

THE VALUE CONNECTION

O'Keefe Stevens Advisory's Quarterly Client Newsletter



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MID YEAR CLIENT LETTER

On this 4th of July weekend, I'm reflecting on the most important quality we enjoy as Americans: our freedom. Our freedom to express our thoughts and have our own opinions. Our freedom to live, work, and worship where we want.

This freedom we enjoy today was the product of intense effort and independent thinking from our founding fathers. They laid the groundwork for our freedom. Our freedom carries a responsibility of stewardship. To use our freedom to do good. To be a good neighbor. To lift one another up.

This message is an important one but seems to be absent in the noise of our world today. Independence is a quality we each must steward alone but also together. Group thinking and consensus decision-making are serious threats to our independent nation. So is intolerance to others' way of thinking. Be careful of the extremes.

Mid-Year Letter continued...

Being a responsible steward of your freedom means continuing to educate, communicate, and listen to one another. It means tolerating one another when we're different and striving to find our commonalities.

The world today may seem worse in many ways. It might seem that we have lost our way as a nation. But these regressions are only permanent to the extent we allow them to be. The American Spirit has been one that triumphs through these periods of turbulence. I believe this will continue to be our historical achievement.

Belief in a better future is foundational to our role as investors. Without it, we would lack the necessary confidence and conviction to stay the course with the businesses we own in your portfolio. We are grateful for our freedom. And we are grateful to be stewards of your wealth and prosperity.

Market Update: The first six months of 2022 saw the S&P 500 decline 23.6% from its all-time high at 4,796.56 to a closing low (so far) of 3,666.77 on June 16. The Index finished its worst first half since 1970 at 3,785.38. This is *where* we are today, but more interesting is *how* and *why* we are here.

Where we find ourselves today is in the middle of an intense bout of market negativity. In mid-June, the market ran off a streak of five out of seven trading days on which 90% of the S&P 500 stocks closed lower. This is one-sided negativity on a historic scale.

We are students of market history. And we recognize one infallible truth in today's

situation: selling when everyone else is selling is reckless behavior. Successful lifetime investors look at these periods as opportunities to add to their portfolios.

How we arrived here requires a step back to the bottom of the Great Panic of March 9, 2009. From that panic-driven low point, the S&P 500 (with dividends reinvested) compounded at 17.6% annually for the next twelve years, through the end of 2021. At its peak this past January 3, the Index was up seven times from its low. This was one of the greatest runs in the whole history of American equities.

Moreover, the Index's compound returns over the last three of those years – 2019 through 2021, encompassing the worst of the coronavirus pandemic – shot up to 24% annually. When inflation soared late last year, it became evident that equities' jaw-dropping advance over the recent three years was fueled by an excess of fiscal and monetary stimulus.

Why this happened continues to be a cause for concern, although I'm confident we will right our course in the coming months. This excess supply of money was provided to offset the economic devastations of the pandemic. Simply stated: the Federal Reserve created far too much money, and then left it sloshing around out there far too long.

The Great Milton Friedman taught us that inflation is a monetary policy phenomenon. We investors now find ourselves having to give back some of the extraordinary 2009-2021 market gains, as the Fed moves belatedly to sop up that excess liquidity by raising interest rates and shrinking its balance sheet.

Mid-Year Letter continued...

Yes, the war in Eastern Europe and supply chain woes of various kinds have exacerbated inflation. In our judgement they're irritants: monetary policy (seasoned as well with a bit too much fiscal stimulus) got us into this mess, and monetary policy must now get us out. The fear, of course, is that Fed will overtighten, putting the economy into recession.

Our position has been and continues to be: so be it. If an economic slowdown over a few calendar quarters is what it takes to stamp out inflation, it would be by far the lesser of the two evils. *Inflation is a cancer, and it must be destroyed.*

Our Advice: Regarding our investment policy, nothing has changed, because nothing ever changes. That is: we are long-term, goal-focused, plan-driven equity investors.

