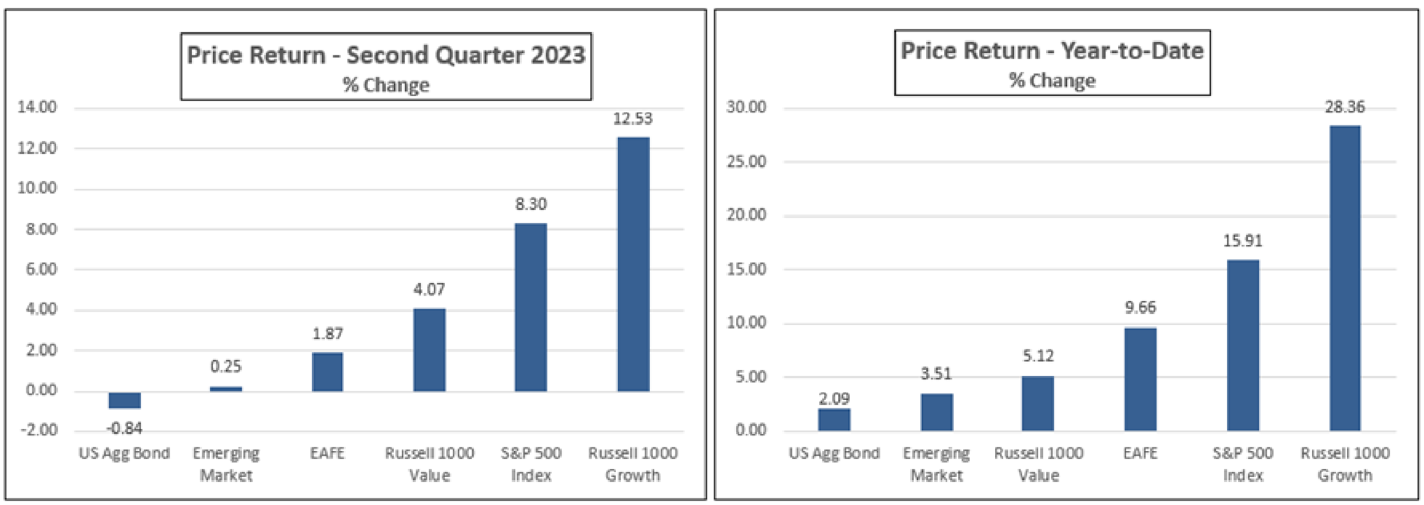
Dear clients and friends, July 2023

One often-used adage on Wall Street is "the trend is our friend". That was true of the second quarter results for equities, as investors experienced a continuation of the positive trends seen in the first quarter. To that end, the S&P 500 Index was up 8.3% in the second quarter and is now up 15.91% for the first half of 2023. Similar to the first quarter, the recovery in growth stocks continued, with the Russell 1000 Growth Index gaining 12.53% in the second quarter, resulting in a strong 28.36% return for the first half of the year. Value stocks, which held up well in 2022, continued to lag in the second quarter, up 4.07%. On the fixed-income side, while inflation data continued to cool, employment data remained strong in the second quarter. This kept additional Fed rate hikes in play, contributing to rising interest rates and further yield curve inversion. While credit spreads tightened, bond indexes generally declined for the quarter, with the US AGG Index down -0.84%. That being said, the AGG Index is still up 2.09% for the first half, owing to a solid first quarter.

Figure 1: Return by Asset Class



Source: Standard & Poor's, Credit Suisse

The primary driver of returns this year has been the revaluation of stocks as investors price in what appears to be the end of Federal Reserve rate hikes in 2023. Earnings are contributing to a much lesser extent this year, as sectors such as Energy and Materials face very tough comparisons and a softer global economy has been a headwind to cyclical earnings. Taking a look at the S&P 500 Index decomposition, the 15.9% YTD return can be broken down as follows: *Revenues +2.3% + Margins -1.5% + Buybacks +0.7% = EPS growth of +1.5%; Multiple expansion equates to +14.2%.*

While equity markets are up nicely this year, there is a meaningful performance disparity between sectors. This has been fueled by the variance in earnings as well as some reversal of 2022's extreme price action. Specifically, Technology stocks are up 42%, Communication Services +36% and Discretionary stocks +32%. Conversely, Energy stocks are down -7.3%, Utilities -7.2% and HealthCare stocks -2.3%. This represents a reversal of the trends seen in 2022, when Energy and HealthCare led while Technology and Communication Services were down meaningfully. Going forward, the question becomes whether earnings surprise on the upside and support a continuation of the strong first-half trends. Key to solving this problem is assessing whether the Federal Reserve is successful in staving off inflation without pushing the economy into recession. This is known as a soft landing and is being debated by investors and economists alike. We weigh in…

