UNITED™
ASSET STRATEGIES, INC.
Planning for a Lifetime®

Quarterly Letter April 2024

EXECUTIVE SUMMARY

Dear clients and friends,

The stock market, as measured by the S&P 500, printed double-digit returns in the first quarter. That strength is depicted in Exhibit 1 and came despite an increase in interest rates that limited bond returns. This is the second straight quarter of double-digit equity returns, the fourth time such a feat has been accomplished since the 1980s. The narrowness of this bull market is well understood, however, with the lion share of returns concentrated in a handful of large-cap stocks, the so-called Magnificent 7, and returns for the typical stock, as measured by the S&P 500 Equal Weight, more modest. And while the trend of *Haves* and *Have Nots* continued into the first quarter, in Exhibit 2 we point to early signs of widening participation with most stocks and sectors outperforming the market in March.

Market strength can be attributed to the surprisingly resilient economy, with GDP growth and employment exceeding expectations despite the higher rates needed to combat inflation. While we remain cautiously optimistic, a short-term pullback from recent highs would not be surprising as there have only been three years since the 1980's with pullbacks short of 5%. Along those lines, stocks are down 3% from highs to start the second quarter. Through year-end, we would expect market breadth and returns to be data dependent, specifically as it relates to monetary and fiscal policy and their macro implications. While these factors have been a net market tailwind so far, we will continue to monitor them and manage client assets accordingly.

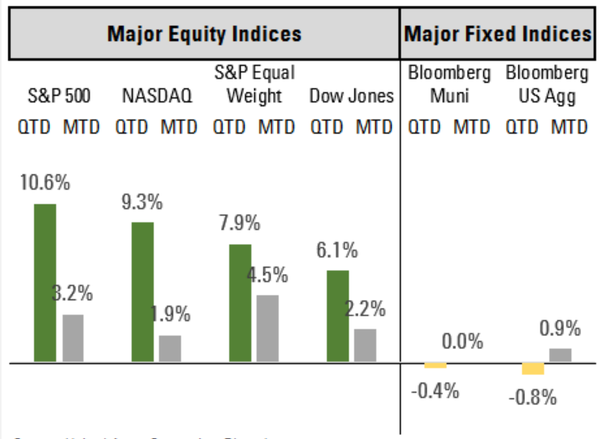
Separately, as we exit the 2023 tax season, we note the lower individual tax rates established as part of the Tax Cuts and Jobs Act are set to expire in 2025, creating a two-year window for clients to take advantage of these lower rates while still available. Please reach out to your advisor to discuss.

In closing, at United we continue to grow, having hired Michael Abate, AIF, CRPS to bolster our existing pension offering. We will also be opening a new office in New Jersey to expand our reach and better service clients.

Respectfully submitted by the Professional Staff at United Asset Strategies.

Exhibit 1: Stocks continue to rally in the first quarter, while bonds took a breather on a move higher in rates.

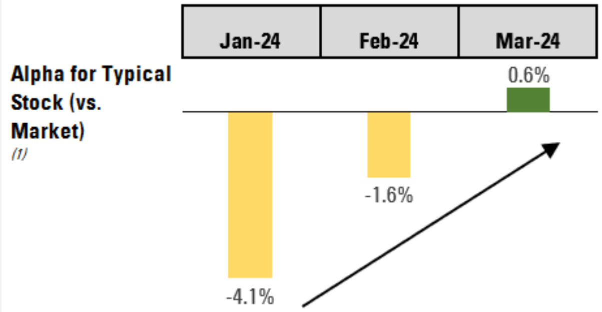
Quarter, and Month-to-Date Total Return for Major Equity & Fixed Income Indices



Source: United Asset Strategies, Bloomberg

Exhibit 2: First quarter returns were limited to a few of large cap stocks, but participation improved in March.

Price Return for S&P 1500 Equal Weight vs. S&P 1500, by Month



% Outperforming the Market	Jan-24	Feb-24	Mar-24
% of Stocks	26%	39%	55%
% of Sectors	36%	45%	55%

(1) Price performance for typical stock is measured via the S&P 1500 equal weight, while market is measured via the S&P 1500 market weight.

