KADES & CHEIFETZ LLC

INVESTMENT OVERVIEW

for the quarter ending September 30, 2023

Equities in Review

Entering the third quarter, the general sentiment was that inflation was trending down, the Federal Reserve (The Fed) would soon pause their rate hikes, and the investment mood was leaning towards bullishness. Much of the good feeling reversed during the quarter as inflation ticked up slightly more than expected, increasing fears of interest rates remaining "higher for longer." The concerns caused downward pressure across the stock markets.

From an economic perspective, the mood was a bit more positive, as the Commerce Department reported that the economy expanded at an annualized pace of 2.1%, giving optimism that a recession might be avoided.

Bonds also lost ground during the quarter, leading to higher yields in the debt markets. The higher yields which resulted in the debt markets also provided pressure to equities, as bonds with higher yields become more attractive relative to stocks.

The expectation of higher international interest rates for longer brought foreign stocks lower in a similar way to US equities.

Following are the quarterly, year-to-date, and 5-year average returns for the three equity indexes that we track:

INDEX	DESCRIPTION	Quarter	Year-to-Date	5-Year Avg.
S&P 500	Large cap stocks	-3.3%	+13.1%	+9.9%
Russell 2000	Small cap stocks	-5.1%	+2.5%	+2.4%
MSCI World (excluding US)	Foreign stocks	-3.8%	+2.4%	+4.0%
Weighted Index Benchmark*	Diversified Equities	-3.8%	+8.8%	+7.2%

**The Index weighting is 60% S&P 500 Index, and 20% each Russell 2000 Index and MSCI World (excluding US) Index.*

Other Important Data

For the twelve months ending September 30, 2023, the consumer price index (CPI) showed inflation increased at 3.7% as compared to the prior 12 months. While this increase is smaller than peak inflation during 2021 and 2022, it does mark a slight increase from the 12 months ending June 30. Investors showed concern that this uptick in inflation would lead the Fed to leave interest rates higher for longer.

The spread on the yield curve (the difference in yield between the 1-Year and 30-Year Treasury bond) has often been a reliable leading indicator of the likelihood of recession. During the third quarter, the spread remained negative (forecasting a recession) but narrowed a bit to -0.73%. This smaller inversion resulted from longer-term rates rising significantly during the quarter and gave hope that the Fed is steering the economy to a soft-landing of either no recession or a mild one.

The spread on the yield curve at the end of the past six quarters (as shown in the list below) continues to trend in a negative direction (six straight quarters of steepening inversion). This is the result of investors locking in longer-term bonds at lower yields than shorter-term bonds, while the Fed continues raising rates on the short end. We will continue watching both the Fed and longer-term yields, which are determined by market forces.

- September 30, 2023 (0.73%)
- June 30, 2023 (1.55%)
- March 31, 2023 (0.97%)
- December 31, 2022 (0.76%)
- September 30, 2022 (0.26%)
- June 30, 2022 0.34%

Equities Looking Forward

We remain bullish on diversified equities for the long-term (a three-year or greater time horizon).

In the short term, we are generally optimistic about much of the stock market, but we remain concerned about a market where the great majority of its return is generated by the 5 to 10 largest companies, while the broader market is flat or down. In the short-term, we also feel value-oriented and income-generating equities represent a slightly better opportunity in general than the pure growth types of companies.

Hybrid and Hedging Assets

We believe that the Tax Managed Balanced Composite Hybrid Index offers the best benchmarks for hybrid and hedging assets. Returns are as follows:

INDEX	DESCRIPTION	Qtr.	Year-to-Date	5-Year Avg.
Tax Managed Balanced Composite	Hybrid (bonds and stocks)	-3.4%	+5.9%	+6.0%

Since the hybrid assets we own in our portfolios invest in a combination of securities including, but not limited to, bonds and stocks, the hybrid assets typically produce returns close to the average of the bond and stock index returns. This is the case for the quarter and for the annualized returns of the past five years.

Hedging assets like commodities or alternative strategies generally move with little, zero or negative correlation to the bond and stock markets. We believe hedging assets should play a role in diversified portfolios because, over the long-term, their limited or inverse correlation to bonds and stocks should reduce the volatility of overall portfolio returns.

