



# 2 for 1<sup>®</sup>

Neil Macneale's  
Stock Split  
Newsletter

Volume 18 Issue 9

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

September 13, 2013

## AUGUST SPLITS – OUR BUY

### Tractor Supply Co.

As readers of last month's 2 for 1 already know, I took the first August split announcement, West Pharmaceutical Services (WEC), and added it to the July list. WEC then became our pick for the August issue. I was not too excited by the next three splits up until the end of the month when Tractor Supply (TSCO) popped up on my screen. Of the four August splits under consideration, TSCO is the clear winner. Tractor Supply was an amazing stock for the 2 for 1 portfolio between 8/2010 and 4/2013, earning a 53.4% annualized return.

Lest you think I'm just being nostalgic, I did run all the splits through the 2 for 1 ranking program and TSCO did come out on top. It has higher PE and price-to-book ratios than I like but almost all the other important metrics scored well. TSCO sells feed and supplies through 1,223 retail farm and ranch stores in 46 states, catering to recreational farmers and ranchers. This is a growing and wealthy demographic not suffering from the vagaries of the economy. Apparently TSCO's Board thinks its booming business is going to continue for the foreseeable future.

The other three splits were DaVita Health-Care Partners (DVA), Alliance Fiber Optics (AFOP), and DSW Inc. (DSW). DVA, ranked #2 even without a dividend, provides dialysis services at its 1800+ clinics in 43 states. Warren Buffet likes DVA and owns over 14% of the company. This could be a second buy for those still building up to 30 stocks. AFOP has had a fabulous run up in its stock price this year, probably a belated recognition of its 5-year, 23% average annual earnings growth. The stock seems fairly priced at the moment and I think its price will likely flatten out for a while. DSW operates 300+ shoe stores in 40 states and also sells through [dsw.com](http://dsw.com). This is an interesting company, carrying no long-term debt and paying a moderate 1.18% dividend. However, it's fairly volatile and not as profitable as it should be, given its other numbers.

## PORTFOLIO ITEMS

### The "U" Word

Uncertainty is the most overused word by market pundits, newsroom talking heads, and bloggers, and I have gone to great lengths to avoid using it here or in any of my conversations about the economy and the market. Yes, there are unknowns out there that give one pause but, in my opinion, there are just as many certainties in the world of investing as there are the opposite. One of these certainties is that markets overreact to news events, causing volatility, and the reaction to the events in the Middle East is no exception. For example, even though Syria and Egypt produce very little oil, the strife in these countries has caused significant volatility in the oil markets, leading to higher gas prices here at home, while the actual supply of oil available to us here in the USA has been better lately than it has been for years.

Another certainty – markets go up and markets go down. September has been the month that typically drops into the negative column as the summer winds down. This year, probably due to the Middle-East turmoil, we got a jump on things and August proved to be the month the market and the 2 for 1 portfolio "corrected". After a nice 5.5% run-up in July, the 2 for 1 portfolio fell 4.6% in August, leaving us with a 14% gain for the year so far, and a 16% gain for the trailing 12 months. These are OK numbers, but the market is also doing well and, as we go to press, 2 for 1 is trailing the market for the year by about one percent. We still have 3½ months to catch up and I'm working on it.

## THIS MONTH'S SELL

### Wisconsin Energy

This gas and electric utility proved to be a reliable workhorse for the 2 for 1 portfolio, as predicted when recommended in February 2011. The \$760 we earned in dividends from WEC made a significant contribution to the 52% overall return earned on our investment, all costs and dividends included. That's 17.9% annualized between 2/11 and 9/3/13 when WEC sold at \$41.30/share. The Vanguard 500 Index Fund returned 11.3% annualized over the same period.

