

ELIOT FINKEL INVESTMENT COUNSEL, LLC

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

TELEPHONE (310) 271-2521

First Quarter 2018 Update and Commentary

Generating robust returns while keeping clients safe is the goal of Eliot Finkel Investment Counsel. The following table of annual returns shows our clients achieved great results due to our patient, value-oriented investment style which 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%

An example of our prudent investing is Raytheon, a global provider of air defense systems, radar and communications systems. We first bought Raytheon in September 2014 at \$100 a share; it is currently priced at \$210. Dividends paid since September 2014 total \$10.20 per share.

The markets have been volatile in recent weeks. The drivers of this turbulence—Trump tweets, trade war fears, regulatory uncertainty and rising short-term interest rates—are not likely to go away soon. Last year’s low volatility is also unlikely to return.

The Federal Reserve has raised short-term interest rates six times since December 2015, from a 0–0.25% range to today’s 1.50–1.75% range. The Fed anticipates implementing two more quarter-point increases this year and two in 2019. Long-term interest rates have risen much less and remain, like short-term rates, below historic norms.

Volatility often proves helpful for long-term investors who are more focused on corporate fundamentals. Thanks to the selloff, the 12-month forward price-to-earnings ratio has fallen to a more typical 16. Better valuations coupled with higher earnings and a healthy economy should ultimately drive equity prices to a greater degree than headline tweets and a return to more normal interest rates.

Forty-four years of experience and internal research helped us select Raytheon and other profitable companies with substantial dividends and good prospects. By focusing on economics and company fundamentals we strive to produce superior long-term results while stressing safety and income. This plus the personal service we provide helps explain why our average client has been with us over 13 years. For more information please call us at 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.