KADES & CHEIFETZ LLC

INVESTMENT OVERVIEW

for the quarter ending June 30, 2022

Equities in Review

Global equity markets suffered their steepest decline since the start of the pandemic (2020 Q1). The selling was primarily in response to fears of the world's central banks pushing economies into recession as they fight inflation.

The U.S. entered a bear market, ending June down 21% from its January peak. Further, the quarter ended as the worst first half of a calendar year since 1970.

Towards the end of the quarter, higher interest rates provided investors with alternatives to equities in the form of higher yielding bonds. The yield on the 10-year Treasury has nearly doubled from 1.63% at the start of the year to greater than 3% on June 30.

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	-16.1%	-20.0%	+11.3%
Russell 2000	Small cap stocks	-17.2%	-23.4%	+ 5.2%
MSCI World (excluding US)	Foreign stocks	-13.7%	-18.4%	+ 2.5%
Weighted Index Benchmark*	Diversified Equities	-15.8%	-20.4%	+ 8.3%

**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 12 months ending June 30, 2022, inflation as measured by the consumer price index (CPI) increased 9.1% compared to the prior 12 months. This is a continuation of the inflation which began in 2021 and the increase represents the largest 12-month increase since the period ending November 1981. Increases in the indexes for fuel and energy continue to be the primary 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 second quarter, the spread narrowed to 0.34%. The reduction in spread, which is lower than the prior upward trend, is primarily a response to the Federal Reserve Board's (Fed's) plan of raising shorter-term rates to combat inflation.

At this point the yield curve is flat with the one-year Treasury and the 30-year Treasury both yielding close to 3.1%. This implies that despite continued aggressive action by the Fed to raise short-term rates to combat inflation, investors are still locking in longer-term bonds at the same or even lower yields than short-term bonds. This pessimism and the resulting inverted yield curve is a reliable indicator that we are either in, or heading towards, a recession. We

will be watching longer-term yields, 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.

- June 30, 2022 0.34%
- March 31, 2022 0.81%
- December 31, 2021 1.51%
- September 30, 2021 1.99%
- June 30, 2021 1.79%

Equities Looking Forward

Considering higher interest rates, rising inflation, and geopolitical situations, at first it is difficult to see a bullish catalyst for stocks. However, with the benefit of hindsight, we frequently find after markets turn significantly from one direction to the other that 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 long-term portfolio decisions based on short-term predictions.

As of the market close on July 22, the S&P 500 index is down about 17% thus far in 2022. While current P/E ratios are now attractive given the recent decline, all eyes will be on corporate profits. Investors have seemingly priced in significant reduced profit expectations reflected by the lower stock prices across the board. Any sign that the impacts of higher interest rates and inflation will not be as bad as expected could bode well for stocks. This is the “soft-landing” the Fed is hoping to achieve.

We continue to believe stock valuations are very attractive for the long-term. The average P/E ratio – a stock’s price per share divided by its earnings per share – of the 500 companies which make up the S&P 500 Index has dropped from the high 30’s in late 2020 to 19.36 at the end of the quarter, its lowest level since late 2018.

Hybrid and Hedging Assets

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

INDEX	DESCRIPTION	Qtr.	Year-to-Date	5-Year Avg.
Managed Allocation Index	Moderate Risk Hybrid (bonds and stocks)	-11.3%	-14.8%	+5.7%

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 second quarter, inflation and interest rate worries also punished bond investors. The Fed raised the official short-term rates by 1.25%, which was its most aggressive action in nearly 30 years. Longer term yields which are controlled by market forces (not the Fed) also increased with the yield on the 10-year U.S. Treasury hitting 3.49% on June 14. While this is somewhat alarming, we remind our clients in times like these that higher yields present investors with new opportunities to invest in lower priced bonds. Ultimately, inflation impacts us all in different ways depending on our spending levels and patterns, but one benefit of higher yielding bonds going forward is that they should enable investors to meet their goals and objectives while relying more on interest income and less on riskier assets.

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 0-5 TIPS	Inflation Protected Gov't Issues	-1.1%	-1.4%	+3.0%
Bloomberg Municipal Bond	I-T US Municipality Issues	-2.9%	-8.6%	+1.5%
Bloomberg Universal	I-T US Gov't and Corporate Issues	-5.1%	-10.9%	+0.9%
Average of the Indexes	Diversified Fixed Income	-3.0%	-7.0%	+1.8%

Bonds Looking Forward

During the quarter, the yield on the 10-Year US Treasury jumped from 2.32% to 2.98%. With yields at these levels, bonds remain attractive as traders and investors attempt to gauge or predict how much more the Fed will raise rates in the short-term, what the impact of those rate increases will be on the economy, and how quickly the Fed may have to do a 180-degree turn and begin cutting rates if the economy slows too much.

We currently believe the best values in the bond market are currently found in high quality bonds which mature in the next ten years.

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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