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Third 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, nearly twice the return of either the Standard & Poor's 500 Index or tech heavy NASDAQ. Our clients have done well because our patience and value-orientation avoided the overheated markets of 2000 and 2007.

With the pandemic our focus shifted toward short-term financial sustainability and dividend safety. It is a short-term measure to accommodate today's economic and political uncertainty. The November election lessens the political uncertainty. Defeating the COVID-19 will take longer. However, prospects are good for one or more vaccines to be available by mid-year. In the meantime, antibody therapies and immunosuppressant drugs are reducing the mortality rate.

As a result of the pandemic, business supply chains will diversify. Inventories will grow. More people will work at home reducing the demand for office space. Online shopping will reduce brick and mortar stores. Government costs for healthcare inventories, research and health insurance will grow. Combating climate change and reducing income inequalities will also raise government costs.

The fiscal stimulus this year and any further stimulus will dramatically increase the federal deficit and national debt. The 2020 deficit will be higher, as a percentage of GDP, than any since World War II. The national debt has tripled since 2006. However, the cost of servicing the debt is now less than in every year since 2006 save one. At the current rate of interest, we could service twice the national debt without increasing the interest expense. This is why economists and the Federal Reserve urge more fiscal stimulus to promote growth and minimize the long-term economic damage of the pandemic.

Successful investing requires patience and a long-term view. Though our portfolios have a higher percentage in money market funds than usual, it is prudent given the volatility and economic uncertainty we are experiencing. Increased clarity in the months ahead will help us add new positions.

Forty-six years of experience using in-house research promote our selection of 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 17 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.