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January 31, 2011

Welcome to our January 2011 newsletter. Our clients' portfolios have continued to outperform the Standard & Poor's 500 Index over the past three, five, and ten years. We have been able to achieve these results by focusing on companies with dependable cash flow, good demographics, significant international exposure, substantial market share, dividends of 3% or more and a history of regular dividend increases.

The recovery from the longest and deepest recession since the 1930's, which began in mid-2009, remains anemic as evidenced by high unemployment (9.4%) and millions of underwater mortgages wherein the mortgage principal exceeds the property value. Fortunately, robust growth in China, India, Brazil and other developing countries has helped to balance the weakness in the United States, Europe and Japan.

Some of the near-term uncertainty has been dealt with. The election is over and a new Congress has convened; the Bush-era tax cuts have been extended for two years in conjunction with an additional stimulus package; the Federal Reserve has agreed to another \$600 billion of quantitative easing (QE2); and the United States and South Korea have agreed to a trade pact.

Unfortunately, other issues need to be addressed before healthy growth resumes. Congress and the president need a credible medium-term plan to deal with the deficit. The same applies to most of our country's state and local governments. The long-term solvency of our entitlement programs is another issue as is the education and training of our workforce to compete in the modern, global world. Businesses will remain reluctant to invest in domestic plant and equipment or hire new employees when overseas markets offer higher growth rates, cheaper labor and lower taxes.

Eliot Finkel Investment Counsel is an independent, registered investment adviser with an excellent 37 year track record of outperforming the market with less volatility. We build diversified portfolios for our clients that provide financial safety and income for the long-term. Our team conducts its own economic analysis and company research. This independence helps us avoid the conflicts and short-term focus that hobble other firms. If you have any questions or know someone who would benefit from our services, please call us. You can also visit our website at [www.efinvest.com](http://www.efinvest.com).

Sincerely,

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