KADES & CHEIFETZ LLC

INVESTMENT OVERVIEW

for the quarter ending June 30, 2021

Equities in Review

Stocks recorded strong gains in the second quarter as large-caps and specifically large-cap growth stocks rebounded sharply. The S&P 500 notched its fifth consecutive quarterly gain, which represents its longest streak since 2017.

European equities also notched a fifth straight quarter of positive performance as the anticipation of an economic recovery outweighed concerns about: (1) whether tightening in monetary policy will be too early; and (2) rising coronavirus infections caused by the Delta variant.

Bitcoin and related cryptocurrencies experienced wild volatility during the quarter as they, along with meme stocks like AMC and Game Stop, continued their cycles of boom or bust.

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	+5.1%	+13.8%	+16.7%
MSCI EAFE	Foreign stocks of developed nations	+5.2%	+8.8%	+10.3%
MSCI Emerging Markets	Foreign stocks of emerging nations	+5.2%	+4.0%	+8.5%
NASDAQ Composite	Growth-oriented large cap stocks	+9.7%	+13.0%	+25.8%
Russell 2000	Small cap stocks	+4.3%	+17.5%	+16.5%
S&P 500	Large cap stocks	+8.6%	+15.3%	+17.7%
Weighted Index Benchmark*	Diversified Equities	+6.6%	+13.2%	+17.2%

**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 June 30, 2021, inflation as measured by the CPI increased 5.4%, which represents the largest 12-month increase since August 2008. The index for used cars and trucks rose sharply at 10.5%, which accounted for about one-third of the increase in all measured items.

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 second quarter, the spread narrowed to 1.79%. 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 taken to provide liquidity to the markets. The bond market seems to be suggesting a bit more caution on the economic recovery, as investors seem concerned that the persistence of Covid-19 may dampen the speed of the recovery.

The list below shows the spread on the yield curve at the end of the past 5 quarters. It shows a stall in the recent upward trend, which had been indicating a decreasing likelihood of recession.

- June 30, 2021 1.79%
- March 31, 2021 2.34%
- December 31, 2020 1.55%
- September 30, 2020 1.34%
- June 30, 2020 1.25%

Equities Looking Forward

Following a first half in which every domestic equity index gained at least 13% (see the chart above), we feel domestic stocks are generally fully valued as we head into the second half of the year. By comparison, we believe foreign equities are fundamentally undervalued relative to American stocks.

Although stocks are fully valued, we remain cautiously optimistic about equities on a risk vs. reward basis. While they remain more attractive than bonds in the long-term, we are watching to see if the following obstacles impede equity returns in the shorter-term:

- The rise in cases resulting from the Delta variant could force the US or foreign economies back into a shut down.
- Increased inflation could expedite Fed tightening, thereby increasing interest rates and slowing economic growth.

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)	+3.7%	+4.7%	+7.8%

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

Against the expectations of most, bond prices increased – and by extension yields dropped - during the second quarter. The 10-Year US Treasury dropped from 1.74% to 1.45% from the beginning to the end of the quarter, reversing the recent trades of lower prices and higher yields which began when the yield on the 10-Year bottomed out at 0.52% on August 4, 2020. The current yield is still low by historical standards. The recent moves from the bottom last August, to the peak on March 31, to current levels, reaffirm one of the core tenets of our philosophy…namely that it is fruitless to try to time the markets or to assume recent trends will continue. This serves as another reminder that in short-term periods, financial markets move in seemingly random ways.

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	+1.6%	+1.2%	+3.4%
Barclays US Aggregate Bond	I-T US Gov't and Corporate Issues	+1.8%	-1.6%	+3.0%
Morningstar TIPS	Inflation Protected Gov't Issues	+3.1%	+1.8%	+4.1%
Average of the Indexes	Diversified Fixed Income	+1.1%	+0.5%	+3.5%

We continue to believe bonds are overvalued for the long term and the recent drop in bond yields (and corresponding increase in bond prices) has only served to strengthen this view.

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.

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.

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