



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

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NOVEMBER SPLITS – OUR BUY

RLI Corporation

November's split announcements climbed up to a total of five, a nice change from the last five months. I haven't printed out a ranking, such as the one at the bottom of this column, since last June. RLI Corp. (RLI), a company I had never heard of, came out on top, and I'm pleased to make its acquaintance.

RLI is an insurance company based in Peoria, Illinois, underwriting property, casualty, and surety policies for businesses and individuals across the country. It has an A+ rating from A.M. Best Company, a distinction held by fewer than 10 percent of all property and casualty insurance companies in the country. Along with the 2 for 1 split announcement on 11/14, RLI also declared a \$3/share special dividend on top of its regular dividend, something that seems to happen every year. So the regular, plus the special, brings the annual dividend yield to about 4.5%. RLI's profit and returns compare very well to its peers and the stock is one-third less volatile than the market. RLI should be a less than spectacular but steady contributor to the 2 for 1 portfolio.

Papa John's Pizza (PZZA) came in #2 in the rankings but had a significantly lower score, primarily due to its relatively high valuation numbers. However, PZZA is more of a growth story than RLI and it could be argued the PE and price-to-book numbers are justified.

Borg Warner (BWA) is a company that has already made an appearance in the 2 for 1 portfolio, back in 2004-06. It returned 14.8% annualized then and would be categorized as one of those solid, old-line manufacturers I like so much. However, its numbers aren't quite as good this time around, especially regarding volatility.

Symbol	Company	Split Date	Rank
RLI	RLI Corp.	01/15/14	1
PZZA	Papa John's International	12/27/13	2
BWA	Borg Warner Inc.	12/16/13	3
FISV	Fiserv, Inc.	12/16/13	4
MDSO	Medidata Solutions	12/16/13	4

PORTFOLIO ITEMS

Predictions for 2014

It's always fun to go back and look at predictions regarding market performance a year or more after the predictions were made. For 2013, we have Kiplinger predicting the S&P 500 up by 7%. Goldman Sachs was looking for the S&P 500 to gain about 10%. Toward the end of 2012 Michael Belkin, who advises hedge funds for a living (probably a very good one, I suspect) predicted the market would drop by 40% over the coming 12 to 15 months. So neither the bulls nor the bears were correct. I think everyone who dares to make this type of prognostication counts on the fact that few ever remember the predictions a year later, and no one is going to call them out for their mistakes.

So, to make everyone look foolish, the S&P 500 has so far gained north of 25% for the year 2013. The 2 for 1 portfolio is up over 30% for the year-to-date, as we go to press. The point to be made here is simple. Don't waste your time or lose any sleep over all the noise out there coming from the "experts". Their crystal balls are no clearer than yours or mine. I make no predictions regarding where the market will be at the end of 2014. However, I do believe the 2 for 1 portfolio has a better than even chance of outperforming the market, whatever that result may be, as it has for twelve of the last seventeen years.

I won't predict, but there's no harm in wishing for a very prosperous and peaceful 2014 for all my readers. Have a safe and joyful holiday season.

THIS MONTH'S SELL

California Water Service

The market stubbornly refused to cooperate with my sell order for CWT, causing me to lower my limit several times before finally settling for \$21.50 just this Wednesday. Thus, we missed the high of just over \$23 at the end of November, along with the satisfaction of beating the market with this position. Our overall return for CWT added up to 25.5%, or 9.2% annualized, all costs and dividends included. The Vanguard 500 Index Fund rose 28.3% over the same period.

