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

Quarterly Letter April 2025

Comments as of April 22, 2025

EXECUTIVE SUMMARY

Dear Clients and Friends,

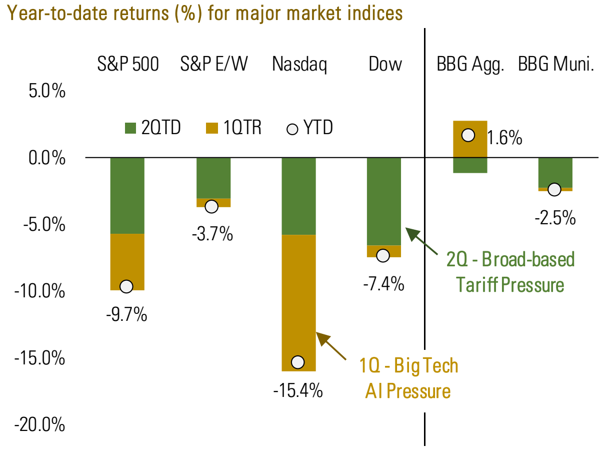
In January we noted the potential for higher volatility due to lofty valuations and policy uncertainty. As such, this year's increase in volatility and lower stock market are not overly surprising. Exhibit 1 shows 1st quarter pressure was concentrated in the Nasdaq and S&P 500, which were weighed down by high-multiple Big Tech stocks on AI -related competitive concerns, with the average stock (S&P equal-weight), and old-economy, value-oriented stocks (Dow Jones) holding their value relatively well. That pressure has since broadened so far into the 2nd quarter, however, reacting to the global implications of a larger-than-expected tariff policy. Representing a welcome change vs. 2022, however, fixed income has again provided ballast to balanced accounts in what has been a challenging equity year, with positive bond returns (Bloomberg Agg.) from a flight to safety and lower rates.

At its worst, the stock market was down 18% from its peak, but as seen in Exhibit 2, corrections of this sort are common, with average drawdowns of ~15% and declines >15% occurring every 2-3 years. Despite this volatility, equities have generated ~10% returns per year over time. We acknowledge higher EPS risk in the near term and remain defensively positioned. Still, markets now trade at just ~19x EPS, down vs. ~22x earlier and near its long-term 16-17x average, with the typical stock at a reasonable ~16x. Over time we expect policy uncertainty to lift as tariffs are negotiated and attention shifts to more business-friendly deregulation and tax policies. Prospective returns from lower valuations and peak uncertainty have historically been attractive, so we are actively canvasing markets for long-term investments.

Drawdowns also offer planning opportunities. Near-term, we are actively harvesting losses to offset future gains and reduce our clients' tax bills. Longer-term, we note that clients can convert to Roth IRAs or gift outside of their estate while the assets are worth less, beneficial as assets recover in tax-free status or outside the estate. Please contact your advisor to discuss.

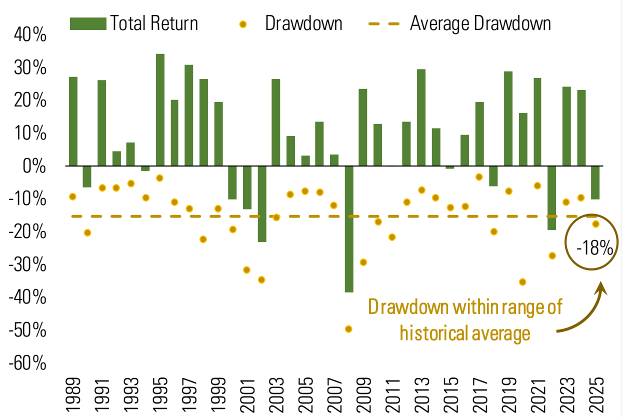
Respectfully submitted by the Professional Staff at United Asset Strategies.

