KADES & CHEIFETZ LLC

INVESTMENT OVERVIEW

for the quarter ending September 30, 2021

Equities in Review

Stocks were generally flat in the third quarter as a sharp September pullback reversed most or all of the July and August gains.

On September 22, Federal Reserve Bank ("the Fed") officials announced they will consider slowing the central bank's purchases of US Treasury and mortgage-backed securities, in a move which will likely result in higher longer-term interest rates (and corresponding lower bond prices). If this happens, higher bond yields could put pressure on stock prices.

Inflation worries persisted during the quarter as investors debated whether the recent pressures on prices were a short-term effect of the pandemic or the beginning of a longer-term trend. The higher stock prices in July and August aligned with thinking that inflation is transitory, or shorter-term, but September brought fears of more sustained inflationary pressures and was one of the reasons for the market sell-off.

Other factors which caused the September losses were disruptions in the labor markets and supply chains.

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	-1.5%	+12.1%	+15.7%
MSCI EAFE	Foreign stocks of developed nations	+0.5%	+8.4%	+8.8%
MSCI Emerging Markets	Foreign stocks of emerging nations	-8.0%	-1.0%	+9.6%
NASDAQ Composite	Growth-oriented large cap stocks	-0.2%	+12.7%	+23.4%
Russell 2000	Small cap stocks	-4.4%	+12.4%	+13.5%
S&P 500	Large cap stocks	+0.6%	+15.9%	+16.9%
Weighted Index Benchmark*	Diversified Equities	-1.9%	+11.4%	+15.7%

**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 September 30, 2021, inflation as measured by the CPI increased 5.4%, which suggests a persistence in the price increases that began earlier this year. The energy component contributed the most to the index's increase as energy costs rose 24.8% over the last twelve months.

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 widened to 1.99%. 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 action seems to be suggesting that inflation may be a larger problem than was previously thought.

The list below shows the spread on the yield curve at the end of the past 5 quarters. After a brief pause at the end of the second quarter, the ongoing trend of a widening yield curve continues to indicate a reduced risk of recession (but perhaps persisting inflation, which may cause the Federal Reserve to act).

- September 30, 2021 1.99%
- June 30, 2021 1.79%
- March 31, 2021 2.34%
- December 31, 2020 1.55%
- September 30, 2020 1.34%

Equities Looking Forward

The temporary pause in equity price growth may not be so bad, especially if corporate earnings continue to surprise more to the upside than the downside. The P/E ratio, which measures price per share divided by earnings per share, is an oft-used metric to assess the valuation of a company or a group (or index) of stocks. As the P's (prices) in the equation stayed steady in the last quarter, the E's (earnings) were generally rising, which lowered the market's P/E ratio and made stocks more fairly valued looking ahead.

As we enter the final quarter of 2021, we are cautiously optimistic about stocks, with the optimism based on improving corporate earnings and lowered valuations, while the caution results from a combination of inflation fears, continued uncertainty surrounding COVID-19 and its effect on the domestic and global economy, the massive number of workers quitting their jobs and the impact it will have on certain industries, and the worsening supply chain situation.

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)	-0.4%	+4.2%	+7.2%

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

Bonds, like stocks, were mostly flat for the quarter. The 10-Year US Treasury began and ended the quarter in the 1.5% range (although as of October 21 the yield stands at 1.68% - its highest point since May 12th). While the current yield is still low by historical standards, investors will be keeping a close on this key indicator, especially if the Federal Reserve begins easing the purchase of Treasuries as the economic recovery continues post-pandemic.

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	-0.3%	+0.9%	+3.5%
Barclays US Aggregate Bond	I-T US Gov't and Corporate Issues	+0.1%	-1.6%	+2.9%
Morningstar TIPS	Inflation Protected Gov't Issues	+1.8%	+3.6%	+4.3%
Average of the Indexes	Diversified Fixed Income	+0.5%	+1.0%	+3.6%

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.

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