



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

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PORTFOLIO ITEMS

Entering an Order

Last month, after I sent out the alert concerning the timing of the Comcast purchase, I received an inquiry from a subscriber requesting more details about how I was going to proceed. The issue arose because the 2 for 1 recommendation and the delivery date of Comcast's split shares happened to coincide. In an email, here's how I answered the query.

"In general terms, here's what I think will happen. Comcast closed at \$75.32 on Friday. That suggests an opening price of \$37.66 on Tuesday morning. What often happens (not always, and depending on the direction of the overall market) a stock will begin trading on the day of the split adjustment at a higher price than the previous close. Higher volatility is also common. Then, after a day or two, things settle down and the price often drops below that of the initial split adjusted trades. So, to play it safe, I may put in a limit order at around \$37.25 early on. If that executes over the course of the first day or two, fine, end of story. If it doesn't, I would raise the limit to near the trading price on the third or fourth day."

Here's what actually happened. Tuesday, 2/21, a limit order was entered at \$37.30

Date	Open	High	Low	Close
21-Feb-17	38.03	38.03	37.41	37.89
22-Feb-17	37.87	38.22	37.82	37.94
23-Feb-17	38.12	38.16	37.56	37.65
24-Feb-17	37.72	37.90	37.47	37.89

Trading got as low as \$37.41 the first day, but not low enough to trigger the order. The limit was raised to \$37.53 mid-morning on Friday and was executed within minutes at \$37.525. So, the scenario played out precisely as laid out in my note to the subscriber and, a week after the split, 2 for 1 acquired CMCSA at a reasonable price.

Putting aside all of the above, it's good to keep in mind we're going to own the stock for 2½ years and a few cents higher or lower at either the buy or the sell will not be that significant.

RECENT SPLITS

Another Skip

Market jitters, political chaos, splits going out of fashion; for whatever reason, we just aren't getting the split announcements. And there has been no last minute reprieve this time. Companies that could qualify based on a split announcement within the last six months include Monster Beverages (MNST), USANA Health Sciences (USNA), Integra LifeSciences (IART), ServisFirst Bancshares (SFBS), First Foundation Inc. (FFWM), and just recently, ePlus Inc (PLUS). However, all these companies fail to measure up, usually for several and various reasons, most of which have been listed in previous issues of 2 for 1. SFBS and FFWM – we are already pretty heavily weighted in the financial services. USNA – legal problems, no dividend. IART – high valuation numbers, no dividend. MNST – high valuation, too "popular".

ePlus Inc. (PLUS) is the company with the most recent split announcement and I had high hopes when I first learned of its upcoming split. ePlus is a bundler of hardware and software services and offers financing for the same. PLUS sells to corporate customers, state and local governments, and higher education institutions on a nationwide basis. There are some good numbers, such as sales and earnings growth over the last five years, but high volatility, thin trading, and anemic profit margins bring the 2 for 1 ranking score well below what I consider an acceptable level. I'd rather skip a buy for this month than recommend a stock that I don't believe has what it takes.

This is not a bad thing. Union Pacific (UNP) has been in the portfolio for 33 months and is our next sale, but holding it for one more month should be no problem. By David Ikenberry's original stock split study back in 1996, the "stock split advantage" lasts for up to three years, so even another two or three months in the portfolio would still find UNP within the three-year window. For those who want to sell because the market is near its all-time high, keep in mind, we also have to buy at the same time, so market conditions really shouldn't factor into the equation. 2 for 1 will take a break, we'll save two commissions, and life goes on.

