

ELIOT FINKEL INVESTMENT COUNSEL, LLC

Fourth Quarter 2014 Update and Commentary

Thank you for your interest in Eliot Finkel Investment Counsel. Our emphasis on safe, proven companies paying substantial dividends has provided our clients with significant outperformance despite the 2000 “dotcom bust” and the 2007 recession.

| | Mar 2000 to Date | Sep 2007 to Date | 2012 | 2013 | 2014 |
|-----------|---------------------|---------------------|------|------|------|
| EF Invest | 175% | 58% | 11% | 28% | 9% |
| S&P 500 | 37% | 35% | 13% | 30% | 11% |

The table above illustrates a key difference between us and other financial services firms – superior performance during difficult times. Further, we actually show our clients their performance history each quarter. Our superior performance and comprehensive reporting explain why our average client’s longevity exceeds 11 years.

The economic highlight of 2014 was the dramatic drop in commodity prices, especially oil, which benefited both U.S. consumers and (non-energy) businesses. As a result, we became the world’s engine for economic growth, with a 5% growth rate and unemployment down to 5.6%, the lowest rate since 2008. Our economic strength combined with lower commodity prices led to a significant strengthening of the dollar. These factors suggest inflation will not be a concern for some time, allowing the Federal Reserve to increase interest rates later than previously expected.

Economic growth also reduced the federal deficit from 10.1% in 2009 to 2.8%. This is within the 3% guideline set by the Bowles-Simpson Commission. Washington should use this opportunity to invest more in education, training and improving our infrastructure, important ingredients for sustained economic health.

U.S. equity valuations are a bit higher than normal. The Standard & Poor's 500 Index is trading at 18 times earnings versus an historical average of 15. However, this is much lower than the 30 times earnings reached in 1999.

We are often asked if portfolios should be diversified to include bonds and foreign equities. The short answer is yes. In reality, low interest rates make bonds unattractive. Further, bonds are vulnerable to price drops should interest rates rise.

Economic conditions abroad make foreign investments relatively unattractive. Brazil, Japan and Russia appear headed for recession while Europe is stagnating and China’s growth has slowed dramatically. Foreign securities are also at risk of currency fluctuations. The dollar value of foreign securities has been hurt by the dramatic rise in the dollar.

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 at 310-271-2521 or visit our website at www.efinvest.com.

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