MATRIX ADVISORS VALUE FUND

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February 1, 2022

Dear Fellow Shareholder:

The Matrix Advisors Value Fund rose +7.08% in the fourth quarter and +32.03% for the calendar year. The Fund trailed its benchmark, the S&P 500 Index's return of +11.03% for the quarter but outpaced the index's +28.71% gain for the year.

<u>Disclosure Note</u>:

For your information, for the period ended December 31, 2021, 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 32.03%, 13.91%, 13.38% and 8.84%, respectively. For the same periods the returns for the S&P 500 Index were 28.71%, 18.47%, 16.55% and 10.00%.

Gross Expense Ratio: 1.21%

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 10/31/22.

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 12/31/21 was $91.99.

Looking ahead, even after strong results in 2021, we believe the Fund is well-positioned for further gains in 2022 as the economy recovers from COVID. We continue to believe that Value stocks are poised to show solid absolute performance and favorable relative performance vs. the overall market. High quality Value stocks should benefit from the combination of attractive valuations and economic sensitivity in an expanding economy.

We expect another positive year for the stock market but with more modest returns, likely in line with historical averages with periods of volatility.

The companies in the Fund's portfolio showed very good operating results in 2021 under very trying circumstances and, we believe, remain undervalued. On December 31, the Fund portfolio's P/E multiple was 16.8 times estimated 2022 earnings[1], which is more than a 20% discount to the S&P 500's 21.4 times earnings.

The attached commentary provides a thorough discussion on what drove our 2021 returns 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 2022 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&P500 Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. You cannot invest directly in an index.

Price to earnings (P/E) ratio is a common tool for comparing the prices of different common stocks and is calculated by dividing the current market price of a stock by the earnings per share.

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

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.

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 2021 Annual Review

Capital Markets Highlights

The U.S. stock market[2] finished a very strong year with a powerful 4th quarter rally. October got the quarter off to a good start, benefitting from good earnings reports from the summer period and optimism about COVID containment. November looked to be flattish, until news of the Omicron variant broke the Friday after Thanksgiving, causing a brief but sharp sell-off. However, December resumed the upward march, as many of the most visible and potentially impactful risks appeared less dire than initially feared.

In Q4 2021, stock market gains were broad-based. Economic growth appears to have reaccelerated during the quarter. The Conference Board is estimating GDP growth of +6.5% for the period vs. Q3's +2.3%. Reopening activity, with a lower COVID impact during much of the quarter, and pent-up seasonal holiday demand all helped. Full year 2021 growth is now estimated to be around 5.6%, well above the trendline GDP growth rate of around 2% since 2000, and the best yearly growth rate since 1984.

2021 was a year that favored large-cap stocks over small-caps, and U.S. stocks over most all international stock markets. The stock market's double-digit return trounced fixed income results which were modestly negative to marginally positive. Treasury yields, while still at historically low levels, rose significantly across the yield curve, vs. a year ago. For example, the 2-year Treasury yield ended 2021 at 0.73% compared to 0.12% at the end of 2020 and the 10-year rate ended 2021 at 1.51% vs. 0.91% at the end of 2020.

Looking ahead, after years of strong stock market returns, we remain cautiously optimistic on U.S. stocks but expect returns in 2022 to be more modest than in 2021 and anticipate high single-digit returns, in line with the market's historical results. A white paper we wrote in 2021 studied market returns over rolling 10-year periods since 1961 and what they may suggest for the subsequent 3, 5, and 10-year periods. Spoiler alert - strong returns generally may lead to average to subpar returns, especially so for Growth stocks, but a very strong decade doesn't predestine the market to poor returns in upcoming periods. Based on this study[3] (which we would be happy to send on request), we believe that future returns likely will be modestly below the long-term average annualized returns during the next 3, 5, and 10 years, though the study suggests they have generally been positive and in the high single-digits, and better than prospects for fixed income from current levels.

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[2] All references to the stock market are the S&P 500 unless otherwise noted.
[3] Study based on quarterly and annual returns of the S&P 500 Index for the period 1961 to September 2021 (60¾ years and 204 rolling 10-year observations). For this study, we use the S&P 500 Index as representative of the U.S. stock market.

We are optimistic about the outlook for the Fund's portfolio in 2022. The portfolio sells at a significant discount to the overall market's P/E multiple with good earnings and dividend growth prospects in the coming year. We believe the portfolio should be very well suited to navigate the more challenging environment we foresee in 2022.

As we said last year during a time of great uncertainty, the market is unpredictable in normal times and can act irrationally during periods of extreme stress. 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.

Matrix Portfolio

The Matrix Advisors Value Fund had a solid 4th quarter and a very strong year. For the quarter, the Fund modestly trailed the S&P 500 Index, +7.08% vs. +11.03% for the index, but handily outperformed the index for the year, up +32.03%, versus up +28.71% for the index.

