

“October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February.” Mark Twain

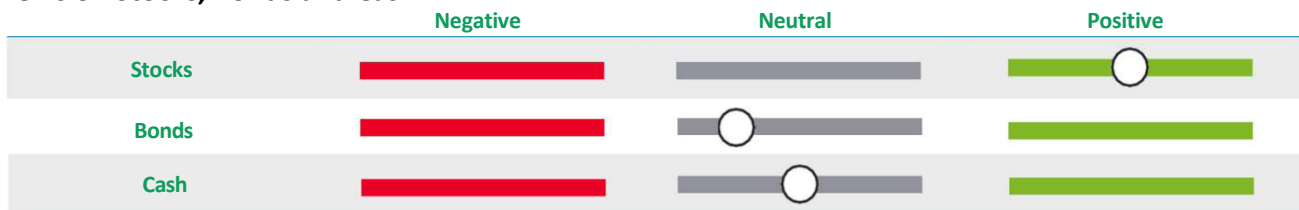
There is never a time when an all-clear signal is given about the economy or the financial markets. There are always topics to review, factors to evaluate and variables to consider. In the short-term, financial markets may be influenced by a myriad of conditions when taken together create different outcomes on different days. The key to obtaining a successful investment outcome is to pair one’s unique goals and objectives with the time frame required to achieve this successful outcome. As a long-term investor, day to day data and endless news reports are likely to be distractions that only add stress and discomfort to your life. One is best served by creating a comprehensive long-term and well-reasoned plan that is adaptable but achievable. While the United States has no shortage of obstacles to overcome, our history and our economy suggest that cycle after cycle, decade after decade, our ability to find solutions, common ground and generate prosperity has ultimately prevailed.

## INVESTMENT TAKEAWAYS

- Investors are feeling a bit more comfortable as the Fed appears to be ending its restrictive monetary policies. By raising the federal funds rate on ten separate occasions and 500 basis points since March of 2022, inflation is no longer the dominant threat it once was, though it remains above the Fed’s 2% target. Annualized CPI has decreased by over 45% since last summer’s high. On one hand, progress is evident. On the other hand, higher rates have led to several negative consequences such as concerns regarding the health of the banking industry and economic malaise, if not recessionary conditions. While a pause in rate increases is likely, investors are somewhat cautious given these new variables.
- The yield curve is sending mixed messages. The very short end (1 to 6 months) of the curve continues to rise as both debt ceiling concerns and a still restrictive Fed are not permitting any lessening of anxiety, but nearly every other curve segment is showing improvement and yield reductions. In fact, the curve is no longer inverted between 3 and 30 years. Improved inflation and banking industry concerns have introduced the potential for a weaker economic environment taking pressure off higher long rates. The Fed Funds Futures market is now predicting rates will be reduced by at least 50 basis points by year end. United maintains a larger exposure to short/mid-term duration fixed income instruments. This action has led to increased income and reduced portfolio risk.
- We maintain our modest value bias within large-, mid- and small-cap companies which better protects portfolios during volatile periods, as was experienced in 2022. Companies with strong, less-leveraged balance sheets often are preferred during uncertain environments. With rates stabilizing, and in some cases falling, the growth segment has shown improvement. Mid- and small-cap companies are showing very attractive valuations though this segment has been negatively impacted by unfavorable attention regarding domestic banking health. We feel this topic only applies in isolated situations as banks remain healthy.
- International developed nations' equity markets have outperformed those of emerging markets (EM) during the early months of 2023. The U.S. dollar began to decline in the 4th quarter of last year as inflation clearly started to subside. This led to lower rates in the U.S. while most foreign countries were still experiencing both high inflation and rates. This has prompted additional investor interest in international equities. We believe this is a temporary condition due to inflation-fighting success domestically. As global central banks eventually achieve their respective success, (i.e., better inflation reports), we expect the dollar to strengthen once again. We remain comfortable with our international exposure and prefer to wait for more compelling economic evidence before any allocation change. We do note that international valuations are attractive.
- We continue to underweight our allocation to fixed income but feel that the rate curve is starting to become more attractive. This may lead to re-positioning to our full baseline fixed income allocation. We still favor short to intermediate maturities.

