



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

Volume 20 Issue 5

2-for-1.com

May 15, 2015

APRIL SPLITS – OUR BUY

PPG Industries

Pittsburg Plate Glass was founded in 1883 and has been an important industrial innovator ever since. The name change to PPG Industries (PPG) in 1968 acknowledged the expansion of PPG into the chemical, coatings, and optical products businesses. PPG out-scored the other three April splits by a wide margin and will join the 2 for 1 Index and portfolio next week.

PPG does not stand out as a star in any specific category but, almost across the board, is better than market averages and better than its peers in all the areas weighted most heavily in the 2 for 1 selection algorithm. Average earnings growth of over 30% per year over the last five years is one number that does get my attention, and it helps make up for the PE and price-to-book ratios that are somewhat higher than I like. This is one of the country's great old companies that should continue to reward its shareholders for many years to come.

Marathon Petroleum (MPC) is in the energy business as a refiner, transporter, and marketer, not a driller or production operation. Thus, MPC is not suffering the pressures of over-capacity now plaguing the producers. With very low valuation numbers and a healthy dividend, MPC scored a respectable second place in the rankings.

Exponent, Inc. (EXPO) used to be called Failure Analysis. This Menlo Park, CA company has since diversified significantly and now provides a wide variety of engineering and scientific consulting services. It's a unique business and hard to analyze as a result. Fortunately, we have two other companies much easier to understand and, with PPG, a business that actually makes things that we all use every day.

Symbol	Company	Split Delivery	Rank
PPG	PPG Industries	06/12/15	1
MPC	Marathon Petroleum	06/10/15	2
EXPO	Exponent, Inc	05/28/15	3
GIII	G-III Apparel	05/01/15	4

PORTFOLIO ITEMS

Following the Rules

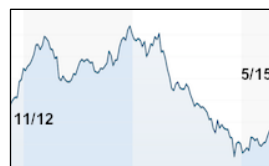
The 2 for 1 index and portfolio have thrived, in large measure, by following a simple set of rules. We have 30 stocks, laddered through time, well diversified across sector and market cap, etc. etc. and, of course, all chosen soon after announcing a stock split. There are, however, some well-known rules that don't actually serve our purpose. "Buy low, sell high" is the most obvious example. The 2 for 1 selection process favors stocks selling at a low price-to-book ratio but we rarely ever (probably never) come close to Benjamin Graham's rule of "buy a stock only when it goes below 66% of its book value". In fact, a stock is often added to the index when it's near its 52-week or all-time high. After all, most split announcements come on the heels of a significant run-up in the stock's price, the very event that spurs management to think about a split. A long-term chart of PPG's price history certainly illustrates this point and makes one wonder about the wisdom of choosing PPG for the index and adding it to our portfolio at this particular point in time.

For 2 for 1, it's not so much the case that rules are made to be broken. What we have discovered is there is often overlap or direct conflict between two rules. The rule that works for 2 for 1 is that a split announcement, signaling probable good performance for up to two to three years, trumps the "buy low, sell high" rule. For us, it's "buy high, sell higher."

THIS MONTH'S SELL

Stepan Company

Stepan Co. (SCL) did not live up to its potential, in my opinion. Purchased in November, 2012, Stepan impressed me with its very steady growth and long term approach to management. However, SCL's stock has been both above and below our purchase price and is now pretty much back to where we bought it. Overall gain, all costs and dividends included – 14.3%. The Vanguard 500 Index Fund gained 57.9% over the same period.



