



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

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2-for-1.com

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PORTFOLIO ITEMS

Investment Club Malaise

I have never been a member of an investment club but I have been invited to speak before several investment club meetings over the years. I was always impressed by the serious nature of the deliberations as members discussed their stock picks. With this in mind, I was troubled by an article in the February 4th Wall Street Journal concerning the fading of the investment club phenomenon. As the Journal put it: "Stocks aren't fun any more; they are scary. When stocks fall, ordinary investors feel pain. And when stocks rise, investors fear they will fall." This psychology has precipitated a mass exodus of retail investors from the market and from their investment clubs. Nationally, investment club membership has fallen from 400,000 in 1998 to just 39,000 in 2012.

In the bull market of the 90's retail investors piled into stocks and investment clubs grew in size and number. This time around, with the market now hitting all-time highs, the retail investor is still on the sidelines and investment clubs are withering away. Over half of all market activity is now attributed to hedge funds and high-frequency, computer driven trading. The sad thing about all this is that the stock market still provides a proven route to long-term wealth accumulation for even the "retail investor". It is true the volatility experienced by the market over the last decade is not for the faint-of-heart but, as the 2 for 1 portfolio has proven, it is still possible to do quite well by sticking with the stock market over the long haul. Apparently, the collective experience/success of the investment clubs has not been sufficient to convince the majority of club members of the truth in this.

The highlights for January include another all-time closing high after a 7.8% spurt for the month. Of course this monthly rate of return is not sustainable over any long length of time, but it's a nice way to start the year.

JANUARY SPLITS – OUR BUY

No Purchase This Month

Unfortunately, there was only one split announcement in January and I found myself just a little too far out of my comfort zone to recommend this company. It was Companhia de Saneamento Basico do Estado de Sao Paulo (SBS), trading its ADR's on the NYSE. This is a Brazilian sewer and water utility (the largest in the world) that does offer some interesting statistics. However, it is not covered by all the data providers I use to evaluate a company, and some of the data that is available is not consistent. The information that does seem reliable confirms SBS is more volatile than the overall market and is majority owned by the state of Sao Paulo. Together, these facts, or lack of, do not inspire confidence and I'm going to take a pass on Companhia de Saneamento Basico.

There have been occasions in the past when I chose to bypass the latest month's splits, but usually I was able to find a split from a previous month or two that made a good choice for the portfolio. Danaher (see below) was just such a case back in July 2010. I did check back to all the splits over the last few months and, this time, I found no companies offering a compelling case for a recommendation.

The market and the portfolio are both at all-time highs so maybe it's a good time to take a breather. The portfolio will not suffer by delaying the sale of Tractor Supply for a month or by skipping this month's buy.

THIS MONTH'S SELL

Danaher Corp

I'm happy with the performance of Danaher (DHR). This is a mini-conglomerate making and selling a wide variety of products, but the common denominator is that DHR sells stuff that people need. It is not reliant on one hot product or the whims of a fashion trend. With an improving economy, DHR has done well. This paid off with a 21.0% annualized return for the 2 for 1 portfolio since our purchase in July, 2010. The Vanguard 500 Index Fund reported a 16.9% annualized return over the same period.