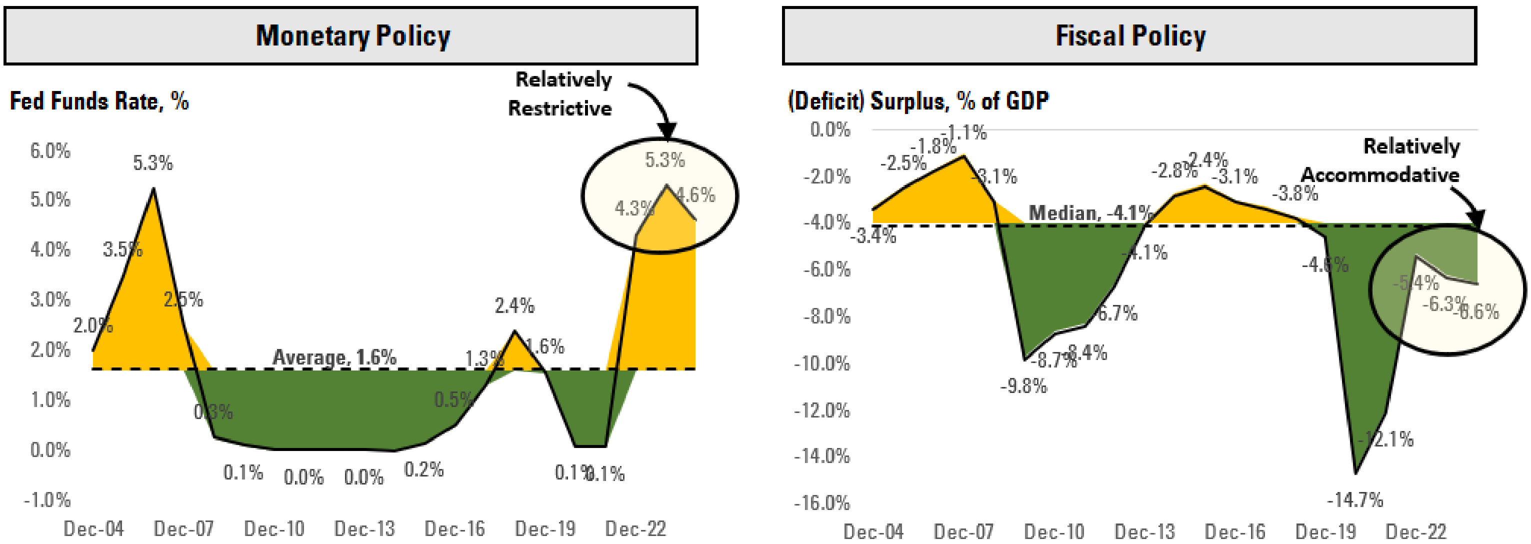
UNITED ASSET STRATEGIES, INC.

377 Oak Street, Suite 403, Garden City, NY 11530
516.222.0021 | info@unitedasset.com | www.unitedasset.com

Fire and Ice Policy: Much has been made of the resilience of the US economy, and its ability to avoid a recession so far. This despite tight monetary policy by the Fed to cool inflation. A major offsetting contributor has been the accommodative fiscal policy from the Government, which has added economic fire power, common during the fourth year of an election cycle.

As highlighted in Exhibit 3, the Fed Funds Rate has risen to 5% in short order (up from 0% in the pandemic), and is currently in relatively restrictive territory, albeit trending lower. In contrast, the fiscal deficit (government spending, net of taxes), is moving further into accommodative territory and now sits at 6% of the US economy, up from a 4% median in recent history.

Exhibit 3: The macro backdrop has remained suprisingly resilient despite the cooling effect of the Fed's restrictive interest rate policy, with GDP growth benefiting from offsetting accommodative fiscal fire power.



