



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 21 Issue 5

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

May 13, 2016

## APRIL SPLITS – OUR BUY

### Home BancShares, Inc.

The only splits announced in April provide us with two very strong candidates for inclusion in the 2 for 1 portfolio. And, as an additional bonus, the top ranked stock is one already well known to followers of 2 for 1. Home BancShares (HOMB), of Conway Arkansas, was only recently sold from the 2 for 1 portfolio after providing us with over a 27% annualized overall return. I'm happy to report that, in spite of its super performance over the last several years, the numbers indicate this great small-cap bank is not even close to slowing down.

Valuation numbers are higher than average for its industry and sector. I can live with that because, for almost every other important metric, HOMB just crushes its peers. Starting with the growth numbers, we see this small bank in the 96<sup>th</sup> percentile for earnings growth over the last five years. Returns, profit margins, and balance sheet numbers are all far better than average for its industry. As the banking business gets more and more concentrated into a very few mega-banks, it's very nice to see there's still an opportunity to thrive as a much smaller local or regional institution. I'll be very pleased to have HOMB back in the 2 for 1 portfolio next week.

Alliant Energy (LNT) was the other split in April and our ranking screens also scored it very well. Alliant is a regulated gas and electric utility operating in Iowa, Wisconsin, and Minnesota. LNT also operates several unregulated power generation and transportation businesses in concert with its primary functions. LNT's very low volatility (Beta 0.39) stands out, its 3.21% dividend is very nice, and all of its other numbers are also in the OK to good range and, together, give us the picture of a very stable, well run business.

HOMB is my recommendation for May but LNT will get another look next month, especially if there continue to be so few splits.

## PORTFOLIO ITEMS

### The Market as a Benchmark

From the very first issue of 2 for 1 (still available on the 2 for 1 website), the motivation and goal for the 2 for 1 strategy has been to beat the stock market by a few percentage points a year. Bloggers and other pundits have written recently that working to beat the market is a misguided goal because the market can be flat or negative for extended periods of time. Thinking about this for even a few minutes turns up the flaws in this argument. 1) What's their definition of "an extended period of time"? 2) What are the alternatives?

An investor saving for retirement, or even a 60-something person already retired, must plan in terms of decades. There is no other asset class that comes close to the returns of the stock market over these long time horizons, and I see no reason for this to change. Even if stock market returns over the coming years don't quite keep up with historic norms, they will almost certainly remain better than any alternative.

With that in mind, and I've said it before, the average Joe or Jane is usually better off investing their retirement savings in the Vanguard 500 Index Fund than anywhere else. If you want a little better than average, stick with 2 for 1. That would be +5.6% for 2 for 1 so far this year vs. +4.3% for the S&P 500 total return, or +658% over 20 years (2 for 1 since inception) vs. 364% for the S&P 500 total return over the same period.

## THIS MONTH'S SELL

### ITC Holdings

As discussed in recent issues, ITC Holdings (ITC) is being acquired by Fortis (FTS), a Canadian company not well suited for the 2 for 1 portfolio. By selling next week, our gains will be locked in at very close to the merger price offered by Fortis, without the complications of receiving payment in both cash and Fortis stock. Our return in 2 years, 3 months, all costs and dividends included, will be around 32%, or over 13% annualized. The Vanguard 500 Index Fund has gained 7.2% annualized over the same period.

