



Financial Strategies For Your Future

October Newsletter

Hello Eric,



Apple picking season has arrived! This also means apple cider donuts (sometimes too many) with a drink of cider to warm you up on a cool day.

Fall is also a time of festivals and fairs. It is a beautiful time of year in New England to learn about animals, watch some tractor pulls, or even ride some rides.

My assistant Robyn has provided a list of Fall Festivals on our website blog page, along with some

personal experiences for you to check out.

**Please give us a call anytime to schedule a review
in person or over the phone: 603-343-4515.**

Did you know...

The yellow and orange colors you see actually always exist in leaves, but they are overpowered by the abundance of green from chlorophyll. The amount of chlorophyll starts to decrease as the sun weakens and the days grow shorter.

Red and purple leaves are only that color because of the presence of sugars and sap that are trapped within the leaves. These sugars provide plants with the energy they need to survive.

9 Fun Facts About Fall (taskeasy.com)

APPLE HARVEST DAY 5K

Where:

25 St. Thomas Street
Dover NH 03820

When:

Saturday, October 1st
8:30-11:30PM

Apple Harvest Day will continue its tradition of kicking off the Seacoast's premier autumn street festival with a 5k road race. The **USATF certified course** winds through historic downtown Dover and is perfect

Dover Adult Learning Center 50th Anniversary Ribbon Cutting Ceremony

Where:

61 Locust Street
Dover, NH 03820

When:

Tuesday, October 4th
4:30-6:30PM

Join the Greater Dover Chamber of Commerce in celebrating the Dover Adult

for advanced runners as well as beginners and families.

Once you finish the race, be sure to stick around for hard apple cider provided by **North Country Cider!** Each runner over the age of 21 will receive two complimentary beverages, with non-alcoholic apple cider available for minors.

Children in strollers do not need to be registered for the race.

Cash prizes will be awarded to the top male and female finishers, as well as to the first Dover male and female runner to cross the finish line!

[More Information](#)

Learning Center for 50 years of service!

The Dover Adult Learning Center has been recognized as an Outstanding Adult Education Program by the US Secretary of Education several times in its 50 year history. It is one of the three largest Adult Education Programs in New Hampshire. Join us for a night of celebration and learning more about this great program in our local community.

Bring plenty of business cards for networking and to be entered to win our door prize raffle. Refreshments will be provided.

[More Information](#)



4TH ANNUAL DOVER DOG HOWLOWEEN COSTUME CONTEST & PARADE

Where:
1 Washington Street
Dover, NH 03820

When:

Portsmouth NH: Adventure to the Island & Harbor Guided Bike

Where:
43 Middle Street
Portsmouth, NH 03801

When:
10AM & 2PM Daily

Saturday, October 15th
11AM

The 4th Annual Dover Dog Howloween celebration to benefit Pope Memorial Humane Society will take place Saturday,

This fun and unique event, produced by Greg West Photography and Golden Dog Adventure Co., invites dogs and their people dressed in family-friendly costumes to parade and trick-or-treat up and down Central Avenue in Dover, and compete for hundreds of dollars in prizes.

At the event, attendees can visit over a dozen pet-related vendor booths, get some tasty eats from The Local Lunchbox, trick-or-treat at dog-friendly businesses, watch demonstrations from the Rockingham Sheriff and Dover and Newington police dogs, and hang out in the beer pound sponsored by Chapel + Main Brewpub. Tickets are \$10/dog.

[More Information](#)

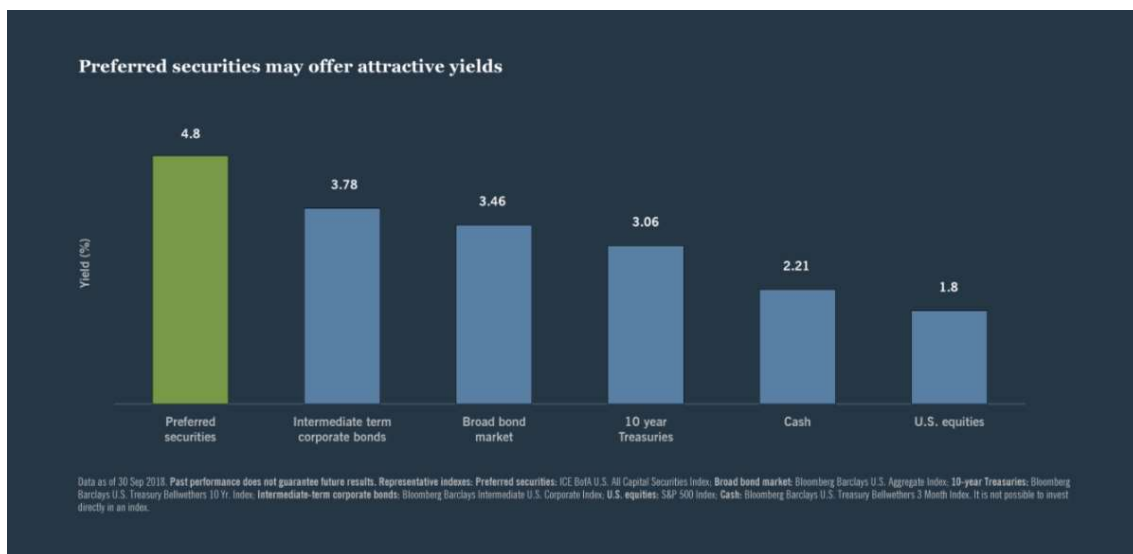
This tour is centered around the Piscataqua River and Atlantic Ocean where our early 1600s settlers became very rich, trading fish.

