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Third Quarter 2018 Update and Commentary

Generating safe, robust client returns is our goal at Eliot Finkel Investment Counsel. The following table of annual returns shows the superior results we achieved using patient, value-oriented investing to avoid overheated markets like those of 2000 and 2007. *

	Mar 2000 to date	Sep 2007 to date
EF Invest	8%	7%
S&P 500	4%	6%

An example of our successful investing is Intel, the leading designer and manufacturer of microprocessors for personal computers. We first bought Intel in June 2011 at \$22 a share; it closed September 30 at \$52. Dividends paid since June 2011 total \$6.22 per share.

Economic times are good. The U.S. economy grew at a 4.2% annual rate in the second quarter and a 3.5% rate over the summer. Unemployment, at 3.7%, is a 50-year low. American employers had seven million unfilled jobs this summer, a record. Available jobs in September outnumbered jobseekers by over a million, also a record.

None of the leading indicators normally associated with a recession are evident: inflation is low, interest rates are below historic norms, unemployment is at a record low, economic growth is robust, and corporate profits continue to expand.

Nevertheless, the current rate of growth exceeds our country's, long-term, non-inflationary capacity. To keep inflation under control and the economy from overheating the Federal Reserve has raised interest rates eight times since December 2015, to 2.00-2.25%. The Fed now anticipates one more increase this year and two or three in 2019. In spite of this, the Fed's overall tone remains bright and sunny. The economy is in the 10th year of one of the longest expansions in American history and officials expect the good times to continue.

Market volatility has jumped recently as concerns about economies elsewhere, trade and rising interest rates led to dramatic market pullbacks. As long as the fundamentals underlying the companies in our portfolios remain solid, which they are, we will stay the course. History has shown that selling to avoid possible corrections leads to poor results.

Forty-four years of experience and internal research help us select profitable companies with good prospects and substantial dividends. Focusing on economics and company fundamentals has generated superior long-term results. This, plus the personal service we provide, explains why our average client has been with us over 13 years. For more information please call 310-271-2521 or visit our website, www.efinvest.com. Thank you for your interest.

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