In Q4, the sectors contributing the most to the Fund's return (multiplying sector weighting by performance) were Technology and Health Care. The Communications Services, Consumer Discretionary, and Utility sectors detracted from Q4 performance. Using the same methodology, Financials, Technology, Communication Services, and Health Care were the best performing portfolio sectors for all of 2021.

Our 2022 Outlook

We are cautiously optimistic about stocks for the upcoming year and look for modest returns in line with historical averages of high single-digit gains.

We look for another solid year of economic growth, less robust than 2021, but above average. This belief is based on expectations that we will learn to live with COVID, that economies around the world will improve in 2022, that supply chain issues will work themselves out over the year, and inflation will remain elevated but begin to settle down as the year unfolds.

It will be a more challenging year for stocks with more ups and downs because overall market valuations are high and interest rates are almost certain to rise as the Fed stops buying bonds and plans to raise short-term interest rates. We believe equities will again be more attractive than fixed income in 2022.

We continue to believe that Value stocks are poised to show solid absolute performance and favorable relative performance vs. the overall market. Growth stock valuations are high, and earnings comparisons are tough. Value and high-quality dividend stocks should benefit from the combination of attractive valuations, economic sensitivity in an expanding economy, and good current and growing dividend income.

The risks to the economy and stock market we see in 2022 are more COVID outbreaks and the disruptions they cause to economic activity, higher inflation than expected, and significantly higher interest rates. Geopolitical risks are unpredictable but ever-present, particularly with China and increasingly Russia.

In summary, we are looking for another positive year for stocks albeit with periods of volatility. We believe the government and Federal Reserve are on the same page, working towards a common goal of a growing economy and strong job growth. Even with a gradual rise in interest rates, we think there is a very healthy backdrop for corporate earnings growth. We are less optimistic about fixed income returns in 2022, as we believe interest rates will rise.

Fund Performance:

Semi-Annual Review

The Fund rose by +6.90% in the last six months of 2021 compared to +11.67% for the S&P 500 Index.

During the six-month period, the Fund's best performing sectors were Technology, Health Care, and Financial Services. The worst performing sectors were Communications Services, Utilities, and Industrials.

The 4th Quarter and Year in Review

The Matrix Advisors Value Fund had a solid 4th quarter and a very strong year. For the quarter, the Fund trailed its benchmark, the S&P 500 Index, up +7.08% vs. +11.03% for the index, but outperformed the index for the calendar year 2021, +32.03% vs. +28.71% for the index.

In Q4, the sectors contributing the most to the Fund's return (multiplying sector weighting by performance) were Technology and Health Care. The Communications Services, Consumer Discretionary, and Utility sectors detracted from Q4 performance.

Using the same methodology, Financials, Technology, Communication Services, and Health Care were the best performing portfolio sectors for all of 2021. The Utility sector detracted the most from performance in 2021.

During the quarter, we added to positions in Becton Dickinson, Comcast, FedEx, Fiserv, and Zimmer Biomet.

We sold the position in Pinnacle West after a very disappointing rate case outcome.

Looking ahead, even after strong results in 2021, we believe the Fund is well-positioned for further gains in 2022 as the economy recovers from COVID.

Among sectors, we continue to think Financials are very well positioned to show strong earnings growth from higher interest rates and loan growth while credit quality remains very high. We also like Health Care in 2022. Valuations are very reasonable and there is pent-up demand for medical care that was deferred during COVID. We are especially optimistic in 2022 for our investments in Communications Services, a sector that was particularly hard hit in Q4, 2021 on concerns over the challenges from disruptive technologies. Valuations in this sector for names like Comcast and ViacomCBS are compelling. Both are very well-managed companies with growing revenue, earnings, and dividends. Comcast is buying back its stock and consistently raises its dividend. At ViacomCBS, there has been insider buying by the Chairwoman and the CEO.

Technology has been a great place to be invested and our names have done very well. We continue to expect good earnings growth from our investments in this sector but after years of market leadership, we have more modest expectations in 2022. Within Technology, we believe our names still have a good risk/reward.

We are comfortable having a small position in Energy with exposure to just the strongest companies with a shareholder orientation that are best equipped to manage through this very cyclical sector facing a dramatically different future.

The companies in the Fund's portfolio showed very good operating results in 2021 under very trying circumstances and, we believe, remain significantly undervalued. On December 31, the Fund's p P/E multiple was 16.8 times estimated 2022 earnings[4], which is more than a 20% discount to the S&P 500's 21.4 times earnings.

Tax Mitigation

We were more active than usual in the Fund's 2021 fiscal year, taking gains in investments that reached our targets. We did our best to offset gains with losses but had very few positions with meaningful unrealized losses. Actions during the year lowered your potential realized capital gains, while maintaining the integrity of the portfolio, allowing it to fully participate in the strong 2021 stock market.

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We want to thank you for trusting us with your investments and wish you a happy and healthy 2022. Please contact us with any questions or comments. Best regards.

[4] Source: Bloomberg