EQUITY ASSET CLASSES

For longer-term time horizons, we continue to favor stocks relative to bonds. Though interest rates had been moving higher in 2021, a new and more aggressive Fed policy shift earlier this year created some initial market uncertainty. This, followed by the Russian invasion in February created a less than certain environment. But by the end of Q1, domestic equity markets were down only a marginal amount. In April, short-term sentiment turned negative reflecting investor pessimism due to the inflationary consequences of the Russian invasion. Though the record setting earnings of 2021 will still likely carry forward into even higher earnings this year, multiples have contracted due to higher, competitive fixed income rates, and the expected slowing of economic momentum. 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			No asset class is completely immune to economic changes. But within the global equity arena, U.S. large cap stocks have been the most reliable 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 due to multiple compression. The recent correction has created an opportunity as many stocks offer valuations below their historical averages. We believe investors will be rewarded by holding quality names.
	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 and pose an opportunity for long-term investors.
	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.
	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 2022. The events of the first 5 months have been unsettling and effective responses to these events remain elusive. We do know that the free world stands opposed to Russian aggression and solutions to the energy and food shortages are being sought. 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.
	Developed International			Developed countries around the world have faced economic concerns since the start of the COVID pandemic. Though most of the world is now in a sustainable recovery, investors have been recently challenged by geographic proximity to conflict and a limited supply of alternative goods . Therefore, the economic path has become more compromised and less certain. We maintain our baseline weight to developed country equities.
	Emerging Markets			Chinese government intervention and continued EM pandemic health concerns cast a shadow over EM in 2021. Early in 2022, Russian aggression has resulted in de-listing Russia from EM benchmarks. Though we believe in EM over the long term, self-inflicted obstacles have weighed on investor sentiment to this segment. We have only a baseline weight to EM. The new composition of the EM could present opportunity.

UNITED BANK
Wealth Management

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 (including the very rare 75 basis point hike in June), it is clear more rate increases will be implemented in their attempt to stem inflation. At the beginning of 2022, the 2-year Treasury Bill yield stood at .70% while the 10-year Treasury Bond yield stood at 1.50%. They recently reached 3.30% and 3.40% respectively. The continual pressure on commodity prices in general, and energy prices in particular, is almost entirely due to the Russian invasion of Ukraine. This military action is prolonging the anxiety surrounding global commodity supply which has forced the Fed to take uncommon and aggressive action. Should the situation in Ukraine continue with little resolution in sight, the same segments will continue to feel stress which may prolong high inflation and delay rate stability. Should the opposite occur, we would expect significant relief. 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 portfolios.

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 remain committed to a modest high yield position in both corporate and municipal bonds. As previously stated, inflation primarily rose in 2021 due to an expanding global economy. In 2022, prices have primarily risen due to commodity supply fears caused by the Russian invasion. The net impact has been continual price pressure with only limited and occasional relief. Unfortunately, as long as the Russian conflict exists, 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		Credit spreads have recently widened and are more aligned with historical averages.
		Short / Int. / Long	
	Duration		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 prices saw a pronounced increase in the early stages of the Russian conflict but has given back all gains. Gold is up 1% for 2022 but is down 2% over the last year. It is now trading at pre-invasion levels. Broad baskets of commodities have also increased in price but have recently stabilized.

The global demand for goods and services improved over the last 18 months with the world distancing itself from Covid. Energy prices rose in late 2020 and continued moving higher for much of 2021. In 2022, the Russian conflict has dramatically impacted price stability. With WTI currently trading at just under $106 a barrel, oil prices have increased 57% in 2022 and 64% year over year. We expect future price movement will be directly tied to developments stemming from the war.

CONCLUSION

Much of the recent market volatility is due to unexpectedly high inflation reports which have prompted investors to demand higher interest rates. In turn, prevailing wisdom suggests the Fed must align with the markets and drive rates higher to combat the inflationary threat. Investors have turned wary as the expected magnitude and velocity of interest rate changes were unexpected. This uncertainty has led some to reduce short-term portfolio risk.

We understand that even well-constructed portfolios are not immune from short-term fluctuation. But over time, diverse portfolios created to withstand occasional uncertainty ultimately benefits from economic expansion.

Disclosures

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

All performance referenced is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

Economic forecasts set forth may not develop as predicted.

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments. Research material was sourced through LPL Financial, LLC.