Exhibit 1: Returns a tale of two quarters, as volatility broadens from AI to global policy uncertainty.
Year-to-date returns (%) for major market indices



Source: United Asset Strategies, FactSet as of 4/22/2025

Exhibit 2: This year's drawdown is not unusual, so far within range of past calendar year drawdowns.
Calendar year price returns vs. intra-year drawdowns (%)



Source: United Asset Strategies, FactSet as of 4/22/2025

UNITED ASSET STRATEGIES, INC.
377 Oak Street, Suite 403, Garden City, NY 11530 | 51 JFK Parkway, 1st Floor, Short Hills, NJ 07078
516.222.0021 | info@unitedasset.com | www.unitedasset.com

Policy uncertainty has dominated markets. The Trump administration appears to have prioritized the "Spinach" vs. the more typical "Candy" out of the gates. To clarify, when a new Administration takes office, they typically start by pushing stimulative policy items (i.e., Candy). For example, just weeks after taking the oath of office, President Biden signed into law the $1.9 trillion American Rescue Plan, which provided meaningful fiscal stimulus to the economy.

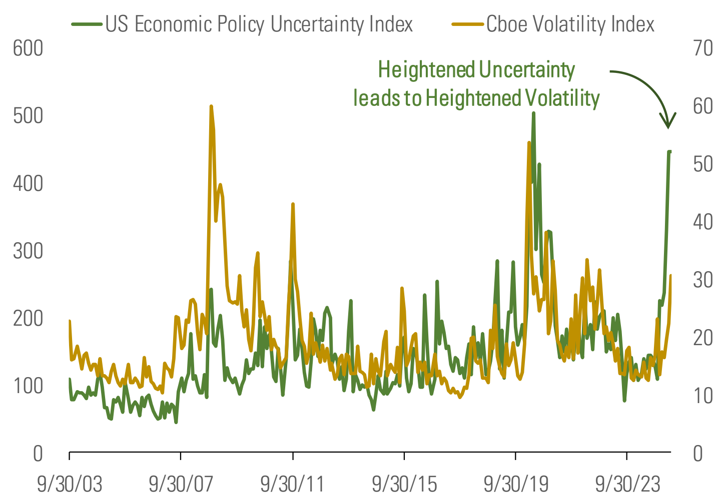
Coming out of the November election win, most policy analysts expected President Trump to follow this historical pattern and prioritize tax cuts and deregulation, as both are fiscally stimulative. Instead, the new Administration has been focused primarily on Department of Government Efficiency (DOGE) headcount reductions and punitive global tariffs (i.e., Spinach).

This has created significant uncertainty, as political leaders, company executives, consumers and investors try to determine the ultimate impact of the job cuts and tariffs. This uncertainty and subsequent market volatility is clearly captured by Exhibit 3, with the US Economic Policy Uncertainty Index at its highest level over the past 20 years, save the Covid Spike, and a concurrent spike in the CBOE Volatility Index (VIX).

Still, we would expect ongoing negotiations to eventually provide some clarification on tariff policy, resolving trade-related uncertainty. Further, the Administration is expected to move forward on a fiscally stimulative tax bill and deregulation efforts, which should support the economy and act as tailwinds to markets. As seen in Exhibit 4, forward market returns have been attractive following periods of peak policy uncertainty.

Exhibit 3: Tariffs drive sharp increase in political uncertainty, and in turn a spike in market volatility.

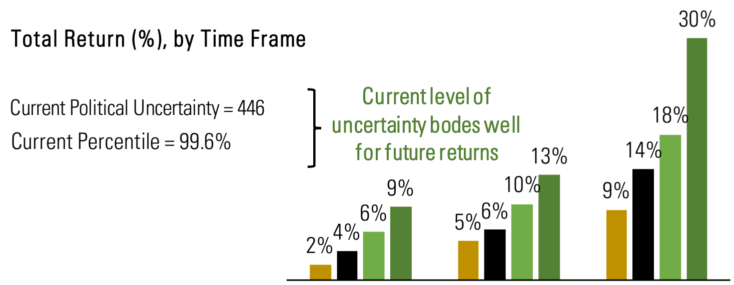
US Economic Policy Uncertainty Index (Left) vs. CBOE Volatility Index (Right)



Source: United Asset Strategies, Bloomberg as of 4/22/2025

Exhibit 4: Historically, forward returns from peak uncertainty are attractive once uncertainty is lifted.

