

**QUARTERLY NEWSLETTER**  
**ELIOT FINKEL INVESTMENT COUNSEL, LLC**  
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Welcome to our quarterly newsletter which highlights our market observations and strategy. Our ten-year results surpassed the Standard & Poor's 500 Index by 43% (57% to 14%)\*. Focusing on dividend paying companies with good demographics, significant international exposure and substantial market share pays off. The portfolios we manage produce 3.2% in income and the dividends grew by 6.3% annually over the past decade, which combined are a powerful driver of results. A long-term annual return of 9.5% should result assuming the income growth and ratio of dividends to stock price continue. If you know someone seeking the safety and steady income we provide, please let us know.

Economic conditions are still weak due to high unemployment and a weak housing sector, which are likely to continue for some time. In addition, increased food and energy prices present new difficulties for consumers. Fortunately, robust growth in China, India, Brazil and other developing countries continues to propel the global economy forward.

On a positive front, city, state and federal governments are beginning to focus on budget deficits and pension obligations. This is a good thing even though the remedies will dampen growth in the short-term. Healthcare and education must also be dealt with in order to achieve healthy, sustainable growth.

Despite these difficulties, businesses continue to prosper and stock markets have rewarded them accordingly. This makes finding companies that have successfully navigated the recent recession and provide safe, substantial and growing dividends increasingly more difficult. They don't provide as much value at these prices, and value is the key to delivering good long-term results.

We believe California General Obligation bonds (GOs) are a good buy because recent price declines, due to state budget issues, have gone too far. California is the world's 7<sup>th</sup> largest economy with General Fund revenues of \$92 billion per year. Education, the first priority, takes \$39 billion of this revenue. GO debt service, the second priority, takes \$5 billion. This leaves \$48 billion of revenue as a safety cushion. With no Federal or California taxes to pay, the yield on medium-term GOs exceeds taxable yields of 8.5%. Medium-term bonds provide a good value and more stability than long-term bonds should food and energy prices continue to rise in the short-term. At this point, we do not see any long-term inflation issues which would jeopardize their performance.

Eliot Finkel Investment Counsel, LLC is a family firm founded in 1974. We conduct our own economic analysis and company research to build diversified portfolios that provide safety and income for the long-term. For more information visit our website [www.efinvest.com](http://www.efinvest.com). Thank you.

\* Past performance is no guarantee of future results and does not preclude the possibility of loss.