



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

Volume 22 Issue 2

2-for-1.com

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PORTFOLIO ITEMS

Correlation

Looking at the chart on the back page, it's plain to see that the 2 for 1 portfolio goes up and down almost in lock-step with the overall market. You would say the two chart lines are 'highly correlated'. A high correlation doesn't mean the lines end up at the same point over time; it just means the direction of movement is usually the same. I like that the 2 for 1 portfolio is highly correlated with the market because it allows me to say the 2 for 1 Index is a proxy for the overall market (except it has done much better). In other words, if an investor wants overall market exposure and is comfortable with overall market risk, he/she can be comfortable with 2 for 1.

So, even with setbacks and occasional days when there seems to be no correlation at all between the ups and downs of the portfolio and the market, over the long haul the pattern is remarkably consistent. This is why I use the Vanguard 500 Index Fund, another proxy for the market, as our performance benchmark.

True to form, 2 for 1 has been up since the first of the year, right along with the market. However, not true to form, our 'up' has not been as good as the market's 'up'. We've been pulled down by two stocks, HAIN and ENSG, dropping in the past few weeks, in my opinion, due to market over-reaction to news on earnings or, in Hain's case, a delay in its SEC filing.

In the past, this type of over-reaction is usually followed by a recovery as the market realizes things aren't as bad as first thought. 'Thought' is probably not the right word here because there seems to be very little of it associated with these sell-offs. As announced in an email alert to subscribers last Friday, I took advantage of the drop and bought additional shares of ENSG with excess funds in the cash account. Hain's position will probably not be boosted because it is closer to the top of the portfolio ladder, giving it less time to recover, so buying additional shares is riskier.

RECENT SPLITS – OUR BUY

Comcast Corp.

Our choices continue to be limited due to the ongoing lack of split announcements, but it seems there is almost always a last minute reprieve. This time, it was the 2 for 1 split announcement from Comcast (CMCSA) on January 26th. I would rather have several candidates to choose from and, as you know, I'm willing to go back to the splits from over the previous six months to be sure I have the best company. But, in this case, Comcast is just what we're looking for.

Comcast is a name we all know for good reason. The company supplies over half of all the broadband connections in the country and over 20 percent of the pay TV market. This is a BIG business (\$180B market cap) that will take Apple's place as the heavyweight in the 2 for 1 portfolio. While obviously not satisfying my liking for "under the radar" stocks, there are several other criteria that give CMCSA a good score on the 2 for 1 ranking algorithm.

Sales and earnings growth are very healthy for CMCSA, yet its PE ratio is well below that of the telecommunications sector and the overall market. Its 1.66% dividend yield isn't overly generous, but it is secure and has been growing at a 20% annual rate for the last five years. Volatility is only very slightly over that of the overall market. Debt is higher than that for the average 2 for 1 stock but lower than its industry average. In sum, Comcast will be a safe, stable anchor for the 2 for 1 portfolio.

THIS MONTH'S SELL

Apple Corporation

The laptop I'm typing on and the phone in my pocket were made by Apple (APPL) and I love them both. Apple is the largest corporation in the world and the most widely held by hedge funds across the globe. But alas, APPL has hit the top of our portfolio ladder and it's time to take our profits. Our overall annualized return will be about 19.4% with all costs and dividends included. Vanguard's 500 Index Fund will have returned 10.6% annualized over the same period.



