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Second Quarter 2017 Update and Commentary

We are pleased to report that our clients experienced solid results during the first half of the year. The portfolios we manage earned 5% through June 30.

Keeping clients safe is a major focus of our investment management. As the following table of annual returns shows, our clients have 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 | 7% | 7% |
| S&P 500 | 3% | 5% |

Paccar, a maker of heavy-duty trucks (Kenworth, Peterbilt and DAF), is an example of our value-oriented strategy. Paccar's lean manufacturing and premium brands combine to drive strong profitability. We first bought Paccar in June 2005 at \$36 a share; it closed June 30 at \$66. Dividends paid since June 2005 total \$17 per share.

With stock markets at all-time highs we are regularly asked if there is a major correction coming. Major market corrections do not normally coincide with economic growth and low interest rates, our current environment. If the Federal Reserve disagreed they would not have raised interest rates again in June.

We do not see much change on the horizon which could trigger a market correction. Though the unemployment rate is low at 4.4%, labor force participation (people who are working or seeking employment) is also low. This low participation rate helps provide additional workers which keeps wage inflation under control. In addition, continued gridlock in Congress combined with an understaffed administration leads to the conclusion that little will change soon.

Our focus on safety and the personal service we provide each client helps explain why clients have been with us over thirteen years on average. For more information please call us at 310-271-2521 or visit our website, 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.