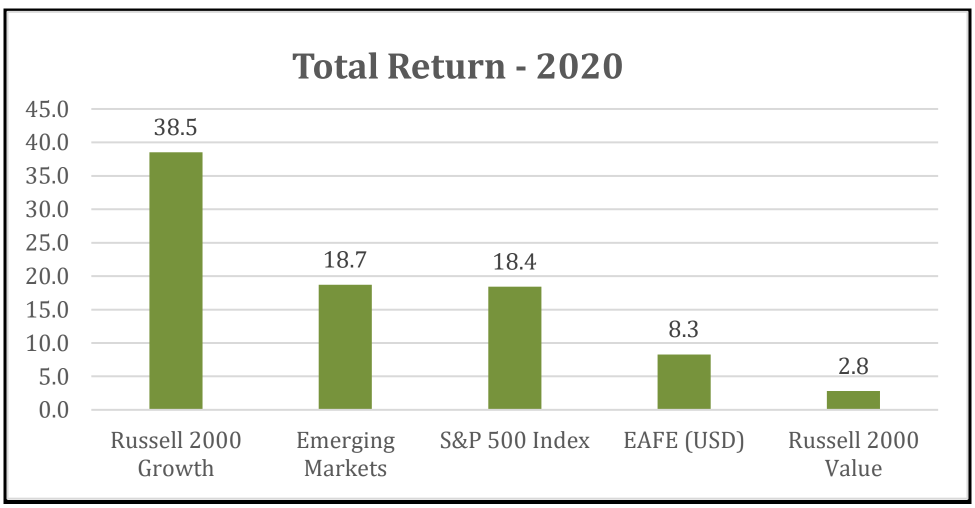
UNITED
Asset Strategies, Inc.

Dear clients and friends, January 2021

The Washington Post asked its readers this question: Name one word that best describes 2020. Some of the most frequently cited words were exhausting, chaotic, surreal and relentless. These all seem appropriate as we reflect back on 2020, a year which brought us a presidential impeachment, a global health pandemic, riots across a number of U.S. cities, a steep recession, the proliferation of remote working and learning, an unexpected Supreme Court nomination and a highly charged election. Through all of this, the team at United worked diligently (both in the office and remotely when required) to ensure that our clients' portfolios successfully navigated highly volatile markets. We appreciate your continued trust and support. It was a very unusual year for markets as well, and here is a summary of our thoughts.

The S&P 500 Index was up 16.6% for the full year in 2020 (on a price-only basis), but returns varied significantly among the various subsectors of the equity market. For example, stocks in the Technology and Communication Services sectors were up 44% and 24%, respectively, while Energy stocks and Financials suffered respective ***declines*** of 34% and 20% for the year. In addition, the return disparity between growth and value stocks reached unprecedented territory, with the Growth Index up 36% on a price basis while the Value Index was up less than 2%. Market returns were also very concentrated among stocks in the S&P 500 Index, with the top five (Amazon, Apple, Microsoft, Google and Facebook) returning an average of 65%, while the rest of the stocks in the Index were up 10% on average. Meanwhile, bond indices were up mid-single digits in 2020. The chart below highlights the disparate total returns for various indices.

Figure 1: 2020 Returns (Total Return basis)



Source: Standard & Poor's

Some of these return trends began to shift in the fourth quarter, as the prospects for a successful vaccine and additional fiscal stimulus associated with the incoming Biden administration fueled better returns for beaten-down cyclical stocks. In 4Q, Energy stocks were up 28%, and Financials returned 23%, while the broader S&P 500 Index was up 11.7%. This resulted in the beginning of a recovery in value and dividend-paying stocks, with the S&P Value Index up 14.5% for the quarter. We believe cyclical stocks will continue to benefit in 2021, fueled by a recovery in earnings and more attractive valuations. Recent moves across most of our equity strategies include increased exposure to Financials, Materials, Discretionary and Energy sectors.

Another word that can characterize the stock market in 2020 was volatile, as the S&P 500 Index dropped by 34% from the late February peak in just a matter of weeks, then proceeded to rebound by an astonishing 68% through year end. For some historical perspective, this 20-day drop was the shortest market decline during a recessionary period, and the rebound was the strongest post-recession recovery in history.

Looked at through a different lens, we can measure volatility through daily market moves. Over the past decade, there were an average of 58 days in a given year where markets moved greater than 1% daily and just 15 days where the market moved 2% annually. As you can see in the figure below, ***there were 109 and 44 daily moves of 1% and 2%, respectively, in 2020!*** That is a three-fold increase in the number of 2% daily moves over the eleven-year average.