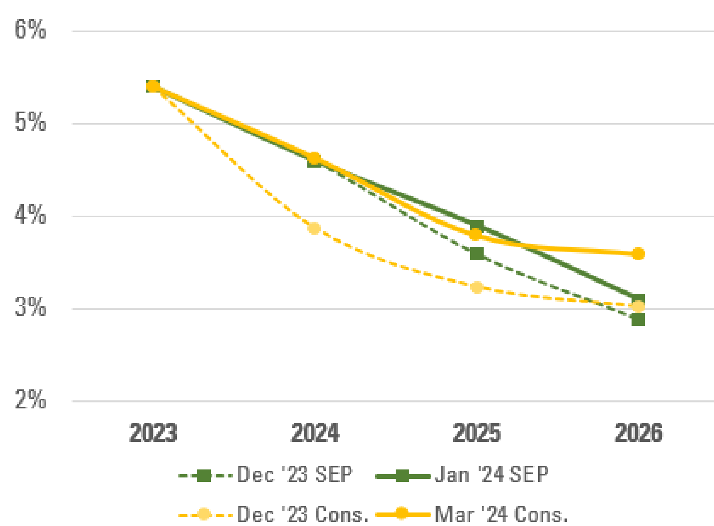
Source: United Asset Strategies, Bloomberg

Higher for Longer Interest Rates: Positive macro surprises have prompted the Fed to recalibrate its 2024 economic outlook in its January meeting, with its SEP (Summary of Economic Projections) updated for higher real GDP growth and Core PCE inflation, and a lower unemployment rate. While expectations for three rate cuts and a 4.6% year-end Fed Funds rate were reiterated, as highlighted in Exhibit 4, hot macro data drove the Fed to reduce expectations for rate cuts in 2025 and 2026.

Market expectations have shifted more notably, however, with the recent stall in inflation trends leading investors to consider a higher-for-longer rate scenario. In our last letter, we flagged the markets aggressive six rate cut expectation for 2024 as a key risk to the bond market. As of the end of the first quarter, however, hot macro data has removed the disconnect between the fed and the market, with both expecting three rate cuts in 2024. Further, as of late April, the market now expects just one to two rate cuts this year, which is fewer than the fed currently guides us to.

Exhibit 4: Persistent macro strength has raised the probability of a higher for longer rate environment.

Federal Funds Rate expectations by Fed (SEP) as of January Meeting, Street Consensus (Cons.) as of end of the Third Quarter



Source: United Asset Strategies, Bloomberg, and Board of Governors of the Federal Reserve System

Continued Fiscal Support: As we have noted in the past, equity markets typically enjoy positive returns in the fourth year of a first term election cycle, with fiscal stimulus a key driver. That fiscal tailwind is expected to bolster the economy in 2024, continuing a trend that prevailed in 2023, when government spending added 0.5% to 1.0% per quarter to GDP growth.

We expect to see continued fiscal spending in 2024 from three major pieces of legislation: 1) the $1.2 trillion Infrastructure bill; 2) the $280 billion CHIPS act. It is worth noting that significant funds were recently dispersed to both Taiwan Semiconductor and Samsung to support the buildout of US semiconductor facilities; and 3) the $370 billion Inflation Reduction Act.

In addition, Defense spending is expected to increase 3% in fiscal 2024, with the recent approval of $95 billion in aid to Israel, Taiwan and Ukraine representing an additional step up in that spend. Further, the Senate continues to debate a major tax bill that was passed in the House. And, given the large outstanding balance of government debt and the recent increase in rates, government interest payments are expected to grow to $870 billion in 2024, from $659 billion in 2023, a subset of which should make its way into consumers' investment and retirement accounts.