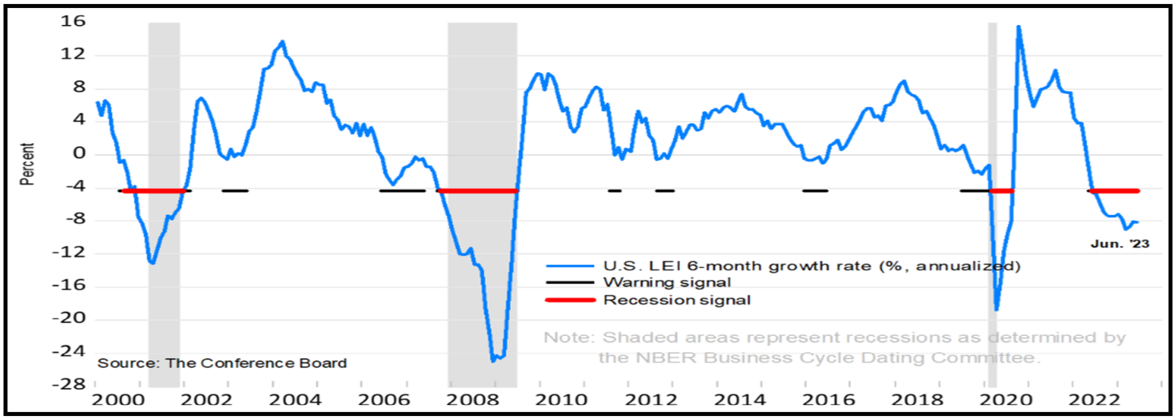
Is a Recession Inevitable?

Historically, periods of Federal Reserve rate hikes have slowed the economy as planned but have also led the US economy into recession. Despite the depth and breadth of the Fed rate hikes this cycle, the economic data remains quite mixed, with manufacturing-oriented data pointing to a recession, while the service economy remains strong driven by a resilient consumer. Let's dive a bit deeper into this subject…

The Case for Recession:

The case for a US economic recession can be seen most clearly in the Index of Leading Indicators, which is published by the Conference Board and consists of ten economic datapoints that are considered to be predictive of the direction of the economy. As shown below, the June Index declined for the fifteenth straight month, with the Index declining by 4.2% over the past six months as compared to a 3.8% decline in the previous six-month reading. Based on this data, the Conference Board expects the US economy to fall into recession later this year.

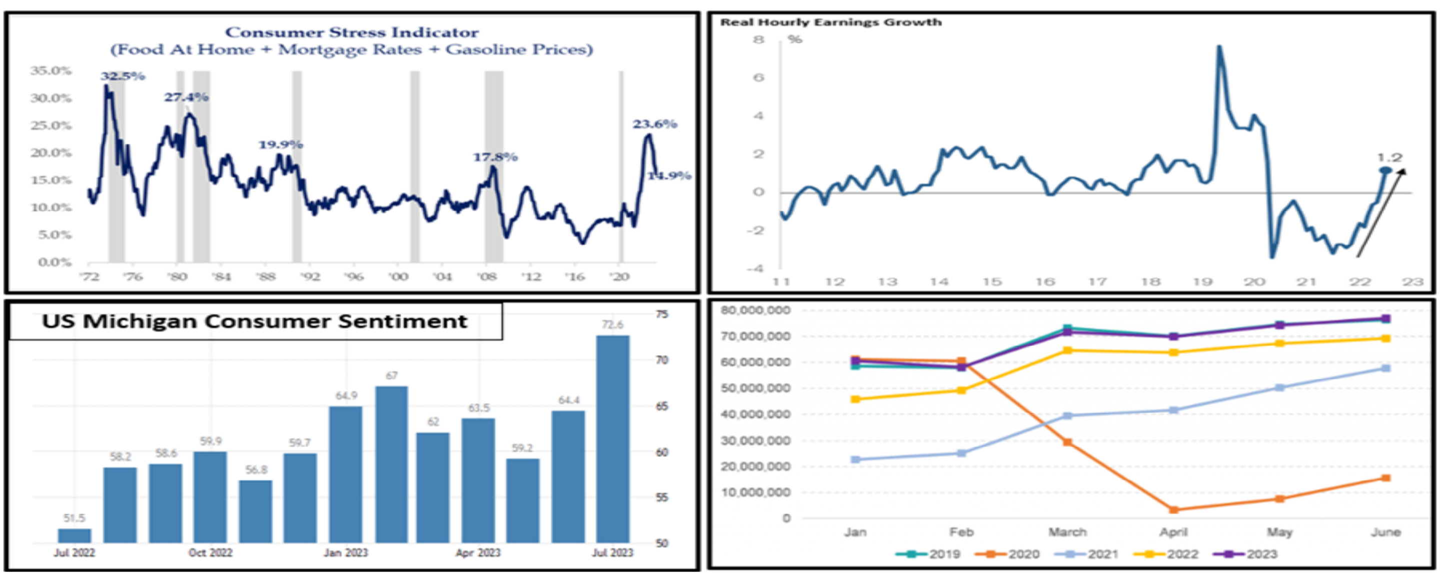
Figure 2: Index of Leading Economic Indicators