2 for 1 MODEL PORTFOLIO – APRIL STATEMENT

	# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 04/30/15	BASIS	START MONTH \$9,174.48	END MONTH \$8,554.31	% OF PORT 2.34%	
CASH									
SCL	STEPAN CO	160	11/19/12	47.062	50.930	7,529.99	6,665.60	8,148.80	2.23%
HEP	HOLLY ENERGY PARTNERS	240	12/17/12	31.852	32.950	7,644.39	7,545.60	7,908.00	2.16%
PRA	PROASSURANCE	244	01/25/13	44.493	44.950	10,856.17	11,202.04	10,967.80	3.00%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	67.280	8,931.59	11,094.40	10,764.80	2.94%
AOS	A. O. SMITH	200	11/15/10	19.147	63.900	3,829.39	13,132.00	12,780.00	3.49%
TU	TELUS	310	04/22/13	35.342	34.620	10,955.98	10,304.40	10,732.20	2.93%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	32.880	9,315.99	14,911.60	14,467.20	3.95%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	38.390	9,198.49	13,562.60	13,052.60	3.57%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	51.560	9,624.49	10,315.32	10,363.56	2.83%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	53.280	9,507.49	15,052.50	13,320.00	3.64%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	86.060	9,797.49	12,759.00	12,909.00	3.53%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	81.100	9,762.89	13,817.60	13,787.00	3.77%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	64.520	10,359.53	12,304.08	11,871.68	3.24%
RLI	RLI CORP.	220	12/16/13	46.470	49.660	10,223.49	11,530.20	10,925.20	2.99%
TD	TORONTO-DOMINION BANK	232	01/21/14	45.193	46.160	10,484.79	9,941.20	10,709.12	2.93%
ITC	ITC HOLDINGS	300	02/18/14	34.607	36.000	10,381.99	11,229.00	10,800.00	2.95%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	35.040	10,693.74	12,645.50	12,264.00	3.35%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	41.140	10,399.99	12,120.00	12,342.00	3.37%
AAPL	APPLE CORP	119	05/19/14	86.355	125.150	10,276.29	14,807.17	14,892.85	4.07%
UNP	UNION PACIFIC	108	06/16/14	100.426	106.230	10,846.00	11,697.48	11,472.84	3.14%
OTEX	OPENTEXT INC	230	07/21/14	47.719	50.580	10,975.33	12,164.70	11,633.40	3.18%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	62.700	8,287.03	13,398.00	13,794.00	3.77%
APH	AMPHENOL	216	09/15/14	52.086	55.370	11,250.63	12,728.88	11,959.92	3.27%
CYT	CYTEC INDUSTRIES	240	10/20/14	44.240	55.290	10,617.65	12,969.60	13,269.60	3.63%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	44.710	11,741.96	10,936.80	12,518.80	3.42%
HAIN	HAIN CELESTIAL GROUP	200	12/15/14	55.204	60.240	11,040.87	12,810.00	12,048.00	3.29%
GNTX	GENTEX CORP	660	01/20/15	17.395	17.350	11,480.79	12,078.00	11,451.00	3.13%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	30.510	12,129.73	11,802.80	11,593.80	3.17%
MGA	MAGNA INTERNATIONAL INC	232	03/16/15	52.018	50.430	12,068.19	12,449.12	11,699.76	3.20%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	49.580	12,470.36	12,470.36	12,890.80	3.52%
TOTAL CASH AND EQUITIES						\$302,682.70	\$365,892.04	100.00%	

ACCOUNT VALUE SUMMARY - 4/30/15

Description	Amount
Last Month's Closing Equity	\$367,889.07
Change in Stock Value	-\$2,531.42
Interest & Dividends	\$534.39
This Month's Closing Equity	\$365,892.04

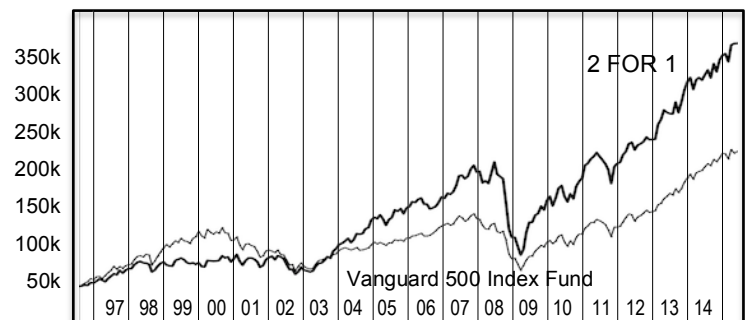
ANNUALIZED RETURN 7/31/96 – 4/30/15

2 for 1: + **11.20%** Vanguard 500 Fund: +8.39%
(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 \$302,683 basis above reflects \$252,683 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



2 for 1® is published and distributed by Neil Macneale, Inc., 140 O'Connor St., Menlo Park, CA 94025. Phone 408-210-6881. E-mail splits241@aol.com. Neil Macneale, Inc., dba 2 for 1®, is not a broker and does not offer individual investment advice. 2 for 1 is published each month on the Friday closest to the 15th of that month. Contents are copyrighted but may be copied or quoted if attributed to the source. 2 for 1 subscription rate = \$20.00 per month for electronic delivery, payable by automatic monthly debit from any major credit card approximately one week prior to publication. No long-term commitment is required.