MATRIX ADVISORS VALUE FUND

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February 1, 2023

Dear Fellow Shareholder:

The Matrix Advisors Value Fund was up +7.42% in the 4th quarter, generally in line with the S&P 500's gain of +7.56% but lagged the Russell 1000 Value® Index's gain of +12.42%. For the year, the Fund declined by -20.42%, versus the S&P 500's loss of -18.11% and the Russell 1000 Value's® loss of -7.54%.

Our 2022 weakness was driven by a market that severely penalized the previous year's winners, of which the Fund had many, and by the sharp pullback in Technology and Communications Services stocks.

<u>Disclosure Note</u>:

For your information, for the period ended December 31, 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 -20.42%, +6.00%, +9.83% and +7.56%, respectively. For the same periods, the returns for the S&P 500 Index were -18.11%, +9.42%, +12.56% and +8.78%.

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 more or 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 <u>www.matrixadvisorsvaluefund.com</u>.

**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 12/31/22 was $69.68.

In the 4th quarter, and throughout the year, we tried to take advantage of stock market volatility to opportunistically scale out of positions into price strength and reinvest funds in new names or to fill out existing positions to improve the quality and upside of the portfolio.

Looking ahead, in the aftermath of the Fund's 2022 decline, we are optimistic about the Fund's prospects in 2023. We believe it is very well-positioned to rebound in upcoming periods, as its companies have strong and growing franchises and are positioned to weather the uncertain business and financial environment.

At year-end, the Fund's portfolio was trading at 14.1x 2023 estimated earnings, which is attractive on an absolute basis and at a solid discount to the S&P 500's 16.7x for the comparable period[1]. The average of our estimated upside for stocks in the portfolio is nicely above our historic average and at a level that we believe suggests healthy upside potential for our Fund.

The attached commentary provides a thorough discussion about our 2022 results and why we think the Fund is well positioned going forward.

Matrix partners and associates are among the Fund's largest shareholders and our interests are directly aligned with yours.

We hope that you and your family are safe and healthy. We wish you all the best in 2023 and thank you for your continued support and confidence in the Fund.

Sincerely,

David A. Katz, CFA

Fund Manager

[1] Source: Bloomberg

Past performance is not a guarantee of future results.

Earnings growth is not representative of the Fund's future performance.

Please refer to the Schedule of Investments in this report for details on fund holdings. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

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.

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.

Earnings per share (EPS) is the portion of a company's profit allocated to each share of common stock.

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. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

Top Ten Holdings as of December 31, 2022:	
Microsoft Corporation	6.5%
J.P. Morgan Chase & Co.	5.0%
Alphabet Inc. Class C.	5.0%
Goldman Sachs Group, Inc.	4.6%
PayPal Holdings, Inc.	4.4%
Apple Inc.	4.3%
Morgan Stanley	4.2%
Cisco Systems Inc.	3.8%
Bookings Holdings Inc.	3.7%
TE Connectivity Ltd.	3.7%

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:
4th Quarter and 2022 Annual Review

Capital Markets Highlights

The U.S. stock market[2] rallied in the 4th quarter, but the gain of 7.55% was not nearly enough to offset losses in the first nine months of the year. For the full year, 2022, the market was down -18.13%, its worst result since 2008.

Fixed Income returns[3] were generally positive in the 4th quarter but were negative for the year. Short-term bonds performed better than intermediate- and long-term bonds but were also down for the year. The Bloomberg U.S. Aggregate bond index fell by more than -13%, its worst year on record going back to the 1970s[4].

For balanced portfolios, the year's losses for both stocks and bonds resulted in it being the second to worst year for a 60/40 equity/bond balanced portfolio since 1974[5].

In short, following three consecutive good years of stock market returns through 2021, in 2022, the combination of the Fed's seven increases in interest rates during the year from 0%-0.25% at the beginning to 4.25-4.50% at the end of the year, high inflation, and the war in Ukraine were overwhelming challenges for stock and bond markets that began the year at record highs.

In the 4th quarter, stock market investors were encouraged by better-than-expected earnings reports and more evidence that inflation has peaked. But after gains in October and November, the market fell -5.77% in December after Federal Reserve Chairman Jerome Powell said that the Fed anticipated that further ongoing interest rate increases will be appropriate to return inflation to 2% over time and raised the median projection for the Federal Funds level to 5.1% at the end of 2023 from 4.6% projected in September[6]. These were unexpectedly harsh comments for investors growing more optimistic following the best monthly inflation report in a year in early November and an even better report in December[7].