Forward 3-6 month and 1 year return, based on starting political uncertainty (dating back to 2003)



Probability of Losing Money	3M	6M	1YR
< 30%-ile (Uncertainty < 105)	32%	23%	21%
All Scenarios	**27%**	**21%**	**16%**
>70%-ile (Uncertainty > 165)	22%	18%	13%
>90%-ile (Uncertainty > 225)	14%	10%	5%

Source: United Asset Strategies, Bloomberg as of 4/22/2025

Animal spirits fade alongside rising uncertainty. The impact of Trump's tariff policies has yet to show up in the hard data, having just been announced earlier this month and still in active negotiations. While the timing and magnitude of their eventual impact on the global economy is less clear, however, tariffs have already shown up in the soft-survey data.

In January, we noted growing optimism among businesses and consumers due to Trump's pro-growth agenda. As Exhibit 5 shows, however, that optimism has since faded, owing to the uncertainty created by the Administration's prioritization of DOGE cuts and higher-than-expected tariffs. The weakness in these (and other) sentiment indicators are leading to growing concerns of a looming U.S. recession.

All eyes are on the consumer, which represents 2/3rds of Gross Domestic Product (GDP), and data remains mixed. For instance, the University of Michigan consumer sentiment indicator dropped from a 74 reading in December to 51 in April, the lowest level since 2022. Conversely, hard data from the labor market remains healthy while retail sales continue to be solid.

Bottom line, the economy is facing a policy-induced slowdown, the extent of which will be determined in large part by the ongoing actions of the Administration and policymakers.

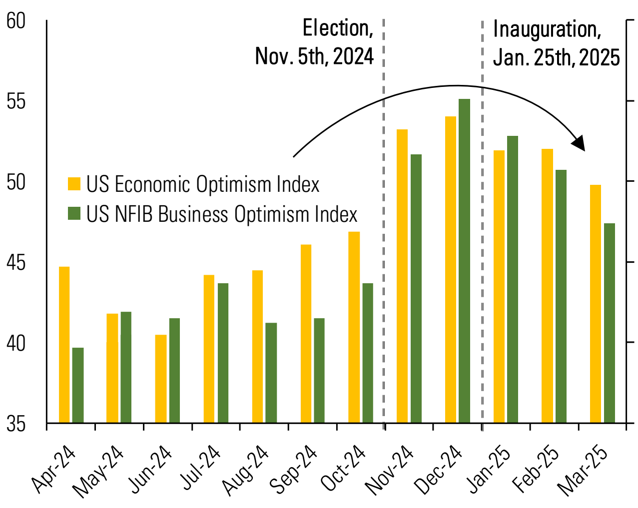
Markets again view inflation as transitory. The market expects the tariff impact on consumer prices to be temporary, as shown in Exhibit 6, with short-term inflation expectations rising but long-term expectations falling since the November 2024 elections. The thought process is tariffs are largely passed through to consumers, causing a one-time step-up in prices, but broader implications from slowing economic growth reduce the risk of inflation beyond that. In addition, moderating housing costs, which is 1/3rd of the consumer price index (CPI), and falling energy prices may further pressure prices.

So far, the Federal Reserve (Fed) has suggested but seems less willing to conclude that inflation will be transitory, especially on the heels of the Fed contributing to inflation pressures by keeping rates accommodative in a Covid-driven supply shock it initially viewed as transitory. Playing devil's advocate, potential risks to prolonged inflation include retaliatory actions from trade partners as tariffs are negotiated, a pull forward of demand in fear of higher prices down the road, and the pass-through of added costs from shifting supply chains.

Much like the investment community, the Fed is operating in a highly uncertain environment and, as a result, is likely to remain data-dependent in managing toward its dual mandate of maximum employment and price stability.

Exhibit 5: Post-election rise in animal spirts has since dissipated, owing to the uncertainty created by Trump's tariff policy.