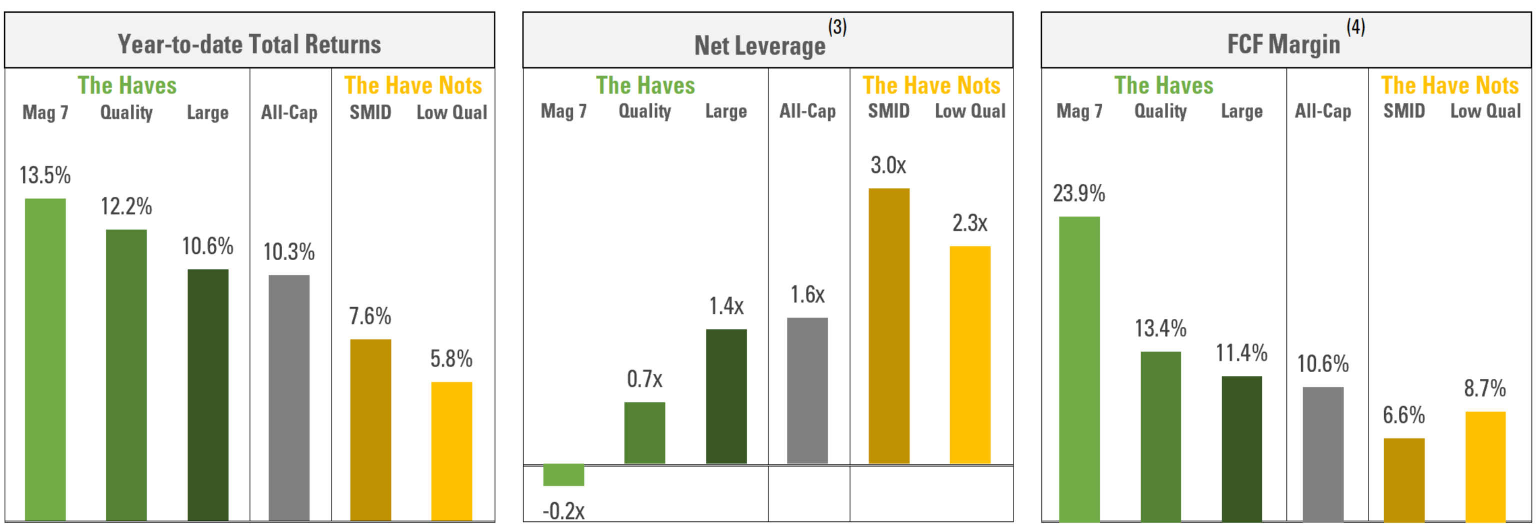
In short, we expect fiscal spending to grow in 2024, acting as a tailwind to the economy and markets.

MARKET PERFORMANCE

A Tale of The Have and Have Not Stocks: A cocktail of accommodative fiscal and restrictive monetary policy has created a unique macro backdrop, with the former facilitating a healthy economy with attractive investment opportunities but the latter increasing the cost of capital to invest alongside said opportunities. In doing so, stocks have been divided into two groups: (1) *The Haves*, self-financed businesses with excess capital to invest for growth, and (2) *The Have Nots*, businesses relying on outside capital that face added costs to operate.

In Exhibit 5, we illustrate the first quarter performance for the total investible universe, *The Haves* and *The Have Nots*. And, while the equity market was up double-digit percent in the first quarter (as measured by the S&P 1500), under the surface, large-cap stocks, high-quality businesses and the Magnificent 7 (*The Haves*) outperformed small-to mid-cap stocks and lower quality businesses (*The Have Nots*). In other words, given the macro environment, the market is rewarding the subset of businesses with strong balance sheets and cashflows.

Exhibit 5: Accommodative fiscal policy and restrictive monetary policy has created a unique investment environment, with first quarter returns representing a continuation of the bifurcated performance of *Haves* vs. *Have Nots*.



(1) Source: United Asset Staregies, Bloomberg

(2) Mag 7 (Alphabet, Amazon Apple, Microsoft, Meta, NVIDIA, Tesla), Quality (S&P 500 Quality), Large Cap (S&P 500), All-Cap (S&P 1500), SMID (S&P 1000), Low Quality (S&P 500 Low Quality)

(3) Net Leverage: The amount of debt (net of cash) on a company's balance sheet relative to profits. The higher the number, the more a company has borrowed to fund its business.

