EQUITY ASSET CLASSES

For the remainder of 2022 and for longer-term time horizons, we continue to favor stocks relative to bonds. First and second quarter earnings have been actually quite impressive given the many global economic obstacles which could have derailed growth. The decidedly more aggressive Fed policy shift, followed by the Russian invasion of Ukraine in February, created a fragile and uncertain environment. Though most equity markets were down only a marginal amount in Q1, inflation expectations started to become more severe in Q2 as a more prolonged conflict appeared likely. Investor pessimism led to additional de-risking. But the selling also led to the best valuation multiples in years as actual earnings and earnings guidance do not appear to be nearly as negative as investor sentiment. The record setting earnings of 2021 will likely carry forward into even higher earnings this year. Multiples have contracted with the correction affording investors some entry points not seen in years. We believe that long-term investors will ultimately benefit from purchasing quality equities at recent levels. We continue to believe that a diverse portfolio, weighted more heavily towards value-oriented, large domestic companies will weather adverse conditions well and ultimately provide long-term growth opportunity.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			U.S. large cap stocks have been the most reliable and dependable for several years. Record earnings generated in 2021 influenced investors to continue holding and buying quality, large-cap value companies with strong earnings records. Growth stocks have recently suffered as they are generally more vulnerable to higher interest rates. The recent market correction has created an opportunity as many stocks offer valuations well below their historical averages. We believe investors will be rewarded by holding quality names.
Market Capitalization	Mid Caps			In 2021, mid cap companies' earnings and stock prices grew dramatically with powerful economic expansion. The recent correction is heavily due to the uncertainty associated with interest rate increases meant to stem inflation. Valuations are very attractive due to the correction and pose an opportunity for long-term investors.
Market Capitalization	Small Caps			Much like mid caps, the small cap sector has been impacted by interest rate risk. Though this segment was among the strongest performers of 2021, it is generally a bit more susceptible to higher volatility as uncertainty increases. We feel that valuations are more attractive based on strong earnings growth prospects through 2022. We remain overweight small caps.
Style	Growth			Large cap growth stocks are more rate sensitive and have suffered much more heavily than value stocks during this recent correction. To some degree, this growth correction has elements of a reversion to the mean. Growth stocks have outperformed value stocks for decades. Though rates will generally move higher, we feel that most of the move is now priced in and quality growth stocks should be well positioned for the remainder of 2022 and beyond.
Style	Value			United has maintained a value stock overweight during the economic expansion. The companies held in our value-based Large Cap Dividend Strategy maintain sterling balance sheets and are clearly preferred by many investors. We continue to believe select value companies will exceed expectations and lower portfolio risk.
Region	United States			We see the potential for better performance in the U.S. stock market during the remainder of 2022. The events of the first half of the year have been unsettling and full responses to these events remain elusive. While the Fed will fight inflation, they are unlikely to raise rates to the point where economic prosperity will dramatically suffer. But some economic slowdown is almost inevitable to tame inflation. The U.S. remains both a place of opportunity and refuge. Strong earnings are likely to set additional records. We believe the U.S. will play the lead role in moving forward. We remain overweight.
Region	Developed International			Developed countries around the world faced economic concerns since the start of the COVID pandemic. Though most of the world transitioned to a sustainable recovery, countries have been challenged by geographic proximity to the Russian conflict and a limited supply of goods. Therefore, the economic path has become, and remains, more compromised and less certain. We maintain our baseline weight to developed country equities.
Region	Emerging Markets			The full impact of the pandemic still lingers in much of the EM. Though we believe in EM over the long term, government intervention often creates more obstacles than benefits. Investor sentiment can quickly change in this segment and has been affected by the higher degree of uncertainty in today's world. The new composition of the EM (ex-Russia) could present opportunity.

FIXED INCOME

Limit Rate Sensitivity with Intermediate Focus

The rapid escalation of interest rates in 2022 is clearly due to "hawkish" policy changes within the Fed. Though they have increased the overnight Fed Funds rate by 150 basis points to date (and will likely raise it by another 75 basis points in July), it is clear more rate increases will be implemented in their attempt to stem inflation. However, we are seeing some degree of potential success in lowering inflation expectations. The 10-year Treasury rate is down 40 basis points from only one month ago. Though short-term rates have continued to trend higher, they are doing so in direct unison with Fed expectations. Not from external price pressures. Though little progress seems to have been made regarding the military action by Russia, commodity prices in general have been falling. While longer term solutions have yet to appear, fixed income investors are suggesting that inflation threats are being reduced, allowing relief on the long end of the yield curve. Should significant resolution prospects increase, we would expect significant relief in both the fixed income and equity markets. In our view, compensation for longer-maturity bonds remains unattractive, as rates will likely move modestly, but not substantially higher from current levels. We continue to suggest a blend of high-quality short-to- intermediate bonds in all fixed income portfolio. Though the economy has experienced higher inflation than normal, companies and municipalities have continued to perform well across the quality and size spectrum. High yield bonds issued by stable but growing entities continue to be a productive use of fixed income capital. We do not expect that the heightened probability of a recession will impact default risks at this point. We remain committed to a modest high yield position in both corporate and municipal bonds. Though inflation pressures appear to be lessening, so long as the Russian conflict exists, some inflationary fears will remain. Thus, we continue to promote inflation protection in fixed income portfolios via a position in Treasury Inflation Protected Securities (TIPS).

We favor municipal bonds for tax-sensitive accounts. Infrastructure spending, strong state revenues and the potential for higher personal tax rates provide support to municipal markets.

Positioning		Low / Medium / High	Rationale
	Credit Quality	High	Credit spreads have recently widened and are more aligned with historical averages.
		Short / Int. / Long	
	Duration	Short	Concerns over rising interest rates/inflation remain viable with the prospect of a return to normalized economic growth with reduced government stimulus.

COMMODITIES

Our precious metals view remains neutral. Gold saw a pronounced increase in the early stages of the Russian conflict but has given back all gains. In fact gold is now close to 18-month lows ($1700 per ounce). Similarly, broad baskets of commodities which had also increased in price for several months post-invasion, have recently stabilized, if not reversed and shown a recent negative bias. Commodity indexes are down 10-15% from their highs.

The global demand for goods and services improved over the last 18 months with the world distancing itself from Covid. In 2022, the Russian conflict has dramatically impacted price stability. But recently, much like other commodities, oil has been reversing course and is trading substantially below its post invasion highs. WTI is currently trading under $100 a barrel, down 25% or more from Q1. We expect future price movement will be directly tied to developments stemming from the war and potential changes in global economic growth due to higher rates.

CONCLUSION

In recent weeks, long term interest rates have stabilized and are now 40 to 60 basis points lower than in mid-June at their peak. This reversal tends to indicate that the worst of inflationary threats may finally be behind us. Though the Fed will still increase short-term rates, investors have reacted by selectively buying equities and not requiring nearly as high a fixed income premium that were demanded only one month ago. We feel that this new course will remain in effect unless additional unknown events transpire. The second half of 2022 appears decidedly more productive than the first half for both equity and fixed income investors.

Disclosures

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Economic forecasts set forth may not develop as predicted.

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