



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

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RECENT SPLITS – OUR BUY

A. O. Smith Corp

Split announcements since last month's Navigators Group (NAVG) have been just two. OpenText Inc (OTEX) announced a 2 for 1 split on 12/21 (see adjacent column), and First Foundation Inc. (FFWM) announced theirs the next day. Our portfolio has reached a saturation point in the financial sector so FFWM, a small Irvine, CA bank, was not considered a viable candidate.

OpenText Inc was added to the 2 for 1 portfolio in July, 2014 and has done very well so far. If this stock is not already part of your portfolio, then by all means, I recommend you make it this month's buy. If you are still building up to the 30 stock level, buying both OTEX and AOS should be considered.

A.O. Smith (AOS) announced its 2 for 1 split way back in September and was passed over with relatively low scores compared to the other candidates at the time. The price has slipped just a bit since the split was delivered in October. That, and other factors, have improved its ranking score but, truth be told, the score is still not as high as our average monthly pick. I'm going to overlook that for these reasons.

AOS is a money making machine. It was one of the most successful stocks ever included in the 2 for 1 portfolio during our ownership between 2010 and 2015. Like OTEX, AOS split again while we owned it and went to the bottom of the ladder. Our net return over five years was 33% annualized. The growth of this company has not slowed in the interval since our sale and company and analyst projections suggest continued upward momentum can be expected.

With this success comes greater visibility, with more analysts covering the company and a well above average measure of volatility in the stock price. These factors are big contributors to the lower ranking score and they are not to my liking, but it's still reasonable to conclude A.O. Smith can continue its run for a few more years.

PORTFOLIO ITEMS

2016 in Review

In last September's issue of 2 for 1 I wrote that "something bad is going to happen and the bull market will eventually come to an end". Clearly, that bad thing hasn't happened yet. 2016 ended on a very high note for both the market and the 2 for 1 portfolio. 2 for 1 gained 14.7% for the year, about 50% better than the overall market, depending on what benchmark is used for comparison. Last year saw eleven names added to the portfolio and eleven others retired. March was skipped for the lack of a suitable candidate. Out of the eleven sales, only one, Franklin Resources (BEN), was a loser for the portfolio and, in total, the eleven averaged a 13.3% annualized overall return.

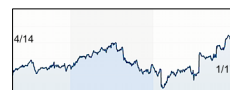
One current item of note. OpenText (OTEX), a company we have owned for almost two and a half years, recently announced another 2 for 1 split. As has been our practice from the beginning, this event dictates we move the position to the bottom of the list (see back page) and start the 30-month clock all over again.

Coming off such a successful 2016, it's with some unhappiness that I'm guessing 2017 may not be as great. Based solely on the length of the current, record setting bull market, it's reasonable to assume a significant market correction is waiting somewhere around the bend and out of sight for now. It would also be reasonable to speculate the coming upheaval in Washington will have unintended consequences, some of which could be dire. We can only wait and see.

THIS MONTH'S SELL

Allied World Assurance

On 12/20/16 a merger of Allied World Assurance (AWH) and Fairfax Financial Holdings Limited was announced, valuing AWH at \$54.00 per share. As



seen in the graph to the left, AWH shares jumped about 15% on the news. AWH happens to be at the top of our portfolio ladder and the timing couldn't be better. Our sale of AWH next week will net 2 for 1 a 19.7% annualized return. The Vanguard 500 Index Fund has earned 9.6% annualized over the same period.

