# MATRIX ADVISORS VALUE FUND

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October 20, 2022

Dear Fellow Shareholder:

The Matrix Advisors Value Fund declined -7.25% in the quarter, trailing both the S&P 500's decline of -4.88%, and the Russell 1000 Value Index's decline of -5.62%. For the nine months through September 30, the Fund's decline of -25.92%, also lagged both the S&P 500's -23.87% decline and the Russell 1000 Value Index's decline of -17.75%.

Disclosure Note:

For your information, for the period ended September 30, 2022, the Fund's average annual total returns for the one-year, five-years, ten-years and for the period from July 1, 1996, the inception of Matrix Asset Advisors' involvement with the Fund were -20.67%, 5.79%, 8.88% and 7.34%, respectively. For the same periods, the returns for the S&P 500 Index were -15.47%, 9.24%, 11.70% and 8.57%.

Gross Expense Ratio: 1.16%
Net Expense Ratio: 0.99%**

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800-366-6223 or by visiting www.matrixadvisorsvaluefund.com.*

**The Advisor has contractually agreed to reduce fees through 10/31/23.

Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Matrix Asset Advisors became the sub-advisor on July 1, 1996, and Advisor to the Fund on May 11, 1997. Prior to those dates, the Fund was managed by another advisor.

The Fund's Net Asset Value on 9/30/22 was $68.15.

The Fund's 2022 year-to-date weakness has been driven by a market that has severely penalized last year's strong performers, of which we had many.

During the quarter, we started a new position in Air Products and Chemicals (APD), a leading global industrial gas company with historically very stable returns. The company provides industrial gas in bulk liquid and compressed gas forms as well as via on-site dedicated facilities. Because many of its contracts are long-term, the business is less cyclical than many industrial companies while benefiting during economic upswings. We also added to the position in Booking Holdings (BKNG), a leading global online travel company.

On September 30, the largest sector weightings in the Matrix Advisors Value Fund's portfolio were Information Technology, Financials, Communication Services, and Health Care. We think the first three sectors, which have lagged the market year-to-date, are positioned to lead the market and the Fund's portfolio higher in upcoming periods.

At the end of the third quarter, the average P/E multiple of the Large Cap Value (LCV) portfolio was 13.6 times and 12.5 times estimated 2022 and 2023 earnings, a discount to the S&P 500's 16.0 times and 14.8 times estimated P/Es for the same time periods[1]. The average embedded appreciation potential for the portfolio was 70%, a level well above its historic average and that suggests a very healthy upside potential for our Fund's stocks.

We believe the Fund's portfolio is well-positioned for upcoming periods, as the businesses are operating at a high level with strong earnings and cash flows, yet it sells at a very attractive valuation.

Matrix partners and associates are among the Fund's largest shareholders and our interests are directly aligned with yours. We thank you for your continued support and confidence in the Fund.

Sincerely,

David A. Katz, CFA
Fund Manager

**Past performance is not a guarantee of future results.**

The information provided herein represents the opinion of the Matrix Advisors Value Fund management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.
Any tax or legal information provided is merely a summary of our understanding and interpretation of some of the current income tax regulations and is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Fund nor any of its representatives may give legal or tax advice.

The S&P 500 Index ® is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

The Russell 1000® Value Index measures the performance of those Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values.

It is not possible to invest directly in an index.

[1] Source: Bloomberg

Embedded appreciation potential for a Matrix stockholding is the percentage difference between a stock's current market price and our estimate of the stock's underlying intrinsic value (target price). We average this for the entire portfolio to calculate the portfolio's embedded appreciation potential, or the percentage upside if all stocks were to reach their target price

P/E Multiple – Price to Earnings Multiple is used to compare a company's market value (price) with its earnings. A company with a price or market value that is high compared to its level of earnings has a high P/E multiple. A company with a low price compared to its level of earnings has a low P/E multiple.

Must be preceded or accompanied by a prospectus.

**Mutual fund investing involves risk. Principal loss is possible. The stock of value companies can continue to be undervalued for long periods of time and not realize its expected value. The value of the Fund may decrease in response to the activities and financial prospects of an individual company.**

Top Ten Holdings as of September 30, 2022:

| | |
|---|---|
| Microsoft Corporation | 6.6% |
| Alphabet Inc. Class C | 5.7% |
| Apple Inc. | 4.6% |
| Goldman Sachs Group, Inc. | 4.4% |
| J. P. Morgan Chase & Co. | 4.3% |
| Morgan Stanley | 4.1% |
| PayPal Holdings, Inc. | 4.1% |
| CVS Health Corp. | 3.9% |
| TE Connectivity Ltd. | 3.7% |
| Fiserv Inc | 3.6% |

Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

The Matrix Advisors Value Fund is distributed by Quasar Distributors, LLC.

