



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 18 Issue 8

[2-for-1.com](http://2-for-1.com)

August 16, 2013

## JULY SPLITS – OUR BUY

### West Pharmaceutical Services

There were three 2 for 1 splits announced in July; Wolverine Worldwide (WWW), Cabot Oil & Gas (COG), and Cognex Corporation (CGNX). I added West Pharmaceutical Services (WST) to the list for consideration this month after it announced a split on August 1. I took this step because, simply based on a quick look at the company's numbers, I felt it might be a better candidate than the three July splits. Indeed, when all four were run through a more rigorous comparison, WST scored far better than the rest of the group. I will be buying WST early next week.

West Pharmaceutical Services, a 90-year-old company based in Pennsylvania, is a manufacturer of components and systems for the packaging and delivery of injectable drugs. PE and price-to-book ratios are higher than market averages but lower than industry and sector averages. WST was the only company of the four with a Beta below 1.00, meaning the stock is less volatile than the market, and it pays the highest dividend of the group. Growth and profitability are not spectacular but indicate a solid, stable business; the type of company that has done very well by the 2 for 1 portfolio over the years.

Wolverine (WWW) and Cognex (CGNX) tied for second place in the rankings, but scored far lower than WST. Wolverine is a footwear and apparel retailer. Cognex designs and manufactures sensors used in automatic manufacturing and finishing processes. They are totally dissimilar businesses but very similar in size, fundamentals, dividend payout, etc. Neither excites much interest, but if they were the only candidates, CGNX would get my vote.

Cabot Oil & Gas (COG) compares poorly with many of its peers in the oil and gas business, particularly regarding its valuation numbers and its dividend payout, but growth and profit metrics are far better. Taken together, the numbers still disqualify COG for the 2 for 1 portfolio and we already own several better energy companies.

## PORTFOLIO ITEMS

### Seventeen and Counting

This issue marks the start of the 18<sup>th</sup> full year of publication of the 2 for 1 newsletter. The "Volume 18 Issue 8" in the masthead is a bit confusing and reflects the fact that Volume 1 included only the five issues published in 1996. Volume 1, Issue 1 can be found on the 2 for 1 website. On July 31, 1996, \$50,000 from my IRA account was used to fund a new rollover IRA account with E\*Trade. This account has been maintained ever since, with no other money added or withdrawn, and serves as the model for our 2 for 1 portfolio. I'm proud to say that 2 for 1 is one of the very few investment advisories that "eats its own cooking", regularly publishing the statement of an actual brokerage account funded with real money.

Over the years, the portfolio has seen us through the booms and busts of the tech bubble of the late 90's and the housing and financial bubble of the last decade. Through it all, the investment strategy and portfolio management procedures laid out in the first issue of 2 for 1 have been followed. Our strategy was specifically designed to exploit the anomaly in the "efficient market theory" exhibited by stocks of companies for up to three years following a 2 for 1 split announcement. After seventeen years I submit it's safe to say the split anomaly actually does exist and that 2 for 1 has found a way to profit from it.

Plans for the next seventeen years, not surprisingly, do not include any radical changes in our principles or methodology.

## THIS MONTH'S SELL

### Patriot Transportation

For almost the entire time we have owned it, our Patriot (PATR) position has been in the red. Then, just this June, we went into the black and our sale on 8/14 netted a +5.4% overall return. I was nervous when PATR was recommended back in 1/2011 because it is so thinly traded, and for two-plus years, I kept thinking this buy was a big mistake. With a positive, but still below market return, PATR turned out to be only a small mistake.

