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Fourth Quarter 2023 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 safety combined with our attention to economics, detailed company evaluations, internal research, and 50 years of experience, continue to provide superior results. This, plus the personal service we provide, explains why our clients have been with us, on average, over 19 years.

Successful investing is best measured over the long-term. Since the dot com bubble broke in 2000, we have generated 7% annual returns for our clients, outperforming both the S&P 500 (5%) and tech heavy Nasdaq (5%). An investment with us in March 2000 would now be worth 64% more than an equal investment in the S&P 500.*

The best investment managers minimize the impact of bear markets which punish long-term performance. In the latest example, the S&P 500 and Nasdaq did great in 2023, but not enough to make up for the bear market in 2022. The S&P 500 is unchanged from its value at the beginning of 2022 while the Nasdaq is down 4%. The portfolios we manage gained 5% during the prior two years, further evidence of the safety we provide.

The Federal Reserve has done a remarkable job these past two years. They raised interest rates a whopping 5.25% to combat inflation without triggering a recession or high unemployment. Inflation has retreated from 9.1% in June 2022 to 3.1% at the latest reading. Unemployment, at 3.7%, is respectably low. The Fed has indicated it would be reducing rates this year.

The U.S. economy was more resilient than expected in 2023. Economic growth is expected to hit 2.6% for 2023, driven by strength in consumer spending, manufacturing construction and increased state and local government purchases.

After several years of pandemic-induced turbulence the U.S. economy appears to be coming in for a soft landing. Inflation is moderating, interest rates remain high but are decreasing, labor market conditions are cooling, and consumer spending appears to be decelerating. The ratio of job openings to job seekers is down from 2-to-1 to 1.4-to-1 and the number of employees voluntarily quitting has dropped as the job market becomes less overheated.

The U.S. economic forecast for 2024 is for 2% growth, 2% inflation and unemployment staying at roughly 4%. The major risk facing the U.S. economy today is the chilling effect of higher interest rates on consumers, businesses, and government spending. Higher vacancy rates at urban offices combined with higher interest rates are a significant threat to commercial property investments.

The companies in our portfolios have excellent long-term prospects, strong fundamentals, and secure financials. The availability of Treasury Bills paying over 5% provides a safe, liquid place for uninvested assets. Our patience and focus on safety combined with our attention to economics and

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

company fundamentals backed by 50 years of experience and in-house research continue to provide superior results.

Thank you for your interest. For more information please call 310-271-2521 or visit our website, efinvest.com.