



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 18 Issue 1

[2-for-1.com](http://2-for-1.com)

January 18, 2013

## PORTFOLIO ITEMS

### +14.2% - 2012 in Review

The year just ended was good in most respects but disappointing by one important measure. The 2 for 1 portfolio grew by 14.2% for the year, all costs and dividends included. 2 for 1's return did beat the S&P 500 index (+13.4%) and the Wilshire 5000 index (+13.7%), but it did not beat the benchmark I consider the most fair and similar to 2 for 1, the Vanguard 500 Index Fund (+14.5%). The reason the Vanguard fund is preferred is that it includes dividends while the S&P 500 index does not, explaining the 1.1% difference. That being said, 2 for 1's returns are still among the best in the newsletter advisory business and 2 for 1's long-term record overshadows 99.8% of all U.S. stock mutual funds.

The proof of this last statement comes with Morningstar's ranking of all U.S. stock mutual funds (managed and indexed) over the last ten calendar years. Of the 3949 funds in this Morningstar category, only nine had an annualized return better than 2 for 1's +13.08% for that time period. You can see a copy of Morningstar's ranking on the 2-for-1.com website.

The 2 for 1 portfolio saw the addition of twelve new stocks and the closing out of the twelve oldest positions in 2012. There was one partial sale of MNST and one addition to our ASA position. Dividends and interest received added up to \$3,128.10 and commission costs totaled \$251.67.

Reducing the volatility of the portfolio has been a focus for the last several years and, finally, in 2012, I am beginning to see the positive results of these efforts. The month-to-month swing in market prices did go down in 2012, compared to 2011, but our monthly percentage changes had an even lower standard deviation than the S&P 500's. Because volatility is one measure of risk, I'm happy with this progress and will continue to factor in a stock's "Beta" when selecting 2 for 1's monthly stock buy.

## DECEMBER SPLITS – OUR BUY

### ProAssurance Corp

There were just two 2 for 1 split announcements in December. Fortunately, ProAssurance (PRA) is a company that will fit nicely into the 2 for 1 portfolio and I will be putting in a buy order on Monday morning. PRA is an insurer specializing in professional liability, or error and omissions insurance, primarily for the medical field, but with some business in the legal profession. This is another relatively thinly traded small cap company (\$2.7B) so a limit order and some patience will be required.

ProAssurance has a highly profitable business with an average 32% net margin over the last 5 years. PRA has an "A" rating for Insurer Financial Strength (IFS) from Fitch, one of the "Big 3" rating agencies (Moody's, Standard and Poors, and Fitch). PE and price-to-book ratios are low and the Beta is a fabulous 0.38 compared to a 1.00 for the overall market. Earnings have grown at a 20% average rate over the last five years and PRA does pay a modest dividend. Warren Buffet likes insurance companies in general and I like this one in particular.

Gilead Sciences, Inc. (GILD) was the other December 2 for 1 split announcement. GILD is a San Francisco bay area biotech outfit focusing on AIDS and hepatitis B. The company has a good reputation but also has a high PE and price-to-book ratio, pays no dividend, and pays its CEO way too much (\$15+M/yr)

## THIS MONTH'S SELL

### General Mills

We made a few dollars on our investment in General Mills but it was not a real winner for 2 for 1. Added to the portfolio in 6/2010, our overall return, including dividends and costs, was 15.1%, or 5.66% annualized. The Vanguard 500 Index Fund gained 40.3% over the same period, or 14.2% annualized. I like old, stable businesses, but maybe this one was just a little too stable. Danaher (DHR) was the #2 ranked stock in the same 6/10 2 for 1. It has been a much better performer and will be sold next month.

