



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 21 Issue 1

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

January 15, 2016

## DECEMBER SPLITS – OUR BUY

### Hormel Foods

There have been no split announcements since your last issue of 2 for 1. As suggested at that time, Hormel Foods (HRL), the #2 ranked split last month, would make a fine choice if nothing better came along. Long time subscribers will remember that HRL has been in the 2 for 1 portfolio once before. Here's what I wrote when it was sold in July, 2013. "So we have a 19.3% annualized return for HRL, a stock that was totally under the radar for the entire time we owned it. No drama, no headlines – it would be nice if more stocks were of this description."

Hormel owns dozens of well known food brands such as Spam, Skippy, Staggs, Farmer John's, Saag's, Jennie-O, and others too numerous to list. This is a huge, multi-national business growing its earnings at over 11%/year over the last five years. This has been accomplished while keeping debt well below average for the industry, paying a 1.3% dividend (growing at 19%/yr), and being consistently profitable for years. Hormel has been named one of "The 100 Best Corporate Citizens" by Corporate Responsibility Magazine for seven years in a row. This all adds up to a great "old economy" company that I will be pleased to have in the 2 for 1 portfolio once again.

There were only eight forward splits in the 4th quarter of 2015 and, perhaps as a sign of the times, there were twenty-two reverse splits in the same period. A board will authorize a reverse split to avoid a de-listing or to get their company out of the "penny stock" category. I get asked from time to time where reverse splits fit into the 2 for 1 strategy. The answer is, they don't. Reverse splits are almost always a signal of trouble for any company; just the opposite of the signal conveyed by a 2 for 1 or greater forward split. Perhaps a portfolio created to use "shorting" of reverse splits would be workable, but that is not my style. I'm hoping the regular-to-reverse split pendulum will soon begin to swing in the other direction.

## PORTFOLIO ITEMS

### 2015 in Review

Those folks that were counting on a "Santa Claus rally" and/or the "December effect" to boost their portfolios have been disappointed. 2015 was a big year for news but, in the end, Wall Street turned in a pretty dull overall performance. The broad market indexes all finished in slightly negative territory while the 2 for 1 portfolio added 1.2%. The benchmark that works best for the 2 for 1 portfolio, the Vanguard 500 Index Fund, also gained 1.2% for the year. The difference between the indexes and the real money portfolios is primarily the added return due to dividends.

2 for 1 was doing significantly better than the market for much of 2015 but then fell behind for all three final months of the year. As noted last month, the market's turn toward the "safer" large-cap blue chips put more diversified portfolios at a disadvantage. This phenomenon has occurred during previous periods of market turmoil. The frothy markets during the dot-com and housing bubbles are the best examples. In both cases 2 for 1 fell behind during the bubbles but then, both in 2003 and 2009, recovered with returns of over 47%. I'm not predicting a 47% return for 2016 and I'm also not saying we have been in a bubble, but I do believe eventually the light will shine on the 30 excellent companies in the 2 for 1 Index and their real value will be recognized by the market, as has been the pattern in the past.

## THIS MONTH'S SELL

### Home BancShares Inc

Small community banks have added mightily to the gains in the 2 for 1 portfolio over the years and Home BancShares (HOMB) is a shining example.



Bought for the portfolio in May 2013, HOMB was immediately on the rise. A portion of the position was sold in September last year and the rest will be sold on Monday. Our overall annualized return for HOMB, including costs and dividends, will come in around 27.3%. The annualized return for the Vanguard 500 Index Fund has been 7.6% over the same period.

