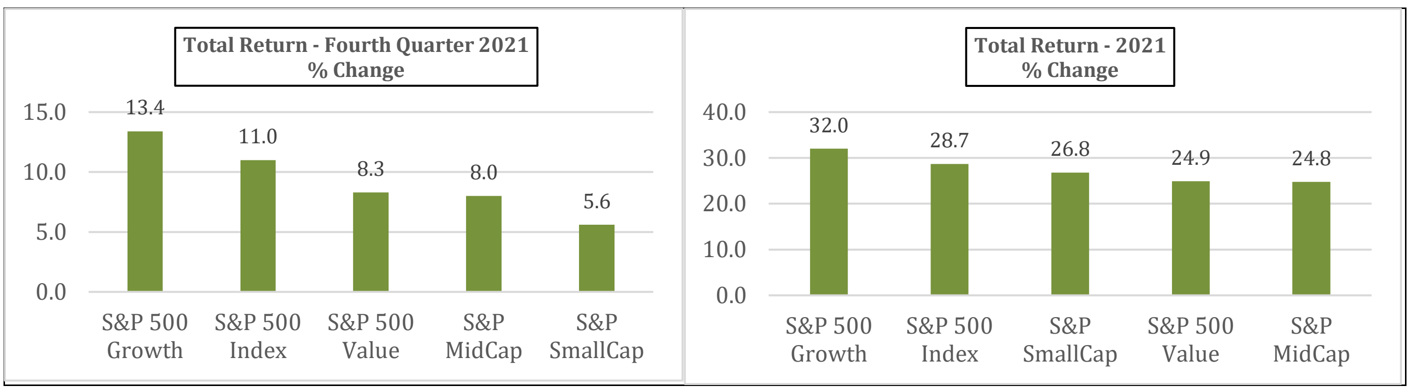
UNITED
Asset Strategies, Inc.

Dear clients and friends, January 2022

In general, performance in the fourth quarter represented a continuation of the trends experienced throughout all of 2021. This is illustrated in Figure 1 below, which shows growth stocks leading the charge for both the quarter and the year, followed by the broader S&P 500 Index. That being said, strong returns were experienced for most segments of the equity market, with value stocks up 25% for the year and both small and mid-cap stocks generating strong returns of 27% and 25%, respectively, in 2021. Drivers of the strong equity performance include continued accommodation by the US Federal Reserve, meaningful fiscal stimulus, a significant recovery in corporate earnings and a generally solid US economy (led by strong housing, labor and manufacturing trends).

Figure 1: Returns by Segment



Source: Standard & Poor's

A few statistics highlight the strength in equity markets: 1) The max drawdown (biggest decline) for the year was just 5.2%, meaning that investors waiting on the sideline with cash would have had few opportunities to buy on dips. United's disciplined dollar-cost-averaging approach to putting new cash to work helped to ensure that our clients were able to participate in rising markets in a prudent manner; 2) There were 70 new highs reached in 2021 by the S&P 500 Index, the second most in a single year all-time (77 was the most ever); and 3) equity markets continue to become more concentrated, with the top 10 stocks making up 30% of the S&P 500 Index.

