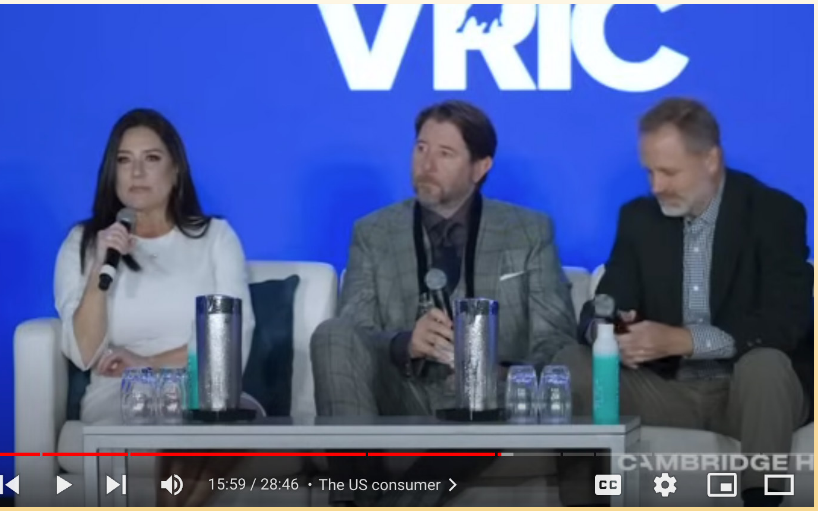
October Effect, Ltd.

May 2024 Financial Market Report

Prepared Especially for
Our Clients and Friends



Q2 MARKET NEWS PLAYLIST

Danielle DiMartino Booth: 2024 Vancouver Investment Resource Conference
Barbara Corcoran: Reveals When Housing Prices 'Will Go Through the Roof'
Tugboat Institute: Peter Zeihan - A Peek Past the End of the World

October Effect, Ltd.
Registered Investment Advisor

Presented by
The Tehel, Moravek, and James Team
Your Retirement Planning Specialists

Frank
Team Leader
CFP®, CLU, EA, CRPC®,
BS, Accounting
MS, Financial Planning
MS, Financial Analysis
Frank.Tehel@OET.email

Kevin M
Portfolio Planner
BS, Business
Kevin.Moravek@OET.email

Kevin J
Financial Planner
MBA
Kevin.James@OET.email

Neely
Tax Planner
MBA, EA
Neely.Elstrodt@OET.email

Let us help you with all your financial planning needs in a holistic approach.

The Tehel, Moravek and James team, a dynamic team with big results.
Call 757-390-3341 for a consultation.

Reading the Market
April 25, 2024

Master Allocation

	D	A
STOCKS	▶	H
BONDS	▲	L
COMMODITY	▲	H
CASH	▶	L
$DXY	▼	S
FXE	▲	L

Stock Allocation

	D	A
DIA	▶	H
IYT	▶	H
SPY	▼	S
QQQ	▼	S
IWM	▼	S
EFA	▶	L
EEM	▶	H

Bonds Yield Allocation

	%	D	A
BIL 90 DAY	5.3	▶	H
US2Y	4.93	▼	H
TNX 10Y	4.38	▼	H
TYX 30Y	4.58	▼	H
VTEB TAX F	3.08	▶	L
HYG JUNK	6.19	▶	H
MORTGAGE	7.83	▼	S

Commodity Allocation

	D	A
DBC	▶	L
USL	▶	H
GLD	▲	H
FCX	▲	L
MOO	▲	L
CUT	▲	L
VALE	▲	L

Key:
D = Direction: ▲ ▼ ▶
A = Action Index: (L)ong, Buy; (S)hort, Sell; (H)old

Inflation: 3.50%

Spotlight
ON KEVIN MORAVEK
Investment Advisor Representative

Kevin Moravek is a 1991 graduate of Norwich University and served as a commissioned officer in the United States Navy until 1997. He then entered the financial services industry as an advisor and joined October Effect, Ltd. in 2019.

Kevin's practice focuses on intermediate and advanced planning for high net worth families, wealth management and retirement planning for business owners, active duty and retired military members.

His clients include CEO's, military flag officers, United States Congressmen, business owners, college professors, and retirees.

Kevin has built his practice around strategic relationships with other financial advisors and industry professionals such as attorneys, insurance professionals, and CPA's.

He is married to Hillary Moravek and has twin boys, Michael and Luke. Kevin is a competitive skeet shooter, amateur boat builder, and enjoys spearfishing.

757-390-3336 | Kevin.Moravek@OET.email

Financial Planning Matters ...

ASK THE EXPERTS!

Q. At what age should I start Social Security benefits?

A. A fundamental question in every financial plan: at what age should I start Social Security benefits?

Much has been written about this ongoing dilemma which every Social Security beneficiary will ultimately face.

The generally accepted considerations include: The earliest age 62, recommended age 67*, the Alternate age 70.

What is the underlying difference between these three age thresholds, simply the number of benefits you are going to receive per month for the balance of your life. Then the core consideration for everyone should be, will I wait till age 70 to start benefits, thereby, receiving the maximum for the balance of your life. A simple answer to a common question.