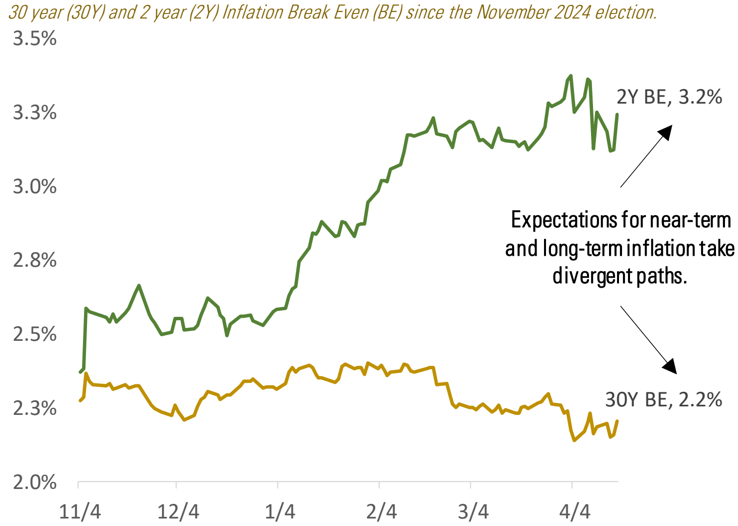
US Economic Optimism Index (Left), and US NFIB Business Optimism Index (Right)



Source: United Asset Strategies

Exhibit 6: Near-term inflation expectations have increased on pro-growth, inflationary agenda, but remain anchored long-term.

30 year (30Y) and 2 year (2Y) Inflation Break Even (BE) since the November 2024 election.



Source: United Asset Strategies, Bloomberg as of 4/17/2025

PORTFOLIO MANAGEMENT

This is not the end of U.S. exceptionalism. The U.S. market (S&P 500) has been the place to invest, increasing 6.2x since the 2009 financial crisis, which outpaced the 1.3x return for the Rest of World (ROW, MSCI ACWI ex-U.S.). During the 1st quarter, however, ROW outperformed by 9.2 percentage points (pp), marking the best quarter of relative performance for ROW since the 2nd quarter of 2009 (+10.9 pp). Given the risk aggressive tariff policies pose to global demand for U.S. goods, services, and assets, as well as the widening performance and valuation gap compared to ROW, market pundits have begun to question the sustainability of U.S. exceptionalism.

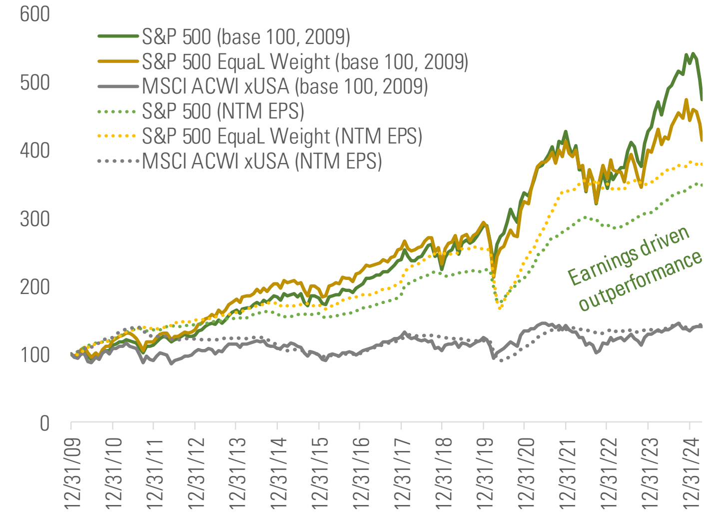
We wholeheartedly disagree. While we may tactically increase exposure to ROW from time-to-time, we continue to favor strategically weighting clients heavily toward the U.S. for two key fundamental reasons long-term.

1. Earnings growth has been the overwhelming driver of U.S. outperformance over the last 15 years, as clearly indicated in Exhibit 7. Relative to ROW, we believe this superior U.S. earnings growth is a function of its economic stability, technological innovation, corporate governance, and liquid financial markets, all of which remain intact.