2 for 1 MODEL PORTFOLIO – JANUARY STATEMENT

	# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 1/31/13	BASIS	START MONTH 3676.77	END MONTH 1238.52	% OF PORT 0.47%
CASH								
DHR	150	07/19/10	37.150	59.930	5582.49	8385.00	8989.50	3.44%
TSCO	120	08/16/10	34.150	103.670	4105.49	10603.20	12440.40	4.75%
RMD	175	09/20/10	33.070	43.800	5797.24	7274.75	7665.00	2.93%
ASA	230	10/18/10	31.645	21.040	7278.38	4951.90	4839.20	1.85%
AOS	165	11/15/10	38.294	69.280	6318.49	10406.55	11431.20	4.37%
HRL	264	12/20/10	25.934	34.610	6846.59	8239.44	9137.04	3.49%
PATR	305	01/19/11	31.280	25.770	9007.45	8671.15	7859.85	3.00%
WEC	250	02/22/11	29.185	39.430	7306.24	9212.50	9857.50	3.77%
EEP	224	03/28/11	32.219	29.980	7217.10	6249.60	6715.52	2.57%
USTR	200	04/18/11	35.350	33.340	7079.99	6198.00	6668.00	2.55%
CWT	400	05/16/11	18.350	19.500	7349.99	7340.00	7800.00	2.98%
CHD	175	06/20/11	39.900	57.790	6992.49	9374.75	10113.25	3.87%
OKS	165	07/18/11	43.850	59.600	7245.24	8908.35	9834.00	3.76%
OZRK	280	08/16/11	22.786	36.320	6379.99	9371.60	10169.60	3.89%
CLW	175	09/19/11	37.000	45.310	6484.99	6853.00	7929.25	3.03%
BLL	200	11/21/11	33.400	44.520	6689.99	8950.00	8904.00	3.40%
ROST	150	12/19/11	46.520	59.700	6987.99	8113.50	8955.00	3.42%
TJX	220	01/17/12	32.620	45.180	7186.39	9339.00	9939.60	3.80%
MNST	105	02/21/12	53.200	47.900	5593.49	5548.20	5029.50	1.92%
DGAS	400	03/21/12	18.955	19.700	7581.93	7820.00	7880.00	3.01%
CPRT	300	04/16/12	25.780	35.910	7733.98	8850.00	10773.00	4.12%
KO	200	05/21/12	37.174	37.240	7434.84	7250.00	7448.00	2.85%
CME	140	06/21/12	54.923	57.840	7689.27	7093.80	8097.60	3.10%
AZZ	250	07/16/12	32.320	42.790	8079.99	9607.50	10697.50	4.09%
TROX	310	08/20/12	25.612	18.950	7939.79	5657.50	5874.50	2.25%
PAA	180	09/17/12	44.881	52.700	8078.49	8143.20	9486.00	3.63%
MMP	180	10/16/12	44.406	50.610	7992.99	7774.20	9109.80	3.48%
SCL	160	11/19/12	47.062	58.660	7529.99	8886.40	9385.60	3.59%
HEP	240	12/17/12	31.852	35.950	7644.39	7893.60	8628.00	3.30%
PRA	194	01/25/13	44.601	45.040	8652.68	8652.68	8737.76	3.34%
TOTAL CASH AND EQUITIES					213808.37		261633.69	100.00%

ACCOUNT VALUE SUMMARY - 1/31/13

Description	Amount
Last Month's Closing Equity	242706.46
Change in Stock Value	18857.17
Interest & Dividends	70.06
This Month's Closing Equity	261633.69

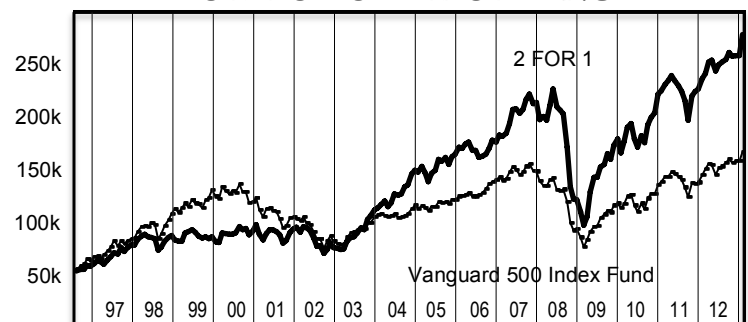
ANNUALIZED RETURN 7/31/96 – 1/31/13

2 for 1: +10.55% Vanguard 500 Fund: +7.13%
(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 \$213,808 basis above reflects the \$163,808 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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