We own diversified portfolios of superior companies; these companies have demonstrated the ability to increase earnings (and in most cases dividends) over time, thus supporting increases in their value. We act on our financial and investment plans; we do not react to current events. After 30 months of chaos – the pandemic in its several variants, the election that would not end, roaring inflation, the supply chain mess, war in Europe, et cetera – we are all understandably exhausted. That's when the impulse to capitulate – to get to the illusory “safety” of cash – becomes strongest. So that's when the impulse must be resisted most strongly. And that's our job. *This too shall pass.*

We are here to talk all this through with you at any time. We are here as your partners to get through this challenge and the next one. It is a privilege to serve you.

PERSONNEL UPDATES

Evan Carr joined the team as a Senior Relationship Manager on July 1st. Evan spent 14 years in medical device sales with Stryker and Medtronic.

Evan's role at O'Keefe Stevens is to develop new relationships. Evan is a native Rochesterian and attended Nazareth College with Justin. He is familiar with our investment process and planning focus, having been a long-time client of the firm. Evan will sit for his licensing exams this summer and is already out networking. Welcome Evan!

Welcome, Evan Carr!
Senior Relationship Manager



RESOURCES

Genius Makers

by Cade Metz

This outstanding book discusses the mavericks who brought artificial intelligence to Google, Facebook, and the world. This is a must-read for any of our clients who own Nvidia. If you'd like a copy of the book, please contact our office or [click here](#) to purchase.

Financial Tips: Cybersecurity

by Carly Flanigan

Please check out our newest Financial Tips section on the [Resource Page](#) of our website. We will be adding one-page articles each quarter and welcome any suggestions you have for content.

FROM THE DESK OF
PETER S. O'KEEFE

Dear Clients,

Across Western New York for more than forty years, I have made myself available to act as a sounding board for anyone who may need urgent financial advice – or just a second opinion. I've been fortunate to build a team of caring and talented individuals who share my passion for this important work. Together, we've been able to help hundreds of families in our community. We now work with clients across the country.

As a result, our business now comes to us almost exclusively through referrals. So, if you're approached by a friend, neighbor, or family member; or if you know someone who just needs a sympathetic ear, please let them know that we will always find the time to listen; and we'll do our best to help.

By making ourselves available in this way, we're striving to make our community a better place to live; and we're doing well by doing good.

Peter O'Keefe

OSA In The News

During the 2nd Quarter O'Keefe Stevens Advisory contributed to the following national publications. These articles highlight our thinking when it comes to investing and retirement planning. You can click the links to read the articles. Also, consider following us on Facebook or LinkedIn for real time updates when these articles are released.

[Business Insider: 9 tips to set yourself up for semi-retirement](#)

[US News and World Report: How to use the retirement bucket strategy](#)

[Forbes: How to remain a confident investor when markets are in turmoil](#)

PERSONAL NEWS



The O'Keefe Stevens Bull

Next time you visit us in Downtown Rochester, be sure to stop in the Legacy Tower lobby to check out our new piece of wall street memorabilia. We acquired this original Arturo Di'Modica sculpture during the pandemic. It's cast in bronze like the original bull you see on Wall Street but it's only about a quarter of the size. The bull symbolizes the strength and resolve of Americans and American businesses, and we are glad to share that symbol in our home space in Rochester, NY.

Tournament Champions!

Evan Carr and Justin Stevens recently competed in the 95th CCR Invitation golf tournament. The pair competed in the Better Ball Division of the tournament and took home the victory. The event culminated in a 12-man shoot-out. Evan Carr sunk the winning putt on the 1st hole of the play-off to make birdie for the win! Congrats to Evan and Justin!



Mrs. America Pageant

Bethany Stevens is competing for the Mrs. America title this summer. She is representing Mrs. Greater Rochester in the Mrs. New York Pageant on Saturday, July 17th. The winner of the Mrs. New York pageant competes in Las Vegas in August for Mrs. America. Bethany's community focus is to provide young women the opportunity to pursue and achieve their dreams. Her title will benefit the Deserve To Dream and Victoria's Voice Organizations. If you want to support Bethany, [here's a link](#) to the Mrs. New York site, where you can vote for her victory.