Figure 2: Daily Stock Market Volatility

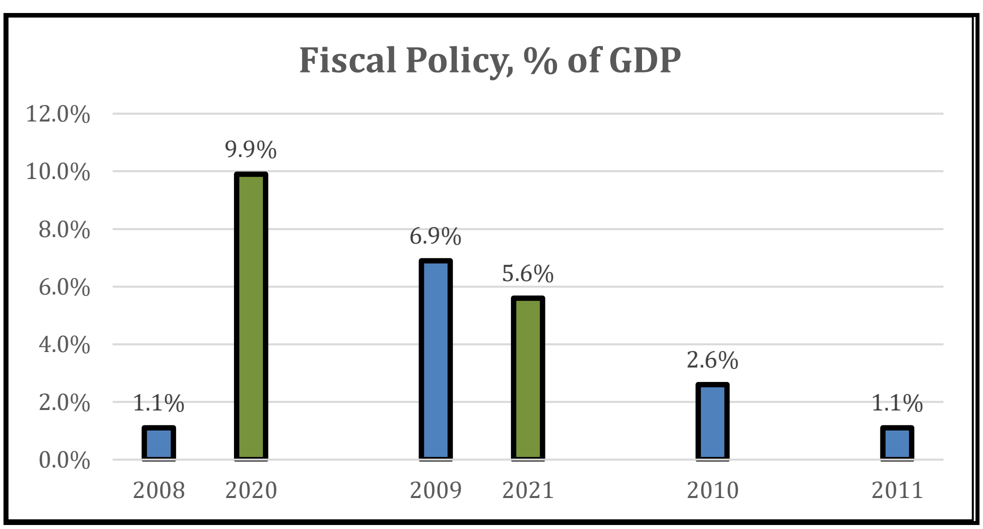
Daily Market Moves		
	# of Trading Days	
Year	>1%	>2%
2010	76	22
2011	96	35
2012	50	6
2013	38	4
2014	38	6
2015	72	10
2016	48	9
2017	8	0
2018	64	20
2019	37	7
2020	**109**	**44**
Avg: 2010-2020	**58**	**15**

Source: Credit Suisse

What to Watch Ahead:

- **Fiscal Policy:** In our view, one of the key drivers of the recovery in the stock market beginning in April was the prospect of a meaningful fiscal response from policymakers. This indeed did occur. As illustrated below, the fiscal policy contribution in 2020, primarily from the $2 trillion Cares Act, equated to almost 10% of GDP. For 2021, the recently passed $900 billion stimulus package is estimated to replace 5.6% of GDP. These are very significant numbers, and we believe a key reason why markets moved up despite economic shutdowns associated with the proliferation of COVID-19. We would expect further stimulus under the new administration, with an initial $1,400 stimulus check likely in the coming weeks, followed by a much more significant infrastructure package in the coming months. One caveat is that this infrastructure plan is likely to be funded by tax increases, with the biggest impact on corporations.

Figure 3: Fiscal Policy Contribution as a % of GDP



Source: Strategas Research Partners

- **Monetary Policy:** In our view, the other major driver of stock price recovery and rebound after the March decline was the response of central bankers around the globe. As the economy collapsed in the face of COVID lockdowns, the Federal Reserve brought its Fed funds target rate towards 0%. In addition, the Fed began buying bonds (including the unusual purchase of corporate bonds), in the process increasing the Fed balance sheet from $3.7 trillion to $6.7 trillion. Similar trends were experienced by central banks globally, with assets growing by an average of 41% on the consolidated balance sheets of central banks (i.e. the Federal Reserve, the Bank of Japan, the ECB and the PBOC (China)). As addressed below, rising inflationary pressures could cause the Fed to take its foot off the pedal in 2021.

- **The Economy & Corporate Earnings:** 2020 was a year of historic economic extremes. As COVID spread, economies shut down, resulting is a 31% decline in US GDP in 2Q. This was followed by a snapback of +33% GDP growth in 3Q. Growth decelerated in 4Q, with GDP expected to have increased by 4.5% for the quarter. Likewise, corporate earnings were severely impacted. For 2020, it is anticipated that S&P 500 earnings will decline by 15%, led by declines in economically sensitive sectors. Conversely, a rebound in earnings from cyclicals is expected to drive earnings growth in 2021, estimated at 22%. Further growth of 13% is expected in 2022 versus 2021. The rebound is being fueled by rebounding economic activity, particularly in the manufacturing, service and housing segments of the economy. Further stimulus, coupled with the successful rollout of various vaccines, should underpin economic growth in 2021.

- **Yield Curve Trends & Inflation:** During Q4, long-term Treasury yields drifted higher, while credit spreads tightened. This general "risk-on" price action was supported by additional fiscal stimulus, positive vaccine news and some clarity on the political front. Additional Treasury supply may also have contributed to the rise in long-term Treasury yields, while the Fed kept short-term rates anchored near zero, leading to a steepening yield curve. Looking forward, we see a sharp rise in year-over-year inflation coming in March, when energy prices will be compared to the 2020 lows in official CPI data. Easy comparisons like this, as well as the recently weak US dollar, may cause the Fed to begin prepping the market for a lower level of monetary support. We feel that this has the potential to shake up both interest rates and credit spreads. In anticipation, we have raised cash in the fixed-income portions of clients' portfolios and are prepared to buy if attractive opportunities emerge.

