

2 for 1 Index[®]

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April 16, 2021

2020 will be remembered as the year of the Covid Pandemic; a profound tragedy for some and a significant disruption for everyone else. Focusing on just the workings of our economy, the most striking feature of the "Year of the Pandemic" was the incredible speed of the drop, and then the recovery, of the markets. From market highs on January 19, 2020 to the low of March 23, 2020, just 32 days, the S&P 500 Total Return Index dropped from 6886.47 to 4559.50, shedding 33.8%. Then, from the low to this writing on 4/15/21, the S&P 500 Total Return Index powered ahead to 8653.29, an 89.79% gain in just a little over one year. The 2 for 1 Index moved +90.49% over the same period. Can the intrinsic value of our corporations change that much in one year? I don't think so, and one could conclude the markets are seriously detached from reality. The degree of detachment might be viewed as a measurement of the gap between sober investment vs. sometimes rather bizarre speculation. I'm thinking GameStop and cryptocurrency.

I like to think the 2 for 1 Index falls more on the sober investment side of the equation. I have always favored profitable companies that make or sell things we actually need. I like dividends because they indicate a company is conscious of its owners and is working in their interest. Similarly, strong balance sheets are an indication that a company's board members are not themselves simply speculators gambling with OPM (other peoples' money). The proliferation of SPACs, (special purpose acquisition companies), investment instruments with no product and no earnings, is now dominating the buzz on Wall Street and is the latest manifestation of the urge to gamble.

There have been several split announcements since the last adjustment to the index. When compared with the various splits going back a few months, none of the recent splits quite measure up. Therefore, I'm going with Hawkins Inc. (HWKN). Hawkins announced a 2 for 1 split back in January and I've been watching it with interest since then. A recent dip in its price makes it more attractive than it was last month. Hawkins is a company that meets all of the desirable criteria noted in the paragraph above, including an insider ownership around 9.4%. HWKN is a small cap business based in Minnesota making and selling specialty chemicals used in industrial processes, water treatment, and food preparation. Reasonable valuation numbers, good growth over the last few years, a very dependable 1.4% dividend, and a low measure of volatility all make HWKN a good fit for the 2 for 1 Index.

Exponent Inc. (EXPO) will be deleted from the 2 for 1 Index next Monday. EXPO has been one of the best companies 2 for 1 has ever had, with over a 31% annualized overall return over 5½ years. It's been in the index more than the standard 30 months because it split a second time while it was already on the list. Hopefully, it will split again soon so we can add it back into the index. Exponent is a great company!

In summary, **HWKN will be added and EXPO will be deleted this month.** There will be a rebalance, maintaining the 30 equally balanced positions in the 2 for 1 Index, as of the market close on 4/19.

Neil Macneale

EXPO	EXPONENT INC	AUG-15	MBCN	MIDDLEFIELD BANC CORP	OCT-19	2 for 1 Index inception 7/31/1996
SWK	STANLEY BLACK & DECKER	MAY-18	TKR	TIMKEN CO.	NOV-19	
HBNC	HORIZON BANCORP INC	JUN-18	TU	TELUS COMMUNICATIONS INC	MAR-20	Value at inception = 100
NEW	NORTHWESTERN CORP	JUL-18	BEN	FRANKLIN RESOURCES	APR-20	
PFC	PREMIER FINANCIAL CORP	AUG-18	AWR	AMERICAN STATES WATER	MAY-20	Value as of 4/15/21 = 1848.24
NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCIENCES	JUN-20	
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	All time high - 4/15/21 = 1848.24
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	52week low - 5/13/20 = 1144.73
WRB	W. R. BERKLEY	MAR-19	APPL	APPLE INC.	SEP-20	
WHF	WHITEHORSE FINANCIAL	APR-19	NEE	NEXTERA ENERGY INC.	OCT-20	Overall annualized return = 12.5%
FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	BEP	BROOKFIELD RENEWABLE	NOV-20	
PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	Comparable S&P total return = 9.9%
KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERMAN-WILLIAMS, INC.	FEB-21	
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	