Bonds in Review

During the quarter, inflation fears ticked back up after reigniting concerns about future Fed action, which resulted in bond prices decreasing (and by extension, yields increasing). Longer-term yields, which are controlled by market forces (and not the Fed), increased as the yield on the 10-year U.S. Treasury went from 3.81% on June 30 to 4.59% on September 30 (and hit 5% in October, marking the first time since 2007 that yields crossed this threshold). Interestingly, while the yield on the 10-year Treasury significantly increased, the yield on the 1-year barely moved at all. This resulted in the spread between short-term and longer-term yields narrowing rather significantly during the quarter. While longer term bonds are still yielding less than shorter term bonds (i.e. an invested yield curve) the narrowing of the spread gives some optimism that the soft-landing the Fed has sought may still be in play.

The quarterly and historical results for the bond indexes that we track are as follows:

INDEX	DESCRIPTION	Quarter	Year-to-Date	5-Year Avg.
Bloomberg US Universal	US Gov't and Corporate Issues	-2.9%	-0.6%	+0.3%
Bloomberg Municipal Bond	US Municipal Issues	-4.0%	-1.4%	+0.9%
Bloomberg TIPS (0-5 Years)	Inflation Protected Gov't Issues	-2.6%	-0.8%	+2.1%
Weighted Index Benchmark*	Diversified Fixed Income	-3.1%	-0.8%	+0.9%

**The Index weighting is 60% US Universal and 20% each Bloomberg Municipal Bond and Bloomberg TIPS (0-5).*

Bonds Looking Forward

The 4.59% yield on the 10-year treasury on September 30 was still lower than the yields of both shorter and longer-term bonds. The 1-year treasury was yielding 5.46%, while the 20-year treasury's yield was 4.92%. Because this unique situation in treasury yields remains in the markets, we continue to believe shorter-term bonds generally provide the best value in the bond market, but investors may also be well served to use a barbell strategy and also have some longer-term bond (+/- 20 years) exposure to serve as a hedge against rates dropping in the near future.

Our Asset Allocation Philosophy

It is our philosophy that investors with long-term time horizons are best served by using a disciplined, diversified asset allocation approach (investing in bonds, hybrid and other hedging assets and stocks) rather than trying to time the markets. It is important to periodically review your asset allocation and your target allocation and to rebalance your assets among the classes to keep the allocation close to the target. We will address the issues specific to you when we review your situation in the coming months. In the interim, if you would like to discuss these issues, please contact us at howard@kadescheifetz.com or steve@kadescheifetz.com.

Reminders

Please contact Kades & Cheifetz LLC if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account. Our current disclosure statement is set forth on Parts 2A and 2B of Form ADV and is available for your review upon request.

Kades & Cheifetz LLC has provided this overview for internal use and for use by our clients. We have prepared it using sources believed to be reliable. We do not guarantee the accuracy of the sources. We reserve the right to change our opinions (expressed above) without notice.

You should be receiving statements at least quarterly from your custodian. If you are not receiving these statements, or you need another copy of a statement, please call us and we will provide one to you. Clients are encouraged to review the information on the statements, especially the amount of fees deducted, and compare that information with any information provided by Kades & Cheifetz LLC. If there are any questions or discrepancies, please contact us as soon as possible.

Important Disclosure Information

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Kades & Cheifetz, LLC ("Kades & Cheifetz"), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from Kades & Cheifetz.

*Additionally, please remember to contact Kades & Cheifetz, **in writing**, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing or evaluating or revising our previous recommendations and/or services, or if you want to impose, add, to modify any reasonable restrictions to our investment advisory services. Kades & Cheifetz shall continue to rely on the accuracy of information that you have provided. **Please Note:** unless you advise, in writing, to the contrary, we will assume that there are no restrictions on our services, other than to manage the account in accordance with your designated investment objective.*

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your Kades & Cheifetz account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your Kades & Cheifetz accounts; and, (3) a description of each comparative benchmark is available upon request.

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