BH | *Beech Hill Advisors*

September 2017

Dear Clients,

The third quarter of 2017 provided strong positive gains in most all equity indexes and our portfolios followed suit. The S&P 500 rose 4.4% for the quarter bringing the year to date return to 14%. Markets continue to climb a wall of worry against an observed general lack of optimism from our representative client base. While not bullish in itself the consensus negativity provides comfort as a historic contrary indicator. Investors discounted heightened tensions with North Korea, gridlock in Washington due to personal agendas, rancor, and partisan politics, and natural disasters in hurricanes Harvey and Irma. Economically, the US has accelerated its economic expansion compared to the past few years of malaise; employment remains strong, Real GDP is approaching 3%, corporate earnings are still increasing, all factors not indicative of an oncoming recession. Additional comfort was received as a thoughtful Federal Reserve postponed their September hike option in favor of prudence in anticipation of economic dampening from the aforementioned hurricanes. Financial markets continued to reflect the synchronized global expansion and look past near term temporary disruption

Sector wise, technology continues to lead performance both on a quarterly and year to date basis as the proliferation of internet connected devices continues, retail shopping and payments shift to digital platforms and media is increasingly consumed away from traditional vehicles. We maintain our overweight position and continue to revise our portfolio to capture the seismic lifestyle shift. Healthcare follows as the second best performing segment for the year and our second largest weighting. We believe model new therapies and consistent demand due to our aging demographic will drive future growth and equity performance. Gains were both broad based and diverse from most all sectors both in our portfolios and the general equity markets favoring fundamental growth at the expense of yield and safety as consumer staples, REITS, and Utilities lagged the index. Energy, although a laggard year to date, improved greatly during the quarter as oil prices have steadily climbed. We raised our cash position in anticipation of the normally volatile fall to provide a modicum of downside protection and the flexibility to make acquisitions as opportunities arise. We do not anticipate market carnage but we do expect run of the mill corrections in the 2 – 5% range and, provided our indicators continue to project positive returns, we anticipate adding positions as they occur.

Markets are still hopeful on tax reform, deregulation, and a more business friendly Washington. The across the aisle debt ceiling agreement is hopefully an indicator of a more flexible political climate in the future. We detect a shift towards modification rather than termination in trade deals with China and NAFTA also indicative of a more centrist policy emerging. North Korea will continue to bluster and boast but most likely be contained and it is highly unlikely there will be a military response. Their leader knows the limits and will not act to lose Chinese backing, suffer in isolation, and risk his status quo (and his lifestyle). In unexciting fashion, we continue to follow a strategy based on global growth, favoring improving company and industry fundamentals over yield and adding best in class names in growth industries as opportunities present themselves and valuations merit inclusion. As always, do not hesitate to contact us if you have any questions on your portfolio or our commentary.

Best regards,
Beech Hill Advisors