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Third Quarter 2017 Update and Commentary

We are pleased to report that our clients experienced solid results during the first nine months of the year. The portfolios we manage earned 9% through September 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%

McDonald's, the fast food company of golden arches fame, is an example of our value-oriented strategy. We first bought McDonald's in February 2011 at \$80 a share; it closed September 30 at \$157. Dividends paid since February 2011 total \$22 per share.

The most frequently asked investment question these days is "are markets overpriced and due for a correction?" Markets have been steadily rising against a backdrop of loose monetary policy since 2009. Of greater significance, long-term interest rates have fallen steadily since the 1980s and remain close to historic lows. This underpins all sorts of asset prices, including stocks, bonds and property.

If interest rates and bond yields become unjustifiably low, inflation will take off. It hasn't. This suggests factors other than monetary policy have been a bigger cause of low, long-term interest rates. Most important is an increase in the desire to save, as aging populations set aside a larger share of income for retirement. Just as the supply of saving has risen, demand for it has fallen. Stagnant wages and the reduced demand for investments in plant and equipment mean companies are flush with cash. All this suggests interest rates will remain low by historical standards.

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.