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Third 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 focus on company fundamentals and economics backed by 47 years of experience and in-house research continues to produce superior results. This, plus the personal service we provide, explain why our clients have been with us, on average, over 17 years.

Since the dot com bubble burst in 2000, we have generated 7% annual returns for our clients, significantly outperforming the Standard & Poor's 500 Index (5%). An investment with us in March 2000 would now be worth 60% more than an equal investment in the S&P 500.

U.S. economic growth for 2021 is expected to reach 7%, the strongest performance since 1984. This growth is being driven by a surge in consumer spending, pandemic related savings, increased vaccination rates and more effective Covid-19 treatments. In fact, GDP has grown 4% since the onset of the pandemic even as employment declined 3%.

Unfortunately, the global supply chain depends on some countries with substantially lower vaccination rates. Lean inventories, a feature of the pre-pandemic business, were inadequate. Shortages of semiconductors and other inputs have driven prices higher. Transportation bottlenecks including container ships and harbor capacity, as well as a shortage of truck drivers, exacerbate the problem.

Whether this inflation will continue or be transitory remains a major concern. The Federal Reserve believes it will be transitory. They predict inflation of 4.2% for 2021, declining to 2.2% in 2022.

Longer-term, costs will be higher as businesses adjust inventories and supply chains to mitigate future disruptions. Inventories are already adjusting as warehouse vacancies reach record lows. On the other hand, costs have been reduced by videoconferencing, increased work from home and less business travel.

The stock market remains near all time highs supported by low interest rates and strong demand. The companies in our portfolios are financially secure and, given current economic prospects and historically low interest rates, reasonably priced. Our proven patience and value-orientation avoid overheated markets.

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.