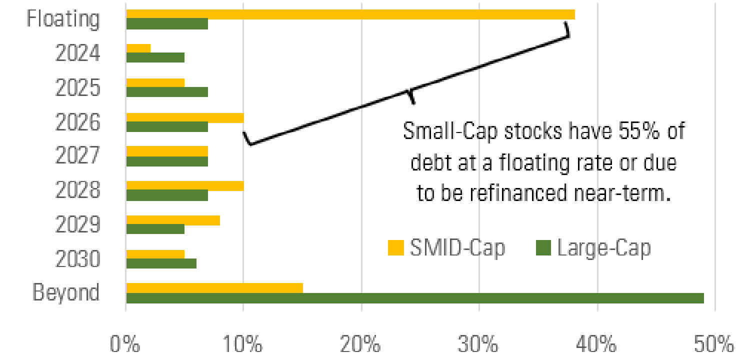
(4) FCF Margins: Excess Cash Flows after all expenses, as a percent of company sales. The lower the number, the less excess cash a company generates to invest opportunistically.

As previously discussed, a key difference between the *Haves* and *Have Nots* is their financial strength. We see that again in Exhibit 6, which suggests small-to-mid sized businesses have a larger share of their debt at a floating rate or due to be refinanced in the next few years, suggesting higher interest rates would more immediately pressure their profits.

In short, we believe narrow market breadth, where most of the performance has been concentrated in a small handful of large-cap, high quality stocks, is at least partially due to the high-rate environment we are in. This has limited the extent to which businesses reliant on outside capital have been able to participate in the broader macro strength we are seeing.

Exhibit 6: Small-cap has more debt at floating rates or due to be refinanced, & are more sensitive to rates as a result.

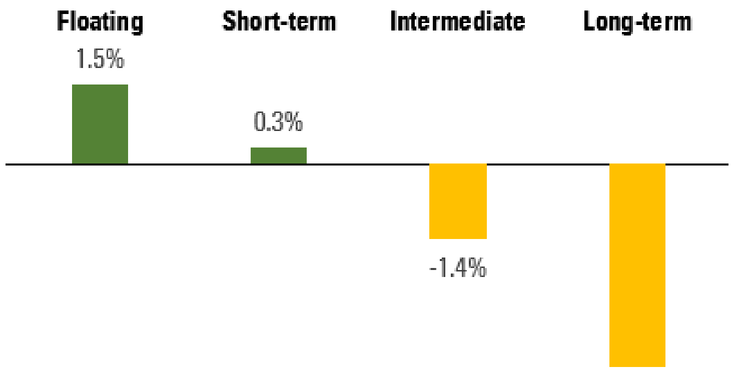
Excluding financials, % of total debt outstanding, USD denominated debt



Source: United Asset Strategies, Bloomberg, J.P. Morgan
Index: SMID-cap (Russell 2000), Large-cap (S&P 500).

Exhibit 7: Floating rate securities outperformed

Year-to-Date Total Return for Treasuries, by Duration (Short-to-Long)



Benchmarks include Bloomberg US Treasury Floating Rate, 1-3 Years, 7-10 Years, +20 Years.

Floating above the Fixed Income Fray. While floating rate debt was a headwind to profits for businesses, it was a tailwind to performance for floating rate securities. For the most part, the recalibration of policy-rate expectations, paired with a shrinking Fed balance sheet, drove interest rates higher and fixed income returns lower. Rates rose across the yield curve, with the two-year treasury yield rising the most. Further, credit spreads tightened alongside strong economic conditions.

Rising rates contained results for most fixed income securities during the quarter, as depicted by the -0.8% return for the Bloomberg US Aggregate Bond index. Still, as seen in Exhibit 7, floating rate debt and shorter duration bonds were the bright spot, outperforming intermediate and long-term securities.

