

FIRST LONG ISLAND INVESTORS, LLC

FOURTH QUARTER 2017 REPORT

# INVESTMENT PERSPECTIVE



DECEMBER 31, 2017

“Uncertainty will always be part of the taking charge process.” – Harold Geneen, American Businessman, Former President and Chief Executive of ITT Corporation

## INVESTMENT COMMITTEE

**Robert D. Rosenthal, Chief Investment Officer**

**Ralph F. Palleschi**

**Bruce A. Siegel**

**Philip W. Malakoff**

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**Brian Gamble**

**Virginia Umbreit**

**Wesley Llado**

**Drew Wray**

2017 was an excellent year for our clients. All of our traditional and defensive strategies made significant absolute gains. Our traditional and defensive equity based strategies averaged 22.7% and 19.1%, for the year, respectively. These results surprised many investors, but were consistent with what we had suggested could be the outcome based on these factors:

1. Under Republican stewardship in all three branches of government in past years, equity markets averaged 19% per year. 2017 exceeded that.
2. Business optimism increased on account of, among other matters, deregulation by the Trump administration.
3. Global growth surprised many with Europe, Japan, and Asia joining higher growth in the U.S. and China.
4. Comprehensive tax reform was finally passed (on a partisan basis) resulting in major corporate tax reform as well as a reduction in personal income tax rates and a limit on the ability to deduct state and local income and real estate taxes (which will hurt taxpayers in high tax states like New York and California).
5. Employment remained robust. The unemployment rate fell to 4.1%. This contributed to consumer optimism.
6. Inflation remained below 2% for most of the year which is helpful to consumers and we believe supports higher than average price-earnings ratios.
7. Additionally, corporate earnings rose by about 12% for the year.

Of course, the above factors had to overcome worries last year that included:

1. Three interest rate increases by the Fed (with the last being in December). At the same time, the Fed began to taper its bloated balance sheet.
2. Valuations appeared high to some investors leaving them on the sidelines. The investment mood of caution was palpable.
3. Friction with North Korea was a constant concern, mostly in the last half of the year. The potential for an armed conflict weighed on investor sentiment. The battle against ISIS and other terrorist groups also made headlines and was a concern.
4. Concerns about the demeanor of President Trump as well as ongoing controversy regarding his campaign, members of his family, and certain advisors were constant news items.

PLEASE SEE IMPORTANT INFORMATION AT THE END OF THIS REPORT

These and other factors mentioned in our Investment Outlook (which clients received earlier this month) impacted 2017 as well as provided some caution, and, yes, optimism for 2018. In the final analysis, we had an excellent quarter and year even while having a recommended asset allocation that was somewhat defensive. These results contributed to meaningful appreciation in the net worths of our clients.

If you have not had a chance to read our Investment Outlook, please do. If you need another copy of it, just ask anyone on our investment committee or visit the Investment Insights section of our website.

On the news front, we would like to share with you that Ann DeVault, our Vice President of Administration, has decided to retire. Ann has been with FLI for over 28 years and while we are very sad to see her go, we wish her all the best. Ann is very well known to many of our clients and has been an integral part of our team for so many years. Ann will be leaving at the end of February so there will be plenty of time to wish her the best of luck. Also, we will be transitioning Ann's work and relationships to others within our company. We have been working diligently to make sure that this transition is as smooth as it can be. Any clients who work directly with Ann will be contacted to review the specifics of the transition as it relates to them.

Finally, we invite you to join our web seminar, which is scheduled for Wednesday, February 7<sup>th</sup> at 2 PM EST. If you would like to join, please email us at [events@fliinvestors.com](mailto:events@fliinvestors.com) to register.

Best regards,



Robert D. Rosenthal  
Chairman, Chief Executive Officer,  
and Chief Investment Officer

\*The forecast provided above is based on the reasonable beliefs of First Long Island Investors, LLC and is not a guarantee of future performance. Actual results may differ materially. Past performance statistics may not be indicative of future results. Partnership returns are estimated and are subject to change without notice. Performance information for Dividend Growth, FLI Core and AB Concentrated US Growth strategies represent the performance of their respective composites. FLI average performance figures are dollar weighted based on assets.

The views expressed are the views of Robert D. Rosenthal through the period ending January 25, 2018, and are subject to change at any time based on market and other conditions. This is not an offer or solicitation for the purchase or sale of any security and should not be construed as such.

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