

ELIOT FINKEL INVESTMENT COUNSEL, LLC

9100 WILSHIRE BOULEVARD, SUITE 503E, BEVERLY HILLS, CALIFORNIA 90212

TELEPHONE (310) 271-2521

Fourth Quarter 2017 Update and Commentary

We are pleased to report that 2017 was an excellent year for our clients. The portfolios we manage averaged 18% returns for the year.

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	8%	7%
S&P 500	3%	6%

Deere & Company, the world's largest manufacturer of farm equipment, is an example of our value-oriented strategy. We first bought Deere in June 2012 at \$77 a share; it closed December 31 at \$156.50. Dividends paid since June 2012 total \$10 per share.

The recent market correction is impossible to ignore. Until the end of January, markets had risen steadily since 2009. Here is how we see it. Stock prices are underpinned by economic growth at home and abroad which is healthy and sustainable. Recent tax cuts will increase companies' after-tax earnings, further supporting stock prices.

Long-term interest rates are rising though they remain below historic norms. They are a short-term concern so we prefer to stay invested for now. Too many investors earn sub-par returns by over reacting to short-term conditions. A longer-term concern, which we will monitor closely, is the \$1.8 trillion Federal debt increase resulting from the recent tax bill and budget agreement.

Conventional economics encourages deficit spending during periods of economic stress like the recent Great Recession. It also encourages deficit reduction during healthy economic times. Our government has done the exact opposite, tightening government spending during a very difficult time and increasing the deficit when the economy is healthy.

Our clients have enjoyed back-to-back years of great results. Forty-four years of experience and our own internal research helped us select Deere and other companies with profitable histories, substantial growing dividends and good prospects. We shall keep on stressing safety and income as we move forward. 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.