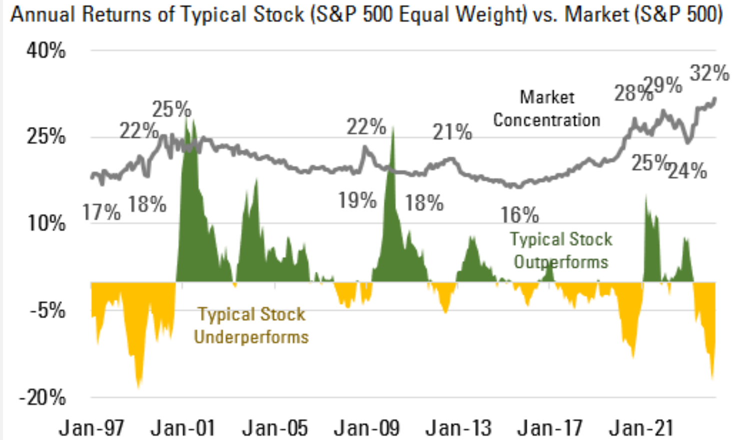
PORTFOLIO POSITIONING

Catch Up or Down: The debate is whether the market trades up as the typical stock catches up to the Magnificent 7 (Mag 7), or stocks trade lower, as the Mag 7 catch-down to the typical stock (as measured by the S&P 500 Equal Weight). We see early signs of widening participation, with divergence among the Mag 7 in the first quarter (NVIDIA and Meta outperforming, and Tesla and Apple in negative territory), while the typical stock and most sectors outperformed the broader market in March. That said, one quarter or month does not make a trend.

The narrow performance in this bull market has led to heavy market concentration. In Exhibit 8 we see the top 10 stocks account for over 30% of the S&P, surpassing the 25% weight during the 2000's Dot Com bubble. As shown, past periods of concentration have led to mean reversion, although timing and whether that leads to a catch-up or catch-down is less certain.

Exhibit 8: Market concentration is at a record high, which bodes well for the relative performance of the Typical Stock

S&P 500 Concentration (% of Market Cap in Top 10 Securities)
Annual Returns of Typical Stock (S&P 500 Equal Weight) vs. Market (S&P 500)



Source: United Asset Strategies, Bloomberg

Quality is Rarely Cheap: Secular themes, like the Internet and Artificial Intelligence, drove enthusiasm for the top stocks in the Dot Com era and today. Still, there are key differences; we see less market risk from today's top 10, with valuations and fundamentals suggesting we are not yet in bubble territory.

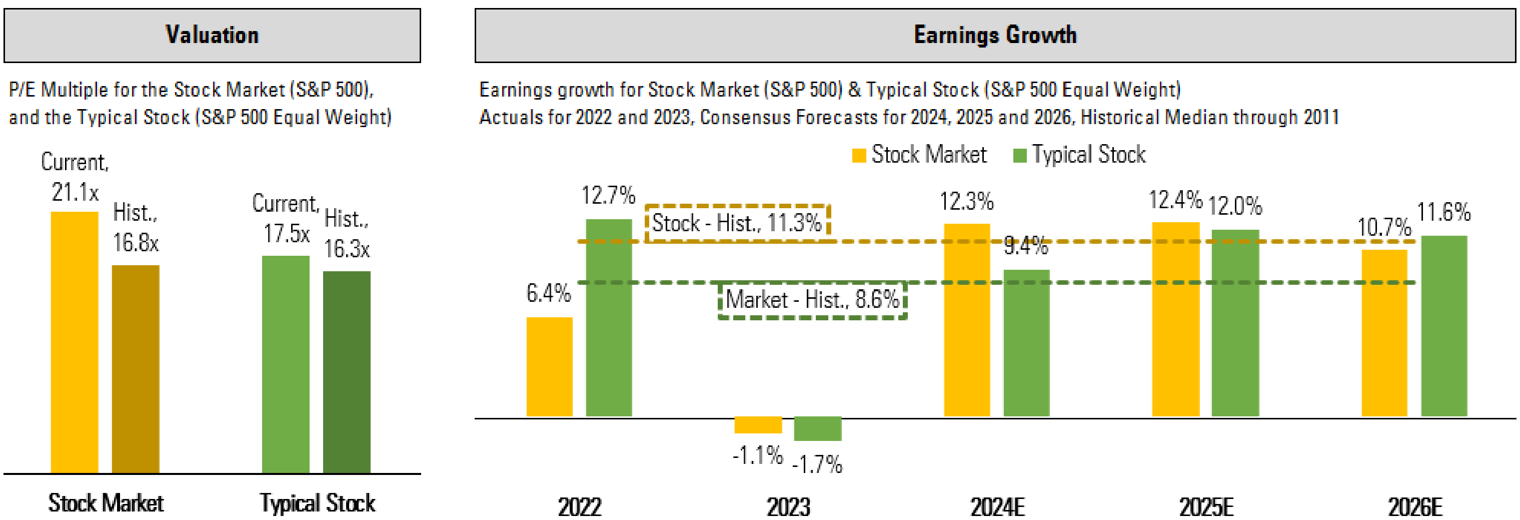
For example, today's top 10 stocks account for 22% of market earnings, above the mid-teens share in the Dot Com era. And, while today's top stocks trade at premium multiples (28x, vs. 21x market), valuations are more supported by fundamentals and not as stretched as the Dot Com bubble (40x vs. 24x).

