

ELIOT FINKEL INVESTMENT COUNSEL, LLC

SECOND QUARTER 2013 UPDATE

We appreciate your interest in Eliot Finkel Investment Counsel (EFIC) and are pleased to summarize our clients' results below.* The March 2000 and September 2007 dates correspond to market peaks.

| | 3/00 to Date | 9/07 to Date | 2011 | 2012 | 1 st H 2013 |
|---------|--------------|--------------|------|------|------------------------|
| EFIC | 145% | 26% | 11% | 11% | 14% |
| S&P 500 | 7% | 5% | 0% | 13% | 13% |

We achieved this steady, superior performance during difficult economic times including the greatest recession of our lifetime. Since 2008, the government has raised expenditures to stimulate growth, cut expenditures to reduce the debt and eased monetary policy to foster growth. The United States deserves a "D" in fiscal management. However, this is better than the rest of the world which deserves an "F". Europe remains in recession; growth has slowed dramatically in China as it fights inflation; Brazil has stopped growing; and India remains choked by bureaucracy.

In the U.S. slow growth continues despite tax increases and the sequester earlier this year. A nascent housing recovery helps. The \$4.1 trillion, ten-year deficit reduction package proposed by the Simpson-Bowles Commission in 2010 is being achieved. Its goal was to stabilize, not eliminate, the debt and reduce annual budget deficits to about 3%. Unfortunately our major long-term problems, Social Security and Medicare, have not been addressed.

While the Dow Jones Industrial Average and S&P 500 enjoy all-time highs other markets have not been so fortunate. The bond market dropped dramatically during the quarter with ten-year Treasury bond prices falling 9%. When the Federal Reserve announced they might begin to reduce quantitative easing before the end of the year, a clear sign our economy is doing better, markets around the world plummeted. Only the U.S. markets have since recovered. Fortunately, we avoided the fixed-income and foreign markets.

Meanwhile, corporate profits continue to rise, though more slowly than usual. Well-managed companies are accumulating cash and should remain profitable with increasing dividends for the foreseeable future. Though valuations of many companies seem rich, current prices are supported by low interest rates and an influx of foreign cash seeking a safe haven.

We focus on well-managed, non-financial companies with leading positions in their respective markets, major international exposure and amply covered dividends. The portfolios we build, based on our 39 years of experience and internal research, provide long-term financial safety and income. We will remain cautious and realistic with our future positions by stressing safety and income at a reasonable price.

Eliot Finkel Investment Counsel is a family firm founded in 1974. For more information call us at 310-271-2521 or visit our website www.efinvest.com.

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