

# ELIOT FINKEL INVESTMENT COUNSEL, LLC

## FOURTH QUARTER 2013 UPDATE

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We appreciate your interest in Eliot Finkel Investment Counsel and are proud 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	2012	2013
EF Invest	174%	42%	11%	29%
S&P 500	23%	21%	13%	30%

This steady, superior performance occurred in spite of the 2000 dotcom bust (the NASDAQ index has yet to fully recover) and the worst recession in our lifetime. The uncertainty caused by partisan brinkmanship in Washington has, according to recent studies, lowered industrial production by 2.5% and employment by 2.3 million since 2006. Furthermore, Washington has yet to address the major long-term problems of Social Security, Medicare, education/workforce training and infrastructure. Maybe the rest of the country will follow 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, corporate profits are rising though at a slower than normal pace. Well-managed companies are accumulating cash and should remain profitable with increasing dividends for the foreseeable future.

Stocks closed 2013 at all-time highs. Valuations, which have retreated so far this year, are supported by growing economic momentum, low interest rates and a lack of safe alternatives. The continued tapering of economic stimulus by the Federal Reserve System is verification of their belief that our economic growth is sustainable.

Short-term thinking is affecting corporate headquarters as well as government. Executive compensation derived from stock options focuses management on stock market valuations rather than long-term growth. This leads to less competitive companies and increases the employee/executive compensation gap. The United States will not achieve its economic potential until government and industry emphasize long-term results.

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 40 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 at 310-271-2521 or visit our website [www.efinvest.com](http://www.efinvest.com).

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