



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

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2-for-1.com

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PORTFOLIO ITEMS

A Trend or a Hic-Cup

Over the past few weeks there have been two articles published chronicling the death of the stock split. In the 9/24 issue of the Economist we have an article titled "Split Ends - A Wall Street practice is dying out" The article lists several reasons why there have been fewer splits in 2016 than in years past and concludes with the observation, "American managers mostly appear to believe that their shares are already traded quite frequently enough, thank you—and have decided to quit the split."

Then, on 9/30, Jason Zweig wrote in his Intelligent Investor column in the Wall Street Journal (a column I really like), "Stock splits are going extinct. ... But I am not here to lament the demise of the stock split. In fact, that is good news. It is a sign that the investing world may finally be learning the distinction between the price of a stock and the value of a business."

I can attest to the fact that the number of splits has been declining, but I don't find Zweig's observations very compelling. Boards of Directors are human and the desire to give a shout out to the world when their companies are doing great will never go away. Zweig goes on to write, "There's no compelling business case to doing it," says Robert M. Knight Jr., chief financial officer of Omaha-based Union Pacific, which last split, two-for-one, in 2014. "It's more of a feel, kind of a subtle message of confidence that maybe your stock is going to continue to rise." The best part is that a Board can send this message with a stock split announcement and it costs them almost nothing, unlike a buyback or a special dividend.

So I'm expecting that there will continue to be stock splits to choose from, even if the numbers are smaller than in the past. When the economy is in better shape and national and world political situations calm down, I predict we will actually see a rise in the number of split announcements. Splits dried up in 2009 and 2010 and 2 for 1 flourished following that period.

RECENT SPLITS – OUR BUY

Toro Co.

With no split announcements since September's issue of 2 for 1, we take another look at the three splits passed over last month. As noted at that time, Toro Co. (TTC) was much to my liking and, with its price down slightly as of this writing, its ranking score has actually improved just a bit from a month ago. The Toro name is well known to professional gardeners and groundskeepers because Toro is basically the go-to company in the turf business. If you're building a golf course or a new city park, TTC can design the irrigation system and then sell you all the equipment needed to install and maintain it.

Growth is the big story for TTC. Earnings have improved by over 20% per year for the last five years. The dividend, yielding 1.3%, has also been growing at over 20% per year, and margins are better and are growing faster than industry peers. Toro seems to be a superbly well-run business with returns on assets and equity far above the norm; all this with the stock trading with less than half the volatility of the overall market. I will be pleased to add Toro to the 2 for 1 portfolio early next week.

We still have Church & Dwight Co. (CHD) and A.O. Smith (AOS) in the hopper, with split announcements from August and September respectively. Their numbers didn't change much this month, but we'll take another look at them for next month's 2 for 1, which will be coming out after the election.

THIS MONTH'S SELL

RLI Corp.

RLI has been good for 2 for 1. This small-cap insurance company has returned 18.5% annualized since it was added to the portfolio in 12/13.



The Vanguard 500 Index Fund has returned 9.2% annualized over the same period. The annual special dividend has been a nice bonus with this stock. I have to sell next week because of our buy/sell methodology, but if you want to wait until December, chances are there will be another special dividend.

