BH | Beech Hill Advisors

March 2016

Dear Clients,

The major domestic equity indexes finished flat for the quarter, with the more conservative Dow up 2% and the more volatile NASDAQ off 2.4% and our preferred index, the S&P 500, rising 1%. Our portfolios finished in line to slightly better with conservative and income holdings outperforming our more growth oriented positions. The rather tame quarterly result belies the extreme volatility experienced during the term. As detailed in our interim January letter, equity indexes suffered declines in excess of 10% into mid-February providing a large dose of investor angst. The subsequent recovery has erased the loss as stocks were boosted by the turnaround in oil and the dollar, continued data points supporting employment gains and economic growth, and ongoing strength in the housing market. Global central banks remain supportive with accommodative monetary policy measures and subdued inflation projections reassuring investors the status quo will be maintained.

For perspective, the world's stock markets have experienced double-digit declines in two-thirds of the past 35 years, with more than half of those years then ending with positive returns. This should serve as a reminder that up until recent Fed intervention double-digit stock market pullbacks were more common and did not mandate deep and prolonged declines. For successful long term investing it is critical to avoid overreacting to short-term pullbacks and periods of heightened volatility. Think of yourself as part owner of a diverse collection of successful and profitable businesses and tune out the daily market noise.

Strategically, we remain consistent with our year end commentary. We continue to favor larger cash balances in accounts as a hedge against market turbulence. Purchases have been carefully made with the inclusion of higher yielding larger cap companies with strong balance sheets and high free cash flow generation. Sales were made to trim fully valued positions and those companies with higher levels of debt. We have exited most all direct exposure to the banking/financial segment due to unfavorable low interest rates and we have removed all direct energy and materials exposure due to weakness in commodity pricing and supply concerns. Our focus remains in favor of our information technology, healthcare, and the consumer discretionary groups for consistent growth and attractive valuations. Through our portfolio revisions we have been able to keep pace with market returns while holding larger cash balances and a more conservative and less volatile profile We will continue adding to positions in the aforementioned favored sectors and will look to add fallen growth leaders at appropriate risk return levels.

As always please do not hesitate to call if you have any questions on anything discussed. We remain patient, disciplined and opportunistic.

Best regards,
Beech Hill Advisors