



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

Volume 20 Issue 7

2-for-1.com

July 17, 2015

JUNE SPLITS – OUR BUY

CF Industries Holdings

Four big names on June's split list. However, Netflix (NFLX) is a fad stock with valuation numbers that can't be sustained. Kroger (KR) has had a big run-up but, in the competitive grocery business, could just as quickly fall out of favor. Under Armour (UA) is another fad stock with unsustainable growth and dismal profits. AstraZenaca (AZN) has declined in price over the last year and has had negative growth in profit, sales, and earnings over the last five years. So what's a 2 for 1 investor to do? Easy – go back and look over other recent splits. CF Industries Holdings (CF) was ranked #2 last month.

I wrote last month that CF was a bit out of my comfort zone but, upon further study, I've grown comfortable enough to want to buy it for the 2 for 1 portfolio next week. CF manufactures fertilizer and other nitrogen based products. Founded in Chicago as a farmer's co-operative in 1946, it was named Central Farmers Fertilizer Company. The business model has evolved, with the company finally going public in 2005. CF's debt level and volatility are higher than I like but these metrics are over-shadowed by terrific profitability and ROE numbers. Valuation ratios are reasonable and the dividend of close to 2% is icing on the cake.

I have to say another word about Under Armour. Following Google's example from last year, UA has announced a "split" that will create one new share for every share held, but these shares will have a different ticker symbol and will have no voting rights. In my opinion, this doesn't count as a legitimate stock split. It is a corruption of the concept of a public corporation and deserves much closer scrutiny by the SEC.

Symbol	Company	Split Delivery	Rank
CF	CF Industries Holdings	06/17/15	1
AZN	AstraZeneca PLC	07/27/17	4
KR	Kroger Co.	07/13/15	4
UA	Under Armour	NA	4
NFLX	Netflix	07/14/15	4

PORTFOLIO ITEMS

A Lot of Trucks

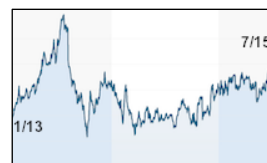
I just returned to California from Seattle via Interstate 5, the main North-South artery connecting the three west coast states. The truck traffic was as heavy as I've ever seen it. I counted the passing tractor-trailer rigs over three different ten minute intervals and the tally was almost exactly the same each time – averaging 10 trucks a minute, or 600 trucks an hour. That's a lot of trucks. I would argue that truck traffic is as good an indicator of the health of the economy as any and, based on my informal survey, we're in very good health along the west coast. Driving among all those trucks was nerve-wracking but, viewed as an economic indicator, they were very comforting. Here's what I think it means for us. While there is plenty of turmoil around the world, some of which will roil our markets, there are also plenty of strong, well-run companies doing lots of profitable business. Owning 30 of the best of those companies, all with the built-in stock split advantage, will continue to be our strategy.

The end of the second quarter found the 2 for 1 portfolio in excellent condition, up 4.41% for the year-to-date, all costs and dividends included, compared to the Vanguard 500 Index Fund's gain of 0.74% for the same period. I mentioned last month that a minor rebalance might be necessary to raise cash for this month's purchase. That was not the case, but August's sale of Colgate-Palmolive may bring up the issue again.

THIS MONTH'S SELL

Proassurance

Based on recent prices, Proassurance's (PRA) overall return for 2 for 1 will be about 19% when we sell it next week. The sale will be at or near the 52-week high for PRA but, as seen in the graph, we missed a higher peak almost two years ago. It would appear the stock split advantage didn't last the usual two to three years in this case. Our 19% gain is about 7.3% annualized. The Vanguard 500 Index Fund had a 16.9% annualized return over the same period.