We'll explore both Portsmouth and New Castle stopping at sites like the famous Prescott Park, Four Tree and Pierce Islands, through the historic South End to New Castle Island.

You will be in awe by the beautiful preserved historic houses and the pride that comes along with living in a historic city. Spend time outdoors and explore Portsmouth and New Castle New Hampshire, a dynamic port city at the mouth of the Piscataqua River and Bike to the former fishing village of New Castle Island New Hampshire. Hop onto your bike and follow your guide to dive into Portsmouth's colonial and nautical past.

[More Information](#)

Five Things to Know About Preferred Securities



Like most financial markets, preferred securities have generated negative returns so far this year, however the value proposition remains. Preferreds offer generous yields, both absolute and after-tax, with their high income stream serving as a total return buffer against future spread volatility.

“Preferred securities can be higher yielding alternatives to traditional core fixed income options. They are concentrated in the financial sector but since the global financial crisis, many financial institutions have emerged with stronger balance sheets, which should limit downgrades and defaults,” noted LPL Financial Fixed Income Strategist Lawrence Gillum.

Following are five things investors should know before allocating to preferred securities.

1. Hybrid securities. Preferred securities are “hybrid” securities that can be classified as either equity or debt within a company’s capital structure. They are senior to common equity but junior to traditional debt. As such, they don’t have the same capital appreciation potential of common equity nor do they possess the same capital preservation benefits of traditional debt. Preferred securities, then, tend to offer higher coupon payments to attract investors.
2. Financial focus. The majority of issuance comes from financial institutions. Preferred securities are highly

correlated with the health of the financial system and a shock to the financial system would adversely impact these securities.

3. Credit risk. The securities tend to be BBB- or BB-rated, which means they carry higher levels of credit and default risks than the senior debt issued by the same issuer. However, since the issuers of preferred securities tend to be higher quality companies, default rates have been lower than similarly rated non-financial corporate bonds.
4. Multiple markets. As seen in the LPL Chart of the Day, preferred securities trade in different markets and while the issuer could be the same, the individual security characteristics can be different. The \$25 retail market (ICE Core Plus Fixed Rate index) is an exchange-traded market where the securities generally have longer durations and lower yields, whereas the \$1000 institutional market (ICE US Capital Securities index) is an over-the-counter traded market where the securities pay dividends semi-annually. Finally, non-US issuers trade primarily in yet a different market (ICE USD Contingent Capital index) with different characteristics and different risk premium.
5. Diversification benefits. Given the hybrid nature of preferred securities, there are diversification benefits to adding preferreds to a portfolio. While these securities tend to “act” like equity and high-yield fixed income securities across a full market cycle, since the financial crisis in 2009, these securities have generally held up better than both during equity market sell-offs (as measured by the S&P 500 Index).

Despite the lower earnings environment for financials this year (75% are issued by banks and insurance companies), the fundamental health of the financial system remains intact. In fact, with June’s release of the Fed’s 2022 “stress test” results, banks proved able to absorb more than \$600 billion in losses while maintaining minimum common equity capital requirements. Bottom line, these financial institutions can likely weather any potential recessionary storm while continuing to pay dividends on their preferred securities. So, for those income-oriented investors willing to take on some additional

credit risk, preferred securities might be an attractive investment to consider.

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5 Reasons to Consider Buying Energy



In general, some of the best investment opportunities come when the following conditions hold: 1) the market is pricing in a pessimistic outlook in the form of lower valuations, 2) earnings estimates are being revised higher and growth is accelerating, and 3) technical analysis indicators suggest an impending rebound.

These three conditions may be in place right now for the energy sector. Though a controversial investment for some, a look at fundamental and technical conditions accompanied by attractive valuations for the sector reveals a potential attractive opportunity.

