



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 19 Issue 6

2-for-1.com

June 13, 2014

## MAY SPLITS – OUR BUY

### Union Pacific

Railroad stocks used to be the backbone of many portfolios “back in the day” and still have a special appeal for many investors. Warren Buffet made his biggest investment ever a few years ago when he bought BNSF. Union Pacific (UNP) was in the 2 for 1 portfolio from 6/08 through 9/11 and made a very good showing during some tough times. This month’s pick will be the second railroad in our current portfolio, after CNI, and I’m pleased to have it back.

UNP is the largest railroad in the country and it’s also one of the best managed, with higher than average profits and return on equity and lower debt than its peers. UNP pays a respectable 1.8% dividend. The dividend has been growing at 27% a year over the last five years. The stock’s volatility is just about par for the market. This is not a particularly cheap stock, but UNP is a company as solid as they come and it’s highly unlikely it will be going off the rails.

Core-Mark Holding Corp. (CORE) is a small-cap company in the wholesale distribution business supplying small retailers and convenience stores with over 45,000 food and merchandise items. Earnings have been growing at 17%/yr over the last five years and the dividend has held steady at just under 1%. This is a low margin business and, while filling a vital niche in our consumer economy, it does not excite me.

Bank of the Ozarks (OZRK) tied for the #2 ranking and is a stock just recently sold from the 2 for 1 portfolio. This is a great company but its stock is quite a bit more expensive than when I bought it in 2011. Wait for a better PE here.

Symbol	Company	Split Date	Rank
UNP	Union Pacific Corp	06/06/14	1
CORE	Core-Mark Holding	06/26/14	2
OZRK	Bank of the Ozarks	06/23/14	2
SXL	Sunoco Logistics Partners	06/12/14	3
TRN	Trinity Industries	06/19/14	3
OILT	Oiltanking Partners	07/14/14	3
MIDD	Middleby Corp	06/26/14	4

## PORTFOLIO ITEMS

### A Nice Pace

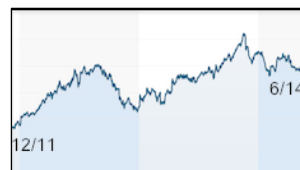
Pundits are talking about the summer doldrums as if there is some curse that befalls the market every year about this time. Trading volume is down, to be sure, but it is believed this may be due to trouble in the high-frequency trading shops, which would be a good thing in my opinion. Earnings announcements and split announcements are few and far between right now but should pick up in July with 2<sup>nd</sup> quarter results coming in. I see no problems associated with a slower pace in the markets and the financial world in general.

Apple’s 7 to 1 split was delivered this week and there was a bit of publicity for 2 for 1 as a result. Mark Hulbert wrote another nice piece mentioning the newsletter and Susie Poppick at Money Magazine also featured 2 for 1 in her article about Apple’s split. You can see both on the 2-for-1.com website.

As for the 2 for 1 portfolio, there is good evidence that the campaign to damp down volatility is finally taking hold. There are no positions at too high or too low a percentage of the portfolio such that a re-balance will be necessary. There is a good cash cushion so that sales through the end of the year should provide adequate funds for the monthly buys. I’m very comfortable with how things are moving along and would be happy to have the “summer doldrums” extended to last all year and then some. So have a great summer and please embrace the slower pace in the markets. Let’s just hope it lasts a while.

### Ross Stores

Ross Stores (ROST) has been only moderately successful, not quite keeping up with the overall growth of the portfolio. As we go to press, ROST has gained 48% or just above 17% annualized. The Vanguard 500 Index Fund’s annualized return was 24% over the same period. A quick glance at the graph tells us a sale in August of 2012 would have netted the same return in 1/3 the time. Oh well, hindsight is always 20/20.