2 for 1 MODEL PORTFOLIO – NOVEMBER STATEMENT

		# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 11/30/13	BASIS	START MONTH 3438.05	END MONTH 2295.20	% OF PORT 0.72%
CASH									
CWT	CALIFORNIA WATER SERVICE GRP	400	05/16/11	18.350	22.860	7349.99	8720.00	9144.00	2.88%
CHD	CHURCH & DWIGHT	175	06/20/11	39.900	65.250	6992.49	11401.25	11418.75	3.59%
OKS	ONEOK PARTNERS LP	165	07/18/11	43.850	53.560	7245.24	8872.05	8837.40	2.78%
OZRK	BANK OF THE OZARKS	280	08/16/11	22.786	56.150	6379.99	13854.40	15722.00	4.94%
CLW	CLEARWATER PAPER	175	09/19/11	37.000	52.950	6484.99	9138.50	9266.25	2.91%
BLL	BALL CORP.	200	11/21/11	33.400	49.980	6689.99	9778.00	9996.00	3.14%
ROST	ROSS STORES	150	12/19/11	46.520	76.460	6987.99	11602.50	11469.00	3.61%
TJX	TJX INC	220	01/17/12	32.620	62.880	7186.39	13373.80	13833.60	4.35%
MNST	MONSTER BEVERAGES	105	02/21/12	53.200	59.180	5593.49	6009.15	6213.90	1.95%
DGAS	DELTA NATURAL GAS	400	03/21/12	18.955	22.230	7581.93	8928.00	8892.00	2.80%
CPRT	COPART INC	300	04/16/12	25.780	34.430	7733.98	9669.00	10329.00	3.25%
KO	COCA-COLA	200	05/21/12	37.174	40.190	7434.84	7914.00	8038.00	2.53%
CME	CME GROUP	140	06/21/12	54.923	81.950	7689.27	10389.40	11473.00	3.61%
AZZ	AZZ INC	250	07/16/12	32.320	48.880	8079.99	11225.00	12220.00	3.84%
TROX	TRONOX LTD.	310	08/20/12	25.612	21.250	7939.79	7157.90	6587.50	2.07%
PAA	PLAINS ALL AMERICAN PIPELINES	180	09/17/12	44.881	51.570	8078.49	9219.60	9282.60	2.92%
MMP	MAGELLAN MIDSTREAM PARTNERS	180	10/16/12	44.406	62.140	7992.99	10807.20	11185.20	3.52%
SCL	STEPAN CO	160	11/19/12	47.062	63.460	7529.99	9419.20	10153.60	3.19%
HEP	HOLLY ENERGY PARTNERS	240	12/17/12	31.852	31.450	7644.39	7641.60	7548.00	2.37%
PRA	PROASSURANCE	194	01/25/13	44.601	48.080	8652.68	8792.08	9327.52	2.93%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	65.810	8931.59	10356.80	10529.60	3.31%
AOS	A. O. SMITH	260	11/15/10	19.147	54.150	4978.20	13429.00	14079.00	4.43%
TU	TELUS	260	04/22/13	35.348	35.390	9190.59	9115.60	9201.40	2.89%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	36.160	9315.99	14907.20	15910.40	5.00%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	29.180	9198.49	9683.20	9921.20	3.12%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	55.390	9624.49	10825.86	11133.39	3.50%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	49.920	9507.49	12087.50	12480.00	3.93%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	73.210	9797.49	10702.50	10981.50	3.45%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	59.550	9762.89	9555.70	10123.50	3.18%
CNI	CANADIAN NATIONAL RAILWAY	92	11/18/13	112.604	112.500	10359.53	10359.53	10350.00	3.26%
TOTAL CASH AND EQUITIES						237935.66		317942.51	100.00%

ACCOUNT VALUE SUMMARY - 11/30/13

Description	Amount
Last Month's Closing Equity	306896.04
Change in Stock Value	+10425.65
Interest & Dividends	620.82
This Month's Closing Equity	317942.51

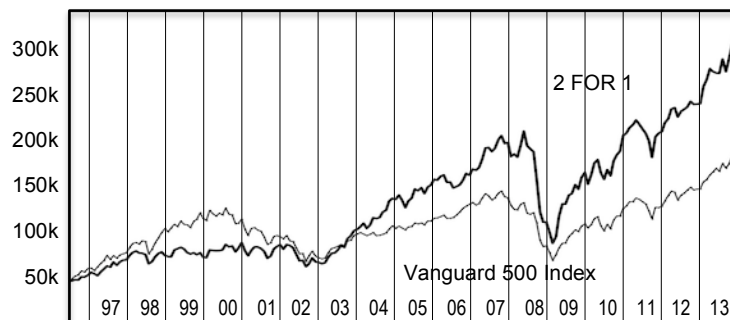
ANNUALIZED RETURN 7/31/96 – 11/30/13

2 for 1: + **11.26%** Vanguard 500 Fund: +8.04%
(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 \$237,936 basis above reflects the \$187,936 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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