



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

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SEPTEMBER SPLITS – OUR BUY

Cytec Industries

Because September provided only two new 2 for 1 split announcements to analyze, I went back several months to take another look at the announcements from the recent past. September's splits (CALM and PHX), plus five additional candidates, are listed below. Cytec Industries (CYT) has come down in price since its split announcement in July and, as a result, scored far better in the rankings this time around. Cytec was spun off from American Cyanamid in 1993 and, through divestitures, acquisitions and investments in new technology, has become one of the premier specialty chemical and material manufacturers in the world.

CYT's PE ratio of around 15 is well below the market average (see adjacent column) and also below its peers, as is its price-to-book ratio. The stock pays a 1.1% dividend, recently increased, and net profit and returns are strong. I don't like the higher-than-average volatility of this stock but this one negative metric is not enough to dissuade me from buying it for the portfolio next week.

RockTenn Co. (RKT), another July split announcement, has also dropped a bit in price and improved its ranking since it was first considered. RKT is in the cardboard business, from the recycling of paper and cardboard to the design and manufacture of finished shipping containers and displays for all types of businesses. With fundamentals very similar to CYT, the choice came down to profitability and prospects for growth, and RKT is just slightly weaker in those areas. These are both good companies but, as I have said many times, we only need one.

Symbol	Company	Split Date	Rank
CYT	Cytec Industries Inc	09/17/14	1
RKT	RockTenn Co.	08/27/14	2
CORE	Core-Mark Holding	06/26/14	3
TRN	Trinity Industries	06/19/14	4
CALM	Cal-Maine Foods, Inc	10/31/14	4
ALK	Alaska Air Group	07/19/14	4
PHX	Panhandle Oil & Gas	10/08/14	4

PORTFOLIO ITEMS

Value Investing

The market price of a stock, divided by the company's earnings per share, the PE, has long been a simple way to measure the value of a company's stock. Historically, the combined PE of the companies in the S&P 500, going all the way back to the 1870's, has been 14.6. The average PE ratio of the stocks in the S&P 500 is creeping up as the economy improves. That number now stands at 19.5 as of the beginning of this month. The average PE of the 30 stocks in the 2 for 1 portfolio is very close, at about 19.7. You can be sure this number was much lower for most of the stocks in the portfolio at the time of their purchase.

PE and price-to-book ratios are the first numbers I look at when evaluating a new split announcement. It doesn't matter how great a company is – you shouldn't buy it if the price is too high. This principle often conflicts with the fact that companies are usually announcing a split when their stock price is at or near an all-time high. So when is an all-time high too high? The judgment has to be made on a case by case basis, but if a board of directors is confident enough in their business to declare a 2 for 1 split while, at the same time, their PE is below average for the market and their industry, then the odds are you're looking at a good value regardless of the stock price.

As market volatility drives us crazy, please take comfort in the intrinsic value of the companies in your portfolio. You will eventually be glad you own them.

THIS MONTH'S SELL

Copart Inc

The sale of Copart (CPRT) is not happening at the most auspicious time in the market cycle, but we have to be true to our laddering methodology. We've made a little money on CPRT but it has underperformed the market and the rest of the portfolio. With no dividends here, overall return stands at right around 17.5% while the Vanguard 500 Index Fund's total return was 43.9% over the same period.



