KADES & CHEIFETZ LLC

INVESTMENT OVERVIEW

for the quarter ending March 31, 2022

Equities in Review

Equity markets fell sharply during the first quarter as interest rate and inflation concerns were exacerbated by Russia's invasion of Ukraine in February. Despite the concerns and geopolitical uncertainty, most central banks from the world's developed markets continued their strategy of gradually withdrawing the financial stimuli put into place during Covid.

The S&P 500 suffered its worst quarterly decline since the start of the pandemic (in the first quarter of 2020). While inflation continued to weigh heavily, February CPI data did not surprise on the upside, making investors somewhat hopeful that inflation may have peaked.

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	-4.8%	-4.8%	+13.4%
MSCI EAFE	Foreign stocks of developed nations	-9.0%	-9.0%	+6.2%
MSCI Emerging Markets	Foreign stocks of emerging nations	-7.1%	-7.1%	+5.2%
NASDAQ Composite	Growth-oriented large cap stocks	-14.6%	-14.6%	+19.0%
Russell 2000	Small cap stocks	-11.1%	-11.1%	+ 9.3%
S&P 500	Large cap stocks	-7.5%	-7.5%	+15.5%
Weighted Index Benchmark*	Diversified Equities	-9.2%	-9.2%	+12.6%

***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 12 months ending March 31, 2022, inflation as measured by the CPI increased 8.5% over the prior 12 months, which shows a continuation of the price increases which began last year. The increase also represents the largest 12-month increase since the 12 months which ended May 1981. Increases in the indexes for gasoline, shelter, and food were the largest contributors to the overall CPI.

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 narrowed to 0.81%. The reduction in spread, which is lower than the prior upward trend, is primarily a response to the Fed's plan of raising shorter-term rates to combat inflation. The yield curve was briefly inverted during the quarter, meaning shorter-term bonds were yielding more than longer-term issues. We will be watching longer-term yields closely, which are determined by market forces, as the Fed continues to increase short-term interest rates this year.

The list below shows the spread on the yield curve at the end of the past five quarters. The spread on the yield curve continues to shrink, indicating an increased risk of recession as the Federal Reserve seems intent on raising short-term rates, but investors continue to purchase long-term bonds, driving down those longer-term yields.

- March 31, 2022 0.81%
- December 31, 2021 1.51%
- September 30, 2021 1.99%
- June 30, 2021 1.79%
- March 31, 2021 2.34%

Equities Looking Forward

Considering the inflation and geopolitical situations, it is difficult to see a bullish catalyst for stocks in the short-term. However, with the benefit of hindsight, we frequently find that after markets turn significantly from one direction to the other, the catalyst for the reversal was unforeseen and not predicted by the pundits. This is a primary reason why we avoid timing the markets and making decisions for a long-term portfolio based on short-term predictions.

As of the market close on April 22, the stock indexes are down between 8% and 18%. When added to the losses in the recently ended quarter, the indexes are all now considered to be either in a correction or bear market.

Following the losses described above, stock valuations seem very attractive for the long-term. The P/E ratio – a stock's price per share divided by its earnings per share – is a frequently quoted measure of a company's valuation. On May 1, 2021, the average P/E ratio of the 500 companies which make up the S&P 500 Index was 28.1. The average P/E ratio of the 500 companies is currently 21.4, which is 23.8% lower than it was just shy of one year ago. During this period, the S&P 500 Index has grown 3.60%, which tells us that prices have not grown nearly as much as earnings since last May 1.

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)	-8.1%	-8.1%	+5.5%

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

In the quarter, the Aggregate Bond Index recorded its steepest decline since 1980. The 10-Year US Treasury began the quarter with a yield of 1.63% before rising to 2.33% on March 31. The great majority of the bond selling was in anticipation of the Fed plans to end its Treasury purchase program. Time will tell, but it looks like the 40-year bull market for bonds, supported by low inflation and declining interest rates, may finally be coming to an end.

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	-8.4%	-8.4%	+2.1%
Barclays US Aggregate Bond	I-T US Gov't and Corporate Issues	-8.8%	-8.8%	+1.3%
Morningstar TIPS	Inflation Protected Gov't Issues	-4.4%	-4.4%	+3.8%
Average of the Indexes	Diversified Fixed Income	-7.2%	-7.2%	+2.4%

Bonds Looking Forward

The yield on the 10-Year US Treasury jumped another 0.58% to 2.91% from the end of March to April 22 – marking its highest point since the fourth quarter of 2018. With the Fed signaling the end of its Treasury purchase program, many financial pundits expect interest rates to continue to trend higher. However, the bond market has proven to be very forward looking in past cycles and may already be pricing in the expected response to Fed action.

Bonds are currently yielding higher income than at any time in the last three and a half years, so while their prices could drop further – and by extension their yields move higher – they are still more attractive than they have been since the fourth quarter of 2018. For longer-term investors, bonds seem fairly valued at current levels.

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.

<u>Important Disclosure Information</u>

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. <u>Please Also Note</u>: (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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