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Second Quarter 2024 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 economic research, detailed company evaluations and 50 years of experience, continues to provide superior results. This, plus the personal service we provide, explains why our clients have been with us for 20 years on average.

This year's stock market has been a repeat of last year's story of AI versus the rest. The six largest companies in the S&P 500 - Amazon, Apple, Facebook, Google, Microsoft and Nvidia, accounted for all the gains. The other 494 companies declined as a group. The six big gainers are richly priced and hard to justify as long-term investments.

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 (6%). An investment with us in March 2000 would now be worth 48% more than an equal investment in the S&P 500. * The best investment managers minimize the impact of bear market years like 2022 when our clients broke even while the S&P 500 dropped 19%.

Economic growth in the U.S. is slowing as inflation cools along with the job market. GDP growth for 2024 is estimated at 2.9%, down from 3.1% in 2023. Inflation is expected to be 3.2% in 2024 and 2.0% in 2025, down from 4.1% in 2023 and 9.6% in 2022. The unemployment rate at 4.1% is near equilibrium, as the 8.1 million job openings exceed job seekers by 25%.

Our economy has shown remarkable resilience since the onset of Covid 19. GDP fell only 3.4% in 2020 and has risen 28% since. Housing prices have held up even as mortgage rates rose 4%, a climb normally expected to reduce prices 30% or more. Low rates on existing mortgages, a 15% rise in wages and increased returns on savings all helped. Corporate earnings also helped; U.S. corporate earnings rose 160% in the past fifteen years compared to flat earnings for foreign companies.

Increasing government debt combined with higher interest rates should dampen economic growth going forward. Increased office vacancies and the need to refinance existing low interest commercial loans may also cause problems. Finally, the cost of absorbing tariffs on foreign goods and industrial policy (the onshoring of some industries to provide security and reduce supply chains) will drive prices higher until they are fully implemented.

Our patience and focus on safety combined with detailed attention to economics and

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

company fundamentals and backed by 50 years of experience and in-house research continue to provide superior results. The companies in our portfolios have excellent long-term prospects, strong fundamentals, and secure financials though they may not be as flashy as those closely associated with AI. The availability of Treasury Bills paying over 5% continues to provide a safe, liquid place for uninvested assets. Thank you for your interest. For more information, please call 310-271-2521 or visit our website, www.efinvest.com.