



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 19 Issue 2

2-for-1.com

February 14, 2014

## JANUARY SPLITS – OUR BUY

### ITC Holdings Corp.

Two splits announced in February, ITC and CTSH, were included with the January list for this month's analysis, primarily because the January list did not seem that promising. That suspicion was not entirely borne out, with OTEX scoring higher than CTSH, but ITC was clearly the most satisfactory of the group and will be added to the portfolio next week.

ITC Holdings (ITC) is in the electricity transmission business in Michigan and portions of six other mid-western states. ITC is not itself a regulated utility, but most of its business is conducted by several regulated operating subsidiaries. ITC has 5-year average sales and earnings growth rates in the low double digits, pays a nice 1.69% dividend, and trades with very low stock price volatility. Its net profit and the overall return to investors have both averaged above 20% for the last five years. Slow but steady is the motto here.

Open Text Corp. (OTEX) is a Canadian software company trading on the NASDAQ. OTEX also has a decent dividend and is less volatile than the market, but its growth has been more uneven than ITC's and it is a little pricey.

Cognizant Technology Solutions (CTSH) is one of those companies that makes me nervous because I can't describe to you what exactly it does. Fortunately, I don't have to because its fundamental numbers and relatively high volatility give it a significantly lower ranking score than our first two stocks.

See the next column for a few thoughts on Google. As for Live Deal, its #5 ranking means I deem it ineligible for consideration because it is too small, too unprofitable, and just doesn't make enough information available for a good analysis.

Symbol	Company	Split Date	Rank
ITC	ITC Holdings Corp.	2/28/14	1
OTEX	Open Text Corp	2/18/14	2
CTSH	Cognizant Technology Sol.	3/7/14	3
GOOG	Google	4/2/14	5
LIVE	LiveDeal Inc	2/11/14	5

## PORTFOLIO ITEMS

### A Minor Tweak

As announced in January, the 2 for 1 portfolio is now being used to create an index that is being calculated and published by the New York Stock Exchange. One facet of our portfolio management procedures will be changed slightly to ensure the 2 for 1 portfolio and 2 for 1 index methodologies are compatible. Since its inception, I have sold off the oldest position in the portfolio in the early part of the month prior to publication of the newsletter. As seen below, I have used that procedure for the sale of OKS. Starting in March, the monthly sale will occur only after the newsletter is published. In this way, the "add" and "delete" announcements will occur simultaneously and will be the same for the index and the newsletter. You should, of course, continue to manage your own portfolio as you see fit and, for most, I can see no need for any change in your procedures.

I included Google on the list of splits in the column to the left because it finally announced a date for its split (April 2), even though the split itself had been announced back in April 2012. This split is not typical and, in my opinion, is deserving of criticism. The new shares will trade under a different ticker symbol and will not have voting rights. This maneuver solidifies the founders' control over the company and violates the most basic principles of good corporate governance. I want to own stock in companies I admire and, at this point, Google does not quite measure up.

### Oneok Partners LP

Owning a high dividend paying stock in the 2 for 1 portfolio presents an accounting challenge. I have always put the dividends straight into the cash account, thus not recognizing them as part of that position's overall return until the position is finally sold. In the case of Oneok Partners (OKS), returns look only mediocre until dividends are considered. When sold on 2/3/14, our gain on OKS's stock price came in at 18.9%. With dividends, that overall return jumps to 35.7%, a much more respectable showing. Vanguard's 500 Index Fund gained 40.48% over the same period.

