and people loved it too. The second reason for his success is that he surrounded himself with people who believed in him and were excited about his company - mainly Bill Bowerman and Jeff Johnson. Bowerman, cofounder of Blue Ribbons, was Phil's running coach. He always invented accessories to improve his athletes performance. Johnson was Nike's first employee, a perfectionist and a skilled manager. Nike's culture is expressed in this quote:

> *"Don't tell people how to do things, tell them what to do and let them surprise you with their results."*

Phil brought in amazing people and let them do what they thought was best. This is a terrific biography for anyone interested in business or personal development. It is an easy read about a familiar subject.

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