

ELIOT FINKEL INVESTMENT COUNSEL, LLC

THIRD QUARTER 2013 UPDATE

We appreciate your interest in Eliot Finkel Investment Counsel 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	2013 to Date
EF Invest	158%	32%	11%	11%	18%
S&P 500	12%	10%	0%	13%	18%

This steady, superior performance occurred in spite of troubled economic times and gridlock in Washington. Our government deserves a "D" in fiscal management, which is better than the rest of the world which deserves an "F", though Washington is trying for a downgrade to "F". Uncertain policy has lowered output by 2.5% and employment by 2.3 million between 2006 and 2011 according to a study by Stanford and the University of Chicago.

The latest extensions only add to the uncertainty without addressing our major long-term problems – Social Security, Medicare, education/workforce training and infrastructure. We hope the rest of the country follows California toward better governance by having open primaries with the top two vote getters running in the general election, reapportioning districts using non-partisan commissions and not paying legislators until they pass a budget.

Meanwhile U.S. growth, albeit slow, continues. Equity markets are at all-time highs. Corporate profits continue to rise though at a slower than normal pace. Well-managed companies are accumulating cash and should remain profitable with increasing dividends for the foreseeable future. Though valuations of many companies seem rich, prices are supported by low interest rates and an influx of foreign cash seeking safety.

Short-term thinking is affecting corporate headquarters as well as government. With a large portion of executive compensation derived from stock options, executives are more focused on driving stock market valuations than investing in long-term growth. This leads to less competitive companies while increasing the already huge gap between employee and executive compensation. Unless government and industry place more emphasis on long-term results we will never achieve our economic potential.

Our long-term focus is a major reason for our superior investment performance. We seek 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 as 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.