For the year, Value and Dividend strategies were down less than Growth. The best-performing market sector was Energy, up for two years now after being the worst-performing sector for a decade before 2021. Interestingly, the Energy sector's performance in the S&P 500 was up almost 10 times as much as the price of oil year over year, +65.7% versus +6.7%.

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[2] All references to the stock market are the S&P 500 unless otherwise noted.
[3] This and subsequent references to the specific sector classifications and asset classes are based on their respective Sector SPDR ETFs
[4] WSJ, January 2, 2023, "For Battered Bonds, Threats of Further Losses Linger"
[5] J.P. Morgan Economic and Market Update as of December 31, 2022. Equity is represented by the S&P 500. Bond allocation is the Bloomberg U.S. Aggregate bond index.
[6] Transcript of Chair Powell's Press Conference, December 14, 2022.
[7] WSJ, January 2, 2023, "For Battered Bonds, Threats of Further Losses Linger"

U.S. economic growth slowed in 2022 compared to 2021 but remained positive despite the fastest increase in interest rates since the 1980s. The latest revision of Q3 GDP was up 3.2%[8], and unemployment remains below 4%. The Conference Board's estimate for the full year 2022 U.S GDP growth[9] was +1.9% year-over-year, down significantly from 2021's GDP growth of +5.6% but near the trendline pre-pandemic GDP growth rate of around 2% since 2000.

Looking ahead, we are optimistic about the outlook for the stock market in general and Matrix's portfolios in 2023.

The stock market's decline in 2022 brought equity valuations down to attractive levels, and our portfolios sell at a discount to the market. Throughout last year, we took advantage of market volatility to opportunistically scale out of positions into price strength and reinvest funds to improve the quality and upside of the portfolios. We begin the new year with portfolios well positioned for the environment we foresee in the new year, even if the economy enters a period of slower growth or recession.

We are more positive about stocks than bonds, but for the first time in years, have a favorable view of fixed income investments with shorter-term maturities, inside of 5 years.

Matrix Portfolio

The Matrix Advisors Value Fund had a solid 4th quarter, rebounding from the extremely difficult first 9 months of the year. The Fund was up +7.42% in the quarter, in line with the S&P 500's gain of +7.56% but lagged the Russell 1000 Value® Index's gain of +12.42%. For the year, the Fund declined by -20.42%, versus the S&P 500's loss of -18.11% and the Russell 1000 Value's® loss of -7.54%.

The sectors contributing the most to the Fund's return in the quarter (multiplying sector weighting by performance) were Health Care and Financials. Communications Services detracted the most from the Fund's results.

Our 2023 Outlook

We begin the new year optimistic about the stock market's prospects in 2023. Market valuations came down a lot last year, while earnings and dividends for many high-quality companies rose in 2022 and look solid for the new year. Our valuation work for the Fund's strategy shows above-average appreciation potential. We anticipate good gains for the overall market and our Fund and believe that after a particularly bad 2022, stocks are poised to earn above average returns. The one caveat to this upbeat outlook is that we expect short-term market swings and volatility along the way.

We think that stocks will outperform bonds but believe that fixed income is more interesting today than it has been in years. High-quality short-term bonds (1–5-year maturities) offer a good income with

[8] Bureau of Economic Analysis, December 22, 2022.
[9] The Conference Board Economic Forecast for the US Economy, December 14, 2022, Publication.

minimal principal risk. We are less interested in longer-dated maturities where we believe there is interest rate risk from higher rates.

We look for a year of slower, but ultimately, modestly positive economic growth in 2023. We look for puts and takes in the economy along the way as it adjusts to higher interest rates. While it feels like a recession is a good possibility, it is not a sure thing. Unemployment is expected to rise as the economy slows but remain at a historically low level, with the last unemployment report of the year in December at 3.5%. Much depends on what the Fed does with interest rates this year.

We expect inflation numbers to continue trending down but worry that the Fed is hellbent on raising interest rates regardless of the data[10], anxious to reestablish credibility they lost by keeping rates too low for too long. If the economy goes into recession, 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. During the post-WW II period, a typical recession lasts about 6-12 months. Stocks generally sell off 3-9 months in advance and then start to rally during the recession[11].

We think the chances are good that the economic outlook may be much brighter six to nine months from now, and the stock market, as it has done historically, will likely rise well before the next economic expansion is evident. 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.

We continue to believe that Value and Dividend stocks are poised to show solid absolute performance and favorable relative performance vs. the overall market. But Growth stock valuations have come down significantly and are more attractive (looking like “values”) to us now than they have been for several years.