2 for 1 MODEL PORTFOLIO – JANUARY STATEMENT

| | # SH | BOUGHT | COST PER SHARE | QUOTE ON 1/31/17 | BASIS | START MONTH | END MONTH | % OF PORT | |
|-------------------------|--------------------------------|--------|----------------|------------------|---------|--------------|--------------|-----------|-------|
| CASH | | | | | | \$1914.49 | \$4,352.10 | 1.05% | |
| AAPL | APPLE CORP | 119 | 05/19/14 | 86.355 | 121.350 | 10,276.29 | 13,782.58 | 14,440.65 | 3.48% |
| UNP | UNION PACIFIC | 130 | 06/16/14 | 83.431 | 106.580 | 10,846.00 | 13,478.40 | 13,855.40 | 3.34% |
| COLM | COLUMBIA SPORTSWEAR | 220 | 08/18/14 | 37.668 | 54.370 | 8,287.03 | 12,826.00 | 11,961.40 | 2.88% |
| APH | AMPHENOL | 216 | 09/15/14 | 52.086 | 67.490 | 11,250.63 | 14,515.20 | 14,577.84 | 3.51% |
| CALM | CAL-MAINE FOODS | 280 | 11/17/14 | 41.936 | 41.700 | 11,741.96 | 12,369.00 | 11,676.00 | 2.81% |
| HAIN | HAIN CELESTIAL GROUP | 300 | 12/15/14 | 36.803 | 39.560 | 11,040.87 | 11,709.00 | 11,868.00 | 2.86% |
| GNTX | GENTEX CORP | 660 | 01/20/15 | 17.395 | 20.890 | 11,480.79 | 12,995.40 | 13,787.40 | 3.32% |
| NJR | NEW JERSEY RESOURCES | 380 | 02/17/15 | 31.920 | 37.700 | 12,129.73 | 13,490.00 | 14,326.00 | 3.45% |
| MGA | MAGNA INTERNATIONAL INC | 300 | 03/16/15 | 49.120 | 43.280 | 14,736.13 | 13,020.00 | 12,984.00 | 3.13% |
| SBUX | STARBUCKS CORP. | 260 | 04/20/15 | 47.963 | 55.220 | 12,470.36 | 14,435.20 | 14,357.20 | 3.46% |
| PPG | PPG INDUSTRIES | 133 | 05/18/15 | 110.692 | 100.010 | 14,722.05 | 12,603.08 | 13,301.33 | 3.20% |
| NTT | NIPPON T & T | 350 | 06/15/15 | 35.340 | 44.170 | 12,368.84 | 14,724.50 | 15,459.50 | 3.72% |
| CF | CF INDUSTRIES HOLDINGS | 400 | 07/20/15 | 48.350 | 35.290 | 19,339.80 | 12,592.00 | 14,116.00 | 3.40% |
| EXPO | EXPONENT INC. | 285 | 08/17/15 | 43.895 | 58.050 | 12,510.09 | 17,185.50 | 16,544.25 | 3.98% |
| FBIZ | FIRST BUSINESS FINANCIAL SERV. | 563 | 09/21/15 | 22.959 | 24.230 | 12,925.98 | 13,354.36 | 13,641.49 | 3.28% |
| AZN | ASTRAZENECA | 435 | 11/16/15 | 31.581 | 27.230 | 13,737.77 | 11,884.20 | 11,845.05 | 2.85% |
| AFSI | AMTRUST FINANCIAL SERVICES | 455 | 12/21/15 | 30.181 | 26.390 | 13,732.27 | 12,457.90 | 12,007.45 | 2.89% |
| HRL | HORMEL FOODS | 336 | 01/19/16 | 38.371 | 36.300 | 12,892.58 | 11,696.16 | 12,196.80 | 2.94% |
| NKE | NIKE, INC. | 224 | 02/16/16 | 57.296 | 52.900 | 12,834.38 | 11,385.92 | 11,849.60 | 2.85% |
| ENSG | ENSIGN GROUP | 550 | 04/18/16 | 23.249 | 20.340 | 12,786.99 | 12,215.50 | 11,187.00 | 2.69% |
| HOMB | HOME BANCSHARES | 600 | 05/16/16 | 20.351 | 26.940 | 12,210.63 | 16,662.00 | 16,164.00 | 3.89% |
| LNT | ALLIANT ENERGY | 320 | 06/20/16 | 39.040 | 37.650 | 12,492.74 | 12,124.80 | 12,048.00 | 2.90% |
| LKFN | LAKELAND FINANCIAL | 390 | 07/18/16 | 33.277 | 44.420 | 12,978.19 | 18,470.40 | 17,323.80 | 4.17% |
| ICE | INTERCONTINENTAL EXCHANGE | 230 | 08/15/16 | 55.893 | 58.360 | 12,855.38 | 12,976.60 | 13,422.80 | 3.23% |
| BMI | BADGER METER INC | 380 | 09/19/16 | 33.166 | 38.550 | 12,603.19 | 14,041.00 | 14,649.00 | 3.53% |
| TTC | TORO CORP | 265 | 10/17/16 | 47.294 | 58.930 | 12,532.89 | 14,826.75 | 15,616.45 | 3.76% |
| CHD | CHURCH & DWIGHT | 292 | 11/21/16 | 44.939 | 45.220 | 13,122.07 | 12,903.48 | 13,204.24 | 3.18% |
| NAVJ | NAVAGATORS GROUP INC | 230 | 12/19/16 | 58.048 | 56.150 | 13,351.14 | 13,541.25 | 12,914.50 | 3.11% |
| OTEX | OPENTEXT INC | 460 | 07/21/14 | 23.859 | 34.270 | 10,975.33 | 14,216.30 | 15,764.20 | 3.80% |
| AOS | A.O. SMITH CORP | 285 | 01/17/17 | 48.233 | 48.750 | 13,746.36 | 13,746.36 | 13,893.75 | 3.35% |
| TOTAL CASH AND EQUITIES | | | | | | \$378,978.46 | \$415,335.20 | 100.00% | |

ACCOUNT VALUE SUMMARY - 1/31/17

| Description | Amount |
|-----------------------------|--------------|
| Last Month's Closing Equity | \$410,509.97 |
| Change in Stock Value | \$4,446.92 |
| Interest & Dividends | \$378.31 |
| This Month's Closing Equity | \$415,335.20 |

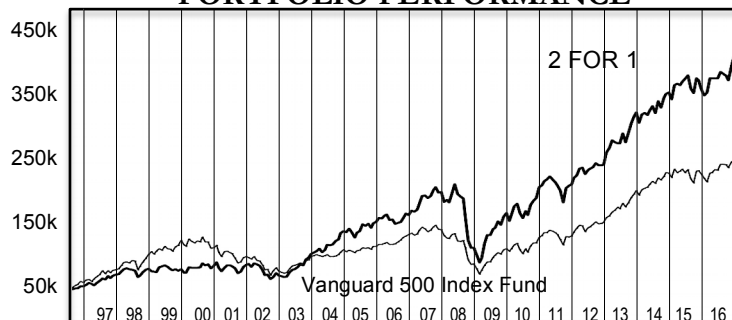
ANNUALIZED RETURN 7/31/96 – 1/31/17

2 for 1: + **10.88%** Vanguard 500 Fund: +8.30%
(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 \$378,978 basis above reflects \$328,978 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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