2 for 1 MODEL PORTFOLIO – SEPTEMBER STATEMENT

		# SH	BOUGHT	COST PER SHARE	QUOTE ON 9/30/16	BASIS	START MONTH \$3,151.34	END MONTH \$2,839.33	% OF PORT 0.75%
CASH									
RLI	RLI CORP.	220	12/16/13	46.470	68.360	10,223.49	15,615.60	15,039.20	3.95%
TD	TORONTO-DOMINION BANK	300	01/21/14	43.848	44.400	13,154.25	13,380.00	13,320.00	3.50%
MLI	MUELLER INDUSTRIES	350	03/17/14	30.554	32.420	10,693.74	12,096.00	11,347.00	2.98%
AWH	ALLIED WORLD ASSURANCE	300	04/21/14	34.667	40.420	10,399.99	12,168.00	12,126.00	3.19%
AAPL	APPLE CORP	119	05/19/14	86.355	113.050	10,276.29	12,625.90	13,452.95	3.54%
UNP	UNION PACIFIC	130	06/16/14	83.431	97.530	10,846.00	12,418.90	12,678.90	3.33%
OTEX	OPENTEXT INC	230	07/21/14	47.719	64.860	10,975.33	14,448.60	14,917.80	3.92%
COLM	COLUMBIA SPORTSWEAR	220	08/18/14	37.668	56.740	8,287.03	12,357.40	12,482.80	3.28%
APH	AMPHENOL	216	09/15/14	52.086	64.920	11,250.63	13,458.96	14,022.72	3.69%
CALM	CAL-MAINE FOODS	280	11/17/14	41.936	38.540	11,741.96	12,863.20	10,791.20	2.84%
HAIN	HAIN CELESTIAL GROUP	300	12/15/14	36.803	35.580	11,040.87	11,025.00	10,674.00	2.81%
GNTX	GENTEX CORP	660	01/20/15	17.395	17.560	11,480.79	11,741.40	11,589.60	3.05%
NJR	NEW JERSEY RESOURCES	380	02/17/15	31.920	32.860	12,129.73	12,783.20	12,486.80	3.28%
MGA	MAGNA INTERNATIONAL INC	300	03/16/15	49.120	42.950	14,736.13	12,090.00	12,885.00	3.39%
SBUX	STARBUCKS CORP.	260	04/20/15	47.963	54.140	12,470.36	14,619.80	14,076.40	3.70%
PPG	PPG INDUSTRIES	133	05/18/15	110.692	103.360	14,722.05	14,082.04	13,746.88	3.62%
NTT	NIPPON T & T	350	06/15/15	35.340	45.810	12,368.84	15,428.00	16,033.50	4.22%
CF	CF INDUSTRIES HOLDINGS	400	07/20/15	48.350	24.350	19,339.80	10,400.00	9,740.00	2.56%
EXPO	EXPONENT INC.	285	08/17/15	43.895	51.060	12,510.09	14,372.55	14,552.10	3.83%
FBIZ	FIRST BUSINESS FINANCIAL SERV	520	09/21/15	23.019	23.500	11,969.99	11,845.60	12,220.00	3.21%
AZN	ASTRAZENECA	370	11/16/15	32.394	32.860	11,985.78	12,139.70	12,158.20	3.20%
AFSI	AMTRUST FINANCIAL SERVICES	400	12/21/15	30.754	26.830	12,301.63	10,596.00	10,732.00	2.82%
HRL	HORMEL FOODS	292	01/19/16	38.784	37.930	11,324.99	11,171.92	11,075.56	2.91%
NKE	NIKE, INC.	200	02/16/16	57.990	52.650	11,597.99	11,528.00	10,530.00	2.77%
ENSG	ENSIGN GROUP	550	04/18/16	23.249	20.130	12,786.99	10,334.50	11,071.50	2.91%
HOMB	HOME BANCSHARES	600	05/16/16	20.351	20.810	12,210.63	14,040.00	12,486.00	3.28%
LNT	ALLIANT ENERGY	320	06/20/16	39.040	38.310	12,492.74	12,144.00	12,259.20	3.22%
LKFN	LAKELAND FINANCIAL	390	07/18/16	33.277	35.420	12,978.19	13,977.60	13,813.80	3.63%
ICE	INTERCONTINENTAL EXCHANGE	46	08/15/16	279.465	269.360	12,855.38	12,972.92	12,390.56	3.26%
BMI	BADGER METER INC	380	09/19/16	33.166	33.510	12,603.19	12,603.19	12,733.80	3.35%
TOTAL CASH AND EQUITIES						\$363,754.87	\$380,272.80	100.00%	

ACCOUNT VALUE SUMMARY - 9/30/16

Description	Amount
Last Month's Closing Equity	\$383,709.17
Change in Stock Value	-\$4,136.60
Interest & Dividends	\$700.23
This Month's Closing Equity	\$380,272.80

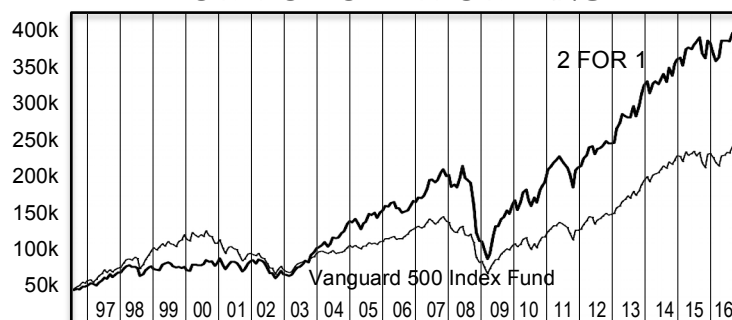
ANNUALIZED RETURN 7/31/96 – 9/30/16

2 for 1: + **10.58%** Vanguard 500 Fund: +8.12%
(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 \$363,755 basis above reflects \$313,755 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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