## 2 for 1 MODEL PORTFOLIO – JANUARY STATEMENT

		# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 1/31/14	BASIS	START MONTH 1252.25	END MONTH 2859.43	% OF PORT 0.93%
CASH									
OKS	ONEOK PARTNERS LP	165	07/18/11	43.850	51.830	7245.24	8687.25	8551.95	2.78%
OZRK	BANK OF THE OZARKS	280	08/16/11	22.786	63.400	6379.99	15845.20	17752.00	5.77%
CLW	CLEARWATER PAPER	175	09/19/11	37.000	56.950	6484.99	9187.50	9966.25	3.24%
BLL	BALL CORP.	200	11/21/11	33.400	51.190	6689.99	10332.00	10238.00	3.32%
ROST	ROSS STORES	150	12/19/11	46.520	67.910	6987.99	11239.50	10186.50	3.31%
TJX	TJX INC	220	01/17/12	32.620	57.360	7186.39	14020.60	12619.20	4.10%
MNST	MONSTER BEVERAGES	105	02/21/12	53.200	67.900	5593.49	7115.85	7129.50	2.32%
DGAS	DELTA NATURAL GAS	400	03/21/12	18.955	20.820	7581.93	8952.00	8328.00	2.70%
CPRT	COPART INC	300	04/16/12	25.780	34.280	7733.98	10995.00	10284.00	3.34%
KO	COCA-COLA	200	05/21/12	37.174	37.820	7434.84	8262.00	7564.00	2.46%
CME	CME GROUP	140	06/21/12	54.923	74.760	7689.27	10984.40	10466.40	3.40%
AZZ	AZZ INC	250	07/16/12	32.320	41.810	8079.99	12215.00	10452.50	3.39%
TROX	TRONOX LTD.	310	08/20/12	25.612	21.960	7939.79	7151.70	6807.60	2.21%
PAA	PLAINS ALL AMERICAN PIPELINES	180	09/17/12	44.881	50.490	8078.49	9318.60	9088.20	2.95%
MMP	MAGELLAN MIDSTREAM PARTNERS	180	10/16/12	44.406	66.460	7992.99	11388.60	11962.80	3.89%
SCL	STEPAN CO	160	11/19/12	47.062	63.390	7529.99	10500.80	10142.40	3.29%
HEP	HOLLY ENERGY PARTNERS	240	12/17/12	31.852	32.360	7644.39	7759.20	7766.40	2.52%
PRA	PROASSURANCE	194	01/25/13	44.601	46.460	8652.68	9405.12	9013.24	2.93%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	61.230	8931.59	10433.60	9796.80	3.18%
AOS	A. O. SMITH	260	11/15/10	19.147	47.220	4978.20	14024.40	12277.20	3.99%
TU	TELUS	260	04/22/13	35.348	34.890	9190.59	8954.40	9071.40	2.95%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	30.840	9315.99	16434.00	13569.60	4.41%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	28.400	9198.49	9768.20	9656.00	3.14%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	52.010	9624.49	11603.73	10454.01	3.40%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	47.450	9507.49	12265.00	11862.50	3.85%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	66.510	9797.49	11637.00	9976.50	3.24%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	64.930	9762.89	10772.90	11038.10	3.58%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	53.500	10359.53	10491.68	9844.00	3.20%
RLI	RLI CORP.	220	12/16/13	46.470	41.660	10223.49	10711.80	9165.20	2.98%
TD	TORONTO-DOMINION BANK	116	01/21/14	90.300	86.450	10484.79	10484.79	10028.20	3.26%
TOTAL CASH AND EQUITIES						244301.46		307917.88	100.00%

## ACCOUNT VALUE SUMMARY - 1/31/14

Description	Amount
Last Month's Closing Equity	323308.28
Change in Stock Value	-15986.32
Interest & Dividends	595.92
This Month's Closing Equity	307917.88

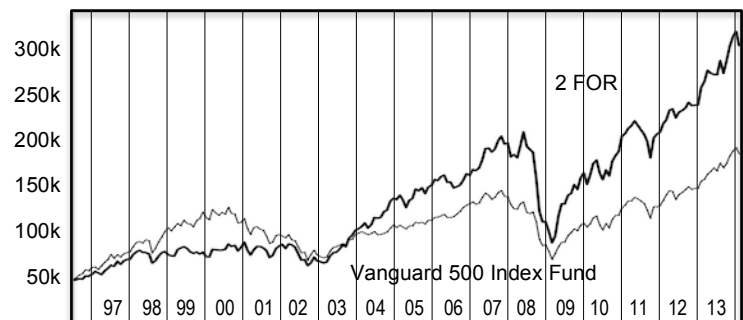
## ANNUALIZED RETURN 7/31/96 – 1/31/14

2 for 1: + **10.94%** Vanguard 500 Fund: +7.90%  
(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 \$244,301 basis above reflects the \$194,301 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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