## 2 for 1 MODEL PORTFOLIO – DECEMBER STATEMENT

		# SH	BOUGHT	COST PER SHARE	QUOTE ON 12/31/15	BASIS	START MONTH \$5,669.50	END MONTH \$3,211.21	% OF PORT 0.89%
CASH									
HOMB	HOME BANCSHARES	340	05/20/13	21.173	40.520	7,198.72	15,340.80	13,776.80	3.84%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	41.950	9,198.49	14,222.20	14,263.00	3.97%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	36.820	9,624.49	8,425.92	7,400.82	2.06%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	60.220	9,507.49	15,762.50	15,055.00	4.19%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	85.500	9,797.49	13,402.50	12,825.00	3.57%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	69.710	9,762.89	12,416.80	11,850.70	3.30%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	55.880	10,359.53	10,994.00	10,281.92	2.86%
RLI	RLI CORP.	220	12/16/13	46.470	61.750	10,223.49	13,354.00	13,585.00	3.78%
TD	TORONTO-DOMINION BANK	300	01/21/14	43.848	39.170	13,154.25	12,246.00	11,751.00	3.27%
ITC	ITC HOLDINGS	300	02/18/14	34.607	39.250	10,381.99	11,064.00	11,775.00	3.28%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	27.100	10,693.74	11,021.50	9,485.00	2.64%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	37.190	10,399.99	10,896.00	11,157.00	3.11%
AAPL	APPLE CORP	119	05/19/14	86.355	105.260	10,276.29	14,077.70	12,525.94	3.49%
UNP	UNION PACIFIC	108	06/16/14	100.426	78.200	10,846.00	9,066.60	8,445.60	2.35%
OTEX	OPENTEXT INC	230	07/21/14	47.719	47.930	10,975.33	11,143.50	11,023.90	3.07%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	48.760	8,287.03	10,302.60	10,727.20	2.99%
APH	AMPHENOL	216	09/15/14	52.086	52.230	11,250.63	11,890.80	11,281.68	3.14%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	46.340	11,741.96	15,262.80	12,975.20	3.61%
HAIN	HAIN CELESTIAL GROUP	200	12/15/14	55.204	40.390	11,040.87	8,540.00	8,078.00	2.25%
GNTX	GENTEX CORP	660	01/20/15	17.395	16.010	11,480.79	11,045.10	10,566.60	2.94%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	32.960	12,129.73	11,419.00	12,524.80	3.49%
MGA	MAGNA INTERNATIONAL INC	232	03/16/15	52.018	40.560	12,068.19	10,542.08	9,409.92	2.62%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	60.030	12,470.36	15,961.40	15,607.80	4.35%
PPG	PPG INDUSTRIES	133	05/18/15	110.692	98.820	14,722.05	14,063.42	13,143.06	3.66%
NTT	NIPPON T & T	350	06/15/15	35.340	39.740	12,368.84	13,044.50	13,909.00	3.87%
CF	CF INDUSTRIES HOLDINGS	250	07/20/15	60.978	40.810	15,244.38	11,535.00	10,202.50	2.84%
EXPO	EXPONENT INC.	285	08/17/15	43.895	49.950	12,510.09	14,714.55	14,235.75	3.97%
FBIZ	FIRST BUSINESS FINANCIAL SERVS	520	09/21/15	23.019	25.010	11,969.99	13,478.40	13,005.20	3.62%
AZN	ASTRAZENECA	370	11/16/15	32.394	33.950	11,985.78	12,598.50	12,561.50	3.50%
AFSI	AMTRUST FINANCIAL SERVICES	200	12/21/15	61.508	61.580	12,301.63	12,301.63	12,316.00	3.43%
TOTAL CASH AND EQUITIES						\$333,972.50		\$358,957.10	100.00%

## ACCOUNT VALUE SUMMARY - 12/31/15

Description	Amount
Last Month's Closing Equity	\$373,344.17
Change in Stock Value	-\$15,638.06
Interest & Dividends	\$1,250.99
This Month's Closing Equity	\$358,957.10

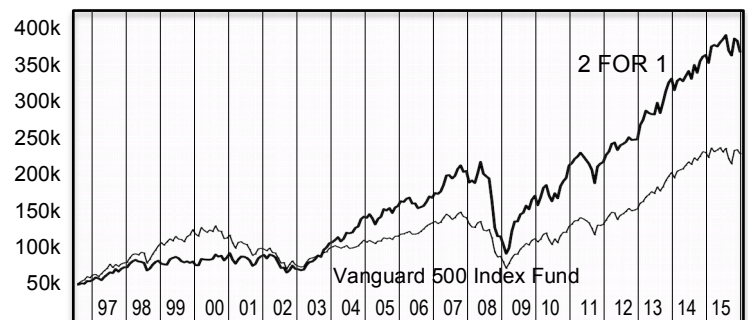
## ANNUALIZED RETURN 7/31/96 – 12/31/15

2 for 1: + **10.69%** Vanguard 500 Fund: +8.06%  
(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 \$333,973 basis above reflects \$283,973 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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