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Third Quarter 2016 Update and Commentary

We are pleased to report our excellent year-to-date results. The portfolios we manage earned 13% through September 30, versus 6% for the S&P 500.

Keeping clients safe is a major focus of our investment management. As the following table of annual returns 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	7%	6%
S&P 500	2%	4%

Applied Materials (AMAT), a maker of semiconductor fabrication equipment, is an example of our value-oriented strategy. We sold AMAT in August for $27.39 per share. The investment produced $18.79 in gains and dividends per share over the $10.42 average cost paid in 2011.

The stock and bond markets remain near their all-time highs in spite of nine years of sub-par growth following the onset of the 2007 recession. The stock market's valuation is being driven by low interest rates and the relative strength and stability of our economy which attracts foreign investors. Bonds face a double threat – low returns now and falling prices when rates rise.

The low interest rates and quantitative easing promoted by central banks to stimulate growth have not produced the hoped for results. Prolonged low interest rates are driving individuals to spend less and save more to compensate for the reduced returns on their investments. Businesses are investing less because of the resulting lack of growth in consumption. Economists now question whether extended periods of easy money will ever lead to increased growth.

The way out of this growth trap is for governments to provide fiscal stimulation through investments in infrastructure, training and education to advance future productivity. Trade pacts, though they may hurt some people in the short term, also help by lowering prices and increasing efficiency for everyone. Unfortunately, the political climate does not bode well for either fiscal stimulus or globalization.

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. 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.