## 2 for 1 MODEL PORTFOLIO – MAY STATEMENT

		# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 5/31/14	BASIS	START MONTH 4178.66	END MONTH 6320.20	% OF PORT 1.93%
CASH									
ROST	ROSS STORES	150	12/19/11	46.520	68.450	6987.99	10212.00	10267.50	3.14%
TJX	TJX INC	220	01/17/12	32.620	54.450	7186.39	12799.60	11979.00	3.67%
MNST	MONSTER BEVERAGES	105	02/21/12	53.200	69.380	5593.49	7030.80	7284.90	2.23%
DGAS	DELTA NATURAL GAS	400	03/21/12	18.955	19.710	7581.93	7628.00	7884.00	2.41%
CPRT	COPART INC	300	04/16/12	25.780	35.570	7733.98	10881.00	10671.00	3.27%
KO	COCA-COLA	200	05/21/12	37.174	40.910	7434.84	8158.00	8182.00	2.50%
CME	CME GROUP	140	06/21/12	54.923	72.000	7689.27	9854.60	10080.00	3.08%
AZZ	AZZ INC	250	07/16/12	32.320	44.510	8079.99	10855.00	11127.50	3.41%
TROX	TRONOX LTD.	445	08/20/12	25.073	26.570	11157.38	10902.50	11823.65	3.62%
PAA	PLAINS ALL AMERICAN PIPELINES	180	09/17/12	44.881	56.470	8078.49	10044.00	10164.60	3.11%
MMP	MAGELLAN MIDSTREAM PARTNERS	180	10/16/12	44.406	81.880	7992.99	13357.80	14738.40	4.51%
SCL	STEPAN CO	160	11/19/12	47.062	53.520	7529.99	9252.80	8563.20	2.62%
HEP	HOLLY ENERGY PARTNERS	240	12/17/12	31.852	35.340	7644.39	7754.40	8481.60	2.60%
PRA	PROASSURANCE	244	01/25/13	44.493	45.450	10856.17	11082.48	11089.80	3.39%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	68.400	8931.59	10768.00	10944.00	3.35%
AOS	A. O. SMITH	260	11/15/10	19.147	49.380	4978.20	12157.60	12838.80	3.93%
TU	TELUS	310	04/22/13	35.342	37.770	10955.98	10933.70	11708.70	3.58%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	30.510	9315.99	13952.40	13424.40	4.11%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	30.280	9198.49	10322.40	10295.20	3.15%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	55.210	9624.49	10522.35	11097.21	3.40%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	42.090	9507.49	10845.00	10522.50	3.22%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	65.020	9797.49	10086.00	9753.00	2.98%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	70.590	9762.89	11781.00	12000.30	3.67%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	60.580	10359.53	10776.88	11146.72	3.41%
RLI	RLI CORP.	220	12/16/13	46.470	44.600	10223.49	9473.20	9812.00	3.00%
TD	TORONTO-DOMINION BANK	232	01/21/14	45.193	49.590	10484.79	11156.88	11504.88	3.52%
ITC	ITC HOLDINGS	300	02/18/14	34.607	36.600	10381.99	11091.00	10980.00	3.36%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	28.820	10693.74	10129.00	10087.00	3.09%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	37.500	10399.99	10769.00	11250.00	3.44%
AAPL	APPLE CORP	17	05/19/14	604.488	633.000	10276.29	10276.29	10761.00	3.29%
TOTAL CASH AND EQUITIES						266439.73		326783.06	100.00%

## ACCOUNT VALUE SUMMARY - 5/31/14

Description	Amount
Last Month's Closing Equity	319994.05
Change in Stock Value	+6286.92
Interest & Dividends	502.09
This Month's Closing Equity	326783.06

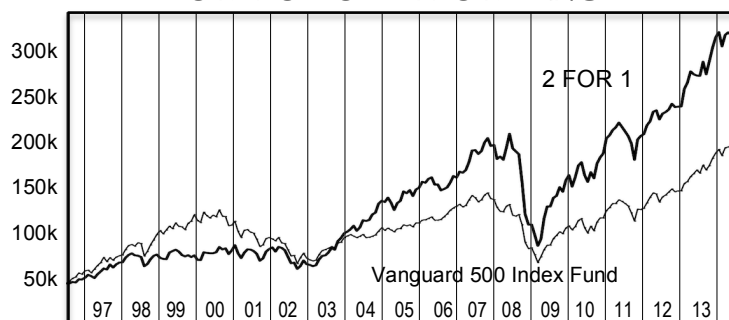
## ANNUALIZED RETURN 7/31/96 – 5/31/14

2 for 1: + **11.10%** 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. 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 an actual portfolio of 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 \$266,440 basis above reflects \$216,440 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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