Vol. 9 Issue No. 1 January 2022

O'KEEFE STEVENS
ADVISORY, INC.

1 Team Updates

2/3 Thinking Ahead: 2022

4 Upcoming Events

Insert

OSA Q4 2021 Fact Sheet

The Value Connection

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

Team Updates

Congratulations are in order! Adam Deutsch passed his Certified Financial Planner exam in November. He is now a recognized CFP®. This accomplishment coincides with his promotion from Associate to Financial Advisor. Adam continues to exemplify our values as a company. He is increasing his responsibility and value to our organization. 2021 was a big year for Adam, and we're excited to see what 2022 has in store for him.

With a new year comes a new look! We invite you to check out our updated website at www.okeefestevens.com. Our team worked hard with the help of a capable guide to transform our website. The new site better communicates our message and value. As a client, you shouldn't notice much of a difference when accessing your accounts online. We added the ability to book appointments with either Justin or Adam on the website. We welcome any questions or feedback you have about our new site.

In other team news, it's hard to believe that on April 1st we will turn 5 years old. We intended to host a 5-year anniversary party this coming April. But, we made the decision to postpone the event to an early summer date. We hope the warmer weather will lower the uncertainty for large indoor gatherings. We will communicate our plan with you as soon as we have a firm date and location. We understand many clients would like to travel to be at the event but need ample time to make these plans. Thank you for your support since 2017. We're excited to celebrate with you in person!

Thinking Ahead: 2022

Written by: Justin Stevens

Each year, we use our January newsletter to refresh you on our guiding principles. We include a summary of the current situation and provide a non-predictive look at the year ahead. For new clients, this serves as an introduction to the doctrine guiding our advice. The more familiar you are with it, the more comfortable you become with our process. For long-time clients, it serves as a beacon of our consistency. Essentially, the message is, and always will be, "act, don't react."

We also provide a summary of the key events of the prior year and timely considerations for the year ahead. There is always something going on in the world that causes people to lose confidence or even panic. Yet, the equity markets prevail. The great companies of the world continue to seek improvement and innovation. The events from years ago that seemed so important then, fade away and yield to new concerns. This persistent noise serves as an effective distraction. But not to those who pay attention to the bigger picture. As a population, we continue to make progress in so many ways. There will always be problems to overcome. The silver lining to problems is the opportunity they provide to improve. And seeking that improvement is where our success comes from as investors.

General Principles

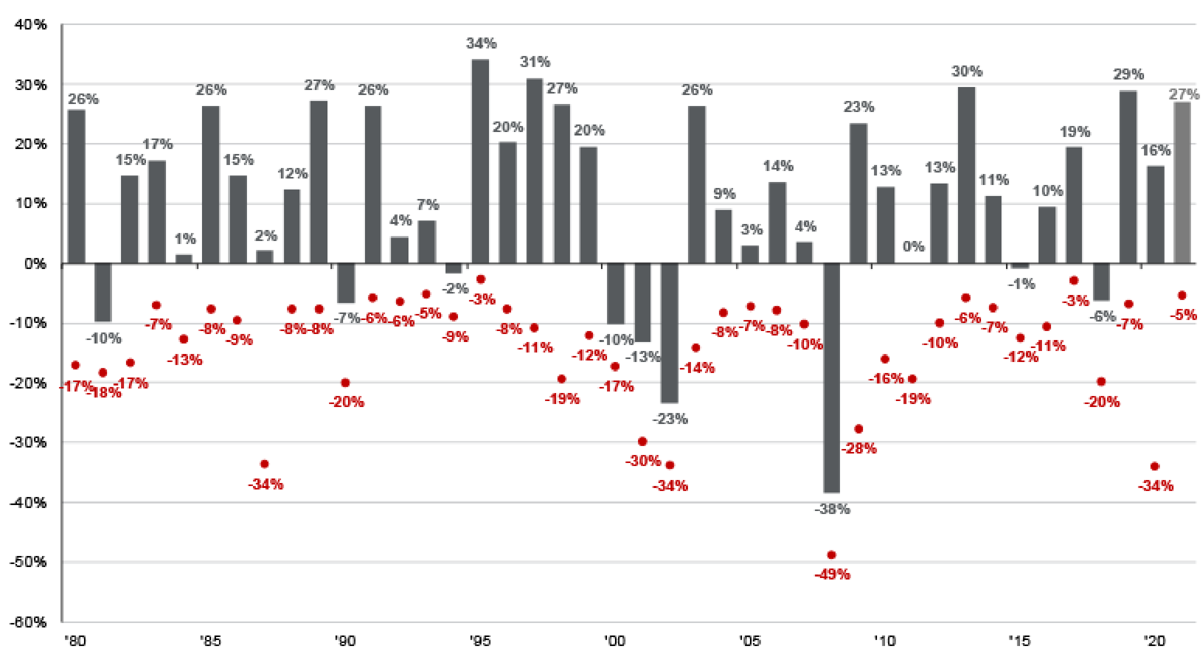
We are long-term, goal-focused, plan-driven equity investors. We believe that the key to lifetime success in equity investing is to act continuously on a specific, written plan. Likewise, we believe substandard returns and even investment failure occurs inevitably from reacting and trying to anticipate current economic/market events.

