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Fourth Quarter 2024 Update and Commentary

Generating safe returns for our clients is the 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 51 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.

Since 2000, we have generated 7% annual returns for our clients, outperforming both the S&P 500 (6%) and Nasdaq (6%). An investment with us in March 2000 would be worth 39% more, after our fees, than an investment in the S&P 500. *

A discussion of investing these days frequently involves Artificial Intelligence (AI). The Magnificent Seven AI companies (Apple, Amazon, Google, Microsoft, Meta, Nvidia and Tesla) produced half of all the gains in the S&P 500 last year. The other 493 companies shared the remaining half of the gains.

According to the Census Bureau, only 5-6% of American businesses said they used AI to produce goods and services in 2024. AI boosters say the technology is already transforming the economy. History suggests otherwise. Previous transformative technologies, like computers, biotechnology, the internet and cellphones, took decades to attain widespread implementation.

This concentration of gains is reminiscent of the turn of the century. In 1999 the Nasdaq gained 86%. During the next three years it lost 39%, 21% and 32% respectively. Compounding the returns, an investment in the Nasdaq at the beginning of 1999 would have lost 40% of its value by the end of 2002. The Nasdaq remained 50% below its 2000 high until May 2007.

This is why we avoid richly priced stocks like the Magnificent Seven, which now trade at an average price-earnings ratio of 48. We would rather be safe than sorry with our investments. Investing is best measured over the long-term. Successful investors minimize the impact of bear markets year like 2000-2002.

The American economy continues to lead the world, showing extraordinary resilience over the past several years. Economic growth for 2025 is expected to be 2%, which when combined with the 4.1% unemployment rate is about optimal for the Federal Reserve's goals of healthy growth with full employment and low inflation. This should be good for investors.

Nevertheless, serious economic and financial issues need to be addressed. These include unsustainable budget deficits, the resulting growth in government debt, the large number

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

of office vacancies, conflicts abroad and the economic impact of possible tariff increases.

The companies in our portfolios, which we monitor closely, have excellent long-term prospects and strong financials. Our patience and focus on safety combined with detailed attention to economics and company fundamentals, backed by 51 years of experience and in-house research, continue to provide superior results. The availability of Treasury Bills paying 4.3% continues to provide a safe, liquid place for uninvested assets. For more information, please call 310-271-2521 or visit our website, www.efinvest.com. Thank you for your interest.