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Second Quarter 2020 Update and Commentary

Generating safe returns for our clients is the primary goal at Eliot Finkel Investment Counsel. Since the dot com boom peaked in 2000, we have generated 7% annual returns, almost twice the return of either the S&P 500 or tech heavy NASDAQ. Our clients have done well because we are patient and value-oriented to avoid overheated markets like those of 2000 and 2007. *

Long-term value investing and income producing investments have been out of favor this year. A handful of technology firms have driven the markets. They pay little or no dividends and sell at average price/earnings ratios over 50.

We have adjusted our focus this year toward the financial sustainability and dividend safety of the companies we invest in. This has resulted in a substantial increase in cash reserves. It is a short-term shift in emphasis to accommodate the extreme economic uncertainty. Until widespread testing and treatments for Covid-19 are available and/or a vaccine is developed, the world's near-term future will remain abnormally uncertain.

When this virus is controlled, as it will be, business will change in known and as yet unknown ways. Supply chains will be augmented with multiple sources from geographically diverse locations. Inventories will not be as lean. More people will work at home reducing the demand for office space. Online shopping will be more prevalent reducing the demand for brick and mortar stores. Government costs will be increased by larger healthcare equipment inventories, greater research costs and broader health insurance. Demands for less income inequality and action on climate change could also increase government costs. These changes will, hopefully, lessen the impact of future major disruptions.

Successful investing requires patience and a long-term horizon. Though our portfolios have a higher percentage of money market funds than usual we will await more financial clarity before adding to your investments. It is the prudent thing to do given the market volatility and economic uncertainty we are experiencing.

Forty-six years of experience and in-house research help us select established companies with excellent prospects paying substantial dividends. 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 16 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.