## BROAD ASSET CLASS VIEWS

### Views on Stocks, Bonds and Cash



# EQUITY ASSET CLASSES

2023 has begun with promise as the S&P 500 gained 7.5% in the first quarter. Most global equity segments have performed well, but some recent investor caution has been exercised as new variables are inserted into the valuation equation. Inflationary pressures have been reduced and interest rates have steadily declined. Taken in isolation, lower rates are a net benefit for both the equity and bond asset classes. While concerns regarding the health of the U.S. banking sector are exaggerated in our opinion, the headline concerns have had an impact. Investors have bifurcated their net equity purchases. In the U.S., the general strength of large-cap companies have fared better than smaller companies and growth-oriented companies have outpaced value equities, reversing last year's trend. Lower rates typically benefit growth companies all things being equal. The banking sector concerns have caused investors to be a bit wary of anything other than large-cap companies as access to capital is being tested. We do not see the banking industry in turmoil, but we acknowledge their earnings growth will have limitations as lending constraints are evident in this new higher rate environment. Developed country international equities have performed well. This is mainly attributed to the weaker dollar not due to a better or safer economic conditions. While markets may endure occasional bouts of volatility, well-chosen companies and risk managed portfolios provide excellent returns when held over several economic cycles. 2023 earnings are expected to grow in the mid-single digits and Q1 earnings have surprised to the upside. We prefer U.S. large-cap companies for stability and consistency, yet mid- and small-cap companies continue to warrant attention as valuation levels remain compelling.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			U.S. large caps were among the leading global equity segments during the first 4 months of 2023 with the S&P 500 rising 7.5%. Despite dollar weakness over the past several months, the large cap segment has once again proven to be a magnet for investors during both uncertain and prosperous times. As interest rates stabilize, growth companies have demonstrated resiliency and investor interest. Continued rate stability should allow growth companies to make further progress.
	Mid Caps			Mid-cap companies had a solid Q1 showing rising almost 4%. Equity price momentum was curtailed in March and April with reports of potential turmoil in the banking sector. We do not think this issue will remain a viable reason why investors will avoid mid-cap stocks. This segment should do well with rate stability and further healing within the banking segment.
	Small Caps			The small-cap sector was negatively impacted by the banking reports much the same as mid-caps. This segment had performed quite well through April. Valuations are very attractive. We expect further growth as investors re-establish faith in U.S. banking strength. We remain overweight small-caps.
Style	Growth			Large-cap growth stocks staged an impressive recovery during the first four months of 2023. As growth stock performance is heavily tied to interest rate direction, the lower rate environment propelled growth companies to outperform. The more stable the interest rate curve and the lower it may travel, the better the outcomes for this segment. United maintains a healthy weighting to growth companies of all sizes.
	Value			United maintains an active value stock overweight to protect portfolios from risks both known and unknown. The companies held in our value-based Large Cap Dividend Strategy maintain very healthy balance sheets and are clearly preferred by experienced and disciplined investors. We continue to believe select value companies will exceed expectations and reduce portfolio risk.
Region	United States			We believe better relative performance will be generated from the U.S. stock market over the foreseeable future. The U.S. remains both a place of opportunity and refuge. Outcomes are more consistent, predictable and reliable. Valuations remain attractive in both mid- and small-cap companies. The overall strength of the U.S. employment picture and overall consumer health provides the relative preference for U.S. markets. Inflation is less of an obstacle and there is no question the U.S. has made more rapid progress in reducing inflationary impacts. We see the U.S. continuing to take the lead in this regard and in establishing a new economic growth trajectory.
	Developed International			Most global central banks followed the direction of the U.S. Federal Reserve. As such, international monetary policy lagged that of the United States. Success in the fight on inflation will be gradual and is taking foreign countries longer to contain. U.S. inflation figures are falling more swiftly. That is a double-edged sword. Lower rates lead to a weaker dollar. This leads to brief periods of time when international markets may outperform as in Q1. We expect a stronger dollar will return later in 2023 and U.S. equities to generate returns in excess of the most other markets.
	Emerging Markets			Though we believe in emerging market equities over the long term, current global uncertainty stemming from conflicts are creating obstacles to growth. Lack of stability has created a lack of predictability thus creating more hurdles. Investor sentiment changes quickly in this segment, but we would prefer not to speculate on the factors that may alter negatives into positives. We maintain our baseline weight in emerging markets.

