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Second Quarter 2021 Update and Commentary

Generating safe returns for our clients is the primary goal at Eliot Finkel Investment Counsel. Successful investing requires patience and a long-investment horizon. Our in-house research, focused on economics and company fundamentals, continues to produce superior results as it has from the time we opened in 1974. This, plus the personal service we provide, explain why our clients have been with us, on average, over 17 years.

Since the dotcom bubble broke in 2000, we have generated 8% annual returns, exceeding both the Standard & Poor's 500 Index (5%) and tech heavy NASDAQ (6%)*. Many of today's high-flying tech stocks are trading at unsustainable valuations last seen in 2000. Our patience and value-orientation avoid overheated markets. The investments in our clients' portfolios are financially strong, profitable and reasonably priced.

The U.S. is roaring out of the pandemic and resulting recession with recent annualized growth exceeding 8%. This growth has been supported by record government stimulus and COVID-19 vaccinations for all adults who want them.

Inflation, recently at 5% annually, remains a concern. Because prices tumbled at the beginning of the pandemic some temporary inflation was inevitable. Further, the unexpectedly rapid turnaround in the economy has created bottlenecks, like the shortages of semiconductors, container ships and truck drivers, which also promote price increases. The cost of labor is another factor. With 9.2 million unfilled job openings even as total employment is seven million below pre-pandemic levels the cost of labor and resulting upward pressure on the price of services will continue until the stimulus ends and children return to school so their parents can return to work.

Longer-term a number of factors mitigate against continued high inflation. These include slower growth and lower vaccination rates elsewhere in the world. Prices for lumber and copper, which surged earlier this year, have recently fallen back thus reducing the pressure on construction costs. Oil prices have also risen this year though adequate worldwide reserves should keep prices under control and prevent serious economic damage.

The stock market remains at all time highs supported by low interest rates and strong growth as the pandemic recedes. The companies we select for our clients are always financially secure and, given current economic prospects and historically low interest rates, reasonably priced.

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.