In summary, we are continuing to analyze the potential impact of the second direct stimulus plan, the potential for a larger or broader stimulus plan thereafter and the Biden tax plan associated with these programs. We will be at the ready to help our clients understand opportunities and benefits and to minimize taxes. Lastly, we are pleased to announce the addition to senior staff of Matthew Geevarghese. Matthew joins United as a Fixed Income Portfolio Manager with more than 20 years of experience and provides the UASI investment team with additional fixed-income expertise and depth.

Respectfully submitted by the Professional Staff at United Asset Strategies

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Strategy Review and Positioning – Fourth Quarter 2020

FIXED INCOME UPDATE

In 4Q, the team both added to, and took profits in, long-term municipal bonds. The rise in interest rates coincided with heavy municipal borrowing early in the quarter, but as the quarter progressed, the supply wave faded just as Treasury yields stabilized. This dynamic, along with the prospect for higher taxes, combined to boost municipal bond prices, which led us to take profits late in the quarter. Clients' structured-note positions benefitted significantly from the steepening yield curve in 4Q and should continue to appreciate if long-term yields remain at the same or higher levels.

GROWTH & INCOME STRATEGY (GI)

Overview: Growth & Income (GI) is our most utilized strategy, primarily by clients seeking growth with income while minimizing risk. Individual stocks are used, with mutual funds strategies that mirror the GI strategy for smaller accounts.
Update: During the quarter, the team added cyclical exposure across various sectors deemed likely to benefit from a vaccine rollout and stimulus introduced by the Biden administration. Risk management consists of 5% cash and 4% gold.

HIGH DIVIDEND EQUITY & HIGH DIVIDEND PLUS STRATEGY (HDIV & HDIVPL)

Overview: This strategy is recommended for clients seeking a steady stream of income with a modest amount of trading activity. By seeking positions that are dividend growers, HDIV aims to beat the average yield of stocks within a given sector and to provide for a hedge against rising interest rates. HDIVPL includes a 20% allocation to growth.
Update: Following the election results and the approval of multiple COVID vaccines, the team looked to add cyclical exposure in both strategies, including a return to the energy pipeline space. Currently, risk management consists of 8% cash in HDIVPL, while HDIV has 1% cash and a 5% position in a hedge (SH).

VALUE PLUS EQUITY STRATEGY® (VAPL)

Overview: This strategy is recommended for clients seeking a value-based equity strategy with a beta below that of the overall market. This strategy seeks to invest in mispriced stocks with attractive fundamentals in a diversified portfolio.
Update: The team added cyclical exposure via stocks in the Energy, Discretionary, Financials, Materials and Industrial sectors. To manage risk, there is currently an allocation of 2.6% to cash and 4% to gold.

GROWTH PLUS EQUITY STRATEGY (GP)

Overview: This strategy is recommended for clients seeking a growth-based equity strategy with a beta above that of the overall market. Higher growth names across the various sectors are selected using a two-part screening process.
Update: During the quarter, the team reduced exposure to Energy, Healthcare and Precious Metals, using the proceeds to increase the weight to Finance, small cap, the Consumer Discretionary sector and cash (which now stands at 6%).

TACTICAL OPPORTUNITIES PLUS EQUITY STRATEGY (TOPS)

Overview: This strategy is recommended for clients seeking to take advantage of opportunities created by timely investing decisions from evolving trends and themes. The strategy seeks to combine growth with downside protection.
Update: During the quarter, the team reduced International and Utilities exposure, while adding to Healthcare and Technology. Trades and rebalancing, designed to take advantage of price increases in big data IPO, vaccines, small caps and Cannabis took place. To manage risk, there is an allocation of 3.5% cash and 4% gold.

ESG STRATEGY (ESG)

Overview: This strategy is recommended for clients seeking a values-based equity strategy that invests in companies that rank well on environmental, social and governance criteria, while being expected to generate attractive returns.
Update: The team generally sold stocks that screened poorly in the fundamental stock screen and bought highly rated stocks in the same sectors, while adding exposure to Financials and clean energy via a solar ETF. Risk management is 3% cash, 2% hedge and 5% gold.

EXCHANGE-TRADED FUNDS STRATEGIES (ETF)

United Robo: This strategy utilizes artificial intelligence (AI) to select one of the 16 risk-based allocations developed by UASI. The team reduced Precious Metals and raised REIT and emerging markets (now 4% cash, 4% hedge).
UDAA: This strategy utilizes AI designed at generating a risk-adjusted return exceeding a 60/40 equity/fixed-income portfolio. The most recent rebalance resulted in an allocation of 20% to Equities and 80% to Fixed Income.
Momentum Plus®: This is a dynamic strategy that utilizes technical indicators, such as relative strength and momentum, to make sector selections. The team reduced Precious Metals and Technology, while adding to the Consumer Discretionary and Healthcare sectors. The strategy continues to be fully invested with no cash, gold or hedges in place.
***Risk-Based ETF*:** This strategy seeks to identify relative value opportunities for investment. The team increased exposure to both small and mid-cap, using proceeds taken from the reduction in large-cap securities. Cash is at 1%.