# FIXED INCOME

## Limit Rate Sensitivity with Intermediate Focus

The Fed has now increased the overnight Fed Funds rate by 500 basis points with the latest, and hopefully last, 25 basis point increase on May 3rd. Though the Fed and Chairman Powell have acknowledged some degree of success in driving down inflation, they also have been reluctant to suggest a time frame to alter their restrictive policy. While the Fed will eventually “pivot” and reduce short-term rates, investors can only predict a general window when this changed policy will take effect. The Fed Funds Futures market is suggesting the window may open as early as this summer and extend well into the spring of 2024. More recently, bond investors are clearly concerned that already high interest rates have weakened the economy and have led to a more fragile banking system. Generally, investors are betting the Fed will have to moderate their restrictive policies sooner versus later. However, the Fed, through its FOMC minutes, indicates they will maintain their consistent inflation-fighting posture as long as needed. Though inflation has fallen nearly 50% since last summer, the Fed is not altering their objective and remains focused on inflation being reduced to 2%, still well below the April reading of 4.9%. The Fed’s “higher for longer” mantra remains in place. In response to falling inflation and the perception of a weakening economic picture, ten- and two-year Treasury yields have declined well off their peaks. Only the shortest maturities, those between one and six months, continue to set new highs. With short term yields in excess of 5%, investors are heeding the Fed’s message. We continue to suggest a blend of high-quality short-to-intermediate bonds in all fixed income portfolios. Quality companies and municipalities continue 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. United has re-allocated funds previously allocated to inflation protection to shorter-term, investment grade securities to take advantage of considerably higher yields, with both lower duration and risk. In tax-sensitive accounts, we favor municipal bonds as infrastructure spending, strong state revenues and the potential for higher personal tax rates provide support to municipal markets.

		Low	Medium	High	Rationale
Positioning	Credit Quality				The increase in rates has widened credit spreads over the past year. Spreads have been impacted by active Fed policy.
	Duration				Concerns over rising rates have lessened with consistently better inflation reports. Yield curve inversion favors shorter bonds paying higher income.

# COMMODITIES

Our precious metals view remains neutral. We are conscious of the influence being exerted on specific commodities, particularly gold, by U.S. monetary policy. In 2022, Fed policy to fight inflation led to higher rates and a stronger dollar. This led to depressed gold prices. As inflation is declining in the US more rapidly than many global regions, interest rates are declining on a relative basis more rapidly. In turn, our weaker dollar has led to higher precious metal prices. We feel the dollar will strengthen in time as international rates fall and global inflation is also reduced. Broad baskets of commodities have seen price reductions and have been stable for several months. Commodity indexes remain 10-20% below their highs from 2022.

Over the past year, the world has had to adjust supply and demand expectations due to the Russian invasion. Many countries are now sourcing commonly traded commodities from a variety of locations. WTI is currently trading near \$73 a barrel, down 40% from 2022 highs. Despite OPEC (Plus) intervention, energy prices are currently tied to potentially weaker global economic growth estimates.

# CONCLUSION

The Fed is not yet satisfied with their battle against inflation, but the heavy lifting has been completed. Though short-term rates remain high directly tied to Fed activity, the rest of the yield curve has responded favorably to lessening inflation expectations. Examining history, when rates are reduced, investors benefit from holding both equities and bonds. To be sure, there are several economic variables yet to be resolved. But the promise of stable, if not lower rates should result in better economic growth and ultimately better financial market performance.

## 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. Some research material was sourced through the Fund Evaluation Group, LLC and Strategas Securities, LLC.