BH | Beech Hill Advisors

June 30, 2023

Dear Clients,

All major equity indexes finished the quarter with gains at or near their highest levels of the year, all in positive territory. For the first half of 2023 the S&P 500 gained 15.9%, the Nasdaq Composite rose a remarkable 31.7%, and the Dow Jones Industrial Average lagged, up only 3.8%. Investors seemingly ignored bad news for the first half of the year, unfazed by the Federal Reserve tightening cycle, a series of bank failures, the debt-ceiling drama, geopolitical concerns with China heating up, continued conflict in Ukraine and recession predictions. Although the performance is pleasing, equity indexes have yet to reclaim their high-water marks seen in January 2022. Of continued concern, the gains are concentrated in a handful of large technology companies with limited broader market participation. While positive for the economy, labor markets remain strong and continue to confound the Fed's efforts to rein in inflation.

We believe the remainder of 2023 will continue ongoing trends. Inflation will moderate, however, at a slower pace than expected. Interest rates will remain elevated with a more than likely possibility of additional Fed rate hikes. Unemployment will rise from historically low levels. Economic growth will slow. All part of the normal cadence of a slowing business cycle along with an added headwind from Fed tightening measures.

We continue to position our portfolios in a defensive manner. We believe there will be better opportunities to add to growth positions as the hype-driven AI enthusiasm adjusts towards reality in the technology space. We will maintain elevated cash levels for future opportunities. Balanced and income investors are presented with a better opportunity set up as many of the defensive and higher yielding sectors have declined in value. These segments have underperformed in the current growth-favored market and present much improved total return potential. Once market sentiment rotates, we believe these segments will outperform and investors will do well to collect dividends until then. We are also seeing attractive yields in the current corporate debt market and will continue to add to this asset allocation.

We remain cautious optimists, however, the reality of the business cycle and rich equity valuations will limit upside from current levels. We will continue to exhibit patience and discipline while we manage your portfolio. The Fourth of July always seems to signal that summer is in full swing and we hope everyone is able to enjoy the outdoors and time with friends and family. As always do not hesitate to contact us if you have any questions.

Best regards,

Beech Hill Advisors