While today's top-10 do not pose the same market risk as the Dot Com bubble, history favors the typical stock from current market concentration levels. As such, we have a healthy allocation to the Mag 7 on their strong fundamentals, but less than the market would dictate on their premium valuations.

Remaining Stocks are Data Dependent: While a rising tide usually lifts all boats, that has yet to be the case for the typical stock. Still, with the Fed signaling future rate cuts and fiscal spend not slowing, we see seeds of a catch-up trade for the remaining 490+ stocks in the S&P 500. And as per Exhibit 9, while the market trades at a higher 21x multiple due to the lofty valuations of large constituents, the typical stock trades at just 17.5x, despite an expected growth reacceleration. And following the April pullback, the typical stock is at just 16.5x.

The outlook for the typical stock is macro dependent, which is hard to predict short-term. Still, reasons to be optimistic long-term include improving market breadth, reaccelerating growth and attractive valuations; all of which bodes well for diversified portfolios. For example, we are overweight small-caps and energy in an attractively valued barbell, with the former benefiting from high inflation and the latter from low rates.

Exhibit 9: While the stock market trades at a healthy premium to its long-run history, valuations for the typical stock are more reasonable despite an outlook for reaccelerating earnings growth.



Source: United Asset Strategies, Bloomberg

Bonds are also Data Dependent: We exited the quarter with the market and Fed in sync on three rate cuts for 2024, but as of April, the market now expects just one or two. This, just as certain macro data points have cooled. As seen in the April PMI, services and manufacturing came in below expectations, with the latter in contraction territory. While low rate cut expectations and a cooling economy may de-risk bonds to an extent, the Fed remains data dependent. And, with future policy decisions influenced by incoming macro data, bonds are also likely to be data dependent.

In the quarter, we benefited from our positioning in floating rate treasuries and took the opportunity to rotate a large portion of that exposure into fixed rate treasuries. This locks in today's attractive yields, while retaining high credit quality and liquidity, as well as limited duration.

We also reduced credit risk as credit spreads grinded lower, selling preferred stock in our more aggressive bond strategies. More broadly, we maintain an up-in-quality bias and look to add credit risk opportunistically, should credit spreads widen.

FINANCIAL PLANNING

Lower Tax Rates set to Expire: As we close out the 2023 tax season, we are mindful that there are now just two years remaining of the lower individual tax rates established by the Tax Cuts and Jobs Act (TCJA) of 2017. The provisions set for individual tax-payers through this legislation are set to expire on Dec 31, 2025, at which point tax rates would revert to pre-TCJA levels. This creates a potential opportunity to take advantage of these lower rates while still available over the next two tax years. One may do so by maximizing the middle tier brackets through additional IRA distributions and/or ROTH conversions. This may not only help with tax savings in the near-term but can also better position your future estate considering law changes enacted by the Secure Act in 2020.