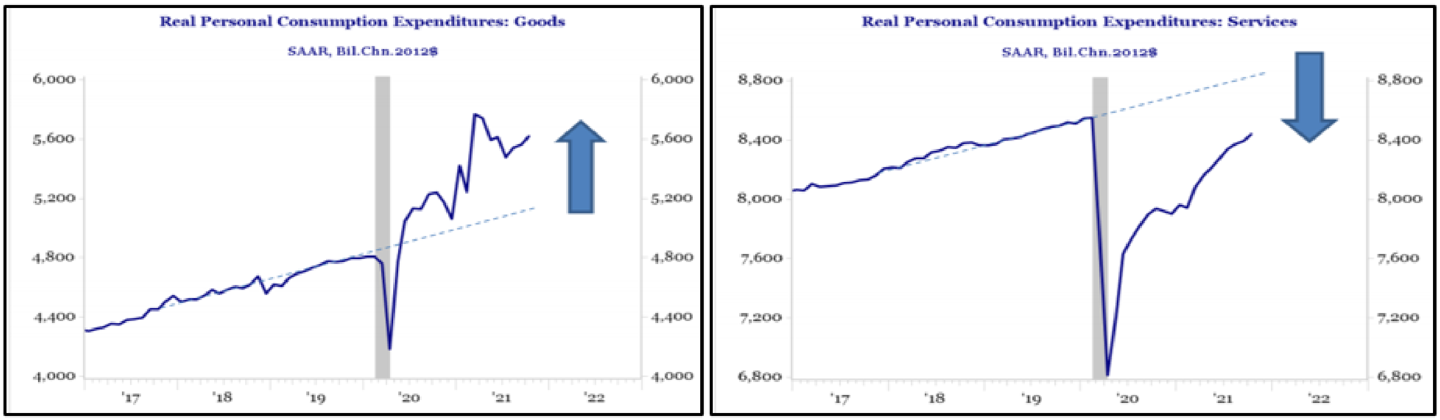
While domestic equity markets moved nicely higher in 2021, both international stocks and bonds lagged. To quantify this, European stocks represented by the EAFE Index were up just 12% in 2021, while emerging market stocks were down for the year. Bonds were generally down as well in 2021, with the broad-based Bloomberg US Agg Bond Index declining by 1.5% for the year. By contrast, the plurality of United's bond strategies generated positive returns in 2021, taking advantage of our active approach to fixed income investing. Clients invested in UASI's growth plus, growth & income and value plus strategies enjoyed particularly strong returns for the year. The question becomes – will the strong returns experienced in 2021 continue into 2022? United's investment team seeks to answer that important question below.

2022 Investment Outlook

Economy: As we have discussed in recent letters, the US economy continues to provide mixed signals. For example, the University of Michigan Consumer Sentiment Index (a closely watched measure of the health of the consumer) has been weakening in recent months, while the Conference Board Consumer Confidence Index has held up better. Why the mixed signals? It comes down to the survey questions – the Michigan survey is focused mostly on how the consumer feels about his or her purchasing power, so inflation has a big impact on the results. The conference board survey is more about job security and income, both of which have been pretty strong overall. **Bottom-line:** the consumer feels good about the outlook for job and wage growth but is also faced with growing inflationary pressure for the goods and services that he or she is paying for.

The discussion on inflation brings us to another mixed economic signal – that of goods versus services. As depicted in Figure 2 below, Real Personal Consumption Expenditures for **goods** has not only recovered from the pandemic-led lockdown in 2020 but has moved meaningfully above trend. By contrast, expenditures for **services** remains well below the trend even after recovering somewhat from 2020 lows. It is this shift in spending away from services (like cruises, restaurants and Broadway) and into goods that has been a key driver of inflationary pressures. **Net-net:** the US economy should continue to grow in 2022, albeit at a slower rate than 2021, supported by wage growth, a strong housing market, solid manufacturing trends and an expected improvement in the supply-chain disruptions that became prevalent in 2021. We would expect the economic strength to be supportive of continued positive corporate earnings growth in 2022.

Figure 2: Expenditures – Goods vs. Services



Source: Strategas Research

Politics: With the President's cornerstone agenda item, the Build Back Better (BBB) plan, stalled in Congress and the mid-term elections looming in November, we would expect the administration to get more aggressive this year to move the agenda forward. This will likely include a more scaled-down version of the BBB plan, along with the potential for additional stimulus packages related to COVID spikes. Even with this additional fiscal stimulus, the economy in 2022 will be faced with a fiscal headwind after the substantial spending in 2020/2021. Additionally, the mid-term year of a presidential cycle is typically the most volatile for the stock market, especially during the first three quarters. It is way too early to predict the outcome of the November election, but the implications are likely to be significant given how narrow the majorities are for the Democrats in the House and the Senate. **Net-net:** We expect the administration to get more aggressive in 2022 to move its agenda forward and to lift the President's approval ratings ahead of the mid-terms. However, it is highly likely that a fiscal headwind is still in the cards for 2022, along with the likelihood of higher market volatility.

