

ELIOT FINKEL INVESTMENT COUNSEL, LLC

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Second 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. Safe, long-term 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	182%	55%	28%	9%	-4%
S&P 500	38%	35%	30%	11%	0%

The value-oriented stocks we like are currently out of favor which is why our results have lagged this year. We do not chase over-priced, fashionable stocks which pay no dividends. It is not safe, long-term investing.

The “irrational exuberance” that preceded the bursting of the dotcom bubble in 2000 is again evident. For example, *Netflix* (\$111) has gained 127% this year. It is trading at over 250 times earnings and does not expect to be profitable again until the end of 2016. *Tesla Motors* (\$282) has gained 53% since April. It has yet to make a profit. *Twitter* (\$37), a company which has yet to show a profit, lost 25% in two days following disappointing news. These volatile, speculative stocks are not safe, long-term investments.

Impatience leads to poor investment results. Last year, mutual fund investors underperformed the S&P 500 by 8% while asset allocators underperformed by 12%. Thirty year results are almost identical. Investors may be their own worst enemies.

Our focus on long-term value has produced excellent results over the past four decades. The NASDAQ is unchanged from its year 2000 peak, while the S&P has produced 2% annual returns. Our clients earned 7% annual returns during the same period.*

United Parcel Service (UPS) exemplifies our investment strategy. UPS, currently \$97 per share, is down 13% this year. We purchased the stock in the mid \$70s between 2007 and 2012. UPS has increased its dividend from \$1.64 to \$2.92 (78%) since we started. Its long-term prospects are excellent.

We build client portfolios with similar companies using our 41 years of experience and internal research. Our patience and focus on the long-term serve 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.