2. Further, U.S. valuations are not as expensive as they seem. While the market may appear expensive at a 19x P/E and 6x premium to ROW, vs. 4x historically, this is primarily due to premium valuations among a select few highly weighted Big Tech names. As per Exhibit 8, the average stock (S&P 500 E/W) trades at a reasonable 16x P/E and narrower 3x premium, suggesting many opportunities to invest in superior U.S. growth prospects at attractive prices.

Exhibit 7: Significant outperformance by the US vs. ROW since the financial crisis can largely be explained by superior earnings

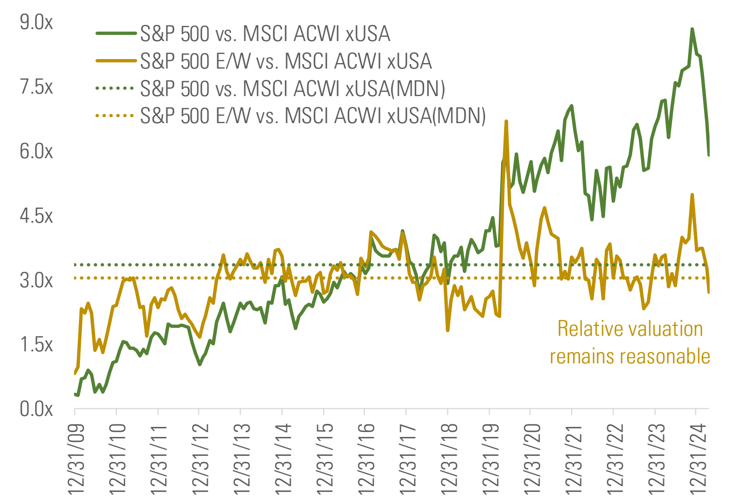
Index Value (Base 100, 2009) and NTM EPS for S&P 500, S&P 500 E/W and MSCI ACW xUSA



Source: United Asset Strategies, Bloomberg as of 4/22/2025

Exhibit 8: While the US stock market now trades at a larger than usual valuation premium to ROW, the average US stock does not.

Price/Earnings Premium for S&P 500 and S&P 500 Equal Weight (vs. MSCI ACWI ex-US)



Source: United Asset Strategies, Bloomberg as of 4/22/2025

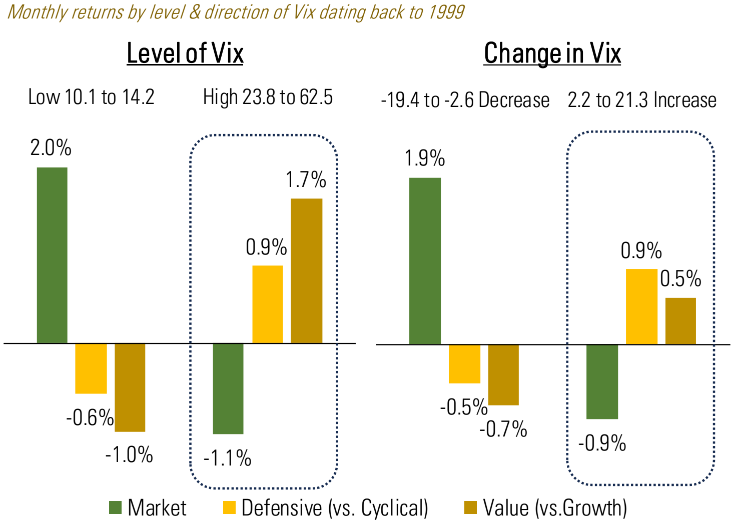
Leaning defensive while acting opportunistic. Volatility, as measured by the Cboe Volatility Index (VIX), has increased over 70% year-to-date and now sits near an elevated 30 (after peaking over 50). This is consistent with comments in our last letter highlighting the potential for higher volatility due to lofty valuations and policy uncertainty. To that end, client portfolios entered the year with volatility in mind, favoring defensive sectors and value stocks over cyclical and growth ones. As shown in Exhibit 9, during months of volatility these risk-off categories outperform their more risk-on counterparts, partially hedging against broader market declines.

