



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 21 Issue 3

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

March 18, 2016

## FEBRUARY SPLITS – OUR BUY

### Another Pass

There was one split in February - Greene County Bancorp (GCBC) announced a 2 for 1 split on 2/12/16 and I was hopeful the split drought was over. That was not the case and I'm faced with adding GCBC to the 2 for 1 Index, or doing nothing at all this month. I've chosen the latter course, even though there is a lot to like about Greene County Bancorp.

The big problem, and the only problem, is the small size of this company. At a market cap of \$150M, and with a trading volume of only a few thousand shares a day, GCBC just doesn't qualify for consideration for inclusion in the 2 for 1 Index. I wish it weren't so because this would appear to be a great little locally run bank; just the type of bank that has done so well in the 2 for 1 portfolio in the past. It's very profitable, with a strong balance sheet, and it's been in business since 1889. Amazing! Unfortunately, it's just too small to make the cut.

So what's going on? Is the lack of splits a fundamental shift away from the notion that every board of directors thinks there's a "sweet spot" for their company's stock price? Has Warren Buffett won the day with his aversion to splitting the stock of Berkshire Hathaway? Are we witnessing a point in the business cycle when there are simply too few companies feeling healthy enough to split their stock? I have no data, but the answer may be "all of the above", weighted somewhat toward the latter of the three.

The signal that a board of directors provides when they announce a stock split is not only that they have great confidence in the future performance of their particular company; it's also a signal of their confidence that the "economy", writ large, is not going to throw a monkey wrench into the equation. It's my belief that right now there is an uneasiness with the world's economic and political situation to the point where many companies are simply being very conservative. Let's hope this is a temporary condition.

## PORTFOLIO ITEMS

### Planning Ahead

Assuming their merger goes according to plan, one of the 2 for 1 companies, ITC Holdings (ITC), will be bought up by the Canadian company Fortis before the end of the year. ITC stockholders will be paid partially in cash and partially in Fortis stock that, combined at today's prices, will be worth a bit less than \$45 per share. That's about a 14% premium to the stock's price on 2/9, when the merger was announced.

How 2 for 1 handles mergers varies from case to case but, for the ITC/Fortis merger, the course is clear. Fortis is a Canadian company that does not trade on US stock exchanges. The news release said Fortis will apply for listing on the NYSE before the merger closes, but success with that is not a foregone conclusion. In addition, the half-cash/half-stock payout complicates our monthly buy/sell routine. Therefore, I have decided our ITC position should be sold prior to the close of the merger deal. We have months between now and that event, but the ITC stock price is already approaching the \$44.90 valuation anticipated if one holds the ITC position until the close of the deal.

Therefore, I am planning to sell our ITC position sometime in the next few months as the "sell" side of our normal "buy/sell" routine. There is no rush to accomplish this and, because there is no "buy" this month, the earliest the sale could occur would be in April. Whenever the ITC sale actually happens, the normal sale of the stock at the top of the portfolio ladder will be delayed until the following month.

## THIS MONTH'S SELL

### No Sale This Month

For the second time in six months the 2 for 1 Index will remain unchanged due to a lack of qualified companies with a recent split announcement. Because the "stock split advantage" lasts for up to three years, and because the typical monthly sale takes place after we have owned a company for 30 months (2½ years), we always have some "wobble room" and are not compelled to sell a stock simply because 30 months have passed.

