

2 for 1 Index[®]

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August 14, 2020

The big news in the world of splits was, of course, Apple's (AAPL) declaration of a 4 for 1 split announced on 7/30, effective 8/31. And, on 8/3, Trex Inc. (TREX) announced a 2 for 1 split effective 9/14. Then, just this Tuesday, Tesla Inc. (TSLA) piled on and announced a 5 for 1 split, effective 8/28. Let's hope this is a signal the drought in stock splits is coming to an end. So, what to do? My first instinct was to add two companies to the Index and bring it up to the full 30 stock list that has always been my ideal number. However, in going over the fundamentals, I've concluded that TREX is the better choice at this point in time. I love AAPL. I'm typing this letter on my trusty Apple MacBook and taking calls on my super cool iPhone. I want AAPL in the 2 for 1 Index, but I have decided to wait and see if I can get it at a better price in a month or two after the excitement over the earnings and split announcements dies down a bit. Stay tuned. As for TSLA, I think Tesla makes great cars, but wow!, this stock is in such a speculative bubble, I would be breaking all my rules to even consider it for the 2 for 1 Index.

I will be adding TREX to the 2 for 1 Index at the close of trading this coming Monday. TREX was one of the original manufacturers of the composite decking that has become the popular alternative to wood for outdoor decks and railings. Its decking is made primarily from recycled plastics and makes so much sense as concern for the environment becomes more and more widespread. The stock is not a bargain, with a PE ratio in the 40's, and the company does not pay a dividend, definitely not to my liking. However, with earnings growing at over 30%/year over the last five years, it's understandable why the PE is where it is, and the good news is TREX is quite profitable with great returns on investment, equity, and assets. The company has no long-term debt indicating a super conservative approach to business that should reward us over the next few years.

Copart (CPRT) has remained in the Index for longer than the prescribed three-year "stock split advantage" would dictate so, reluctantly, I will be deleting this great company from the list on Monday. CPRT has delivered a 40+% annualized return for us, making it one of the all-time best performers in the 2 for 1 Index. Maybe we'll get lucky and the board will announce another split.

In summary, **Trex, Inc. (TREX) will be added** to the index and **Copart Inc. (CPRT) will be deleted**. There will be 29 equally balanced positions in the 2 for 1 Index as of the market close on 7/20.

Regards,
Neil Macneale

2 for 1 Index on 8/14/2020

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|------|------------------------|--------|-------|----------------------------|--------|-------------------------------------|
| CPRT | COPART INC | APR-17 | WRB | W. R. BERKLEY | MAR-19 | 2 for 1 Index inception 7/31/1996 |
| SLGN | SILGAN HOLDINGS | MAY-17 | WHF | WHITEHORSE FINANCIAL | APR-19 | |
| NLY | ANNALY CAPITAL MGMT | DEC-17 | FFIN | FIRST FINANCIAL BANKSHARES | MAY-19 | Value at inception = 100 |
| AFL | AFLAC INC | FEB-18 | PPL | PPL CORP | JUN-19 | |
| BRO | BROWN & BROWN INC | MAR-18 | KELYA | KELLY SERVICES, INC | JUL-19 | Value as of 8/13/20 = 1451.24 |
| AGX | ARGAN INC | ARP-18 | FAST | FASTENAL CO | AUG-19 | |
| EXPO | EXPONENT INC | AUG-15 | MBCN | MIDDLEFIELD BANC CORP | OCT-19 | All time high - 2/13/20 = 1602.35 |
| SWK | STANLEY BLACK & DECKER | MAY-18 | TKR | TIMKEN CO. | NOV-19 | |
| HBNC | HORIZON BANCORP INC | JUN-18 | TU | TELUS COMUNICATIONS INC | MAR-20 | 52week low - 3/23/20 = 970.29 |
| NEW | NORTHWESTERN CORP | JUL-18 | BEN | FRANKLIN RESOURCES | APR-20 | |
| PFC | PREMIER FINANCIAL CORP | AUG-18 | AWR | AMERICAN STATES WATER | MAY-20 | Overall annualized return = 11.77% |
| NHC | NATIONAL HEALTHCARE | SEP-18 | EW | EDWARDS LIFESCIENCES | JUN-20 | |
| TJX | TJX COMPANIES | OCT-18 | MRTN | MARTEN TRANSPORT LTD | AUG-17 | Comparable S&P total return = 9.21% |
| CASS | CASS INFORMATION SYS. | NOV-18 | COST | COSTCO WHOLESALE CORP | JUL-20 | |
| T | AT&T | JAN-19 | | | | |