We are convinced the economy cannot be consistently forecast, nor the markets consistently timed. Therefore, we believe the only reliable way to capture the full long-term return of equities is to ride out their frequent but historically always temporary declines.

Just in the last four decades, the average annual price decline from a peak to a trough in the S&P 500 exceeded 14%. One year in five, the decline has averaged at least twice that. And on two occasions (in 2000-02 and 2007-09), the Index halved in price. Yet the S&P 5000 came into 1980 at 106 and went out of 2021 at 4,766. Over those 42 years, its average annual compound rate of total return (that is, with dividends reinvested) was more than 12%.

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.0%, annual returns were positive in 32 of 42 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2021, over which time period the average annual return was 9.4%.
Guide to the Markets – U.S. Data are as of December 31, 2021.

Continued on next page...

These points underscore our conviction that the essential challenge to long-term successful equity investing is neither intellectual nor financial, but temperamental: it is how one reacts, or ***chooses not to react***, to market declines. These principles will continue to govern the behavioral nature of our advice to you in the coming year…and beyond.

Current Observations

It would seem to be counterproductive to look at these past 12 months in isolation. They were, rather, the second act of a drama that began early in 2020, the precipitant of which was the greatest global public health crisis in a hundred years.

The world elected to respond to the onset of the pandemic essentially by shutting down the global economy – placing it in a kind of medically induced coma. In this country, we experienced the fastest economic recession ever, and a one-third decline in the S&P 500 in just 33 days.

Congress and the Federal Reserve responded all but immediately with a wave of fiscal and monetary stimulus which was and remains without historical precedent. This point cannot be overstressed: we are in the middle of a fiscal and particularly a monetary experiment which has no direct antecedents. This renders all economic forecasting --- and all investment policy based on such forecasts – hugely speculative.

We infer from this that if there were ever a time to just put our heads down and work our investment and financial plan – ignoring the noise – this is surely it. If 2020 was the year of the virus, 2021 was the year of the vaccines. Vaccination as well as acquired natural immunity are in the ascendancy, regardless of how many more Greek-letter variants are discovered and broadcast as the new apocalypse. This fact, it seems, is the key to a coherent view of 2022.

In general, we think it most likely that in the coming year (a) the lethality of the virus continues to wane, (b) the world economy continues to reopen, (c) corporate earnings continue to advance, (d) the Federal Reserve begins draining excess liquidity from the banking system, with some resultant increase in interest rates, (e) inflation subsides somewhat, and (f) barring some other exogenous variable – which we can never really do – equity values continue to advance, though at something less (and probably a lot less) than the blazing pace at which they've been soaring since the market trough of March 2020.

Please don't mistake this for a forecast. All we said, and now say again, is that these outcomes seem to us more likely than not. We're fully prepared to be wrong on any or all of the above points; if and when we are, our recommendations to you will be unaffected, since our investment policy is driven entirely by the plan we've made, and not at all by current events.

With that out of the way, allow us to offer a more personal observation. These have undoubtedly been the two most shocking and terrifying years for investors since the Global Financial Crisis of 2008-09 – first the outbreak of the pandemic, next the bitterly partisan election, then the pandemic's second major wave, and most recently a 40-year inflation spike. You might not be human if you haven't experienced serious volatility fatigue at some point. We certainly have.

But like that earlier episode, what came to matter most was not what the economy or the markets did, but what the investor himself/herself did. If the investor fled the equity market during either crisis – or heaven forbid, both – his/her investment results seem unlikely ever to have recovered. If on the other hand he/she kept acting on a long-term plan rather than reacting to current events, positive outcomes followed. We expect it will always be this way.

As always, we welcome your comments, questions, and concerns. As always, we can't predict, but we can plan. As always, we thank you for being our clients. It is our privilege to serve you.

Upcoming Events

Please visit our website www.okeefestevens.com and click "Resources" then "Upcoming Events" to see an up-to-date list of our webinars and quarterly calls. You can register for these events directly on the website.

Here's a list of what is happening during the first quarter of 2022:

O'Keefe Stevens Advisory Value Conversation Quarterly Call Q1 2022
Presented by: Peter O'Keefe & Adam Deutsch

Date: Wednesday, January 12th, 2022
Time: 4:00 PM ET

How to Figure Out How Much You Need to Retire
Presented by: Justin Stevens

Date/Time: Tuesday, February 15th, 2022 at 4:00 PM ET
Date/Time: Tuesday, March 15th, 2022 at 4:00 PM ET

Setting Up Your 401(k): How to select the best options and make changes at the right time
Presented by: Adam Deutsch

Date/Time: Tuesday, March 29th, 2022 at 4:00 PM ET

O'KEEFE STEVENS
ADVISORY, INC.

585-340-6538

One Bausch and Lomb Place, Suite 920, Rochester, NY 14604

info@okeefestevens.com

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.