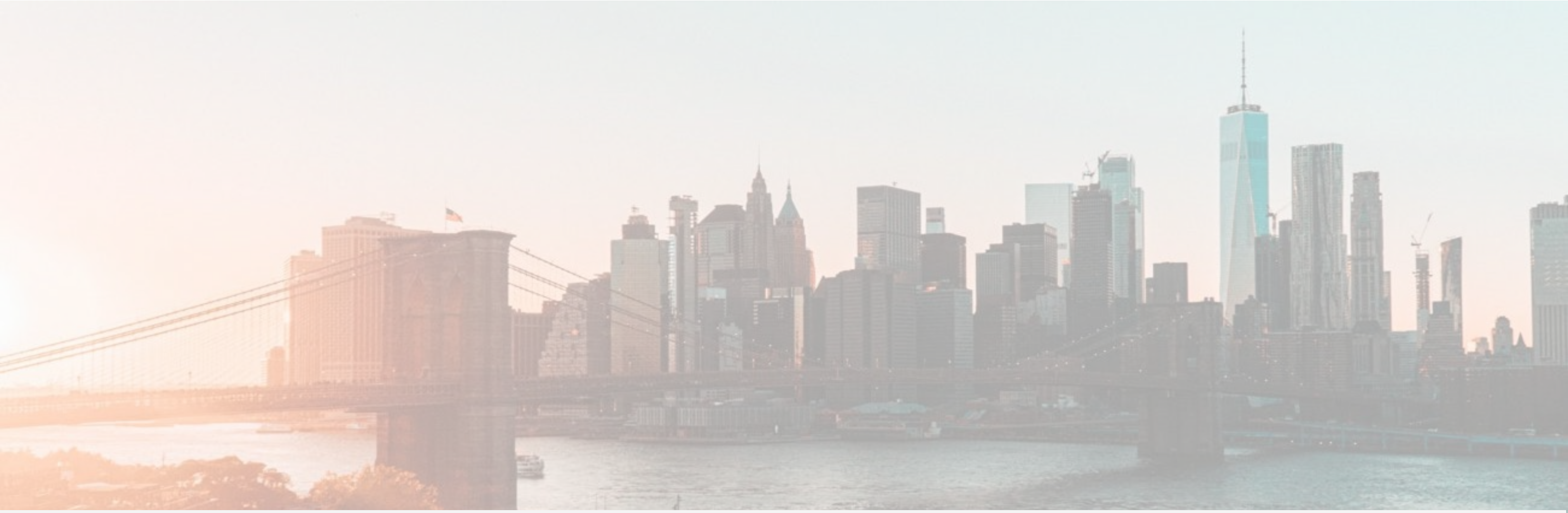
There are several things to consider before proactively enacting this type of strategy, so we encourage you to reach out to your relationship manager to discuss your individual situation.

UNITED ASSET UPDATE

United Continues to Grow: We added to our personnel again in the first quarter, hiring Michael Abate, AIF, CRPS to help us further service existing pension relationships, as well as develop new ones. Michael has over 20 years of experience in the pension arena, as well as having spent some time at Charles Schwab and TD Ameritrade.

In addition, we are expanding our footprint by adding a new office in Short Hills, New Jersey beginning May. This will help us better service existing New Jersey clients and provide an opportunity to grow that client base by building and developing new centers of influence in an affluent area.

Watch United's Latest Quarterly Insights: https://youtu.be/CSH0S9-ILNY



Investment Management

Wealth Management

Pension Consulting

Insurance

UNITED ASSET STRATEGIES, INC.

377 Oak Street, Suite 403, Garden City, NY 11530
516.222.0021 | info@unitedasset.com | www.unitedasset.com