



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

Volume 20 Issue 10

2-for-1.com

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SEPTEMBER SPLITS – OUR BUY

Temporarily On Hold

I could go back and look it up, but I'm pretty sure this is only the second time in nineteen years when a month has come and gone without a new stock recommended for the 2 for 1 portfolio. There were no viable split announcements in September. Farmers Bankshares (FBVA) of Virginia announced a 5 for 1 split on 9/1, but it's far too small a company to be considered for the 2 for 1 Index. James Hardie Industries (JHX), an Australian/Irish company traded through ADRs on the NYSE, announced a 5 to 1 split on 9/8. This is a building materials company. There are old asbestos liabilities. The corporate registration has gone from Australia, to Holland, and now to Ireland, primarily to escape taxation. The newest iteration of the company was only incorporated in Ireland in 2012. As a result of all this, the annual reports and financial statements are somewhat hard to decipher. To be on the safe side, I decided to keep this one at arm's length.

As has happened frequently over the last few years, when no recent split is acceptable, I went back to re-visit the split announcements over the last six months to see if conditions have changed enough to give us a candidate. This time, I had to admit to myself that the well has run dry. The good news is that this is no cause for alarm. Boards will be meeting over the next month or more; earnings for the 3rd quarter will be revealed and, in all probability, there will be some split activity in October and November.

It is true that the mechanical nature of the 2 for 1 strategy is one of the real strengths of our methodology. To not be able to follow our procedures precisely is disconcerting. However, looking at the big picture, we have this to consider. The portfolio remains fully invested in 30 companies, all still endowed with the "stock split advantage", which lasts for three years, not just 30 months. So the lack of a buy and sell this month is a minor hic-cup, not a debilitating shock to our system. And we saved two commissions!

PORTFOLIO ITEMS

A Good Time to Rebalance

When life gives you lemons, make lemonade. So how does one take the bitterness out of the recent correction and make something sweet from it? The recipe that has worked for 2 for 1 in the past is basically our rebalancing strategy, utilized periodically to bring our 30 positions nearer to 3.33% of the total. This is an enforced buy-low, sell-high procedure and it works well, at any point in time, by taking profits from the best performing positions and buying more of the positions that are (often temporarily) in the doghouse.

One stock in the portfolio, HOMB, has been going against the market dip and was over the 5% mark around the middle of last month. The unrealized gains in this position, plus the cash that has been building up from past sales and dividends, provided the opportunity to boost several of the lagging positions. Three stocks were identified as good candidates and a rebalancing was implemented on Sept. 30. HOMB was reduced by 23%, CF was increased by 39%, TD was increased by 29%, and PPG was increased by 23%. Due to the market pull back, prices were good and shares were added at below the original cost per share in all three cases. BEN is still in the doghouse, but I thought it too close to the top of the ladder to benefit much from a boost at this point in time.

The 2 for 1 portfolio fell by only half as much as the market last month and has similar ratios for the quarter just completed. No denying it, the portfolio has suffered a bit, along with the market, but it's still up 6.9% for the trailing 12 months, so I remain optimistic for the year.

THIS MONTH'S SELL

No Sale This Month

A.O. Smith (AOS) is at the top of the ladder and would normally have been sold this month. However, for all the reasons explained in the column to the left, there will be no add/delete for the 2 for 1 portfolio this month. AOS has been in the portfolio for almost five years, due to a second split while we already owned it. Another month shouldn't be an issue.

