



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 22 Issue 6

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

June 16, 2017

## RECENT SPLITS – OUR BUY

### DST Systems, Inc.

There were four split announcements in May, a real up-tick compared to most recent months. One of the four, Silgan Holdings (SLGN), was added to the portfolio last month. The three remaining, in the order of their ranking score, are DST Systems (DST), Spark Energy Inc. (SPKE), and BankFirst Corp. (BANF). DST provides services in both the financial and healthcare arenas. Full disclosure – Neil Macneale Inc. is the index provider to the Stock Split Index Fund (TOFR). This ETF is distributed by ALPS, a wholly-owned subsidiary of DST Systems.

DST has nice valuation numbers, well below average, including PE and price-to-book ratios of 10.5 and 3.2 respectively, all the more notable given the earnings growth numbers are well above average. The balance sheet is strong, profit margins are excellent, and returns on assets and equity are very good and getting better. DST pays a 1.16% dividend – not great but it has been growing at over 12% a year for a while now. DST is more volatile than the market, with a Beta of 1.33, but all the other good numbers outweigh this single significant negative metric. DST delivered its split shares last week, resulting in a little spike in trading activity. That seems to have settled down now and next week will be as good a time as any to add DST to our portfolio.

Spark Energy Inc. is an interesting company, operating as a gas and electricity supplier in over 90 service areas across the country. It's really an energy broker offering choices that didn't exist a few years ago, such as carbon offsets and all-green energy from renewable sources. This is a young company but its balance sheet is solid. Growth has been impressive and it's paying a 3.3% dividend. Exploiting the push toward green energy seems to be paying off for Spark and I see no reason to believe this trend will be decelerating over the next few years. SPKE would be a second buy recommendation if you are still building your 2 for 1 portfolio toward 30 positions.

## PORTFOLIO ITEMS

### Interesting Numbers

Last week we saw the market do something just the opposite of what I talked about in last month's 2 for 1. The graphic included here is a screenshot from my computer right after the market closed last Thursday. For some reason, (I'm not going to guess why) the Russell 2000, a small-cap index, had a very good day while the popular large-cap indexes were flat. After trailing the market just a little bit almost every day for weeks, the 2 for 1 Index was up 0.4% that same day and had an even better day on Friday, hitting a new all-time high.

Thu Jun 8 1:01:02 PM

Russell 2000	1,415.47	▲	+18.80 (+1.35%)
DJIA	21,183.28	▲	+9.59 (+0.05%)
S&P 500	2,433.78	▲	+0.64 (+0.03%)

Our nice 0.4% gain that day was well short of the 1.35% hike in the Russell 2000, reflecting the fact that 2 for 1 is not all small-cap. In fact, Morningstar classifies TOFR, the Stock Split Index ETF that follows our portfolio, as a mid-cap growth fund. I like to think of 2 for 1 as a proxy for the entire market but, clearly, we do best when the market is favoring the “out of favor”.

May was not kind to 2 for 1, with a significant pullback in most of our financial stocks. AFSI, in particular, is still giving me heartburn. (See the April issue of 2 for 1). June will be better, with new all-time highs and a big lead over the market for the month at press time. Beating the market can't be an every day or every month thing; just more than 51% of the time will do.

## THIS MONTH'S SELL

### Columbia Sportswear

Columbia Sportswear has been very good to the 2 for 1 portfolio. Added in 8/14, COLM shot up in 2/15 and we sold off about a quarter of the position for a 57% return in less than half a year. Since then, COLM has been up and down but our sale next week will again bring us a 57% overall return, this time spread over almost three years, or about 17.3% annualized. Annualized total return for Vanguard's 500 Index Fund has been 9.9% over the same period.