## 2 for 1 MODEL PORTFOLIO – APRIL STATEMENT

|                         |                               | # SH | BOUGHT   | COST<br>PER<br>SHARE | QUOTE<br>ON<br>4/30/16 | BASIS        | START<br>MONTH<br>\$5,256.94 | END<br>MONTH<br>\$688.96 | % OF<br>PORT<br>0.18% |
|-------------------------|-------------------------------|------|----------|----------------------|------------------------|--------------|------------------------------|--------------------------|-----------------------|
| CASH                    |                               |      |          |                      |                        |              |                              |                          |                       |
| WST                     | WEST PHARMACEUTICAL SERVICES  | 250  | 08/19/13 | 38.030               | 71.200                 | 9,507.49     | 17,330.00                    | 17,800.00                | 4.73%                 |
| TSCO                    | TRACTOR SUPPLY                | 150  | 09/16/13 | 65.317               | 94.660                 | 9,797.49     | 13,569.00                    | 14,199.00                | 3.77%                 |
| DVA                     | DAVITA HEALTHCARE PARTNERS    | 170  | 10/21/13 | 57.429               | 73.900                 | 9,762.89     | 12,474.60                    | 12,563.00                | 3.34%                 |
| CNI                     | CANADIAN NATIONAL RAILWAY     | 184  | 11/18/13 | 56.302               | 61.560                 | 10,359.53    | 11,492.64                    | 11,327.04                | 3.01%                 |
| RLI                     | RLI CORP.                     | 220  | 12/16/13 | 46.470               | 62.180                 | 10,223.49    | 14,709.20                    | 13,679.60                | 3.64%                 |
| TD                      | TORONTO-DOMINION BANK         | 300  | 01/21/14 | 43.848               | 44.500                 | 13,154.25    | 12,939.00                    | 13,350.00                | 3.55%                 |
| ITC                     | ITC HOLDINGS                  | 300  | 02/18/14 | 34.607               | 44.070                 | 10,381.99    | 13,071.00                    | 13,221.00                | 3.51%                 |
| MLI                     | MUELLER INDUSTRIES            | 350  | 03/17/14 | 30.554               | 31.560                 | 10,693.74    | 10,297.00                    | 11,046.00                | 2.94%                 |
| AWH                     | ALLIED WORLD ASSURANCE        | 300  | 04/21/14 | 34.667               | 35.580                 | 10,399.99    | 10,482.00                    | 10,674.00                | 2.84%                 |
| AAPL                    | APPLE CORP                    | 119  | 05/19/14 | 86.355               | 93.740                 | 10,276.29    | 12,969.81                    | 11,155.06                | 2.97%                 |
| UNP                     | UNION PACIFIC                 | 130  | 06/16/14 | 83.431               | 87.230                 | 10,846.00    | 10,341.50                    | 11,339.90                | 3.01%                 |
| OTEX                    | OPENTEXT INC                  | 230  | 07/21/14 | 47.719               | 55.920                 | 10,975.33    | 11,914.00                    | 12,861.60                | 3.42%                 |
| COLM                    | COLUMBIA SPORTSWEAR           | 220  | 08/18/14 | 37.668               | 58.570                 | 8,287.03     | 13,219.80                    | 12,885.40                | 3.43%                 |
| APH                     | AMPHENOL                      | 216  | 09/15/14 | 52.086               | 55.830                 | 11,250.63    | 12,489.12                    | 12,059.28                | 3.21%                 |
| CALM                    | CAL-MAINE FOODS               | 280  | 11/17/14 | 41.936               | 50.760                 | 11,741.96    | 14,534.80                    | 14,212.80                | 3.78%                 |
| HAIN                    | HAIN CELESTIAL GROUP          | 300  | 12/15/14 | 36.803               | 41.860                 | 11,040.87    | 12,273.00                    | 12,558.00                | 3.34%                 |
| GNTX                    | GENTEX CORP                   | 660  | 01/20/15 | 17.395               | 16.040                 | 11,480.79    | 10,355.40                    | 10,586.40                | 2.81%                 |
| NJR                     | NEW JERSEY RESOURCES          | 380  | 02/17/15 | 31.920               | 35.680                 | 12,129.73    | 13,843.40                    | 13,558.40                | 3.60%                 |
| MGA                     | MAGNA INTERNATIONAL INC       | 232  | 03/16/15 | 52.018               | 42.020                 | 12,068.19    | 9,966.72                     | 9,748.64                 | 2.59%                 |
| SBUX                    | STARBUCKS CORP.               | 260  | 04/20/15 | 47.963               | 56.230                 | 12,470.36    | 15,522.00                    | 14,619.80                | 3.89%                 |
| PPG                     | PPG INDUSTRIES                | 133  | 05/18/15 | 110.692              | 110.390                | 14,722.05    | 14,828.17                    | 14,681.87                | 3.90%                 |
| NTT                     | NIPPON T & T                  | 350  | 06/15/15 | 35.340               | 44.570                 | 12,368.84    | 15,134.00                    | 15,599.50                | 4.15%                 |
| CF                      | CF INDUSTRIES HOLDINGS        | 250  | 07/20/15 | 60.978               | 33.070                 | 15,244.38    | 7,835.00                     | 8,267.50                 | 2.20%                 |
| EXPO                    | EXPONENT INC.                 | 285  | 08/17/15 | 43.895               | 49.840                 | 12,510.09    | 14,537.85                    | 14,204.40                | 3.78%                 |
| FBIZ                    | FIRST BUSINESS FINANCIAL SERV | 520  | 09/21/15 | 23.019               | 25.310                 | 11,969.99    | 11,923.60                    | 13,161.20                | 3.50%                 |
| AZN                     | ASTRAZENECA                   | 370  | 11/16/15 | 32.394               | 28.960                 | 11,985.78    | 10,419.20                    | 10,715.20                | 2.85%                 |
| AFSI                    | AMTRUST FINANCIAL SERVICES    | 400  | 12/21/15 | 30.754               | 24.850                 | 12,301.63    | 10,352.00                    | 9,940.00                 | 2.64%                 |
| HRL                     | HORMEL FOODS                  | 292  | 01/19/16 | 38.784               | 38.550                 | 11,324.99    | 12,626.08                    | 11,256.60                | 2.99%                 |
| NKE                     | NIKE, INC.                    | 200  | 02/16/16 | 57.990               | 58.940                 | 11,597.99    | 12,294.00                    | 11,788.00                | 3.13%                 |
| ENSG                    | ENSGRUP GROUP                 | 550  | 04/18/16 | 23.249               | 22.560                 | 12,786.99    | 12,786.99                    | 12,408.00                | 3.30%                 |
| TOTAL CASH AND EQUITIES |                               |      |          |                      |                        | \$343,660.77 |                              | \$376,156.15             | 100.00%               |

## ACCOUNT VALUE SUMMARY - 4/30/16

| Description                 | Amount       |
|-----------------------------|--------------|
| Last Month's Closing Equity | \$376,849.88 |
| Change in Stock Value       | -\$999.49    |
| Interest & Dividends        | \$305.76     |
| This Month's Closing Equity | \$376,156.15 |

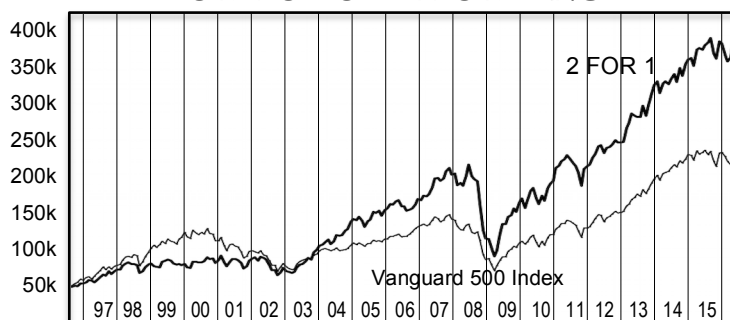
## ANNUALIZED RETURN 7/31/96 – 4/30/16

2 for 1: + **10.76%** Vanguard 500 Fund: +8.01%  
(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 \$343,661 basis above reflects \$293,661 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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