Monetary Policy & Interest Rates: In the fourth quarter, the Federal Reserve signaled willingness to respond to high inflation with a less accommodative policy stance. The result was a rise in short-term yields and a general flattening of the yield curve, causing longer term bonds to outperform. Corporate credit spreads moved slightly higher throughout the quarter, likely in anticipation of the Fed's actions in 2022. **Net-net**: We expect a continued wind down of the Fed's quantitative easing program as the Fed stands up to inflation. Multiple rate increases and balance sheet roll-offs appear likely in 2022.

Summary: After a very strong performance for most equity markets in 2021, we would expect returns in 2022 to be more measured. Two key catalysts last year, namely an accommodative Federal Reserve and meaningful fiscal stimulus, are likely to become headwinds in 2022. That being said, we would expect the US economy to remain on solid footing overall, which should support continued revenue and earnings growth for corporations. Valuations for equities are likely to be challenged somewhat in 2022 as interest rates rise, and the looming mid-term election typically brings heightened volatility. In this backdrop, active money managers such as United are typically more adept at identifying relatively attractive investment opportunities across the various sectors, geographies and market caps. Our highly experienced team of investment professionals is working hard to identify such opportunities to incorporate into our clients' portfolios. We appreciate your ongoing trust and would reiterate that your advisory team is available to guide you through any questions or concerns you may have.

Respectfully submitted by the Professional Staff at United Asset Strategies

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Strategy Review and Positioning – Fourth Quarter 2021

FIXED INCOME UPDATE

The fourth quarter witnessed mixed action in fixed income markets. The team took the opportunity to trim long duration bond positions in some fixed income models. In addition, the team swapped out of floating rate treasuries, reinvesting the cash into short-term Treasuries as the yield became more attractive. Corporate credit spreads moved slightly higher throughout the quarter, likely in anticipation of the Fed's actions in 2022. Looking ahead, we see potential opportunities in both credit and duration as the market prepares for the end of quantitative easing and interest rate hikes by the Fed.

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 executed a swap in Communication Services and increased cash via the sale of small cap and a reduction in International. The cash position ended the quarter at 7.5%.

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 a hedge against rising interest rates. HDIVPL includes a 20% allocation to growth.

Update: In HDIV, the team continued to shift towards more high-quality, dividend-paying names while reducing exposure to both volatile high-yield names and international stocks. In HDIVPL, the team continued to add high-quality secular growth names to the portfolio, funding these purchases with international stocks. Risk management equates to 2% in HDIV and 4% in HDIVPL.

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 remains overweight the more cyclical sectors, most notably Energy, Materials, Financials and Discretionary. The team took some profits in Healthcare and reduced exposure to Communication Services. Risk management: 4.5% cash & 3.5% 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 Communication Services and Financials, while raising the weight to Energy and Staples. To maintain full market exposure, there are no hedges or cash at present.

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 increased the weight to Technology, while reducing exposure to Healthcare, International, Communication Services and Industrials. Risk management consists of 0.5% cash, 2% 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 remains overweight Technology and has environmentally friendly investments in solar, water and clean energy project stocks. Risk management is 2% cash, 2% hedge and 3% gold.

EXCHANGE-TRADED FUNDS STRATEGIES (ETF)

UDAA: This strategy utilizes AI designed at generating a risk-adjusted return exceeding a 60/40 equity/fixed-income portfolio. The latest rebalance resulted in an allocation of 80% to Equities, 20% to Fixed Income and 0% Cash.

Momentum Plus®: This is a dynamic strategy that utilizes technical indicators, such as relative strength and momentum, to make sector selections. The team reduced exposure to Financials and Materials, using the proceeds to increase weight to Technology, Discretionary and Staples. There is no cash or gold at present.

***Risk-Based ETF*:** This strategy seeks to identify relative value opportunities for investment. The team exited its Treasury position and increased exposure to large cap stocks. Risk management consists of 2.5% gold.