BH | *Beech Hill Advisors*

December 31, 2019

Dear Clients,

Happy New Year! We hope everyone enjoyed their holiday season and earned a much-deserved respite before settling in for business in 2020. Favorably, the last quarter of 2019 built upon earlier gains in the year to provide outsize returns in most all markets. The major domestic equity indexes, the NASDAQ, S&P 500 and Dow Industrials were up 12.5%, 9%, and 6.6% respectively in the fourth quarter. The rangebound market we saw in the third quarter responded favorably to the resolution of the trade conflict with China. Adding to investor enthusiasm, a dovish Fed cut the Federal Funds target rate for a third time, partially reversing rate hikes that began in 2016. Additional liquidity was provided to the capital markets from the Fed via cash injections in the esoteric overnight repo market (an overnight bank borrowing facility). These actions did much to provide the all clear signal to investors. Further positive reinforcement was evidenced as the much talked about concern regarding the yield curve spread inversion (the difference between the two-year and the ten-year treasury yields) mostly evaporated as the spreads widened from approximately 4 basis points to 35 indicating a much healthier perspective regarding the domestic economy. Riding this positive enthusiasm markets closed the quarter near their highs for the year

Our portfolios also enjoyed strong returns for both the quarter and full year, benefitting most from our positions in market leading sectors, technology, telecommunications and financials. At the conclusion of the quarter, our largest segment weightings were in the technology, healthcare and consumer discretionary groups. We believe technology will continue to offer the highest comparative growth profile and relative returns over an intermediate and long-term investment horizon. Out of favor and discounted healthcare names should once again return to their mean valuation as political risk diminishes and cash flows are properly valued through share appreciation. And lastly, consumer discretionary companies will continue to benefit from ongoing low unemployment, wage growth, and economic expansion. We will continue to reduce the cyclical exposure of our portfolios through targeted sales and position trims as the economic cycle grows long in the tooth. We intend to increase the defensive nature while maintaining prudent and diversified portfolios tailored for ongoing total return. We could best be described as guarded optimists with an awareness of the length of the current bull market and recent dramatic market gains.

Positively, we believe the economic growth cycle will continue in 2020 albeit at a more muted pace. We believe US GDP growth should approach approximately 2% year over year, with global growth expected to exceed 3%. In an analyst poll from FactSet earnings for the S&P 500, companies should exceed 9% while sales are projected to increase over 5%. Fundamentally, this presents a favorable backdrop for market returns and merits an invested posture. Less clear but equally important will be the current events in the mid-east, our domestic presidential election and any outlier events that mutes investor confidence. As always do not hesitate to call if you have any questions.

Best regards,
Beech Hill Advisors