We also note that such periods of indiscriminate selling also offer attractive entry points for long-term investors. As noted, the market now trades at 19x. This is down from 22x earlier and nearing its long-term 16-17x average. Further, the average stock now trades below 16x. We acknowledge the earnings risk tariffs or a recession would represent. Still, markets often trade ahead of such risks, with recent multiple contraction at least partially pricing in lower earnings. Further, as highlighted in Exhibit 10, lower valuations bode well for long-term investors as seen in improved forward returns and reduced risk of loss.

So, while we remain conservatively positioned, it is impossible to time the bottom, and we have started to opportunistically allocate some of our excess dry powder to select growth stocks at increasingly attractive valuations in preparation for the eventual removal of uncertainty down the road.

Exhibit 9: Tilting risk-off toward defensive sectors and value stocks historically limits downside in periods of peak volatility.

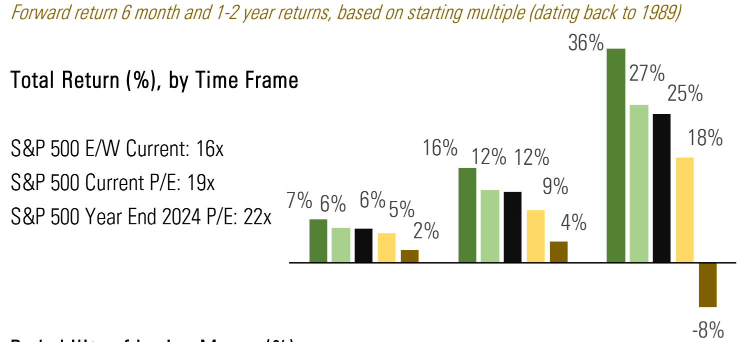
Monthly returns by level & direction of Vix dating back to 1999



Source: United Asset Strategies, FactSet, Bloomberg as of 4/22/2025

Exhibit 10: Starting P/E key determinant of forward returns; lower multiples imply higher returns & lower chance of loss.

Forward return 6 month and 1-2 year returns, based on starting multiple (dating back to 1989)



Probability of Losing Money (%)	6M	1Y	2Y
12.7x Avg. (10x - 14x)	23%	11%	6%
15.7x Avg. (14x - 18x)	18%	9%	9%
16.4x Avg. (All Instances)	**25%**	**20%**	**19%**
20.2x Avg. (18x - 22x)	38%	46%	39%
23.1x Avg. (22x - 26x)	42%	45%	70%

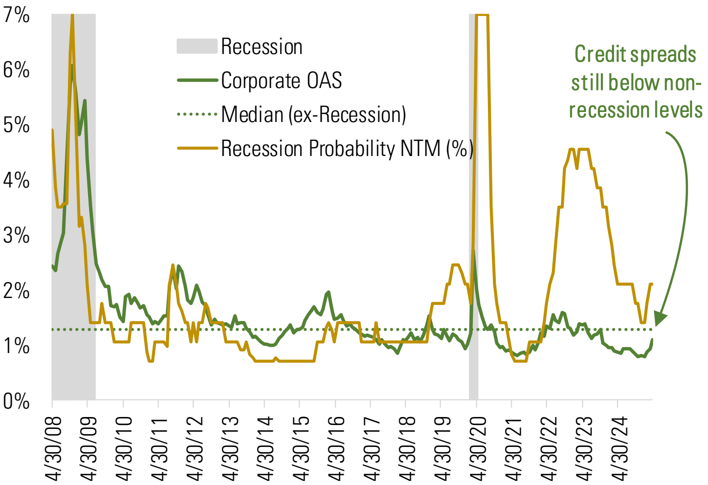
Source: United Asset Strategies, Bloomberg as of 4/22/2025

In fixed income, we entered 2025 similarly defensive with an up-in-quality bias. Instead of stretching for yield with junk bonds, preferred stocks, and bank loans, portfolios included more treasuries, agencies, and high-quality federal tax-exempt municipal bonds. While sacrificing near-term yield at the margin, this approach sidestepped the added pressure on corporate bonds amid escalating trade tensions and provides dry powder for future opportunistic purchases should credit spreads widen more meaningfully. Despite the corporate bond underperformance, as shown in **Exhibit 11**, credit spreads remain tight and do not adequately compensate investors for the added risk of an economic slowdown. We remain patient.

