KADES & CHEIFETZ LLC

INVESTMENT OVERVIEW

for the quarter ending
March 31, 2021

Equities in Review

As the coronavirus vaccine rollout and U.S. stimulus measures boosted investor confidence, global equities performed well across the board in Q1.

The market rotation which began late in 2020 continued with mid cap and small cap stocks outperforming large caps and value easily outperforming growth.

Sector returns continued to vary widely. Shares of energy stocks within the S&P 500, buoyed by the expectation of a return to almost normal economic activity, gained nearly 31% as oil prices hit their highest level in nearly two years. At the other end of the spectrum, technology shares returned less than 2% - a sharp reversal of the trend set in 2020.

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

INDEX	DESCRIPTION	Quarter	Year-to-Date	5-Year Avg.
DJ Industrial Average	Large cap stocks	+ 8.3%	+8.3%	+16.0%
MSCI EAFE	Foreign stocks of developed nations	+ 3.5%	+3.5%	+8.9%
MSCI Emerging Markets	Foreign stocks of emerging nations	+ 3.4%	+ 3.4%	+12.3%
NASDAQ Composite	Growth-oriented large cap stocks	+ 3.0%	+ 3.0%	+23.4%
Russell 2000	Small cap stocks	+12.7%	+12.7%	+16.4%
S&P 500	Large cap stocks	+ 6.2%	+ 6.2%	+16.3%
Weighted Index Benchmark*	Diversified Equities	+ 6.7%	+ 6.7%	+16.5%

This note: **The Index weighting is 20% each: DJ Industrial Average, Nasdaq Composite, S&P 500, and Russell 2000; and 10% each: MSCI EAFE and MSCI Emerging Markets.*

Other Important Data

For the twelve months ending March 31, 2021, inflation as measured by the CPI increased 2.6%, a much larger increase than the 1.7% reported in February, The gasoline index rose 9.1% in March accounting for nearly half of the seasonally adjusted increase to the index.

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 first quarter, the spread widened to 2.34%. This spread, which is high by recent standards, is primarily driven by the Fed cutting short term rates to near zero as one of the several steps they took to provide liquidity to the market. The short term rate stayed near zero while the yield on 30-year bonds increased from 1.6% to 2.41%. The bond market seems to be anticipating a strong economic recovery along with declining unemployment and perhaps higher inflation.

The list below shows the spread on the yield curve at the end of the past five quarters. It shows a significant upward trend, which indicates the likelihood of recession is decreasing greatly.

- March 31, 2021 2.34%
- December 31, 2020 1.55%
- September 30, 2020 1.34%
- June 30, 2020 1.25%
- March 31, 2020 1.18%

Equities Looking Forward

As we noted in our last two quarterly Overviews, valuations in the value stocks appeared more attractive than those in growth stocks. We maintain this view despite the continued reversal of the powerful trend towards growth stocks during the pandemic. A more normal cyclical recovery could continue to boost value stocks relative to their growth-oriented counterparts. Further, a return toward pre-pandemic consumer spending patterns could bode well for financial stocks and energy stocks, which suffered significant losses during the pandemic, while tech stocks generally soared.

We continue to be optimistic about a strong economic recovery in 2021. However, because of strong recent market performance in the face of rising interest rates, we are somewhat concerned about how much equity price growth will correlate with the strong economy, as many stocks are currently priced at or near full value. Bonds may start to attract fixed income investors who have been largely left out in the near zero-rate environment.

Hybrid and Hedging Assets

We believe that the Morningstar Moderate Risk Target Index offers the best benchmarks for hybrid and hedging assets. Returns are as follows:

INDEX	DESCRIPTION	Quarter	Year-to-Date	5-Year Avg.
Morningstar Moderate Risk	Hybrid (bonds and stocks)	+ 2.2%	+ 2.2%	+9.8%

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

Bond prices fell in the first quarter as interest rates rose as investors began to anticipate an economic recovery. Bond prices and bond yields move in opposite directions. The 10-Year US Treasury yield- often regarded as the risk-free rate return – saw its yield bottom out at 0.52% on August 4, 2020. By March 31, the yield had risen to 1.74%. While this yield is still low by historical standards, it marks a significant increase in a relatively short amount of time. If this yield continues to rise, bonds could make for a viable alternative to stocks and pressure equity prices. We will continue to monitor bond yields as we believe they are a strong leading indicator of market movements.

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

INDEX	DESCRIPTION	Quarter	Year-to-Date	5-Year Avg.
Barclays Municipal Bond	I-T US Municipality Issues	-0.4%	-0.4%	+3.8%
Barclays US Aggregate Bond	I-T US Gov't and Corporate Issues	-3.4%	-3.4%	+3.1%
Morningstar TIPS	Inflation Protected Gov't Issues	-1.3%	-1.3%	+3.8%
Average of the Indexes	Diversified Fixed Income	-1.7%	-1.7%	+3.6%

We continue to believe bonds are overvalued for the long term although the recent drop in bond prices has reduced the amount by which we feel this way.

In the short term, even overvalued assets can go higher. This is especially true of bonds if the move is in response to an economic event which brings about selling in the equity markets.

Bonds should have a place in all diversified portfolios to reduce volatility, preserve principal, and provide income.

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.

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.

KADES & CHEIFETZ LLC

Two Radnor Corporate Center, Suite 101, 100 Matsonford Road, Radnor, PA 19087
Howard Kades: 610.834.1487, howard@kadescheifetz.com
Steve Cheifetz: 610.679.9256, steve@kadescheifetz.com

www.kadescheifetz.com