

ELIOT FINKEL INVESTMENT COUNSEL, LLC

First Quarter 2015 Update and Commentary

Thank you for your interest in Eliot Finkel Investment Counsel. The table below illustrates a key difference between us and other financial services firms – superior performance during difficult times. Further, our clients receive their performance history each quarter. This superior performance and comprehensive reporting explain why our clients have stayed with us, on average, over 11 years.

	Mar 00 to date	Sep 07 to date	2013	2014	2015 to date
EF Invest	189%	58%	28%	9%	-1%
S&P 500	38%	35%	30%	11%	0%

Focusing on long-term value does not mean we outperform every quarter or every year. However, our strategy has produced excellent results over the past four decades. For example, the NASDAQ remains below its year 2000 peak, while the S&P has produced only 2% annually since 2000. Our clients averaged 7% annually during the same period.*

U.S. consumers continue to benefit from lower import prices, a result of the stronger dollar. However, the strong dollar also contributed to a corporate earnings decline of 1.6% in the fourth quarter of 2014, and an expected fall of 4.5% for the first quarter of 2015. Three factors explain the weakness in earnings. First, the strong dollar is reducing the value of profits earned in other currencies. Second, oil prices are battering profits in the energy sector. And third, foreign profits are being squeezed by slowdowns overseas.

Though equity valuations remain a bit high, we currently favor U.S. equities. They are the safest place to invest, supported by low interest rates, low inflation, low inflationary expectations and economic weakness elsewhere. While we prefer to include bonds and foreign equities in our portfolios, today's low interest rates make bonds unattractive. A rise in rates will cause bond prices to fall.

Foreign securities face the added risk of currency fluctuations – their dollar value falls when the dollar rises as it has recently. In addition, economic conditions abroad are not encouraging. Brazil and Russia appear headed for recession while the Japanese and European central banks struggle to combat stagnation and deflation. Finally, China's growth has slowed dramatically.

We build client portfolios using our 41 years of experience and internal research. Our patience and focus on the long-term have served our clients extremely well. Eliot Finkel Investment Counsel is a family firm founded in 1974. For more information call us or visit our website at www.efinvest.com.

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