That is not to say we sat on our hands, as some bonds, such as Treasury inflation protection securities (TIPS) and municipal bonds (Muni's), cheapened more than expected. For example, 20-year TIPS yields rose in March and early April, and now offer a 2.4% real yield plus inflation protection. If long-term inflation estimates remain low, their yield will match that of long-term fixed-rate treasuries, but investors stand to gain more if inflation stays higher than expected. Further, as seen in **Exhibit 12**, municipal bond yields increased faster than treasury yields amid rising interest rate volatility and bond outflows, allowing us to opportunistically add Muni exposure and lock-in tax-favored yield over long-durations.

Exhibit 11: Credit Spreads recently widened, but still remain below historical levels despite up-tick in recession probability.

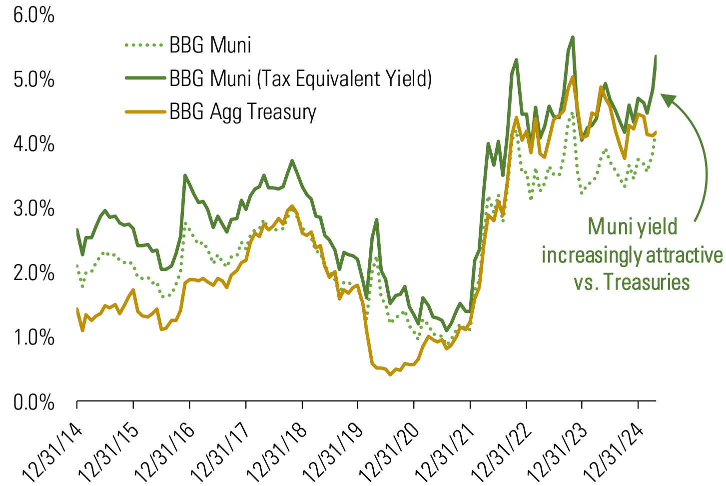
Bloomberg Agg Corporate Option Adjusted Spread (OAS) vs. Recession Probabilities.



Source: United Asset Strategies, Bloomberg as of 4/22/2025

Exhibit 12: Municipal bonds offer a superior yield to Treasuries after accounting for their more favorable tax treatment.

Yield to Worst (%) for Bloomberg Muni (inc'l tax equivalent) vs. Bloomberg Agg, Treasury Index



Source: United Asset Strategies, Bloomberg as of 4/22/2025

FINANCIAL PLANNING

Drawdowns offer strategic planning opportunities.

Near-term, in taxable accounts, we are tactically executing tax swaps in securities that are down alongside the market to harvest losses that offset gains and minimize clients' tax bills.

Down markets also present longer-term strategic opportunities. For example, Roth conversions in times of market volatility can lower the tax liability. If minimizing taxes is a key objective, Roth conversions during dips ensure less taxes are owed on the conversion itself. For those aiming to maximize the conversion within specific tax brackets, converting when valuations are low allows you to transfer more shares, with that value invested for long-term, tax-free growth as the market rebounds.

Similarly, gifting securities during volatile markets presents an opportunity to maximize gifting and minimize tax implications. For 2025, the gift tax exemption is set at $19,000 per recipient. By gifting securities at a lower value, a donor could transfer more shares or securities of equal value, allowing the recipient to benefit from a market recovery. This approach also helps the donor reduce the size of their estate, potentially lowering future estate tax obligations or minimizing capital gains taxes.

In short, drawdowns offer a range of strategic advantages that could benefit investors for years to come. If you would like to discuss further, please contact your United financial advisor.

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UNITED ASSET STRATEGIES, INC.

377 Oak Street, Suite 403, Garden City, NY 11530 | 51 JFK Parkway, 1st Floor, Short Hills, NJ 07078
516.222.0021 | info@unitedasset.com | www.unitedasset.com