



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

Volume 18 Issue 7

2-for-1.com

July 12, 2013

JUNE SPLITS – OUR BUY

Franklin Resources

This month's pick, Franklin Resources (BEN), is offered up as the best of the four June splits, even though one metric is distinctly not to my liking. I have been trying hard to reduce the volatility of the portfolio by avoiding stocks with a Beta of more than 1.0 and BEN's Beta is 1.55. I'm still recommending it because it will add a strong company from the financial sector and its other fundamental numbers look very good. BEN's most outstanding characteristics are how conservatively managed yet how profitable this company is compared to its peers. Franklin Resources, better known as Franklin Templeton Investments, was founded in 1947 by Rupert H. Johnson, Sr. and has been run by the Johnson family ever since. Buying up Sir John Templeton's company in 1992 solidified BEN as one of the world's premier investment management firms. Franklin's 3 for 1 split indicates its Board's strong belief in the ongoing success of this company.

Equity Lifestyle Properties (ELS) scored #2 when compared to the other June splits. ELS is a REIT owning and managing 383 properties in 32 states and British Columbia. These properties, consisting of 142,679 residential sites, are leased to individuals. Properties generally are designed to attract retirees, empty nesters, vacationers and second homeowners; in addition, certain of ELS's properties focus on affordable housing for families. The Beta of 0.82 and a 2.48% dividend are great but the PE, profitability, and balance sheet numbers are all a drag on ELS's score. Unlike the #2's of the last few months, I am not recommending ELS as a second purchase for those readers still building up their portfolios.

Flowserve Corp (FLS), a manufacturer of precision valves and controls, and Portfolio Recovery Associates (PRAA), a bill collector, rounded out the June split announcements. These names fell considerably lower on the scorecard in spite of their Boards' optimism. Fortunately, we only need one buy per month.

PORTFOLIO ITEMS

Irrational Group Think

Jason Zweig writes a great weekly column in the Wall Street Journal. It's called the "The Intelligent Investor" and, on 6/29, Mr. Zweig wrote that his job was "to write the exact same thing between 50 and 100 times a year in such a way that neither my editors nor my readers will ever think I am repeating myself." I often feel the same way even though I don't have an editor and I only have to write to you 12 times a year. Nevertheless, writing an investment newsletter does, inevitably, involve some repetition. Often this takes the form of trying to convince folks that drastic moves are almost never in their best interest.

For example, at about 10:45 am on 6/28 I noticed that AZZ was in a tailspin, down 13.3% from the previous day's close. I checked, and the reason for this drop was a stampede by institutional investors after the release of the quarterly report. The report was, by and large, very upbeat but there were a few items interpreted, by the "analysts", to be negative. Believe me, there was nothing in that report to justify a 13.3% drop in market cap in just a few hours. AZZ is still a very solid company and will be in the 2 for 1 portfolio for another 1½ years. As of this writing, it is still registering over a 13% annualized return for us. It's always good to remind ourselves that the people who cause that kind of crazy volatility in a stock are the same people who, on average, cannot even match the return of the S&P 500 index. Their actions impact us in the short run but not over the long term.

THIS MONTH'S SELL

Hormel Foods

Not a lot to say about Hormel (HRL) except we bought it in 12/2010 and sold it on 7/1/2013 for a overall gain of 56.4%, costs and dividends included. The Vanguard 500 Index Fund returned 35.6% over the same period. 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.

