

To our clients and friends,

July 2013

The second quarter of 2013 met with surprising volatility caused by Ben Bernanke's comments regarding Quantitative Easing. Although the Federal Reserve Chairman said nothing about raising rates during 2013, he did forecast a possible reduction in the amount of bond buying later in the year. As a result, bond yields which move inversely to bond prices rose sharply.

The yield on the ten year U.S. Treasury moved from a May low of 1.614% to a June high of 2.657%, a 64% increase; contributing to a massive selling in bond mutual funds. In June, according to Bloomberg, \$61 billion was redeemed from bond mutual funds and bond ETF's through June 24th, far outpacing the \$42 billion dollar selling which took place in October 2008. This volatility has provided buying opportunities in the often mispriced zero coupon bond market, and a wakeup call to long duration bond mutual funds, which United has avoided for years. The current 10 Year Treasury yield is 2.5% which is still far below its ten and twenty year average of 3.5% and 4.8% respectively. Now is the time to convert your adjustable rate mortgages to fixed and consider owning individual bonds rather than bond funds when possible.

As discussed previously in our quarterly newsletter, cash on the sidelines is finding its way to equities and in spite of the recent sell off in the broader equity markets, the year to date returns remain in double digit territory with the S&P 500 up 12.63% as of June 30, 2013. We remain bullish and overweight US equities vs. foreign but are slowly adding large cap dividend paying international stocks. The world's economies and persistent civil unrest are intertwined, often causing negative ripple effects in the markets, thus we remain committed to diversification within the portfolios to reduce risk and benefit from contrarian opportunities.

United's goal is to have the portfolios aligned to first, meet your stated financial objectives, and second, to protect principal in a falling market. Proactive flexible strategies are required and generally we found most portfolios, during the past quarter, saw a decrease in REITs and Precious Metals and an increase in hedges, finance, industrials and small cap. We are monitoring the recent increase in the price of oil, which now exceeds \$100 per barrel as this inflationary spike could develop into a longer trend, negatively effecting future corporate earnings. A silver lining emerging from rising interest rates is a reduction in unfunded pension liabilities, which may take time, but will have a positive effect on corporate earnings.

The second quarter included Rodney Che, CPM® being quoted again by the Wall Street Journal and Lee DeLorenzo, CFP®, CPWA® being named one of the nation's top 100 Women Financial Advisors by Barron's for the fourth year in a row. United Asset hosted its eighth annual Blood Drive. Helping our neighbor is part of our mission and excellence in our field part of our commitment to you.

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