



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 19 Issue 3

2-for-1.com

March 14, 2014

## FEBRUARY SPLITS – OUR BUY

### Mueller Industries

Mueller Industries (MLI) may seem among the least likely of the seven eligible February splits for inclusion in the 2 for 1 portfolio. It's a very small-cap company (\$1.8B), it's not very well known (covered by only two analysts), and its story is not too exciting (it makes pipe and valves). However, if you are a plumber or HVAC technician, you have been using Mueller products for years. This 97-year-old business, based in Memphis, Tennessee, is just the type of small manufacturer 2 for 1 has had such good results from over the years. MLI has a very strong balance sheet, a low PE (10.4), and a below average measure of volatility. In recent years capital spending has been well above average for the industry and earnings growth should reflect this in the coming years.

Westlake Chemical (WLK), based in Houston Texas, produces basic chemicals such as ethylene and styrene from oil and gas feed stocks. The recent growth numbers for this company are very impressive but these metrics are projected to taper off in the coming year. Other factors, including volatility well above the market average, score WLK somewhat lower than MLI and give it the #2 spot on February's list.

EOG Resources (EOG) is a big (\$52B) oil and natural gas producer with OK numbers but nothing too exciting. It should be noted that return on assets, investment, and equity for EOG are all improving but have lagged the industry over the last five years. We already have plenty of energy related companies in the portfolio so this is an easy one to pass up.

Symbol	Company	Split Date	Rank
MLI	Mueller Industries	03/28/14	1
WLK	Westlake Chemical Co	03/18/14	2
EOG	EOG Resources, Inc.	03/31/14	3
CTSH	Cognizant Tech Solutions	03/07/14	4
TREX	Trex, Inc.	05/07/14	4
CELG	Celgene Corp	06/18/14	4
ADES	Advanced Emissions Sol.	03/14/14	5

## PORTFOLIO ITEMS

### Taking a Breather

For the first two months of 2014, the 2 for 1 portfolio has lagged the market and is down about one percent from its 2013 close. March is better, so far, but my point here is that it's hard to see the forest for the trees sometimes. Lagging the market two months in a row, particularly the first two months of the year, makes me uncomfortable but, looking at the record, it has happened numerous times before. The portfolio and the market have been at or near all time highs regularly over the past few months and it should be expected the lead will trade back and forth as events unfold. My assumption here is that the effort to reduce volatility in the 2 for 1 portfolio is paying off. On the upswings we will not accelerate as quickly as the market does, but we will catch up and pass it over time.

Cash from the sale of OZRK will boost the cash account far higher than required for foreseeable future monthly purchases, so I will be putting some of that cash to work with a partial rebalancing. As we go to press TROX, PRA, and TU are all candidates for a little boost in their positions. HEP is also lagging, but it's fairly expensive at the moment and its overall return is somewhat disguised because its very generous dividend is not reflected in the relative weight column of the portfolio statement. Each reader will have to make their own calculations regarding any rebalancing for their personal portfolio. I'll report on any and all activity next month.

## THIS MONTH'S SELL

### Bank of the Ozarks

As mentioned last month, our monthly sale will now occur soon after the publication of the newsletter, concurrently with the monthly buy. As a result, I can't report precisely on the overall return of our monthly sale. However, based on the closing price on Wednesday, we've more than tripled our investment in OZRK with a return of 202.3%, or 53.4% annualized, costs and dividends included. The Vanguard 500 Index Fund was up 65.1%, or 21.5% annualized, over the same period. We want more stocks like this one!

