UNITED
ASSET STRATEGIES

Dear clients and friends, October 2015

After a fairly flat first half of 2015, volatility has returned and intensified in the markets over the past several weeks. We expect this volatility to persist given the growing tension between the U.S. and Russia (especially over the strategy in Syria), ongoing dysfunction in Washington (i.e. House leadership uncertainty, debt ceiling debate, etc.), nervousness around the timing of Federal Reserve rate hikes and economic weakness in both China and Europe. The equity market was down meaningfully for the third quarter, with nearly all the decline realized in August. By contrast, municipal bonds were up modestly during the quarter but are still down slightly for the year. Importantly, as our technical indicators became more bearish early in the quarter, we adopted a bias towards risk off assets, enabling United to generate returns for our clients in the Growth & Income and Total Return strategies that exceeded equity market results.

This volatility has led us to actively reduce risk in a number of ways:

- We have increased cash through active profit taking in targeted appreciated investments;
- Our disciplined sell strategy has resulted in a number of computer-driven stop loss sales;
- For clients seeking growth and income, we also reduced risk by increasing exposure to less volatile sectors, namely Consumer Staples and Utilities.

It is worth noting that our investment team has not become complacent but is closely watching both technical and fundamental indicators for buying signals which will allow us to take advantage of deep value opportunities.

On the equity side, our work is uncovering attractive opportunities for both momentum and value-oriented clients. For momentum investors, we have invested in a homebuilders exchange-traded fund (ETF) - homebuilders have screened positively on our Relative Strength internal tracking report with strong momentum, and volumes continue to trend higher indicating the uptrend remains intact despite some recent declines. While this ETF has performed well over the past year, we believe that continued strong underlying housing trends and attractive technical indicators will translate into solid returns going forward. For value-oriented clients, we are increasing exposure to pipeline-oriented Master Limited Partnerships (MLPs). In our view, these pipeline companies are more insulated from volatile moves in oil or natural gas prices because they just transport the commodity and charge a tariff – this gives us confidence that the distribution is sustainable and we therefore see the yield as attractive (currently near 8%). They could also benefit from U.S. policy changes, such as the potential overturning of the ban on crude oil exports. The group has declined in sympathy with the downturn in oil prices, and we see valuations (as depicted by widening yield spreads) as attractive.

On the fixed income side, we believe it is quite possible that intermediate and long-term treasury yields will rise from here in the coming months as inflation starts to creep up while the U.S. economy remains on solid footing. With this as a backdrop, we see certain Build America Bonds (BABs) as a unique and often overlooked opportunity, as they offer competitive yields without subjecting investors to excessive levels of interest rate and/or credit risk. United is currently buying well-rated BABs with large coupons, 4-5 year calls and make whole call provisions on behalf of our clients. We feel this offers compelling value as long treasuries yield 2.88% as of September 30, 2015.

We are pleased to announce the addition of Thomas F. Healy III, who recently joined United after 18 years at Bessemer Trust Company (and 23 years of overall investment management experience). Tom will help shape investment strategy by assessing the global geo-political landscape to identify investment opportunities, while working to build client relationships. President Lee DeLorenzo and Tom collaborated on a September 27th Forbes piece which identified attractive investment opportunities for the fourth quarter. Lastly, we have proactively begun the process of year-end tax planning and would love to hear from our clients in coming weeks to help craft a tax planning solution for 2015.

Respectfully submitted by the Professional Staff at United Asset Strategies, Inc.

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