2 for 1 MODEL PORTFOLIO – DECEMBER STATEMENT

		# SH	BOUGHT	COST PER SHARE	QUOTE ON 12/31/16	BASIS	START MONTH \$379.18	END MONTH \$1914.49	% OF PORT
CASH									
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	53.710	10,399.99	14,043.00	16,113.00	3.93%
AAPL	APPLE CORP	119	05/19/14	86.355	115.820	10,276.29	13,151.88	13,782.58	3.36%
UNP	UNION PACIFIC	130	06/16/14	83.431	103.680	10,846.00	13,172.90	13,478.40	3.28%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	58.300	8,287.03	12,511.40	12,826.00	3.12%
APH	AMPHENOL	216	09/15/14	52.086	67.200	11,250.63	14,744.16	14,515.20	3.54%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	44.175	11,741.96	11,396.00	12,369.00	3.01%
HAIN	HAIN CELESTIAL GROUP	300	12/15/14	36.803	39.030	11,040.87	11,757.00	11,709.00	2.85%
GNTX	GENTEX CORP	660	01/20/15	17.395	19.690	11,480.79	12,203.40	12,995.40	3.17%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	35.500	12,129.73	13,091.00	13,490.00	3.29%
MGA	MAGNA INTERNATIONAL INC	300	03/16/15	49.120	43.400	14,736.13	12,135.00	13,020.00	3.17%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	55.520	12,470.36	15,072.20	14,435.20	3.52%
PPG	PPG INDUSTRIES	133	05/18/15	110.692	94.760	14,722.05	12,758.69	12,603.08	3.07%
NTT	NIPPON T & T	350	06/15/15	35.340	42.070	12,368.84	14,073.50	14,724.50	3.59%
CF	CF INDUSTRIES HOLDINGS	400	07/20/15	48.350	31.480	19,339.80	11,576.00	12,592.00	3.07%
EXPO	EXPONENT INC.	285	08/17/15	43.895	60.300	12,510.09	17,285.25	17,185.50	4.19%
FBIZ	FIRST BUSINESS FINANCIAL SERV.	563	09/21/15	22.959	23.720	12,925.98	12,357.85	13,354.36	3.25%
AZN	ASTRAZENECA	435	11/16/15	31.581	27.320	13,737.77	11,370.90	11,884.20	2.89%
AFSI	AMTRUST FINANCIAL SERVICES	455	12/21/15	30.181	27.380	13,732.27	11,584.30	12,457.90	3.03%
HRL	HORMEL FOODS	336	01/19/16	38.371	34.810	12,892.58	11,504.64	11,696.16	2.85%
NKE	NIKE, INC.	224	02/16/16	57.296	50.830	12,834.38	11,215.68	11,385.92	2.77%
ENSG	ENSIGN GROUP	550	04/18/16	23.249	22.210	12,786.99	11,891.00	12,215.50	2.98%
HOMB	HOME BANCSHARES	600	05/16/16	20.351	27.770	12,210.63	15,522.00	16,662.00	4.06%
LNT	ALLIANT ENERGY	320	06/20/16	39.040	37.890	12,492.74	11,494.40	12,124.80	2.95%
LKFN	LAKELAND FINANCIAL	390	07/18/16	33.277	47.360	12,978.19	16,458.00	18,470.40	4.50%
ICE	INTERCONTINENTAL EXCHANGE	230	08/15/16	55.893	56.420	12,855.38	12,742.00	12,976.60	3.16%
BMI	BADGER METER INC	380	09/19/16	33.166	36.950	12,603.19	13,775.00	14,041.00	3.42%
TTC	TORO CORP	265	10/17/16	47.294	55.950	12,532.89	14,026.45	14,826.75	3.61%
CHD	CHURCH & DWIGHT	292	11/21/16	44.939	44.190	13,122.07	12,786.68	12,903.48	3.14%
NAVJ	NAVIGATORS GROUP INC	115	12/19/16	116.097	117.750	13,351.14	13,351.14	13,541.25	3.30%
OTEX	OPENTEXT INC	230	07/21/14	47.719	61.810	10,975.33	14,618.80	14,216.30	3.46%
TOTAL CASH AND EQUITIES						\$375,632.09	\$410,509.97	100.00%	

ACCOUNT VALUE SUMMARY - 12/31/16

Description	Amount
Last Month's Closing Equity	\$393,994.76
Change in Stock Value	\$15,688.46
Interest & Dividends	\$826.75
This Month's Closing Equity	\$410,509.97

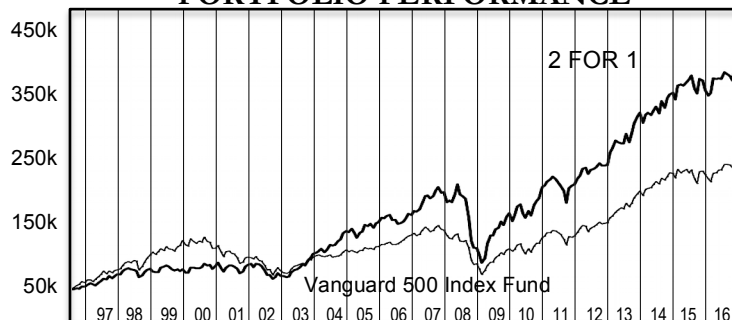
ANNUALIZED RETURN 7/31/96 – 12/31/16

2 for 1: + **10.86%** Vanguard 500 Fund: +8.24%
(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 \$375,632 basis above reflects \$325,632 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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