# Matrix Advisors Value Fund, Inc.
# Capital Markets Commentary and Quarterly Report: 3rd Quarter 2022

## Capital Markets Highlights

In Q3, 2022, the U.S. stock market[2] declined for the third consecutive quarter, falling by -4.88%. Year-to-date through September 30, the stock market was down -23.88%. There was considerable volatility during the quarter with the market rallying +17% between mid-June and mid-August, before selling off again after disappointing inflation data and concerns that the Federal Reserve's prescription to reduce inflation by raising interest rates and otherwise tightening monetary policy may cure the disease but put the economy in intensive care.

Most areas of the U.S. stock market were down in the quarter. The two sector exceptions were Energy and Consumer Discretionary. Growth modestly outperformed Value in the quarter but Value has been more protective year-to-date through September 30.

It was also another tough quarter for fixed income investments with interest rates rising across the yield curve. The Federal Reserve raised interest rates by 1.50% in the third quarter, 0.75% in July and another 0.75% in September. After keeping rates near zero since March 2020, the Fed has raised interest rates five times this year, to the current range of 3.00-3.25%. At their meeting in September, they indicated that they may continue raising rates until they reach 4.60% in early 2023, before pausing[3]. It was a lot for the stock and bond markets to process.

The two-year Treasury yield ended the quarter at 4.28%, up from 2.96% on June 30. At the beginning of the year, its yield was 0.73%. The 10-year Treasury note yield was 3.83% on September 30, 3.02% on June 30, and 1.26% at the beginning of the year. The Bloomberg U.S. Aggregate Bond Index[4] was down -4.75% in the third quarter, bringing its loss to -14.61% year-to-date through September 30.

The price of oil declined in the quarter for the first time since 2020. After running up to over $120 a barrel in early June, it ended the quarter at $79.49, below the pre-invasion of Ukraine price of $91 and close to the price at the start of the year, $75.21.

## Market Outlook

As the market sell-off accelerated in the September downdraft, we have become more optimistic about the prospects for stocks in the next 6 to 12 months. Stock and bond prices have come down a lot. The stock market valuation has dropped from 21 times earnings at the beginning of the year to 14.8 times estimated 2023 earnings, below its 25-year average[5]. The Matrix Advisors Value Fund (MAVFX) portfolio sells at a healthy discount to

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[2] All references to the U.S. Stock Market are the S&P 500 unless otherwise noted.
[3] FOMC September 2022 forecasts
[4] The Bloomberg U.S. Aggregate Bond Index, or Agg, is a broad-based market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.
[5] Source: Bloomberg and JP Morgan Asset Management *Guide to the Markets*, September 30, 2022.

the market and its embedded appreciation potential[6]was more than 70%, which is well above its historical average and an unusually large upside potential our Fund's portfolio. The outsized upside potential for our MAVFX portfolio is rare and has been relatively short lived in the past. Historically, extremes in upside potential have generally been bullish for the market and our portfolio.

We think the Fed's actions to tighten monetary policy are having the desired effect of lowering inflation by bringing supply and demand into better balance. The economy is slowing, and prices are coming down. While this takes time to show up in the official inflation statistics, the real time data show price declines spreading throughout the economy. It became more obvious this summer with retail sales warnings and price cuts from Target and Walmart to clear excess inventory. A broad list of commodity prices has fallen. Gasoline prices are well off their peak as are used car prices, and now shelter prices (one of the largest components of the Consumer Price Index[7]) are falling as home prices react to higher mortgage rates, which have doubled this year. Apartment rent prices are also flattening or dropping in many geographies.

Two other deflationary forces at work are the ending of Covid stimulus programs and the strength of the dollar, now at a 20-year high[8]. A stronger dollar lowers our import prices (the good side of dollar strength) but too much of a good thing can create a crisis for global economies (already suffering from the war between Russia and Ukraine) as the price of commodities (priced in dollars) and dollar denominated debt increases significantly.

In early October we saw further confirmation that the economy is slowing. U.S. manufacturing activity grew at its slowest pace in 2½ years in September and The Wall Street Journal reported that ocean carriers are canceling sailings on the world's busiest routes in what is normally their peak season, with Trans-Pacific shipping rates down roughly 75% from year ago levels[9]. The Labor Department reported on October 4 that job openings dropped by 10% in August and layoffs rose. The Fed's policies to cool the economy and lower inflation take time but the numbers confirm that they are working.

