UNITED
ASSET STRATEGIES

Dear Clients and friends, January 2014

Wow! The S & P 500 stock index finished up 29.6% while the Municipal 6% Bond Buyer index finished down 14.32%. It is hard to imagine a wider spread between the two asset classes; causing us to expand our performance report to include a break out per asset class on the second page. Bonds' rapid and steep decline was absent a credit crisis or the actual rising of interest rates by the Federal Reserve; it was hugely unexpected caused mainly by more supply from sellers, than demand from buyers. The US equity market surge was despite US economic headwinds caused by increased income taxes, spending restraints from sequestration, and continued high unemployment. The slow growth in our country remained intact and steady.

So the question is what's next? Both macroeconomic and technical indicators do not point to an imminent correction in either the US stock or bond market and in fact the outlook bodes well for equities in the year ahead. The S & P 500 trades less than 15x forecasted 2014 earnings, which is in line with the five year historical multiple. Economic indicators appear to be accelerating based on GDP growth, employment gains, increased consumer spending (housing and auto), and improving industrial indicators (ISM & capacity utilization). Technically, during 2013 the S & P 500 never reached its 200 day trend line; in fact it never came close. Normal retracements have been absent with the 20 day moving average showing strong support, serving as a buying opportunity. During 2014 we welcome a bit more volatility, as a pullback in equity prices will restore health to an otherwise complacent bull market. The Federal Reserve's dual mandate of price stability and full employment will keep short term interest rates low and long term interest rates from increasing substantially. We actually expect the intermediate term bond to undergo the most volatility in the near term.

United Asset has several different investment strategies available and in use for our clients. For equity investors seeking high yield we have shifted the portfolios to be less interest rate sensitive by increasing exposure to dividend growers. For our more aggressive equity investors seeking growth, we are increasing exposure to investment themes such as continued activity in mergers & acquisitions, shifts in international consumer spending, 3D printing, cyber security and the domestic shale energy story. We maintain and offer different risk categories within our bond portfolios and remain hedged for rising rates. We remain committed to dynamically shifting within sub asset bond classes (floaters, mortgage backed, high yield, convertibles, corporate, traditional coupons and zeros) to seize deep values being offered in the market place.

As volatility picks up, our human nature is to question our investments, even panic. This is why United welcomes the opportunity to discuss a financial and estate plan for each of our clients. Investing toward a known need or rate of return serves to create a commitment from you, the investor, to the strategy United implemented and maintains. Please, feel free to contact us today to arrange a strategy meeting.

Later in the month we will post or mail taxable realized gain reports to supplement the data shown on your brokerage statements. Of course, with your permission we will make this data available to your accountants.

The Professional Staff at United Asset Strategies, Inc.

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