2 for 1 MODEL PORTFOLIO – SEPTEMBER STATEMENT

	# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 9/30/14	BASIS	START MONTH \$6,090.92	END MONTH \$3,526.16	% OF PORT 1.06%	
CASH									
CPRT	COPART INC	300	04/16/12	25.780	31.315	7,733.98	10,329.00	9,394.50	2.84%
KO	COCA-COLA	200	05/21/12	37.174	42.660	7,434.84	8,344.00	8,532.00	2.58%
CME	CME GROUP	140	06/21/12	54.923	79.955	7,689.27	10,717.00	11,193.70	3.38%
AZZ	AZZ INC	250	07/16/12	32.320	41.770	8,079.99	11,585.00	10,442.50	3.15%
TROX	TRONOX LTD.	445	08/20/12	25.073	26.050	11,157.38	13,510.20	11,592.25	3.50%
PAA	PLAINS ALL AMERICAN PIPELINES	180	09/17/12	44.881	58.860	8,078.49	10,787.40	10,594.80	3.20%
MMP	MAGELLAN MIDSTREAM PARTNERS	180	10/16/12	44.406	84.180	7,992.99	15,107.40	15,152.40	4.58%
SCL	STEPAN CO	160	11/19/12	47.062	44.380	7,529.99	7,726.40	7,100.80	2.14%
HEP	HOLLY ENERGY PARTNERS	240	12/17/12	31.852	36.400	7,644.39	8,709.60	8,736.00	2.64%
PRA	PROASSURANCE	244	01/25/13	44.493	44.070	10,856.17	11,272.80	10,753.08	3.25%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	65.220	8,931.59	10,356.80	10,435.20	3.15%
AOS	A. O. SMITH	260	11/15/10	19.147	47.280	4,978.20	12,760.80	12,292.80	3.71%
TU	TELUS	310	04/22/13	35.342	34.180	10,955.98	11,315.00	10,595.80	3.20%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	29.410	9,315.99	13,090.00	12,940.40	3.91%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	30.420	9,198.49	10,982.00	10,342.80	3.12%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	54.610	9,624.49	11,360.52	10,976.61	3.31%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	44.760	9,507.49	10,857.50	11,190.00	3.38%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	61.510	9,797.49	10,042.50	9,226.50	2.79%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	73.140	9,762.89	12,695.60	12,433.80	3.75%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	70.960	10,359.53	13,222.24	13,056.64	3.94%
RLI	RLI CORP.	220	12/16/13	46.470	43.290	10,223.49	9,834.00	9,523.80	2.88%
TD	TORONTO-DOMINION BANK	232	01/21/14	45.193	49.390	10,484.79	12,210.16	11,458.48	3.46%
ITC	ITC HOLDINGS	300	02/18/14	34.607	35.630	10,381.99	11,205.00	10,689.00	3.23%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	28.540	10,693.74	10,234.00	9,989.00	3.02%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	36.840	10,399.99	11,097.00	11,052.00	3.34%
AAPL	APPLE CORP	119	05/19/14	86.355	100.750	10,276.29	12,197.50	11,989.25	3.62%
UNP	UNION PACIFIC	108	06/16/14	100.426	108.420	10,846.00	11,369.16	11,709.36	3.54%
OTEX	OPENTEXT INC	230	07/21/14	47.719	55.420	10,975.33	12,932.90	12,746.60	3.85%
COLM	COLUMBIA SPORTSWEAR	300	08/18/14	37.668	35.780	11,300.49	11,424.00	10,734.00	3.24%
APH	AMPHENOL	108	09/15/14	104.173	99.860	11,250.63	11,250.63	10,784.88	3.26%
TOTAL CASH AND EQUITIES						\$283,462.37		\$331,185.11	100.00%

ACCOUNT VALUE SUMMARY - 9/30/14

Description	Amount
Last Month's Closing Equity	\$341,410.40
Change in Stock Value	-\$10,845.33
Interest & Dividends	\$620.04
This Month's Closing Equity	\$331,185.11

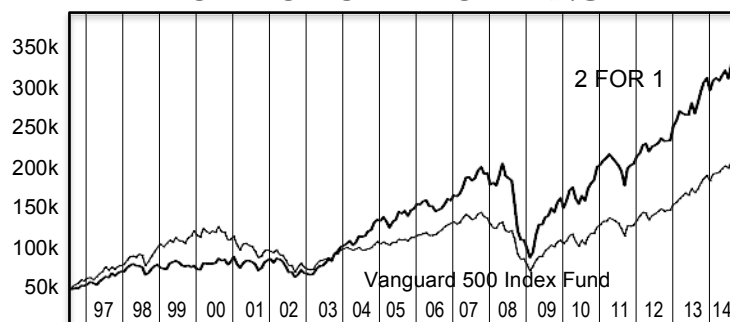
ANNUALIZED RETURN 7/31/96 – 9/30/14

2 for 1: + **10.97%** Vanguard 500 Fund: +8.25%
(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 \$283,462 basis above reflects \$233,462 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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