



UNITED ASSET STRATEGIES, INC.

*"planning for a lifetime"*

January 2007

To our valued clients and friends,

US equity prices rose for the fourth time in as many years during 2006. In spite of rising inflation such as labor, health and energy costs, historically low interest rates and a low unemployment rate has kept this economy chugging along. So it seems the Federal Reserve has arranged a soft landing, after all.

Although there are more bearish indicators than bullish, the trend is our friend and we expect equities to continue to outperform fixed income alternatives. With the average price earnings ratio of US stocks in the middle of the historic range and technical indicators not flashing overbought signals, we are confident of continued positive returns for the US stock market.

Looking forward to 2007, we expect equity prices will be subject to occasional dips as consumer sentiment increases and profit taking kicks in. Geopolitical events such as the Taiwan currency issue of late December, the backlash of Saddam Hussein's execution, and all but certain short-term surges in commodity prices (including energy) will also have an adverse effect on equity prices in the short-term. In the event that longer-term bearish signals evolve, we would of course implement profit taking and principal protection strategies.

The international markets have repeatedly outperformed the US markets of late, but rising inflation abroad is causing the central banks to increase foreign interest rates. Time will tell if a soft economic landing will occur abroad. For now, we will remain overweight in mature international markets and equal weight in the frothy emerging markets.

Investing in fixed income will remain a chess player's game. A flexible strategy is required to insure a high level of income while protecting principal from interest rate swings. At this time, short-term rates remain attractive and we will remain overweight at this end of the yield curve in nontaxable accounts. For high tax bracket accounts, we believe a laddered municipal portfolio to be the best strategy at this time.

The long-term nature of investing remains the same. Save more than you think you should and keep your assets diversified, overweight sectors where the strongest possibilities of steady and increasing earnings potential exist. Take profits as your portfolio increases in value to protect your gains from a sudden or deep market correction or from unexpected bad news at the industry or corporate level. Be willing to increase your holdings when the bad news is likely to be temporary.

During 2006, United Asset spearheaded numerous community events. We sponsored our first Blood Drive, a highly successful venture that we plan to repeat annually. We hosted a "Career Day," mentoring high school students interested in financial planning professions. We conducted seminars entitled *Retirement: Will I Have Enough?* and ran several investing and retirement workshops for the employees of corporate clients whose 401(k) plans we manage. If you would like to learn more about attending a seminar or having us run one for an organization with whom you are involved, please give us a call.

***All of us at United Asset are here to help you in every way possible to achieve your financial goals and exceed your service expectations. At this time, we would like to thank you again for your business and wish you all a healthy, peaceful 2007.***