BH | *Beech Hill Advisors*

March 2017

Dear Clients,

The first quarter of 2017 provided positive returns in the domestic equity markets with the S&P 500 up approximately 6% and our portfolios following suit. Politics aside, the simple message for investors is the general and broad growth in the global economy and improved future prospects. US economic data points indicate a tighter labor market putting upward pressure on wages. Rising inflation expectations are firming most energy and raw material prices and they continue their upward trend. Underlying economic strength has emboldened the Federal Reserve to once again raise the effective rate to a 1% upper bound. Forecasts for nominal GDP and corporate revenues have increased. S&P 500 earnings are projected to grow a healthy 9.1% year over year at the latest report. All are supportive factors for continued equity investment.

Sector-wise, the strongest performers for the quarter were the technology, consumer discretionary and healthcare groups. The former two benefitting from the aforementioned positive economic trends while the latter recovered as a result of the rejected healthcare reform bill. During the quarter we added to the financial segment as higher interest rates will continue to benefit the global financial firms. Additionally, we added to our consumer discretionary group as economic growth should continue to be reflected in elevated consumer spending levels. We have trimmed many of our positions as they have appreciated handsomely and used the proceeds to broaden our portfolio diversity and incorporate additional investment themes. We continue to favor industry groups benefiting from the concerted global expansion and weight them accordingly, while we have underweight positions in interest rate sensitive and defensive groups due to elevated valuations and inferior investment return prospects.

We would be remiss if we did not touch upon the Trump administration in our commentary. As we posited in our past quarterly letter, "there will be compromise and deal making as actual policy measures move to a more centrist position". We see evidence in the rejection of the ACA repeal. Campaign promises will be much harder to deliver in the reality of Washington.

Our strategic viewpoint remains consistent with our previous commentary. Earnings and revenue growth have replaced stability and yield as performance drivers for investment. Continued economic expansion will be supportive of selective risk exposure. Market volatility will present opportunities from time to time and should be used advantageously for long term investment. The simple message, things are improving!

Best regards,
Beech Hill Advisors