2 for 1 MODEL PORTFOLIO – JUNE STATEMENT

| | | # SH | BOUGHT | QUOTE AT BUY | QUOTE ON 6/30/13 | BASIS | START MONTH 8760.95 | END MONTH 3265.49 | % OF PORT 1.18% |
|-------------------------|-------------------------------|------|----------|--------------------|------------------------|-----------|---------------------------|-------------------------|-----------------------|
| CASH | | | | | | | | | |
| HRL | HORMEL FOODS | 264 | 12/20/10 | 25.934 | 38.580 | 6846.59 | 10512.48 | 10185.12 | 3.69% |
| PATR | PATRIOT TRANSPORTATION | 305 | 01/19/11 | 31.280 | 30.040 | 9007.45 | 8838.90 | 9162.20 | 3.32% |
| WEC | WISCONSIN ENERGY | 250 | 02/22/11 | 29.185 | 40.990 | 7306.24 | 10202.50 | 10247.50 | 3.71% |
| EEP | ENBRIDGE ENERGY PARTNERS | 224 | 03/28/11 | 32.219 | 30.490 | 7217.10 | 6610.24 | 6829.76 | 2.47% |
| USTR | UNITED STATIONERS | 200 | 04/18/11 | 35.350 | 33.550 | 7079.99 | 6912.00 | 6710.00 | 2.43% |
| CWT | CALIFORNIA WATER SERVICE GRP | 400 | 05/16/11 | 18.350 | 19.510 | 7349.99 | 7892.00 | 7804.00 | 2.83% |
| CHD | CHURCH & DWIGHT | 175 | 06/20/11 | 39.900 | 61.710 | 6992.49 | 10641.75 | 10799.25 | 3.91% |
| OKS | ONEOK PARTNERS LP | 165 | 07/18/11 | 43.850 | 49.520 | 7245.24 | 8540.40 | 8170.80 | 2.96% |
| OZRK | BANK OF THE OZARKS | 280 | 08/16/11 | 22.786 | 43.330 | 6379.99 | 12222.00 | 12132.40 | 4.40% |
| CLW | CLEARWATER PAPER | 175 | 09/19/11 | 37.000 | 47.060 | 6484.99 | 8370.25 | 8235.50 | 2.98% |
| BLL | BALL CORP. | 200 | 11/21/11 | 33.400 | 41.540 | 6689.99 | 8632.00 | 8308.00 | 3.01% |
| ROST | ROSS STORES | 150 | 12/19/11 | 46.520 | 64.810 | 6987.99 | 9647.70 | 9721.50 | 3.52% |
| TJX | TJX INC | 220 | 01/17/12 | 32.620 | 50.060 | 7186.39 | 11134.20 | 11013.20 | 3.99% |
| MNST | MONSTER BEVERAGES | 105 | 02/21/12 | 53.200 | 60.830 | 5593.49 | 5731.95 | 6387.15 | 2.31% |
| DGAS | DELTA NATURAL GAS | 400 | 03/21/12 | 18.955 | 21.250 | 7581.93 | 8692.00 | 8500.00 | 3.08% |
| CPRT | COPART INC | 300 | 04/16/12 | 25.780 | 30.800 | 7733.98 | 10317.00 | 9240.00 | 3.35% |
| KO | COCA-COLA | 200 | 05/21/12 | 37.174 | 40.110 | 7434.84 | 7998.00 | 8022.00 | 2.91% |
| CME | CME GROUP | 140 | 06/21/12 | 54.923 | 75.950 | 7689.27 | 9510.20 | 10633.00 | 3.85% |
| AZZ | AZZ INC | 250 | 07/16/12 | 32.320 | 38.560 | 8079.99 | 10370.00 | 9640.00 | 3.49% |
| TROX | TRONOX LTD. | 310 | 08/20/12 | 25.612 | 20.150 | 7939.79 | 7154.80 | 6246.50 | 2.26% |
| PAA | PLAINS ALL AMERICAN PIPELINES | 180 | 09/17/12 | 44.881 | 55.810 | 8078.49 | 10112.40 | 10045.80 | 3.64% |
| MMP | MAGELLAN MIDSTREAM PARTNERS | 180 | 10/16/12 | 44.406 | 54.500 | 7992.99 | 9358.20 | 9810.00 | 3.55% |
| SCL | STEPAN CO | 160 | 11/19/12 | 47.062 | 55.610 | 7529.99 | 8644.80 | 8897.60 | 3.22% |
| HEP | HOLLY ENERGY PARTNERS | 240 | 12/17/12 | 31.852 | 38.040 | 7644.39 | 8630.40 | 9129.60 | 3.31% |
| PRA | PROASSURANCE | 194 | 01/25/13 | 44.601 | 52.160 | 8652.68 | 9738.80 | 10119.04 | 3.67% |
| CL | COLGATE-PALMOLIVE | 160 | 03/18/13 | 55.822 | 57.290 | 8931.59 | 9254.40 | 9166.40 | 3.32% |
| AOS | A. O. SMITH | 260 | 11/15/10 | 19.147 | 36.280 | 4978.20 | 10192.00 | 9432.80 | 3.42% |
| TU | TELUS | 260 | 04/22/13 | 35.348 | 29.190 | 9190.59 | 9024.60 | 7589.40 | 2.75% |
| HOMB | HOME BANCSHARES | 440 | 05/20/13 | 21.173 | 25.970 | 9315.99 | 9262.00 | 11426.80 | 4.14% |
| AWR | AMERICAN STATES WATER | 170 | 06/17/13 | 54.109 | 53.670 | 9198.49 | 9198.49 | 9123.90 | 3.31% |
| TOTAL CASH AND EQUITIES | | | | | | 226341.14 | | 275994.71 | 100.00% |

ACCOUNT VALUE SUMMARY - 6/30/13

| Description | Amount |
|-----------------------------|-----------|
| Last Month's Closing Equity | 276207.12 |
| Change in Stock Value | -590.49 |
| Interest & Dividends | 378.08 |
| This Month's Closing Equity | 275994.71 |

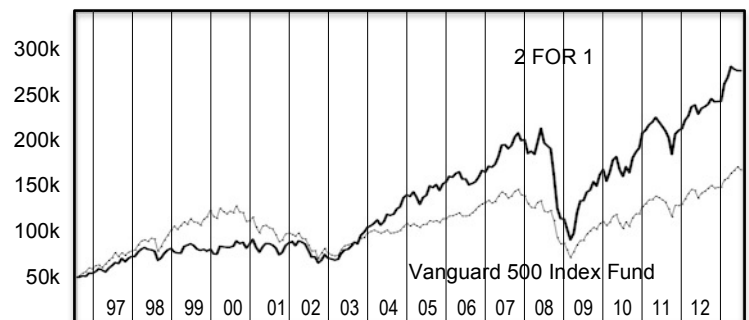
ANNUALIZED RETURN 7/31/96 – 6/30/13

2 for 1: +10.63% Vanguard 500 Fund: +7.42%
(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 \$226,341 basis above reflects the \$176,341 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



2 for 1 is published and distributed by Neil Macneale, Inc., 1125 North Second Street, San Jose, CA, 95112. Phone 408-210-6881. E-mail splits241@aol.com. Neil Macneale, Inc., dba 2 for 1, is not a broker and does not offer individual investment advice. 2 for 1 is published each month on the Friday closest to the 15th of that month. Contents are copyrighted but may be copied or quoted if attributed to the source. 2 for 1 subscription rate = \$20.00 per month for electronic delivery, payable by monthly debit from any major credit card approximately one week prior to publication. No long-term commitment is required.