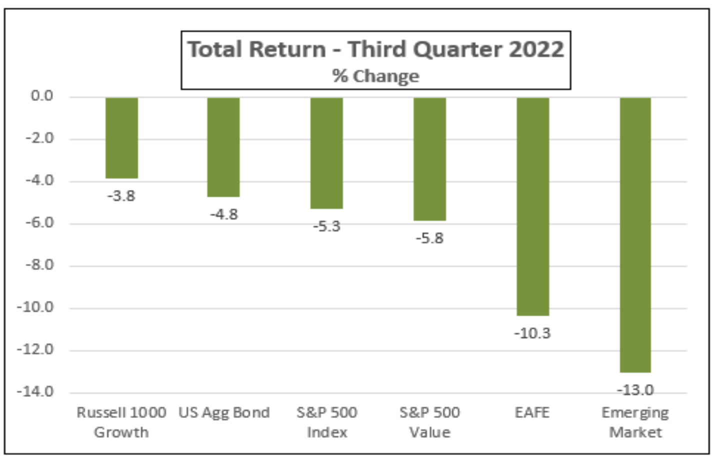
UNITED
Asset Strategies, Inc.

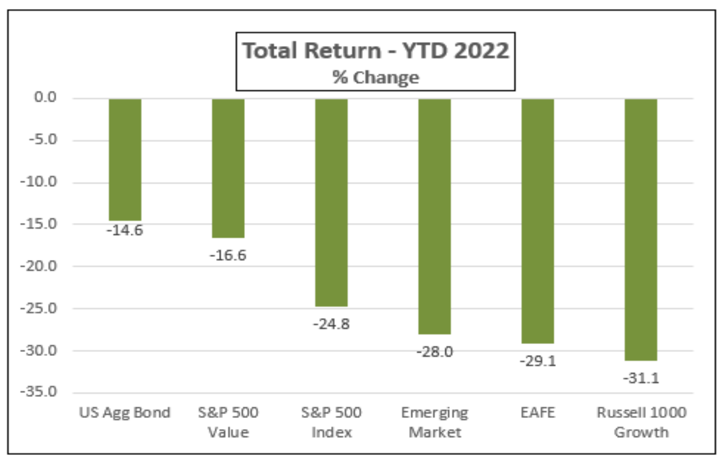
Dear clients and friends, October 2022

In his classic *Winning on Wall Street,* first published in 1970, famed investor Marty Zweig coined the phrase "don't fight the fed". This mantra has become a core tenet of investing ever since. The reality of this adage has become evident again in 2022, as the substantial monetary and fiscal stimulus that pulled the economy and markets through the global pandemic has resulted in inflationary pressures (which were exacerbated by the Russian invasion of Ukraine). These pressures have led the U.S. Federal Reserve Bank to aggressively raise interest rates, which has, in turn, placed downward pressure on stocks and bonds this year.

While all sub-sectors of the equity market are down, domestic equities (S&P 500 Index -24.8%) have outperformed international stocks (Europe -29.1%, emerging markets -28.0%), given the reliance of the European economies on Russian energy and the negative impact of the rapid rise of the dollar on emerging market returns. Among U.S. stocks, value stocks (-16.6% YTD) are holding up better than growth stocks (-31.1% YTD), although this wasn't the case in the third quarter. We note that stocks and bonds are now down for three consecutive quarters, which is highly unusual. Given the uncertainty, we will attempt to answer the most pressing client questions below.

Figure 1: Return by Asset Class





Source: Standard & Poor's

Q&A Session with United's Investment Team:

1. **As the key driver behind rate hikes, what is United's view on inflation?** On the inflation front, we continue to see some positive developments. Gasoline and other commodity prices are well off highs. The dollar is strong (directly reducing the price of imports), and supply chain pressures have eased from historic levels. For example, the cost of shipping a 40-foot container from Shanghai to Los Angeles has dropped from $12,424 to $2,995 over the past year. We have also observed declines in housing prices while job openings have declined, which should take some pressure off heated labor markets. While inflation remains elevated, progress has been made to move prices downward.
2. **Is the Fed successfully slowing the economy?** As we noted, the Fed's goal in raising rates is to slow the economy, thereby reducing demand, which should result in lower prices for goods and services. We have seen broad-based evidence that the Fed is achieving this goal. The U.S. PMI Manufacturing Index, a widely watched measure of the strength of the economy, has come down meaningfully in recent months. The consumer is also facing pressure from higher rates, causing housing to cool off while consumer credit card balances are on the rise. The labor market remains historically strong, but we believe that the Fed's actions have set the stage for a softening of the labor markets. We have already observed two consecutive quarters of negative GDP growth, and downward pressure is likely to continue until the Fed believes that inflation is moving closer to historical averages.

3. **Are there any silver linings to this year's market performance?** The answer is yes. First, equity valuation multiples have come down substantially (close to 30%). As depicted below, the Morningstar universe is currently trading at an average price to fair value of 0.79, meaning that stocks are currently trading at a 21% discount to Morningstar's assessment of fair value. This is the largest discount Morningstar has observed since 2011 and represents a meaningful decline from the 2021 peak, where stocks were trading at a 6% premium on average to fair value. When stocks drop 20% or more, the average cumulative forward market return has been: 1 year 22%; 3 years 41%; 5 years 72%. This isn't the time to panic.