## 2 for 1 MODEL PORTFOLIO – DECEMBER STATEMENT

		# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 12/31/12	BASIS	START MONTH 2052.70	END MONTH 3676.77	% OF PORT 1.51%
CASH									
GIS	GENERAL MILLS	150	06/14/10	38.130	40.420	5729.49	6148.50	6063.00	2.50%
DHR	DANAHER CORP	150	07/19/10	37.150	55.900	5582.49	8095.50	8385.00	3.45%
TSCO	TRACTOR SUPPLY CO	120	08/16/10	34.150	88.360	4105.49	10754.40	10603.20	4.37%
RMD	RESMED, INC	175	09/20/10	33.070	41.570	5797.24	7190.75	7274.75	3.00%
ASA	ASA LIMITED	230	10/18/10	31.645	21.530	7278.38	5060.00	4951.90	2.04%
AOS	A. O. SMITH	165	11/15/10	38.294	63.070	6318.49	10386.75	10406.55	4.29%
HRL	HORMEL FOODS	264	12/20/10	25.934	31.210	6846.59	8186.64	8239.44	3.39%
PATR	PATRIOT TRANSPORTATION	305	01/19/11	31.280	28.430	9007.45	7884.25	8671.15	3.57%
WEC	WISCONSIN ENERGY	250	02/22/11	29.185	36.850	7306.24	9382.50	9212.50	3.80%
EEP	ENBRIDGE ENERGY PARTNERS	224	03/28/11	32.219	27.900	7217.10	6500.48	6249.60	2.57%
USTR	UNITED STATIONERS	200	04/18/11	35.350	30.990	7079.99	6140.00	6198.00	2.55%
CWT	CALIFORNIA WATER SERVICE GRP	400	05/16/11	18.350	18.350	7349.99	7200.00	7340.00	3.02%
CHD	CHURCH & DWIGHT	175	06/20/11	39.900	53.570	6992.49	9476.25	9374.75	3.86%
OKS	ONEOK PARTNERS LP	165	07/18/11	43.850	53.990	7245.24	9611.25	8908.35	3.67%
OZRK	BANK OF THE OZARKS	280	08/16/11	22.786	33.470	6379.99	8898.40	9371.60	3.86%
CLW	CLEARWATER PAPER	175	09/19/11	37.000	39.160	6484.99	6956.25	6853.00	2.82%
BLL	BALL CORP.	200	11/21/11	33.400	44.750	6689.99	8938.00	8950.00	3.69%
ROST	ROSS STORES	150	12/19/11	46.520	54.090	6987.99	8561.40	8113.50	3.34%
TJX	TJX INC	220	01/17/12	32.620	42.450	7186.39	9754.80	9339.00	3.85%
MNST	MONSTER BEVERAGES	105	02/21/12	53.200	52.840	5593.49	5465.25	5548.20	2.29%
DGAS	DELTA NATURAL GAS	400	03/21/12	18.955	19.550	7581.93	8152.00	7820.00	3.22%
CPRT	COPART INC	300	04/16/12	25.780	29.500	7733.98	9045.00	8850.00	3.65%
KO	COCA-COLA	200	05/21/12	37.174	36.250	7434.84	7584.00	7250.00	2.99%
CME	CME GROUP	140	06/21/12	54.923	50.670	7689.27	7737.80	7093.80	2.92%
AZZ	AZZ INC	250	07/16/12	32.320	38.430	8079.99	9530.00	9607.50	3.96%
TROX	TRONOX LTD.	310	08/20/12	25.612	18.250	7939.79	4798.80	5657.50	2.33%
PAA	PLAINS ALL AMERICAN PIPELINES	180	09/17/12	44.881	45.240	8078.49	8384.40	8143.20	3.36%
MMP	MAGELLAN MIDSTREAM PARTNERS	180	10/16/12	44.406	43.190	7992.99	8006.40	7774.20	3.20%
SCL	STEPAN CO	160	11/19/12	47.062	55.540	7529.99	7996.00	8886.40	3.66%
HEP	HOLLY ENERGY PARTNERS	120	12/17/12	63.703	65.780	7644.39	7644.39	7893.60	3.25%
TOTAL CASH AND EQUITIES						210885.18		242706.46	100.00%

## ACCOUNT VALUE SUMMARY - 12/31/12

Description	Amount
Last Month's Closing Equity	242304.07
Change in Stock Value	-284.26
Interest & Dividends	686.65
This Month's Closing Equity	242706.46

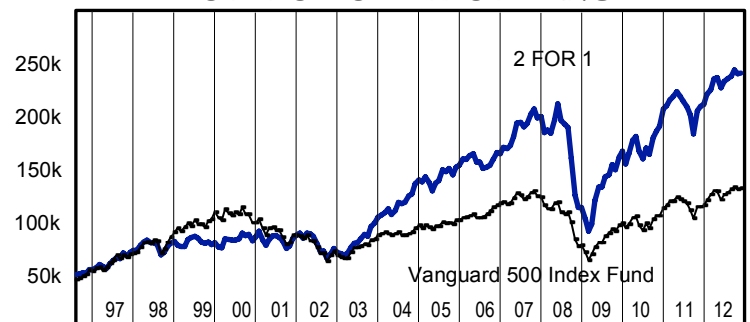
## ANNUALIZED RETURN 7/31/96 – 12/31/12

2 for 1: +10.10% Vanguard 500 Fund: +6.80%  
(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 \$210,885 basis above reflects the \$160,885 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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