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Second Quarter 2025 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 21 years on average.

Since 2000, we have generated 7% annual returns for our clients, outperforming both the S&P 500 (6%) and Nasdaq (7%). An investment with us in March 2000 would be worth 36% more, net of our fees, than an investment in the S&P 500. Successful investors minimize the impact of down markets, as we continue to do. Investing should be a long-term endeavor with a focus on safety.

We currently face a dichotomy which makes long-term investing more challenging. Specifically, the economy is healthy and the stock market strong, but there are ominous clouds on the horizon.

On the positive side, the American economy has shown extraordinary resilience over the past fifteen years. GDP is expected to grow about 2% this year and next which, combined with 4.1% unemployment and 2.3% inflation, is good news. The “Big, Beautiful Tax Bill” just enacted by Congress will put more money in the hands of companies and wealthy investors, which should benefit the stock market.

Further, U.S. companies and the entrepreneurs that run them have a well-earned reputation for ingenuity, flexibility and resilience. American businesses, including those you own, are agile, profitable and used to heavy competition.

On the negative side, the uncertainty created by frequent back and forth headlines from the White House discourages investment, a necessary ingredient for good growth.

Proposed tariffs could raise prices and reduce efficiency causing economic distortions which hurt economic growth. Trump’s tariffs, based on flawed economics, glorifies the high-tariff era of the late 19th century, while ignoring the Smoot-Hawley tariffs of 1930 which deepened the Great Depression and led to the rise of Adolf Hitler.

The new tax and spending bill will probably increase the national debt by more than \$3 trillion. This is not prudent financial governance. Financing the debt will be more expensive than Medicare or defense and second only to Social Security.

Finally, there is the immigration issue. As our population ages and birthrates continue to fall, economic growth and Social Security expenses will become harder to sustain. We

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

need capable, motivated immigrants for our future wellbeing.

The companies in our portfolios, which we monitor closely, have strong financials and excellent long-term prospects. 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 yielding over 4% 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.