2 for 1 MODEL PORTFOLIO – JUNE STATEMENT

		# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 06/30/15	BASIS	START MONTH \$4,470.25	END MONTH \$789.35	% OF PORT 0.21%
CASH									
PRA	PROASSURANCE	244	01/25/13	44.493	46.210	10,856.17	11,023.92	11,275.24	3.04%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	65.410	8,931.59	10,686.40	10,465.60	2.83%
AOS	A. O. SMITH	200	11/15/10	19.147	71.980	3,829.39	14,276.00	14,396.00	3.89%
TU	TELUS	310	04/22/13	35.342	34.440	10,955.98	10,555.50	10,676.40	2.88%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	36.560	9,315.99	15,008.40	16,086.40	4.34%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	37.390	9,198.49	13,066.20	12,712.60	3.43%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	49.030	9,624.49	10,232.91	9,855.03	2.66%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	58.080	9,507.49	13,535.00	14,520.00	3.92%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	89.940	9,797.49	13,071.00	13,491.00	3.64%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	79.470	9,762.89	14,242.60	13,509.90	3.65%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	57.750	10,359.53	10,922.24	10,626.00	2.87%
RLI	RLI CORP.	220	12/16/13	46.470	51.390	10,223.49	10,707.40	11,305.80	3.05%
TD	TORONTO-DOMINION BANK	232	01/21/14	45.193	42.510	10,484.79	10,108.24	9,862.32	2.66%
ITC	ITC HOLDINGS	300	02/18/14	34.607	32.180	10,381.99	10,587.00	9,654.00	2.61%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	34.720	10,693.74	12,201.00	12,152.00	3.28%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	43.220	10,399.99	12,747.00	12,966.00	3.50%
AAPL	APPLE CORP	119	05/19/14	86.355	125.425	10,276.29	15,503.32	14,925.58	4.03%
UNP	UNION PACIFIC	108	06/16/14	100.426	95.370	10,846.00	10,898.28	10,299.96	2.78%
OTEX	OPENTEXT INC	230	07/21/14	47.719	40.530	10,975.33	9,761.20	9,321.90	2.52%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	60.460	8,287.03	12,331.00	13,301.20	3.59%
APH	AMPHENOL	216	09/15/14	52.086	57.970	11,250.63	12,322.80	12,521.52	3.38%
CYT	CYTEC INDUSTRIES	240	10/20/14	44.240	60.530	10,617.65	14,517.60	14,527.20	3.92%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	52.200	11,741.96	15,873.20	14,616.00	3.95%
HAIN	HAIN CELESTIAL GROUP	200	12/15/14	55.204	65.860	11,040.87	12,654.00	13,172.00	3.56%
GNTX	GENTEX CORP	660	01/20/15	17.395	16.420	11,480.79	11,338.80	10,837.20	2.93%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	27.550	12,129.73	11,426.60	10,469.00	2.83%
MGA	MAGNA INTERNATIONAL INC	232	03/16/15	52.018	56.090	12,068.19	13,342.32	13,012.88	3.51%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	53.615	12,470.36	13,509.60	13,939.90	3.76%
PPG	PPG INDUSTRIES	108	05/18/15	115.977	114.720	12,525.56	12,360.06	12,389.76	3.35%
NTT	NIPPON T & T	350	06/15/15	35.340	36.290	12,368.84	12,368.84	12,701.50	3.43%
TOTAL CASH AND EQUITIES						\$312,402.72		\$370,379.24	100.00%

ACCOUNT VALUE SUMMARY - 6/30/15

Description	Amount
Last Month's Closing Equity	\$371,375.04
Change in Stock Value	-\$1,459.49
Interest & Dividends	\$463.69
This Month's Closing Equity	\$370,379.24

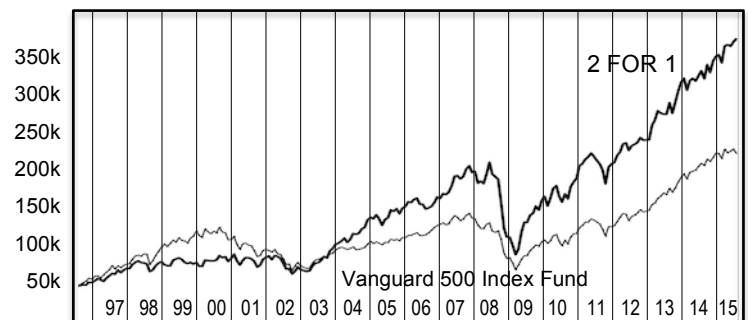
ANNUALIZED RETURN 7/31/96 – 6/30/15

2 for 1: +11.17% Vanguard 500 Fund: +8.25%
(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 \$312,403 basis above reflects \$262,403 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., 140 O'Connor St., Menlo Park, CA 94025. 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 automatic monthly debit from any major credit card approximately one week prior to publication. No long-term commitment is required.