The Case for No/Mild Recession:

As noted earlier, the base case against recession lies in the persistent strength of the consumer as shown in the charts below. First, we see the Strategas Consumer Stress Indicator, which shows that inflationary headwinds have lessened, most notably with food and gasoline price declines. At the same time, workers are experiencing growth in their earnings. The combination of lower costs and rising incomes resulted in a steep increase in the latest US Michigan Consumer Sentiment Index reading. Lastly, TSA flight data (bottom right) shows that flight activity in 2023 has finally returned to pre-pandemic levels in 2019. Bottomline, we continue to monitor the economic data closely in an effort to anticipate whether a recession is forthcoming and to ensure that our portfolio positioning is appropriate across our various strategies.

Figure 3: Positive Economic Datapoints



Source: Strategas, Credit Suisse, Trading Economics.

Schwab/TD Ameritrade Integration Update*:** For our clients with accounts at TD Ameritrade, Q3 of this year will see the integration of the TD and Schwab platforms. As a result, all TD Ameritrade Institutional accounts will be transitioning to the Schwab platform this September. ***Your relationship with United Asset Strategies will remain unchanged, as we have long-standing relationships with both custodians. We will continue to provide proactive and regular updates.

Strategy Review and Positioning – Second Quarter 2023

FIXED INCOME UPDATE

While rate hikes may be coming to an end, the Federal Reserve continues to tighten policy by reducing the size of its balance sheet (quantitative tightening). Considering this, the team remains cautious on credit risk and continues to focus on higher quality segments of the market, which also offer ample yield. During the quarter, the team added to high credit-quality positions including CDs, fixed rate agency bonds and municipal bonds. In our view, these sectors continue to offer attractive yield, in addition to the opportunity for upside, in a declining inflation/slowing economy scenario.

GROWTH & INCOME STRATEGY (GI)

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

Update: The team trimmed big-tech stocks that have rallied year-to-date and now trade at full valuations and lightened up on macroeconomically sensitive sectors that would have outsized risk in a recession. With small-to-mid (SMID) sized business trading at attractive levels, we reinvested proceeds in SMID-cap stocks to balance other defensive trades made. The team also executed several tax swaps in taxable accounts to harvest offsetting losses. GI now has about 15% risk management, made up mostly of cash and the rest from stocks with tight stop loss orders.

HIGH DIVIDEND EQUITY STRATEGY (HDIV)

Overview: This strategy is recommended for risk-averse clients who seek 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 or market weakness.

Update: During the quarter, the team executed a modest shift within defensive sectors toward businesses with stronger balance sheets, cash flows and growth potential. The team also proactively harvested losses in taxable accounts to limit the tax burden of potential gains. In addition to a small cash allocation, the strategy's mandate to invest in stocks with sustainable dividends drives an inherently defensive posture as compared to the broader market.

VALUE PLUS EQUITY STRATEGY (VAPL)

Overview: This strategy is recommended for clients who seek 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 took some profits in a consumer discretionary stock that has performed well, using the proceeds to increase the weight to Industrials. Risk management equals 4.0% cash, 2.0% hedge and 5.0% gold.

GROWTH PLUS EQUITY STRATEGY (GP)

Overview: This strategy is recommended for clients who seek 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 the Materials and Energy sectors, using the proceeds to increase the weight to Staples and Financials. The strategy remains fully invested.

TACTICAL OPPORTUNITIES PLUS EQUITY STRATEGY (TOPS)

Overview: This strategy is recommended for clients who seek to take advantage of opportunities created by timely investing decisions in evolving trends and themes. The strategy seeks to combine growth with downside protection.

Update: During the quarter, the managers reduced exposure to Healthcare and Energy, while increasing Technology and International exposure. Risk management was reduced to 7%, consisting of Cash (5.5%) and Gold (1.5%).

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 also being expected to generate attractive returns.

Update: There was limited trading activity during the quarter, as the existing positions continue to screen favorably in both the fundamental stock screen and the ESG suitability screen. Risk management is 3% cash, 2% hedge and 3% gold.

CORE QUALITY (CORQ)

Overview: This strategy is recommended for risk-averse clients who seek 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: Given the macro uncertainty, the team shifted exposure away from cyclical sectors and toward secular growth sectors. The team also proactively harvested losses in taxable accounts. There is currently a small cash allocation.

EXCHANGE-TRADED FUNDS STRATEGIES (ETF)

Momentum Plus®: This is a dynamic strategy that utilizes technical indicators, such as relative strength, to make sector selections. The team reduced precious metals and aerospace & defense exposure, while increasing exposure to airlines and Communications Services.

Risk-Based ETF**:** This strategy seeks to identify relative-value opportunities for investment. The team increased the weight to domestic Small Cap and Large Cap stocks, while reducing US Midcap and precious metals.