2 for 1 MODEL PORTFOLIO – SEPTEMBER STATEMENT

		# SH	BOUGHT	COST PER SHARE	QUOTE ON 09/30/15	BASIS	START MONTH \$6,564.10	END MONTH \$1,296.01	% OF PORT 0.37%
CASH									
AOS	A. O. SMITH	200	11/15/10	19.147	65.190	3,829.39	12,902.00	13,038.00	3.68%
TU	TELUS	310	04/22/13	35.342	31.540	10,955.98	10,152.50	9,777.40	2.76%
HOMB	HOME BANCSHARES	340	05/20/13	21.173	40.500	7,198.72	16,772.80	13,770.00	3.89%
AWR	AMERICAN STATES WATER	340	06/17/13	27.054	41.400	9,198.49	12,835.00	14,076.00	3.98%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	37.260	9,624.49	8,156.58	7,489.26	2.12%
WST	WEST PHARMACEUTICAL SERVICES	250	08/19/13	38.030	54.120	9,507.49	13,962.50	13,530.00	3.82%
TSCO	TRACTOR SUPPLY	150	09/16/13	65.317	84.320	9,797.49	12,796.50	12,648.00	3.57%
DVA	DAVITA HEALTHCARE PARTNERS	170	10/21/13	57.429	72.330	9,762.89	12,858.80	12,296.10	3.47%
CNI	CANADIAN NATIONAL RAILWAY	184	11/18/13	56.302	56.760	10,359.53	10,208.32	10,443.84	2.95%
RLI	RLI CORP.	220	12/16/13	46.470	53.530	10,223.49	11,464.20	11,776.60	3.33%
TD	TORONTO-DOMINION BANK	300	01/21/14	43.848	39.420	13,154.25	9,233.60	11,826.00	3.34%
ITC	ITC HOLDINGS	300	02/18/14	34.607	33.340	10,381.99	9,810.00	10,002.00	2.83%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	29.580	10,693.74	11,133.50	10,353.00	2.92%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	38.170	10,399.99	11,982.00	11,451.00	3.23%
AAPL	APPLE CORP	119	05/19/14	86.355	110.300	10,276.29	13,418.44	13,125.70	3.71%
UNP	UNION PACIFIC	108	06/16/14	100.426	88.410	10,846.00	9,259.92	9,548.28	2.70%
OTEX	OPENTEXT INC	230	07/21/14	47.719	44.750	10,975.33	10,423.60	10,292.50	2.91%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	58.790	8,287.03	13,501.40	12,933.80	3.65%
APH	AMPHENOL	216	09/15/14	52.086	50.960	11,250.63	11,309.76	11,007.36	3.11%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	54.610	11,741.96	14,873.60	15,290.80	4.32%
HAIN	HAIN CELESTIAL GROUP	200	12/15/14	55.204	51.600	11,040.87	12,172.00	10,320.00	2.92%
GNTX	GENTEX CORP	660	01/20/15	17.395	15.500	11,480.79	10,230.00	10,230.00	2.89%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	30.030	12,129.73	10,742.60	11,411.40	3.22%
MGA	MAGNA INTERNATIONAL INC	232	03/16/15	52.018	48.010	12,068.19	11,412.08	11,138.32	3.15%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	56.840	12,470.36	14,224.60	14,778.40	4.17%
PPG	PPG INDUSTRIES	133	05/18/15	110.692	87.690	14,722.05	10,291.32	11,662.77	3.29%
NTT	NIIPPON T & T	350	06/15/15	35.340	35.310	12,368.84	13,384.00	12,358.50	3.49%
CF	CF INDUSTRIES HOLDINGS	250	07/20/15	60.978	44.900	15,244.38	10,328.40	11,225.00	3.17%
EXPO	EXPONENT INC.	285	08/17/15	43.895	44.560	12,510.09	12,183.75	12,699.60	3.59%
FBIZ	FIRST BUSINESS FINANCIAL SERV.	520	09/21/15	23.019	23.520	11,969.99	11,969.99	12,230.40	3.45%
TOTAL CASH AND EQUITIES						\$324,470.45		\$354,026.04	100.00%

ACCOUNT VALUE SUMMARY - 9/30/15

Description	Amount
Last Month's Closing Equity	\$358,637.47
Change in Stock Value	-\$5,221.92
Interest & Dividends	\$610.49
This Month's Closing Equity	\$354,026.04

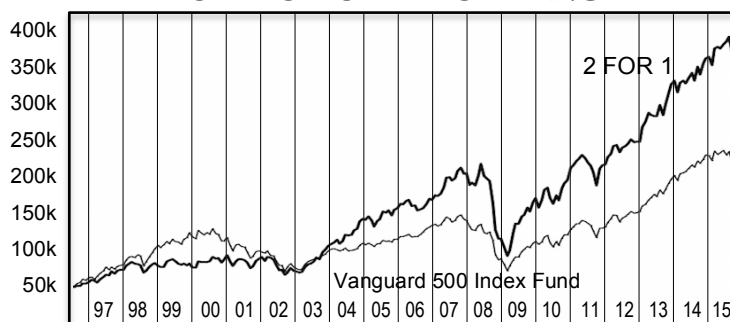
ANNUALIZED RETURN 7/31/96 – 9/30/15

2 for 1: + **10.75%** Vanguard 500 Fund: +7.76%
(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 \$324,470 basis above reflects \$274,470 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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