



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

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2-for-1.com

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JANUARY SPLITS – OUR BUY

Nike, Inc.

Once again we are faced with the complete absence of new split announcements from which to select a candidate for our monthly addition to the 2 for 1 Index. Instead of skipping the monthly addition to the portfolio, as we did in October, I revisited several companies that have been considered in recent months and chose Nike (NKE) for one important reason – it has dropped in price by about 13% since it first appeared on our split list last November. Several of the metrics used to evaluate our candidates have adjusted significantly as a result of the market decline and, in the case of NKE, the stock is far more attractive now than it was over the last few months.

Nike makes shoes. Everybody knows that, and long-time readers may also know of my aversion to fad apparel and “fashion” companies. Nike is not a fad company. This is a huge business with a market cap around \$100B. Nike is one of the world’s best-known brands, selling shoes, apparel, and equipment for every sport imaginable, along with more generic outdoor clothing and gear. NKE has grown earnings at over 14% per year for the last five years, has a very strong balance sheet, pays a respectable dividend, and is quite a bit less volatile than the market. All of this was true last month and the month before, but the stock was just too expensive to earn a good score in the rankings. This is no longer true and Nike Inc. will be added to the portfolio early next week.

Regarding the other splits reviewed over the last few months, both The Ensign Group (ENSG) and Edwards Life Sciences (EW) are still contenders. Both are in the health care sector and both have also come down in price since their split announcement. Health Care is a sector already adequately represented in the 2 for 1 Index, but if that is not true for your portfolio, ENSG would be the one to go for, based on valuation metrics and lack of dividend for EW.

PORTFOLIO ITEMS

Irrational Depression

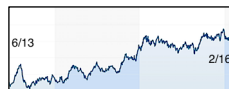
Alan Greenspan’s famous phrase “irrational exuberance”, uttered in a speech prior to the dot-com crash, has been used to describe the more giddy phases of market behavior ever since. It’s my belief the market is now exhibiting an obvious case of irrational depression. James Surowiecki, in his 2/8/16 financial column in the New Yorker magazine, notes the recent correlation by pundits between the stock market and the falling price of oil. His conclusion – there is no basis for the correlation and, it can be argued, except for the oil companies, there should actually be a reverse correlation because most sectors of the economy, and society in general, benefit from lower oil prices. So why are the Wall Street masterminds selling? Maybe they aren’t thinking, they’re just scared and depressed and oil prices are an easy scapegoat. Maybe this is the irrational behavior of a stampeding herd. The good news is that the stampede will eventually end, either because the herd goes over a cliff, or it just gets tired.

Instead of getting caught up in this depression, you are better off ignoring the market and looking at the individual companies in your portfolio and deciding if you really want to own them. In the case of the 2 for 1 portfolio, all 30 companies are still making money and, for the most part, continue to exhibit the stock split advantage. 2 for 1 was down in January, by 2.4%, but that was less than half the decline of the markets’ $\pm 5.5\%$ plunge. Have patience, don’t be scared, and don’t get depressed.

THIS MONTH’S SELL

American States Water

Some say water has overtaken oil as the most important commodity on the planet. For this, or whatever reason, water stocks are doing well (certainly better than oil companies) and, in our case, American States Water (AWR) has rewarded 2 for 1 with an overall return of about 79%, or 24.5% annualized. The annualized return for the Vanguard 500 Index Fund has been 7.5% over the same period.