2 for 1 MODEL PORTFOLIO – FEBRUARY STATEMENT

		# SH	BOUGHT	COST PER SHARE	QUOTE ON 2/28/17	BASIS	START MONTH	END MONTH	% OF PORT
CASH							\$4,352.10	\$4,780.38	1.15%
UNP	UNION PACIFIC	130	06/16/14	83.431	107.940	10,846.00	13,855.40	14,032.20	3.37%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	54.940	8,287.03	11,961.40	12,086.80	2.90%
APH	AMPHENOL	216	09/15/14	52.086	69.210	11,250.63	14,577.84	14,949.36	3.59%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	37.950	11,741.96	11,676.00	10,626.00	2.55%
HAIN	HAIN CELESTIAL GROUP	300	12/15/14	36.803	35.380	11,040.87	11,868.00	10,614.00	2.55%
GNTX	GENTEX CORP	660	01/20/15	17.395	21.030	11,480.79	13,787.40	13,879.80	3.33%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	39.400	12,129.73	14,326.00	14,972.00	3.59%
MGA	MAGNA INTERNATIONAL INC	300	03/16/15	49.120	42.860	14,736.13	12,984.00	12,858.00	3.08%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	56.870	12,470.36	14,357.20	14,786.20	3.55%
PPG	PPG INDUSTRIES	133	05/18/15	110.692	102.430	14,722.05	13,301.33	13,623.19	3.27%
NTT	NIPPON T & T	350	06/15/15	35.340	42.340	12,368.84	15,459.50	14,819.00	3.56%
CF	CF INDUSTRIES HOLDINGS	400	07/20/15	48.350	31.420	19,339.80	14,116.00	12,568.00	3.02%
EXPO	EXPONENT INC.	285	08/17/15	43.895	57.450	12,510.09	16,544.25	16,373.25	3.93%
FBIZ	FIRST BUSINESS FINANCIAL SERV.	563	09/21/15	22.959	25.220	12,925.98	13,641.49	14,198.86	3.41%
AZN	ASTRAZENECA	435	11/16/15	31.581	29.260	13,737.77	11,845.05	12,728.10	3.05%
AFSI	AMTRUST FINANCIAL SERVICES	455	12/21/15	30.181	23.000	13,732.27	12,007.45	10,465.00	2.51%
HRL	HORMEL FOODS	336	01/19/16	38.371	35.250	12,892.58	12,196.80	11,844.00	2.84%
NKE	NIKE, INC.	224	02/16/16	57.296	57.160	12,834.38	11,849.60	12,803.84	3.07%
ENSG	ENSIGN GROUP	670	04/18/16	22.227	18.840	14,891.80	11,187.00	12,622.80	3.03%
HOMB	HOME BANCSHARES	600	05/16/16	20.351	28.140	12,210.63	16,164.00	16,884.00	4.05%
LNT	ALLIANT ENERGY	320	06/20/16	39.040	39.480	12,492.74	12,048.00	12,633.60	3.03%
LKFN	LAKELAND FINANCIAL	390	07/18/16	33.277	45.390	12,978.19	17,323.80	17,702.10	4.25%
ICE	INTERCONTINENTAL EXCHANGE	230	08/15/16	55.893	57.130	12,855.38	13,422.80	13,139.90	3.15%
BMI	BADGER METER INC	380	09/19/16	33.166	36.600	12,603.19	14,649.00	13,908.00	3.34%
TTC	TORO CORP	265	10/17/16	47.294	60.210	12,532.89	15,616.45	15,955.65	3.83%
CHD	CHURCH & DWIGHT	292	11/21/16	44.939	49.840	13,122.07	13,204.24	14,553.28	3.49%
NAVJ	NAVAGATORS GROUP INC	230	12/19/16	58.048	55.050	13,351.14	12,914.50	12,661.50	3.04%
OTEX	OPENTEXT INC	460	07/21/14	23.859	32.980	10,975.33	15,764.20	15,170.80	3.64%
AOS	A.O. SMITH CORP	285	01/17/17	48.233	50.360	13,746.36	13,893.75	14,352.60	3.44%
CMCSA	COMCAST	380	02/24/17	37.551	37.420	14,269.49	14,269.49	14,219.60	3.41%
TOTAL CASH AND EQUITIES						\$385,076.47	\$416,811.81	100.00%	

ACCOUNT VALUE SUMMARY - 2/28/17

Description	Amount
Last Month's Closing Equity	\$415,335.20
Change in Stock Value	\$878.62
Interest & Dividends	\$597.99
This Month's Closing Equity	\$416,811.81

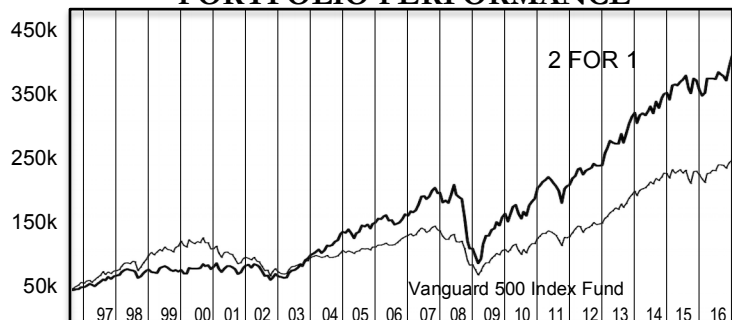
ANNUALIZED RETURN 7/31/96 – 2/28/17

2 for 1: + **10.85%** Vanguard 500 Fund: +8.47%
(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 \$385,076 basis above reflects \$335,076 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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