## 2 for 1 MODEL PORTFOLIO – MAY STATEMENT

	# SH	BOUGHT	COST PER SHARE	QUOTE ON 5/31/17	BASIS	START MONTH \$7,933.85	END MONTH \$8,474.28	% OF PORT 2.02%	
CASH									
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	54.280	8,287.03	12,456.40	11,941.60	2.84%
APH	AMPHENOL	216	09/15/14	52.086	74.600	11,250.63	15,618.96	16,113.60	3.84%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	37.200	11,741.96	10,570.00	10,416.00	2.48%
HAIN	HAIN CELESTIAL GROUP	300	12/15/14	36.803	34.930	11,040.87	11,097.00	10,479.00	2.50%
GNTX	GENTEX CORP	660	01/20/15	17.395	18.980	11,480.79	13,629.00	12,526.80	2.98%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	41.900	12,129.73	15,333.00	15,922.00	3.79%
MGA	MAGNA INTERNATIONAL INC	300	03/16/15	49.120	44.790	14,736.13	12,531.00	13,437.00	3.20%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	63.610	12,470.36	15,615.60	16,538.60	3.94%
PPG	PPG INDUSTRIES	133	05/18/15	110.692	106.360	14,722.05	14,608.72	14,145.88	3.37%
CF	CF INDUSTRIES HOLDINGS	400	07/20/15	48.350	26.900	19,339.80	10,696.00	10,760.00	2.56%
EXPO	EXPONENT INC.	285	08/17/15	43.895	59.300	12,510.09	17,427.75	16,900.50	4.03%
FBIZ	FIRST BUSINESS FINANCIAL SERV.	563	09/21/15	22.959	22.850	12,925.98	14,958.91	12,864.55	3.06%
AZN	ASTRAZENECA	435	11/16/15	31.581	34.390	13,737.77	13,158.75	14,959.65	3.56%
AFSI	AMTRUST FINANCIAL SERVICES	455	12/21/15	30.181	13.140	13,732.27	7,302.75	5,978.70	1.42%
HRL	HORMEL FOODS	336	01/19/16	38.371	33.630	12,892.58	11,786.88	11,299.68	2.69%
NKE	NIKE, INC.	224	02/16/16	57.296	52.990	12,834.38	12,411.84	11,869.76	2.83%
ENSG	ENSIGN GROUP	670	04/18/16	22.227	18.380	14,891.80	12,026.50	12,314.60	2.93%
HOMB	HOME BANCSHARES	600	05/16/16	20.351	23.410	12,210.63	15,270.00	14,046.00	3.35%
LNT	ALLIANT ENERGY	320	06/20/16	39.040	41.470	12,492.74	12,582.40	13,270.40	3.16%
LKFN	LAKELAND FINANCIAL	390	07/18/16	33.277	42.430	12,978.19	17,807.40	16,547.70	3.94%
ICE	INTERCONTINENTAL EXCHANGE	230	08/15/16	55.893	60.190	12,855.38	13,846.00	13,843.70	3.30%
BMI	BADGER METER INC	380	09/19/16	33.166	39.200	12,603.19	15,105.00	14,896.00	3.55%
TTC	TORO CORP	265	10/17/16	47.294	68.490	12,532.89	17,203.80	18,149.85	4.32%
CHD	CHURCH & DWIGHT	292	11/21/16	44.939	51.660	13,122.07	14,462.76	15,084.72	3.59%
NAVIG	NAVAGATORS GROUP INC	230	12/19/16	58.048	53.000	13,351.14	12,431.50	12,190.00	2.90%
OTEX	OPENTEXT INC	460	07/21/14	23.859	32.630	10,975.33	15,952.80	15,009.80	3.58%
AOS	A.O. SMITH CORP	285	01/17/17	48.233	54.870	13,746.36	15,355.80	15,637.95	3.73%
CMCSA	COMCAST	380	02/24/17	37.551	41.690	14,269.49	14,892.20	15,842.20	3.77%
CPRT	COPART INC	450	04/17/17	29.721	31.190	13,374.45	13,905.00	14,035.50	3.34%
SLGN	SILGAN HOLDINGS	450	05/15/17	31.980	31.810	14,390.96	14,390.96	14,314.50	3.41%
TOTAL CASH AND EQUITIES						\$389,627.04		\$419,810.52	100.00%

## ACCOUNT VALUE SUMMARY - 5/31/17

Description	Amount
Last Month's Closing Equity	\$422,532.37
Change in Stock Value	-\$3,292.21
Interest & Dividends	\$570.36
This Month's Closing Equity	\$419,810.52

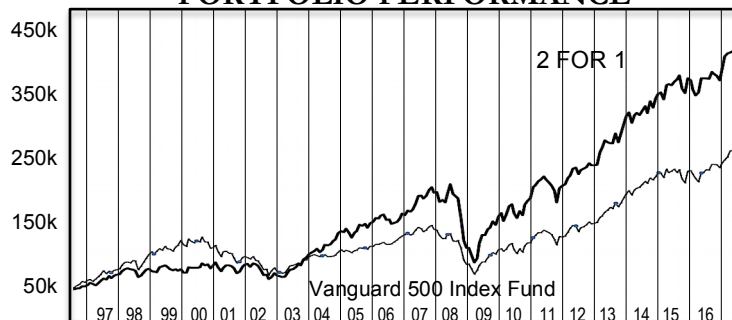
## ANNUALIZED RETURN 7/31/96 – 5/31/17

2 for 1: + **10.75%** Vanguard 500 Fund: +8.44%  
(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 \$389,627 basis above reflects \$339,627 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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