

# ELIOT FINKEL INVESTMENT COUNSEL, LLC

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## Second Quarter 2016 Update and Commentary

We are pleased to report our excellent first half results. The portfolios we manage earned 10% through June 30, versus 3% for the S&P 500.

Keeping clients safe is a major focus of our investment management. As the table below shows, our clients' achieved great results because our long-term, value-oriented style avoids overheated markets like those of 2000 and 2007.\*

	Mar 2000 to date	Sep 2007 to date
EF Invest	194%	64%
S&P 500	40%	38%

Linear Technology (LT), a high-performance analog chip manufacturer, is an example of our value-oriented strategy. We purchased the stock in mid-2010 at about \$28 per share. It ended June at \$48 per share. In the interim, LT increased its dividend from \$0.90 to \$1.28 (42%). At 53% of earnings, the dividend is safe. Forty-two years of experience and internal research helped us select LT and other companies with great fundamentals, substantial growing dividends and good prospects.

The stock market is at an all-time high even with the sub-par growth our country has experienced since the 2007 recession. Corporate earnings have been declining since December 2014. The market's valuation is being driven, at least in the short-term, by low interest rates, foreign investors and the relative strength and stability of our economy.

The bond market faces a double threat: low returns now and falling prices when rates rise. Given global economic conditions, interest rates are not likely to increase soon. However, the persistence of low interest rates is uncharted territory for our economy.

The political climate here and abroad does not bode well for economic growth. Xenophobia and restraint of trade lead to stagnation and confrontation not growth. Since World War II, free trade and globalization have been enriching people everywhere at a pace never before achieved. Though trade pacts may hurt some people in the short term, everyone benefits from the lower prices they promote. Our country needs to place more emphasis on education, training and infrastructure not trade barriers and isolation.

Our focus on safety helps explain why our clients have been with us over twelve years on average. For more information please call us or visit our website, [www.efinvest.com](http://www.efinvest.com). Thank you for your interest in Eliot Finkel Investment Counsel.

\* Past performance is no guarantee of future results and does not preclude the possibility of loss.