The consensus view is that the Fed will follow through with its intent to increase rates by 0.75% in November, and then by another 0.50% in December, taking the Fed funds rate up to 4.25% by year-end, near the terminal rate of 4.6% they have projected to reach in 2023 [10]. After that, we hope they will pause to evaluate the impact of what they have already done. Any signal from the Fed confirming that they are near the end of raising rates could ignite a powerful stock market rally.

Stock market bears argue that the Fed will keep raising rates, even as the economy slows, to cool the labor market and doing so will increase unemployment and push the economy into a deeper recession (a hard landing).

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[6] A proprietary metric that Matrix uses to track the portfolio's appreciation potential.

[7] The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services

[8] Economic and Market Update, J.P. Morgan Asset Management, September 30, 2022

[9] WSJ October 2, 2022

[10]FOMC forecast September 2022.

If we are not technically in a recession[11] now it feels like we may be on the precipice of one. But it is important to remember that recessions are a normal part of the business cycle, usually short-lived and followed by long economic expansions and strong market recoveries. Since 1921, the average economic expansion has lasted 47 months while the average recession has lasted 14 months. During the post-World War II period, a typical recession lasts about six to 12 months. Stocks generally sell off 3 to 9 months prior to recessions and start to rally during the recession in anticipation of the eventual recovery[12].

We think the chances are very good that the economic picture may look much sunnier six months from now and the stock market, as it has done historically, will likely rise well before it becomes obvious that inflation is coming down and the worst fears about the economy prove to be exaggerated. The timing of the next advance is unpredictable and being invested in the early stages of a market rally is key to good long-term investment results. Our advice is to stick with your investment plan and not overreact to current events or short-term market moves.

The primary risks we see to our optimistic outlook are: 1) that the war between Russia and Ukraine escalates and 2), the Fed keeps raising interest rates longer than necessary, in part, to push back against criticism that they waited too long to raise them. A convincing argument against doing more than necessary is the risk that higher rates may propel the dollar ever higher and increase the likelihood of triggering a financial crisis outside of the U.S. that becomes a global contagion or push the U.S. economy into an unnecessarily deep downturn.

Below we provide a full discussion of the Fund's portfolio.

## 3rd Quarter Review

In Q3, and for the year-to-date through September 30, 2022, the Matrix Advisors Value Fund Large Cap Value (LCV) portfolio trailed the performance of the S&P 500 and the Russell 1000 Value Index. In Q3 the Fund declined -7.25%, compared to a decline -4.88% for the S&P 500's and a decline of -5.62% for the Russell 1000 Value Index. For the nine months through September 30, the Fund's decline of -25.92%, also lagged both the S&P 500's -23.87% decline and the Russell 1000 Value Index's decline of -17.75%.

Our 2022 year-to-date weakness has been driven by a market that has severely penalized last year's strong performers, of which we had many.

During the quarter, we started a new position in Air Products and Chemicals (APD), Air Products & Chemicals a leading global industrial gas company with historically very stable returns. The company provides industrial gas in bulk liquid and compressed gas forms as well as via on-site dedicated facilities. Because many of its contracts are long-term, the business is less cyclical than many industrial companies while benefiting during economic upswings. Air Products is a leader in hydrogen fueling systems and infrastructure, and the company sees great potential to extend its leadership in the years ahead. APD consistently returns capital to its shareholders through share repurchases and by steadily increasing its dividend. Its current annual dividend of $6.48 per share provides a 2.8% yield on September 30.

[11] Recessions as defined by the National Bureau of Economic Research
[12] JP Morgan Asset Management *Guide to the Markets*, September 30, 2022

We also added to the position in Booking Holdings, a leading global online travel company.

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At the end of the third quarter, the average P/E multiple of the Large Cap Value (LCV) portfolio was 13.6 times and 12.5 times estimated 2022 and 2023 earnings, a discount to the S&P 500's 16.0 times and 14.8 times estimated P/Es for the same time periods[13]. The average embedded appreciation potential for the portfolio was 70%, a level suggesting a very healthy upside potential for our Fund's stocks.

We believe the Fund's portfolio is well-positioned for upcoming periods, as the businesses are operating at a high level with strong earnings and cash flows, yet it sells at a very attractive valuation.

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We thank you for your continued confidence. If you have questions about any part of this commentary, please do not hesitate to call.

Best regards,

[13] Source: Bloomberg