## 2 for 1 MODEL PORTFOLIO – FEBRUARY STATEMENT

		# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 2/28/14	BASIS	START MONTH 2859.43	END MONTH 1705.06	% OF PORT 0.53%
CASH									
OZRK	BANK OF THE OZARKS	280	08/16/11	22.786	63.420	6379.99	17752.00	17757.60	5.55%
CLW	CLEARWATER PAPER	175	09/19/11	37.000	63.850	6484.99	9966.25	11173.75	3.49%
BLL	BALL CORP.	200	11/21/11	33.400	55.560	6689.99	10238.00	11112.00	3.47%
ROST	ROSS STORES	150	12/19/11	46.520	72.800	6987.99	10186.50	10920.00	3.41%
TJX	TJX INC	220	01/17/12	32.620	61.460	7186.39	12619.20	13521.20	4.22%
MNST	MONSTER BEVERAGES	105	02/21/12	53.200	74.000	5593.49	7129.50	7770.00	2.43%
DGAS	DELTA NATURAL GAS	400	03/21/12	18.955	20.560	7581.93	8328.00	8224.00	2.57%
CPRT	COPART INC	300	04/16/12	25.780	36.430	7733.98	10284.00	10929.00	3.41%
KO	COCA-COLA	200	05/21/12	37.174	38.200	7434.84	7564.00	7640.00	2.39%
CME	CME GROUP	140	06/21/12	54.923	73.820	7689.27	10466.40	10334.80	3.23%
AZZ	AZZ INC	250	07/16/12	32.320	44.370	8079.99	10452.50	11092.50	3.46%
TROX	TRONOX LTD.	310	08/20/12	25.612	23.690	7939.79	6807.60	7343.90	2.29%
PAA	PLAINS ALL AMERICAN PIPELINES	180	09/17/12	44.881	54.170	8078.49	9088.20	9750.60	3.04%
MMP	MAGELLAN MIDSTREAM PARTNERS	180	10/16/12	44.406	67.670	7992.99	11962.80	12180.60	3.80%
SCL	STEPAN CO	160	11/19/12	47.062	60.800	7529.99	10142.40	9728.00	3.04%
HEP	HOLLY ENERGY PARTNERS	240	12/17/12	31.852	33.600	7644.39	7766.40	8064.00	2.52%
PRA	PROASSURANCE	194	01/25/13	44.601	45.460	8652.68	9013.24	8819.24	2.75%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	62.830	8931.59	9796.80	10052.80	3.14%
AOS	A. O. SMITH	260	11/15/10	19.147	49.700	4978.20	12277.20	12922.00	4.04%
TU	TELUS	260	04/22/13	35.348	35.350	9190.59	9071.40	9191.00	2.87%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	33.560	9315.99	13569.60	14766.40	4.61%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	30.030	9198.49	9656.00	10210.20	3.19%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	53.250	9624.49	10454.01	10703.25	3.34%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	45.580	9507.49	11862.50	11395.00	3.56%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	70.560	9797.49	9976.50	10584.00	3.30%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	68.730	9762.89	11038.10	11684.10	3.65%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	56.540	10359.53	9844.00	10403.36	3.25%
RLI	RLI CORP.	220	12/16/13	46.470	43.130	10223.49	9165.20	9488.60	2.96%
TD	TORONTO-DOMINION BANK	232	01/21/14	45.193	45.330	10484.79	10028.20	10516.56	3.28%
ITC	ITC HOLDINGS	100	02/18/14	103.820	102.600	10381.99	10381.99	10260.00	3.20%
TOTAL CASH AND EQUITIES						247438.21		320243.52	100.00%

## ACCOUNT VALUE SUMMARY - 2/28/14

Description	Amount
Last Month's Closing Equity	307917.88
Change in Stock Value	11715.73
Interest & Dividends	609.91
This Month's Closing Equity	320243.52

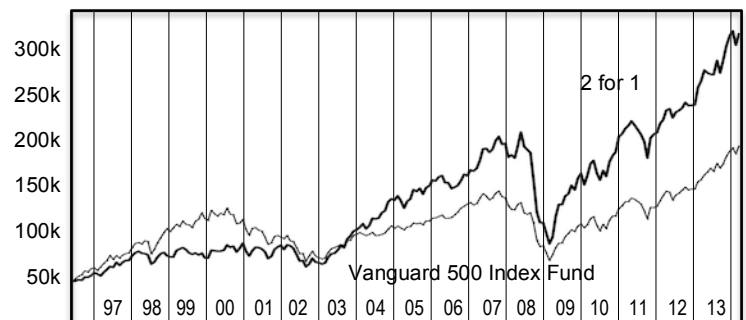
## ANNUALIZED RETURN 7/31/96 – 2/28/14

2 for 1: + **11.14%** Vanguard 500 Fund: +8.13%  
(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 \$247,438 basis above reflects the \$197,438 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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