“It looks like energy stocks still want to go higher,” wrote LPL Chief Equity Strategist Jeffrey Buchbinder. “There’s a healthy dose of pessimism baked into the sector while the fundamental outlook still looks positive overall. The sector’s strong gains since mid-July have encouragingly come without much help from oil prices.”

As shown in the LPL Chart of the Day, perhaps the best reason to consider the sector right now is it’s starting to work. Since

August 4, the S&P 500 Energy Sector Index is up over 16% while the S&P 500 is flat.

Let's dig a little deeper. Here are 5 reasons to think about initiating or increasing energy sector allocations in your stock portfolios:

1. Improving fundamental outlook. OPEC just told us that they may cut production to support prices due to concerns about global recession. The energy sector has underinvested in recent years—partly due to the political environment and ESG movement. China still has a reopening ahead of it. The latest U.S. inventory data was bullish as U.S. stockpiles fell amid record petroleum exports. And an Iran nuclear deal to clear a path for Iran to sell more oil remains elusive.
2. Technical analysis picture looks good. Improving relative strength after brief period of underperformance points to a potential rebound, as shown in the chart above. A possible return to June relative highs introduces the possibility of 20 percentage points of relative outperformance. The sector, which is only 10% below its all-time high on June 6, is still in a long term uptrend. And breadth is strong, with over 90% of stocks in the sector at 20-day highs as of August 23.
3. Strong earnings momentum. With second quarter earnings season behind us, energy was the clear winner in terms of earnings growth and earnings revisions. Not only did energy generate the most earnings growth by far in the second quarter—and will lead this year as shown in the chart below—but the sector saw the largest upward revision to consensus estimates for 2022 and 2023 among all S&P sectors. Those earnings have increasingly supported dividends and share repurchases.
4. Valuations still reflect pessimism. It's difficult to assess value in the energy space because no one knows where oil and gas prices are going. But if we make the assumption that prices will be stable or higher in the months ahead—a reasonable assumption we think—then energy sector valuations look quite compelling. Forward estimates imply a price-to-earnings ratio below 9, as shown in the chart below, compared to the S&P 500 at

17.5. Cash flow valuations look just as compelling, with free cash flow yields over 10%, more than double S&P 500 levels (free cash flow yield is how much cash is generated after capital expenditures relative to share price). On a price-to-book value basis, the sector's valuation is not as compelling at 2.4 times, but that is roughly in line with the long-term average and hardly expensive.

5. Follow Warren. Warren Buffett and company (Berkshire Hathaway) have been big buyers in the energy sector recently. In fact, on August 19, Mr. Buffett received approval to purchase up to 50% of Occidental Petroleum (ticker: OXY). Berkshire owns over 20% of the company as of the latest SEC filings and has been aggressively buying. We're not saying buy OXY, but rather that if Mr. Buffett likes the energy sector that much, we should pay attention.

So there are our five reasons to consider adding energy exposure. We believe the odds favor the sector going higher in the coming months. The energy markets are tight and getting tighter, while valuations look attractive and profits are on the upswing. Finally, being on the same side of a trade as Warren Buffett probably isn't a bad thing!

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What the Last 10 Years Can Tell Us About the Next 10



Investors love to chase returns. In the near term it can potentially be a successful strategy that has some strong academic and industry research behind it. But nothing lasts forever and markets move in cycles.

One reason is the more a segment of the equity market outperforms, the greater the potential for it to become mispriced as sentiment runs ahead of fundamentals. Sentiment can run hot for a long time, and there's no rules for how long these cycles may last, but at some point there's typically a comeuppance. Historically a decade has often been long enough to see some meaningful reversals. Our basic conclusion: based on history, outperformers over the last 10 years tend to be underperformers over the next 10 and vice versa.

"Once a segment of the market has underperformed for a decade, it is often so hated many investors actively avoid it," said LPL Asset Allocation Strategist Barry Gilbert. "As a result, that's often when that segment becomes statistically favored to outperform."

As shown in the LPL Chart of the Day, looking at 22 major segments of the equity market, outperformers in one decade became underperformers over the next decade over every rolling period, starting with the comparison of 1990-1999 and 2000-2020. In fact, an average of 6.0% of outperformance from the winners in the starting decade became an average of 2.8% of outperformance from the prior losers in the next.

The study suggests that the right thing to do when positioning tactically may not be the same as the right thing to do when positioning strategically, but taking advantage of that difference takes patience. So what were the underperformers from 2012-2021 that may be potential outperformers over the next decade? The Russell 1000 Value, Russell Mid-Cap Value, Russell 2000, Russell 2000 Value, MSCI EAFE, MSCI Emerging Markets, and the S&P Dow Jones Select Sector indexes for energy, materials, consumer staples, communication services, and utilities. It looks like an awful list judging from the last decade—but that's the point. For long-term investors, these areas may be worth considering for mean reversion opportunities.

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