2 for 1 MODEL PORTFOLIO – JANUARY STATEMENT

		# SH	BOUGHT	COST PER SHARE	QUOTE ON 1/29/16	BASIS	START MONTH \$3,211.21	END MONTH \$4,901.83	% OF PORT 1.40%
CASH									
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	45.400	9,198.49	14,263.00	15,436.00	4.41%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	34.660	9,624.49	7,400.82	6,966.66	1.99%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	57.220	9,507.49	15,055.00	14,305.00	4.08%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	88.310	9,797.49	12,825.00	13,246.50	3.78%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	67.120	9,762.89	11,850.70	11,410.40	3.26%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	53.490	10,359.53	10,281.92	9,842.16	2.81%
RLI	RLI CORP.	220	12/16/13	46.470	59.300	10,223.49	13,585.00	13,046.00	3.72%
TD	TORONTO-DOMINION BANK	300	01/21/14	43.848	37.840	13,154.25	11,751.00	11,352.00	3.24%
ITC	ITC HOLDINGS	300	02/18/14	34.607	39.900	10,381.99	11,775.00	11,970.00	3.42%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	25.450	10,693.74	9,485.00	8,907.50	2.54%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	36.590	10,399.99	11,157.00	10,977.00	3.13%
AAPL	APPLE CORP	119	05/19/14	86.355	97.340	10,276.29	12,525.94	11,583.46	3.31%
UNP	UNION PACIFIC	108	06/16/14	100.426	72.000	10,846.00	8,445.60	7,776.00	2.22%
OTEX	OPENTEXT INC	230	07/21/14	47.719	48.860	10,975.33	11,023.90	11,237.80	3.21%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	55.180	8,287.03	10,727.20	12,139.60	3.47%
APH	AMPHENOL	216	09/15/14	52.086	49.570	11,250.63	11,281.68	10,707.12	3.06%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	50.470	11,741.96	12,975.20	14,131.60	4.03%
HAIN	HAIN CELESTIAL GROUP	200	12/15/14	55.204	36.380	11,040.87	8,078.00	7,276.00	2.08%
GNTX	GENTEX CORP	660	01/20/15	17.395	13.690	11,480.79	10,566.60	9,035.40	2.58%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	35.220	12,129.73	12,524.80	13,383.60	3.82%
MGA	MAGNA INTERNATIONAL INC	232	03/16/15	52.018	34.590	12,068.19	9,409.92	8,024.88	2.29%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	60.770	12,470.36	15,607.80	15,800.20	4.51%
PPG	PPG INDUSTRIES	133	05/18/15	110.692	95.120	14,722.05	13,143.06	12,650.96	3.61%
NTT	NIPPON T & T	350	06/15/15	35.340	42.760	12,368.84	13,909.00	14,966.00	4.27%
CF	CF INDUSTRIES HOLDINGS	250	07/20/15	60.978	30.000	15,244.38	10,202.50	7,500.00	2.14%
EXPO	EXPONENT INC.	285	08/17/15	43.895	51.310	12,510.09	14,235.75	14,623.35	4.18%
FBIZ	FIRST BUSINESS FINANCIAL SERV	520	09/21/15	23.019	22.960	11,969.99	13,005.20	11,939.20	3.41%
AZN	ASTRAZENECA	370	11/16/15	32.394	32.220	11,985.78	12,561.50	11,921.40	3.40%
AFSI	AMTRUST FINANCIAL SERVICES	200	12/21/15	61.508	57.190	12,301.63	12,316.00	11,438.00	3.27%
HRL	HORMEL FOODS	146	01/19/16	77.568	80.410	11,324.99	11,324.99	11,739.86	3.35%
TOTAL CASH AND EQUITIES						\$338,098.77	\$350,235.48	100.00%	

ACCOUNT VALUE SUMMARY - 1/31/16

Description	Amount
Last Month's Closing Equity	\$358,957.10
Change in Stock Value	-\$9,201.46
Interest & Dividends	\$479.84
This Month's Closing Equity	\$350,235.48

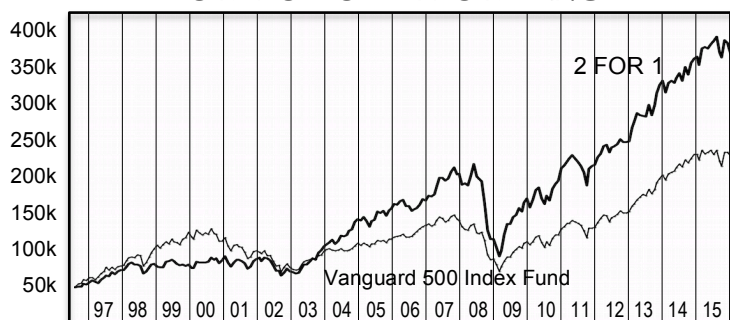
ANNUALIZED RETURN 7/31/96 – 1/31/16

2 for 1: + **10.50%** Vanguard 500 Fund: +7.85%
(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, an IRA account with E*Trade in the editor's name. 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 the 2 for 1 Index®, based on a portfolio of 30 companies, large and small. The 2 for 1 portfolio was started in July, 1996 with \$50,000. The \$338,099 basis above reflects \$288,099 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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