What is the problem? Why is it a difficult decision? Two areas complicate the starting point for Social Security benefits.

First consideration, at 62 will I live to see 72. Not a fun question, but one which must be confronted. If there are health considerations, then starting at 62 is the correct consideration.

Second consideration, where do I stand financially? If at 62 there is not enough money to cover groceries, rent, and insurance, then beginning benefits at the earlier age is correct.

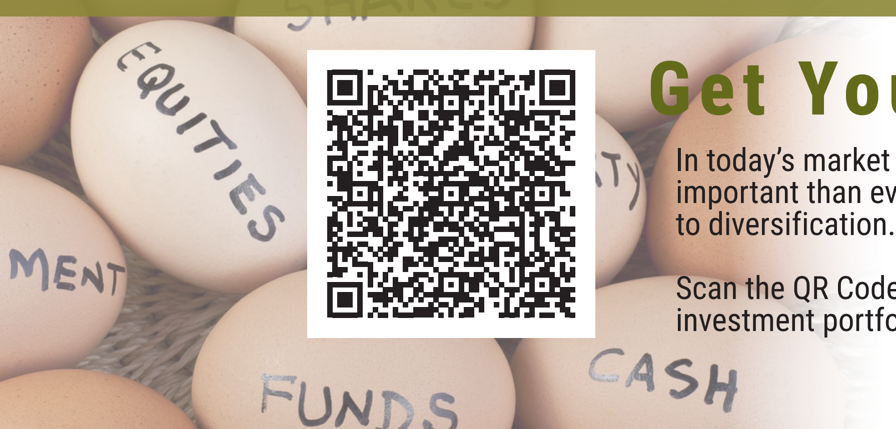
There are other restrictions associated with starting at an early age! There is a limit to how much money you can earn as a worker if you start Social Security benefits before age 67. At age 67 you can receive Social Security benefits and work with unlimited earning power. The dollar restrictions in 2024 at age 62 is $22,320 a year and by age 66 is $59,520 per year.

What is the breakeven point or payback period? In other words, if I start benefits at a later age than 62, how long must I live starting to receive the same gross benefit, if I had started at age 62?

There are a host of additional planning considerations built around Social Security activation. Including but not limited to starting Medicare benefits at age 65 always. Would I ultimately qualify for Social Security disability? What is Medicaid and will it be my ultimate long-term care provider?

These are all additional questions that need to be confronted as you are planning for your retirement and making your Social Security decisions.

Is your portfolio diversified?



Get Your FREE Report!

In today's market your advisor's expertise and skills are more important than ever. Our stock intersects report is your guide to diversification.

Scan the QR Code and we'll provide a free analysis of your investment portfolio.

Let our family of planners help to build your family's financial future.

757-390-3341
octobereffectlimited.com | Frank.Tehel@oet.email

October Effect, Ltd.
One Columbus Center, Suite 651A | Virginia Beach, VA 23462

2024 Q2 MARKET READ

Investment Strategy #1: How to Avoid Risk

The October Effect, our company's namesake, would have you "sell in May and go away" to minimize risk to your portfolio. As the discussion of risk reduction is extensive, I'll consolidate some disparate points into one discussion:

Let us begin with the book *Safe Haven* by Mark Spitznagel. Some quick background: Mark and Nicholas Taleb were co-managers of a hedge fund, Empirica LLC, designed to profit in down markets. In *Safe Haven* Mark delves into Daniel Bonelli's actions in St. Petersburg in 1738 when they ensured ship cargoes and first proposed dividing cargo among multiple ships to avoid the Pirates of the Baltic Sea. Later in the book, on pages 115-116, Mark quotes Warren Buffett: "Wide diversification is only required when investors do not understand what they are doing." Furthermore, diversification is an admission that you do not truly comprehend the businesses you own.

To compound matters, I would assert that diversification also conveys a lack of concern for cost-effectiveness in risk mitigation. It merely seeks to reduce risk regardless of cost. A review of Warren Buffett's portfolios today reveals that 80% of his portfolio is invested in four stocks, indicating his deep understanding of those companies.

In the ongoing discussion of risk reduction, we cannot overlook Ed Thorpe. In his discussions, which commenced in his book, *Beat the Dealer*, he introduced the Kelly criteria (see page 79 in the book *Fortunes Formula* for details on John Kelly, the Kelly criteria, and his work at the Bell Lab research facilities). Thorpe utilized the Kelly criteria in his hedge funds to minimize risk exposure and thereby avert disasters like the 1997 collapse of the Long-Term Capital Hedge Fund.

As a final consideration of how much diversification is adequate, let's refer to the *Investment Analysis and Portfolio Management* book by Frank Riley and Keith Brown, page 292. It states that diversification aids in the elimination of unsystematic risk, with nearly 90% of the maximum benefit of diversification achieved with a portfolio of 12 to 18 stocks.

In conclusion, if your portfolio comprises more than 20 stocks or includes two mutual funds or two ETFs, it is likely that you do not fully comprehend what you own and are diversifying blindly in the hope of mitigating future downward movements.

If you're ready to invest in the future of your financial health, call us today and discover how our team of trusted advisors can help.

The Tehel, Moravek, and James Team
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