Figure 2: Morningstar Universe Price to Fair Value

Source: Morningstar Equity Research

There is another silver lining for active managers, such as United. First, active managers tend to outperform in down markets as they look to reduce risk in the portfolio and add volatility management. This year, 57% of large-cap managers are beating their respective benchmarks – at United, that number is 100% across our active stock strategies. In addition, our team is actively harvesting both stock and bond losses to help reduce our clients' tax burdens.

4. **What are your expectations for the mid-term election?** The November 8th election is quickly approaching. Historically, the incumbent party has lost seats in the House and Senate in the mid-term election, and the party in power has lost control of the House or Senate in seven of the last eight elections. Based on our assessment of the key data, this trend is likely to continue. In the House, the Democrats have a net five seat majority, and there has been a high correlation in the past between the President's approval rating and the number of seats lost or won by his party in the House. President Biden's approval rating is 43%, which is similar to the approval rating of both President Obama and President Trump heading into their mid-terms, where they subsequently lost control of the House. The Senate is a 50/50 split at present, and the Democrats have a better chance of maintaining the majority (with the Vice President casting the tie-breaking vote), as two-thirds of the Senate seats up for re-election are held by Republicans (some of whom are retiring). In addition, the Supreme Court ruling on *Roe v. Wade* is expected to increase Democratic voter turnout, which is critical in the mid-terms. There are currently seven Senate races considered to be toss-ups, and Republicans will need to win four of those seats to gain a 51-seat majority in the Senate. One factor that could sway the outcome in such a close election is the direction of gasoline prices. While gas prices have come down 20%+ from the June average highs, prices are still up 23 cents from last month's average price and 67 cents from last year's average price.

October is Shredder Month plus Year-End Reminders: As we noted in a recent client communication, October is shredder month at United. Please feel free to stop at our Garden City office for free document shredding all month. Also, we are now in the final quarter of the year, and all required minimum distributions (RMDs) must be distributed prior to December 31. In addition, year-end remains the deadline for charitable contributions. Please contact your United Relationship Manager for questions on these or other year-end items or to discuss your accounts in more detail.

Respectfully submitted by the Professional Staff at United Asset Strategies

Strategy Review and Positioning – Third Quarter 2022

FIXED INCOME UPDATE

As a result of Fed rate increases, many bond yields moved to the highest levels since 2007. The quarter was also volatile; hopes of a "pivot" from the Fed were dashed after central bankers pushed back at the Jackson Hole summit. The Fixed Income team took market strength as an opportunity to sell lower credit quality/higher yielding assets like bank loans and preferred stocks and to use the proceeds for higher credit quality assets like US Treasuries. The team continues to believe that certain high-quality bonds (LT municipals, discount fixed rate agency bonds) are offering compelling value and upside.

GROWTH & INCOME STRATEGY (GI)

Overview: Growth & Income (GI) is our most utilized strategy, primarily by clients seeking growth with income while managing risk.

Update: During the quarter, the team sought to strike a balance between managing near-term portfolio volatility and identifying long-term investment opportunities. To do this, the team added to defensive sectors of the economy, reduced exposure to small and mid-sized businesses and international, while adding opportunistically to beaten-down growth stocks. Risk management consists of 8.5% cash, 1.5% in gold and 6% in stops.

HIGH DIVIDEND EQUITY STRATEGY (HDIV)

Overview: This strategy is recommended for risk-averse clients seeking a steady stream of income with a preference for dividend payouts. The strategy aims to generate a yield that is greater than that of the broader market while exhibiting defensive characteristics that have less downside volatility during periods of economic and/or market weakness.

Update: The team reduced risk via increased exposure to sectors with above-market yields, such as staples, a defensive sector whose earnings are less sensitive to the economy, and real estate, a more cyclical sector that is now trading at more attractive valuations. In addition to increasing the exposure to more defensive stocks, the team has a 2% position in cash.

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 continued to take profits in more cyclical stocks as the economy began to slow and used the pullback in equities to add to stocks with strong fundamentals trading at a discount to fair value. Risk management equals 5.0% cash, 2.0% hedge and 5.0% 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 Communication Services & Discretionary while adding to Financials and Industrials. The strategy is fully invested with no current weight to cash or hedges.

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 exposure to Industrials, Materials, International and Financials while increasing exposure to Discretionary. The team took advantage of market volatility by executing a short-term trade within Discretionary and adding to a thematic trend within the Agricultural sub-sector. Risk management is 3.5% cash, 1% 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 implemented a new ESG screen, which prompted some portfolio changes. Risk management is 6% cash, 2% hedge and 3% gold.

CORE QUALITY (CORQ)

Overview: This strategy is recommended for risk-averse clients seeking to invest in high quality businesses. A portfolio of quality stocks has historically reduced volatility, outperformed in weak markets and participated in strong markets.

Update: In 3Q, the team took steps to make the portfolio more resilient to an uncertain macro environment by raising cash to 4% and boosting exposure to defensive businesses with more resilient earnings profiles. The team also began to opportunistically add exposure to select high-quality growth companies at more attractive valuations.

EXCHANGE-TRADED FUNDS STRATEGIES (ETF)

Momentum Plus®: This is a dynamic strategy that utilizes technical indicators, such as relative strength and momentum, to make sector selections. The team stopped out of all sector exposure and ended the quarter at 50% S&P 500, 50% cash.

Risk-Based ETF: This strategy seeks to identify relative value opportunities for investment. The team increased SMID exposure while reducing emerging and REIT weight. Risk management consists of 10% BIL and 2.5% gold.