KADES & CHEIFETZ LLC

INVESTMENT OVERVIEW

for the quarter ending September 30, 2022

Equities in Review

The global equity markets started strong in Q3, peaked in mid-August, and stumbled into the end of the quarter, continuing their year-long steep decline. The buying early in the quarter was in response to positive inflation data from July. However, worse than expected inflation data in the back half of the quarter reversed speculation that a hoped for "soft-landing" might be imminent.

Higher yields in the debt markets – the yield on the 10-year US Treasury has more than doubled from 1.63% at the start of 2022 to 3.83% on September 30 – provided investors with alternatives to equities in the form of higher yielding bonds.

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	- 4.9%	-23.9%	+ 9.2%
Russell 2000	Small cap stocks	- 2.2%	-25.2%	+ 3.2%
MSCI World (excluding US)	Foreign stocks	- 9.9%	-26.5%	- 0.8%
Weighted Index Benchmark*	Diversified Equities	- 5.4%	-24.7%	+ 6.0%

**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 September 30, 2022, inflation as measured by the consumer price index (CPI) increased 8.2% compared to the prior 12 months. This increase represented a slightly smaller increase than the 8.3% increase for the twelve months ending August 31, 2022.

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 fell to -0.26%. This "negative spread" represents an inversion of the yield curve, which occurs when shorter-term bonds offer higher yields than longer-term bonds. This phenomenon has frequently preceded a recession, which has led many pundits to predict the economy is either in or will soon be entering a recession.

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 shorter-term bonds. We will be watching longer-term yields, which are determined by market forces, as the Fed continues to increase shorter-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.

- September 30, 2022 (0.26%)
- June 30, 2022 0.34%
- March 31, 2022 0.81%
- December 31, 2021 1.51%
- September 30, 2021 1.99%

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 market timing and making long-term portfolio decisions based on short-term predictions.

In general, stock prices have fallen at a greater rate than earnings, bringing price-to-earnings (P/E) ratios down to what look like attractive levels for long-term investors. However, due to the uncertainty of how much impact inflation, higher interest rates, supply chain issues, the very strong dollar, and reduced corporate spending will have on corporate profits, stocks project to remain very volatile in the short-term.

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 30s in late 2020 to 19.08 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)	-5.5%	-19.5%	+3.8%

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

During the quarter, inflation and interest rate worries punished bond investors nearly as much as they punished equity investors. The Fed increased short-term interest rates by 0.75%, continuing its aggressive tightening effort at slowing inflation. Longer-term yields, which are controlled by market forces (and not the Fed), also increased with the yield on the 10-year U.S. Treasury hitting a high of 3.83% on September 30. While this is a somewhat alarming rate when compared to recent yields on the 10-Year, it is not particularly high when compared to historical levels. In addition, the silver lining of lower bond prices is bonds now present higher yields to investors, enabling the more conservative holdings in a portfolio to provide more return going forward.

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	-4.5%	-14.9%	-0.2%
Bloomberg Municipal Bond	I-T US Municipality Issues	-3.5%	-12.1%	+0.6%
Bloomberg Universal	I-T US Gov't and Corporate Issues	-2.6%	- 4.0%	+2.4%
Average of the Indexes	Diversified Fixed Income	-3.9%	-12.2%	+0.5%

Bonds Looking Forward

During the quarter, the yield on the 10-Year US Treasury jumped from 2.98% to 3.97%. 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.

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