## 2 for 1 MODEL PORTFOLIO – JULY STATEMENT

		# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 7/31/13	BASIS	START MONTH	END MONTH	% OF PORT
CASH							3265.49	4270.86	1.47%
PATR	PATRIOT TRANSPORTATION	305	01/19/11	31.280	34.450	9007.45	9162.20	10507.25	3.61%
WEC	WISCONSIN ENERGY	250	02/22/11	29.185	43.480	7306.24	10247.50	10870.00	3.73%
EEP	ENBRIDGE ENERGY PARTNERS	224	03/28/11	32.219	31.620	7217.10	6829.76	7082.88	2.43%
USTR	UNITED STATIONERS	200	04/18/11	35.350	41.390	7079.99	6710.00	8278.00	2.84%
CWT	CALIFORNIA WATER SERVICE GRP	400	05/16/11	18.350	21.800	7349.99	7804.00	8720.00	3.00%
CHD	CHURCH & DWIGHT	175	06/20/11	39.900	63.700	6992.49	10799.25	11147.50	3.83%
OKS	ONEOK PARTNERS LP	165	07/18/11	43.850	50.900	7245.24	8170.80	8398.50	2.88%
OZRK	BANK OF THE OZARKS	280	08/16/11	22.786	47.780	6379.99	12132.40	13378.40	4.60%
CLW	CLEARWATER PAPER	175	09/19/11	37.000	48.920	6484.99	8235.50	8561.00	2.94%
BLL	BALL CORP.	200	11/21/11	33.400	44.790	6689.99	8308.00	8958.00	3.08%
ROST	ROSS STORES	150	12/19/11	46.520	67.490	6987.99	9721.50	10123.50	3.48%
TJX	TJX INC	220	01/17/12	32.620	52.040	7186.39	11013.20	11448.80	3.93%
MNST	MONSTER BEVERAGES	105	02/21/12	53.200	60.990	5593.49	6387.15	6403.95	2.20%
DGAS	DELTA NATURAL GAS	400	03/21/12	18.955	22.770	7581.93	8500.00	9108.00	3.13%
CPRT	COPART INC	300	04/16/12	25.780	32.510	7733.98	9240.00	9753.00	3.35%
KO	COCA-COLA	200	05/21/12	37.174	40.080	7434.84	8022.00	8016.00	2.75%
CME	CME GROUP	140	06/21/12	54.923	74.062	7689.27	10633.00	10368.68	3.56%
AZZ	AZZ INC	250	07/16/12	32.320	37.830	8079.99	9640.00	9457.50	3.25%
TROX	TRONOX LTD.	310	08/20/12	25.612	21.710	7939.79	6246.50	6730.10	2.31%
PAA	PLAINS ALL AMERICAN PIPELINES	180	09/17/12	44.881	53.240	8078.49	10045.80	9583.20	3.29%
MMP	MAGELLAN MIDSTREAM PARTNERS	180	10/16/12	44.406	54.680	7992.99	9810.00	9842.40	3.38%
SCL	STEPAN CO	160	11/19/12	47.062	59.860	7529.99	8897.60	9577.60	3.29%
HEP	HOLLY ENERGY PARTNERS	240	12/17/12	31.852	38.040	7644.39	9129.60	9129.60	3.14%
PRA	PROASSURANCE	194	01/25/13	44.601	53.530	8652.68	10119.04	10384.82	3.57%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	59.870	8931.59	9166.40	9579.20	3.29%
AOS	A. O. SMITH	260	11/15/10	19.147	41.320	4978.20	9432.80	10743.20	3.69%
TU	TELUS	260	04/22/13	35.348	30.610	9190.59	7589.40	7958.60	2.73%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	27.320	9315.99	11426.80	12020.80	4.13%
AWR	AMERICAN STATES WATER	170	06/17/13	54.109	64.220	9198.49	9123.90	10917.40	3.75%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	48.880	9624.49	9624.49	9824.88	3.37%
TOTAL CASH AND EQUITIES						229119.04		291143.62	100.00%

## ACCOUNT VALUE SUMMARY - 7/31/13

Description	Amount
Last Month's Closing Equity	275994.71
Change in Stock Value	+14844.48
Interest & Dividends	304.43
This Month's Closing Equity	291143.62

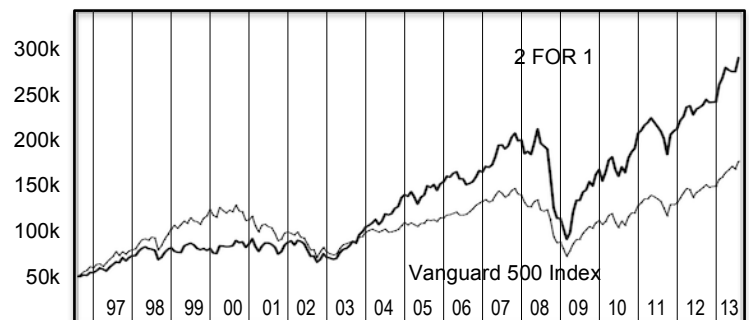
## ANNUALIZED RETURN 7/31/96 – 7/31/13

2 for 1: **+10.92%** Vanguard 500 Fund: **+7.72%**  
(all costs and dividends included for both)

## THE FINE PRINT

The above list represents all of the securities recommended, bought and which are now present in the 2 for 1 portfolio. The 30 stocks on this list constitute the entire 2 for 1 portfolio. The graph of the performance of the 2 for 1 portfolio to the right was adjusted to equal the Vanguard 500 Index Fund at the end of July, 1996, adjusted for and including dividends. The Vanguard 500 Index Fund tracks the S&P 500, an index tracking the 500 largest U.S. companies. 2 for 1 tracks an actual portfolio of only 30 companies, large and small. 2 for 1 may be more or less volatile than the S&P 500. The 2 for 1 portfolio was started in July, 1996 with \$50,000. The \$229,119 basis above reflects the \$179,119 in capital gains, dividends, and interest accrued since the portfolio's inception. It shall not be assumed that recommendations made in this issue of 2 for 1, or in any future issues, will be profitable or will equal the performance of the securities on this list.

## PORTFOLIO PERFORMANCE



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