## 2 for 1 MODEL PORTFOLIO – AUGUST STATEMENT

		# SH	BOUGHT	QUOTE AT BUY	QUOTE ON 8/30/13	BASIS	START MONTH	END MONTH	% OF PORT
CASH							4270.86	4962.15	1.79%
WEC	WISCONSIN ENERGY	250	02/22/11	29.185	41.040	7306.24	10870.00	10260.00	3.70%
EEP	ENBRIDGE ENERGY PARTNERS	224	03/28/11	32.219	29.820	7217.10	7082.88	6679.68	2.41%
USTR	UNITED STATIONERS	200	04/18/11	35.350	39.740	7079.99	8278.00	7948.00	2.86%
CWT	CALIFORNIA WATER SERVICE GRP	400	05/16/11	18.350	19.950	7349.99	8720.00	7980.00	2.87%
CHD	CHURCH & DWIGHT	175	06/20/11	39.900	59.350	6992.49	11147.50	10386.25	3.74%
OKS	ONEOK PARTNERS LP	165	07/18/11	43.850	49.590	7245.24	8398.50	8182.35	2.95%
OZRK	BANK OF THE OZARKS	280	08/16/11	22.786	45.380	6379.99	13378.40	12706.40	4.58%
CLW	CLEARWATER PAPER	175	09/19/11	37.000	47.660	6484.99	8561.00	8340.50	3.00%
BLL	BALL CORP.	200	11/21/11	33.400	44.420	6689.99	8958.00	8884.00	3.20%
ROST	ROSS STORES	150	12/19/11	46.520	67.260	6987.99	10123.50	10089.00	3.63%
TJX	TJX INC	220	01/17/12	32.620	52.720	7186.39	11448.80	11598.40	4.18%
MNST	MONSTER BEVERAGES	105	02/21/12	53.200	57.390	5593.49	6403.95	6025.95	2.17%
DGAS	DELTA NATURAL GAS	400	03/21/12	18.955	20.220	7581.93	9108.00	8088.00	2.91%
CPRT	COPART INC	300	04/16/12	25.780	31.770	7733.98	9753.00	9531.00	3.43%
KO	COCA-COLA	200	05/21/12	37.174	38.180	7434.84	8016.00	7636.00	2.75%
CME	CME GROUP	140	06/21/12	54.923	71.110	7689.27	10368.68	9955.40	3.59%
AZZ	AZZ INC	250	07/16/12	32.320	37.540	8079.99	9457.50	9385.00	3.38%
TROX	TRONOX LTD.	310	08/20/12	25.612	21.360	7939.79	6730.10	6621.60	2.38%
PAA	PLAINS ALL AMERICAN PIPELINES	180	09/17/12	44.881	50.560	8078.49	9583.20	9100.80	3.28%
MMP	MAGELLAN MIDSTREAM PARTNERS	180	10/16/12	44.406	54.260	7992.99	9842.40	9766.80	3.52%
SCL	STEPAN CO	160	11/19/12	47.062	56.440	7529.99	9577.60	9030.40	3.25%
HEP	HOLLY ENERGY PARTNERS	240	12/17/12	31.852	35.530	7644.39	9129.60	8527.20	3.07%
PRA	PROASSURANCE	194	01/25/13	44.601	47.140	8652.68	10384.82	9145.16	3.29%
CL	COLGATE-PALMOLIVE	160	03/18/13	55.822	57.770	8931.59	9579.20	9243.20	3.33%
AOS	A. O. SMITH	260	11/15/10	19.147	42.050	4978.20	10743.20	10933.00	3.94%
TU	TELUS	260	04/22/13	35.348	30.770	9190.59	7958.60	8000.20	2.88%
HOMB	HOME BANCSHARES	440	05/20/13	21.173	25.420	9315.99	12020.80	11184.80	4.03%
AWR	AMERICAN STATES WATER	170	06/17/13	54.109	52.600	9198.49	10917.40	8942.00	3.22%
BEN	FRANKLIN RESOURCES	201	07/15/13	47.883	46.160	9624.49	9824.88	9278.16	3.34%
WST	WEST PHARMACEUTICAL SERVICES	125	08/19/13	76.060	73.950	9507.49	9507.49	9243.75	3.33%
TOTAL CASH AND EQUITIES						229619.08		277655.15	100.00%

## ACCOUNT VALUE SUMMARY - 8/31/13

Description	Amount
Last Month's Closing Equity	291143.62
Change in Stock Value	-14196.66
Interest & Dividends	708.19
This Month's Closing Equity	277655.15

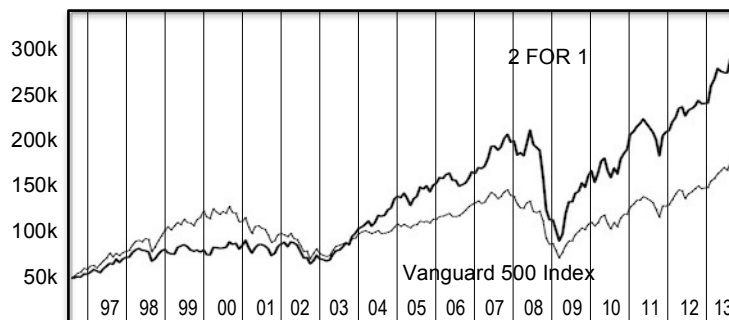
## ANNUALIZED RETURN 8/31/96 – 8/31/13

2 for 1: +10.76% Vanguard 500 Fund: +7.50%  
(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 an actual portfolio of only 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 \$229,119 basis above reflects the \$179,119 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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