## 2 for 1 MODEL PORTFOLIO – FEBRUARY STATEMENT

		# SH	BOUGHT	COST PER SHARE	QUOTE ON 2/29/16	BASIS	START MONTH \$4,901.83	END MONTH \$4,239.21	% OF PORT 1.19%
CASH									
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	35.850	9,624.49	6,966.66	7,205.85	2.03%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	62.020	9,507.49	14,305.00	15,505.00	4.37%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	84.570	9,797.49	13,246.50	12,685.50	3.57%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	65.970	9,762.89	11,410.40	11,214.90	3.16%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	57.900	10,359.53	9,842.16	10,653.60	3.00%
RLI	RLI CORP.	220	12/16/13	46.470	62.770	10,223.49	13,046.00	13,809.40	3.89%
TD	TORONTO-DOMINION BANK	300	01/21/14	43.848	38.660	13,154.25	11,352.00	11,598.00	3.27%
ITC	ITC HOLDINGS	300	02/18/14	34.607	40.630	10,381.99	11,970.00	12,189.00	3.43%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	26.220	10,693.74	8,907.50	9,177.00	2.59%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	32.390	10,399.99	10,977.00	9,717.00	2.74%
AAPL	APPLE CORP	119	05/19/14	86.355	96.690	10,276.29	11,583.46	11,506.11	3.24%
UNP	UNION PACIFIC	130	06/16/14	83.431	78.860	10,846.00	7,776.00	10,251.80	2.89%
OTEX	OPENTEXT INC	230	07/21/14	47.719	49.740	10,975.33	11,237.80	11,440.20	3.22%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	59.520	8,287.03	12,139.60	13,094.40	3.69%
APH	AMPHENOL	216	09/15/14	52.086	53.070	11,250.63	10,707.12	11,463.12	3.23%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	53.380	11,741.96	14,131.60	14,946.40	4.21%
HAIN	HAIN CELESTIAL GROUP	300	12/15/14	36.803	36.970	11,040.87	7,276.00	11,091.00	3.12%
GNTX	GENTEX CORP	660	01/20/15	17.395	14.560	11,480.79	9,035.40	9,609.60	2.71%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	34.620	12,129.73	13,383.60	13,155.60	3.71%
MGA	MAGNA INTERNATIONAL INC	232	03/16/15	52.018	38.850	12,068.19	8,024.88	9,013.20	2.54%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	58.210	12,470.36	15,800.20	15,134.60	4.26%
PPG	PPG INDUSTRIES	133	05/18/15	110.692	96.530	14,722.05	12,650.96	12,838.49	3.62%
NTT	NIPPON T & T	350	06/15/15	35.340	42.710	12,368.84	14,966.00	14,948.50	4.21%
CF	CF INDUSTRIES HOLDINGS	250	07/20/15	60.978	36.460	15,244.38	7,500.00	9,115.00	2.57%
EXPO	EXPONENT INC.	285	08/17/15	43.895	46.690	12,510.09	14,623.35	13,306.65	3.75%
FBIZ	FIRST BUSINESS FINANCIAL SERV	520	09/21/15	23.019	21.110	11,969.99	11,939.20	10,977.20	3.09%
AZN	ASTRAZENECA	370	11/16/15	32.394	28.670	11,985.78	11,921.40	10,607.90	2.99%
AFSI	AMTRUST FINANCIAL SERVICES	400	12/21/15	30.754	24.450	12,301.63	11,438.00	9,780.00	2.75%
HRL	HORMEL FOODS	292	01/19/16	38.784	42.510	11,324.99	11,739.86	12,412.92	3.50%
NKE	NIKE, INC.	200	02/16/16	57.990	61.590	11,597.99	11,597.99	12,318.00	3.47%
TOTAL CASH AND EQUITIES						\$340,498.27	\$355,005.15	100.00%	

## ACCOUNT VALUE SUMMARY - 2/29/16

Description	Amount
Last Month's Closing Equity	\$350,235.48
Change in Stock Value	\$4,278.06
Interest & Dividends	\$491.61
This Month's Closing Equity	\$355,005.15

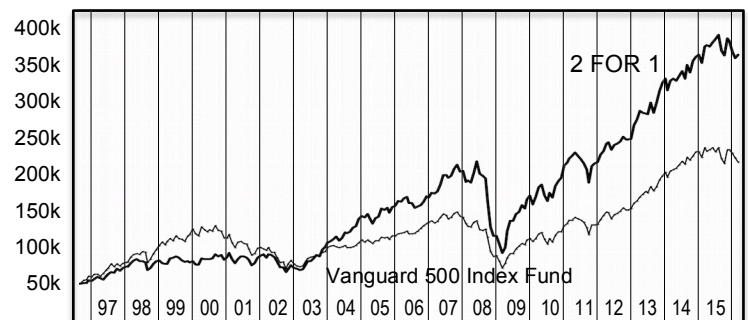
## ANNUALIZED RETURN 7/31/96 – 2/29/16

2 for 1: + **10.53%** Vanguard 500 Fund: +7.70%  
(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 \$340,498 basis above reflects \$290,498 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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