The risks to the economy and stock market we see in 2023 are more unexpected Covid outbreaks and the disruptions they cause to economic activity (both at home and abroad), the Fed continuing to raise interest rates higher and for longer than necessary without regard to the evidence that they have already done more than enough to slow inflation, and the unpredictable but ever-present geopolitical risks, particularly with China and Russia’s war with Ukraine.

Finally, as we have noted many times, there is always uncertainty about the future. We believe the formula for investment success is to look through near-term instability and stay focused on the long term. The best way to address that is to have an allocation to the stock market that is appropriate for the long-term, which includes both good and bad times.

Semi-Annual Review

The Fund declined by -0.38% in the last six months of 2022 compared to a gain of +2.31% for the S&P 500 Index.

[10] WSJ, January 5, 2023. Alan Blinder. “What if Inflation Suddenly Dropped and No One Noticed”
[11] Mark Zandi, Chief Economist at Moody’s Analytics, CNBC Interview, June 24, 2022.

During the six-month period, the sectors contributing the most to the Fund's return (multiplying sector weighting by performance) were Health Care and Financials. Communications Services detracted the most from the Fund's results.

The 4th Quarter and Year in Review

The Matrix Advisors Value Fund rebounded in the 4th quarter, up +7.42%, from the extremely difficult first 9 months of the year. It performed in line with the S&P 500's gain of +7.56%. For the year, the Fund declined by -20.42%, versus the S&P 500's loss of -18.11%.

Our 2022 weakness was driven by a market that severely penalized the previous year's winners, of which we had many, and by the sharp pullback in Technology and Communications Services stocks.

In the 4th quarter, and throughout the year, we took advantage of stock market volatility to opportunistically scale out of positions into price strength and reinvest funds in new names or to fill out existing positions to improve the quality and upside of the portfolio.

In the 4th quarter, we started a new position in Amazon (AMZN) and trimmed the position in Schlumberger (SLB) on price strength.

Amazon is a leading mega-cap e-commerce and cloud computing company. Since starting in a small house in Seattle, WA, Amazon became one of the major tech disruptors of its generation with leading market shares in E-Commerce Retailing (40% market share) and Cloud Computing (33% market share). After hitting a record high of $188 in late 2021, Amazon's shares have fallen by more than 50% to a recent price below $90 per share. While not a traditional Value stock based on its current P/E, the company is now trading near the bottom of its historical valuation range on several other valuation metrics. We believe the worries about a slowdown in its business from the past few years of supercharged Covid economy growth provide an opportunity to buy a great company at a very attractive price.

The largest sector weightings in the Fund's portfolio as of December 30 were in Financials, Health Care, and Information Technology.

Financial stocks have sold off significantly, even though the current environment of rising interest rates, loan growth, and good credit quality should be very beneficial to their businesses. We believe their capital and credit metrics indicate more than enough strength to successfully navigate the current economic uncertainty. We look for significant multiple expansion in their P/E's coming out of a slowdown or mild recession and believe that Financials are one of the more attractive areas of the market.

Information Technology was one of the worst-performing market sectors in 2022, suffering as interest rates rose and business slowed. From current prices, we believe the names we own in this sector offer very strong appreciation potential, have very profitable businesses with solid growth potential and are valued at historically low levels.

Our Health Care investments are well diversified, should provide stable business performance, and exhibit good upside potential, while providing some defensiveness.

Looking ahead, in the aftermath of the Fund's 2022 decline, we are optimistic about the Fund's prospects in 2023. We believe it is very well-positioned to rebound in upcoming periods, as its companies have strong and growing franchises and are positioned to weather the uncertain business and financial environment. If we are right in our upbeat market outlook for the upcoming year, we expect the Fund to fully participate in the market's advance.

At year-end, the Fund's portfolio was trading at 14.1x 2023 estimated earnings, which is attractive on an absolute basis and at a solid discount to the S&P 500's 16.7x for the comparable period. The average of our estimated upside for stocks in the portfolio is nicely above our historic average and at a level that we believe suggests healthy upside potential for our Fund.

Tax Mitigation

We were very active in our tax mitigation activities in the Fund's 2022 fiscal year with a goal of offsetting gains with losses when it made economic and investment sense. These actions allowed us to significantly reduce the ultimate capital gains realized in the Fund while maintaining the integrity of the portfolio, allowing it to fully participate in a market rebound.

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We thank you for the trust you have placed in us and send our best wishes for a happy, healthy, peaceful, and prosperous 2023.