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Second Quarter 2019 Update and Commentary

Generating safe, solid client returns is our goal at Eliot Finkel Investment Counsel. The following table of annual returns shows the superior results we achieved using patient, value-oriented investing to avoid overheated markets like those of 2000 and 2007. *

| | Mar 2000 to date | Sep 2007 to date |
|-----------|------------------|------------------|
| EF Invest | 8% | 7% |
| S&P 500 | 4% | 6% |

The American economy continues to expand at a moderate pace. Though the trade war with China is affecting manufacturing and business confidence, consumer spending and sentiment remain strong, job growth is robust and unemployment is at record lows.

The fact is the manufacturing sector has been shrinking for years due to better supply chain management which reduces investment in inventories. The service sector, on the other hand, has been expanding as investments in intellectual property displace investments in goods, buildings and equipment.

Though there has been some talk of recession, recessions occur when consumption slows, driving companies to reduce spending and shed workers. This is clearly not the case today. The elevated interest rates which normally foreshadow reduced consumption and investment are also absent. Further, bond yields are at levels indicating investors expect inflation to remain low. Though business and household debt is high, private sector savings continue to grow which indicates a healthy economy.

Over the past decade the Federal Reserve and other central banks have appeared less concerned about inflation and more concerned about the harmful effects of rising interest rates. This is better for the economy than their prior tendency to increase rates too easily.

Finally, though stock prices are above historical norms, these prices are supported by low interest rates which increase the value of future earnings. As long as the economy keeps growing and the companies in our client portfolios remain healthy, which they are, we will stay the course. Investors need a long-term horizon—and patience.

Forty-five years of experience and internal research help us select companies with laudable histories, substantial dividends and exceptional prospects. Focusing on economics and company fundamentals has generated superior long-term results for our clients. This, plus the personal service we provide, explain why our average client has been with us over 13 years. For more information please call 310-271-2521 or visit our website at efinvest.com. Thank you for your interest.

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