BH | Beech Hill Advisors

June 30, 2021

Dear Clients,

The second quarter of 2021 continued the ongoing upward trend providing equity investors with strong returns as the major domestic indexes, the Dow Industrial and S&P 500, both finished higher, gaining 4.8% and 8.53% respectively while the technology heavy NASDAQ index outperformed both, returning 11.36% for the period. Investors were assuaged by recent Fed commentary, improving vaccination rates, the relaxing of most all Covid-19 restrictions and continued economic expansion. Leading sectors include REITS, Info Technology, and Telecom Services while laggards were the Utility, Transports, and Consumer Staples segments as investors preference returned to growth themes as the consensus has dismissed inflationary risks as temporary. Additionally, a tentative infrastructure agreement has been reached, most importantly to be funded without feared new taxes thus providing future economic stimulus and positive market sentiment. Our portfolios continue to benefit from the aforementioned factors and our invested posture.

Although optimistic on future gains we are not without concerns. Covid-19 variants are spreading; however, existing vaccines seem effective against these as well; any outlier would be cause for concern. Inflation, seemingly high year over year, looks tame when compared to 2019 or when transitory supply and logistical issues are factored into the calculation. If perception changes negatively and/or wage growth and price levels rise precipitously, equity markets would be negatively impacted. Revised tax policy, currently projected to be rather benign, would heighten market volatility if higher rates gain traction in the legislative process. Lastly, on our big issues to bear in mind, would be a more hawkish Fed, raising rates, or tapering asset purchases earlier than the market expects. They have continuously reiterated patience and transparency in their commentary, and we expect that to continue. Any of these issues coming to fruition would pressure equity markets and would be a cue to pare risk via reduced exposure.

Risks aside, we continue to thematically position our portfolios to benefit from the recovery trade. The reopening should continue and expand across the major developed economies through the second half of 2021. We expect strong economic growth in the US economy through the remainder of the year as GDP is projected to grow more than 7%, the highest since 1984. Corporate earnings are also projected to have record growth as the reopening progresses, ideally translating into positive shareholder returns. Tactically, we will continue to add opportunistically on market declines and favorably improve our portfolio composition through trims, adds, and sales; more of the same until economic conditions indicate any slowing of growth.

We hope this commentary finds you enjoying the summer of freedom. Please do not hesitate to call if you have any questions.

Best regards,

Beech Hill Advisors