



Dear Valued Clients and Friends,

January 2015

United Asset believes US Equities will provide favorable investment returns for 2015, despite the various mainstream concerns; specifically the fear the Federal Reserve will raise interest rates during 2015. Our continued optimism is based on our still intact; albeit slow, domestic economic recovery which is finding new support from low energy prices. Also, a strong US Dollar creates headwinds for commodity prices, making emerging markets unappealing and suggests global investors will continue to seek the stability and liquidity provided in the strongest economy of all industrialized nations by investing in the US markets.

Surprises from 2014 included the 43% collapse in oil prices and the aggression of Russia and ISIS; creating economic and social instability in many regions. Although we anticipated underperformance by small cap companies and international markets versus large US corporations, the lag was greater than expected. The International EAFE was down 7.4%, while the Russell 2000 was only up 3.5% versus the S&P 500 which closed up 11.4% for 2014. These surprises often create attractive entry points or re-entry points. After we receive macroeconomic with technical confirmation that support in prices has been found, we expect to increase exposure in our portfolios.

Diverse equity and bond strategies are necessary to capture opportunities as many subsectors are fairly or slightly over-valued. Combining valuation with momentum, fundamentals with technicals and looking for trends/themes at reasonable prices will direct our approach in 2015. Specifically, the ongoing cyber security threats and the sensationalism created by the recent hack of SONY have caused us to add or increase exposure to this technology subsector. We have identified securities within the non-bank lending facilitators, a business we believe to cause disruption and opportunity to traditional banks but await a more reasonable entry point.

In reaction to high valuations, many of our clients with fixed income saw profit taking from both high yield bonds in the summer and more recently US Treasuries, bringing both sectors to underweight. Always seeking attractive entry points, which capture longer term value, we have been and plan to continue reinvesting the cash into Treasury Inflation Protection Securities. We do not know for sure when interest rates will rise but our strategic combination of fixed income instruments, credits, and duration should create the insulation needed to avoid severe depreciation in the event the Fed raises interest rates more than expected in 2015.

Please be aware that your custodian now provides cost basis on your 1099's and we have ceased mailing or posting this data on Advisor Vault. If securities were transferred to the custodian some cost basis data may be missing. Please feel free to our call our office and we will help in every way possible. Best wishes for a Healthy Prosperous New Year!

The Professional Staff at United Asset Strategies, Inc.