

2 for 1 Index[®]

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I was expecting an uptick in split announcements as boards of directors released their 2nd quarter results. Earnings reports are good, the markets are hot - it would seem to be a good time to announce a split. Instead, since the last issue of 2 for 1, there have been only two split announcements - Intuitive Surgical, Inc. (ISRG) and P.A.M. Transportation Services (PTSI). (See more below) Boards of directors' hesitancy to split could be Covid fatigue. It could be the summer doldrums. It could be nervousness re inflation, deficit spending, commodity shortages, supply chain bottlenecks, etc. etc. It could just be that stock splits are still somewhat out of fashion. Whatever the reason, it makes the few split announcements we do have all the more interesting.

That brings up Intuitive Surgical. ISRG's stock price topped \$1000 recently so it was clearly a split candidate. Talk of a split has been in the air for months. (See Motley Fool, Seeking Alpha, Zacks, etc.) I was only mildly interested because 1) I don't usually take a look at a stock until after a split is actually announced and 2), this stock's fundamentals are way off from what I would consider a good 2 for 1 Index candidate. With a PE of 76, no dividend, and being a "popular" name, ISRG definitely does not fit the ideal 2 for 1 Index profile. But then, last week, there was a 3 for 1 split announcement and, here's the thing. This is an incredibly successful company. It has no debt on the books, it is twice as profitable as the average medical device company, with an operating margin of 31%, and it has been growing sales at almost 13%/year for the last five years.

Intuitive also split its stock 3 for 1 in August of 2017. At that time, I took a pass and picked Marten Transport (MRTN) instead. MRTN has been a winner for 2 for 1, so no regrets there. However, if I had added ISRG to the index in 2017, we would now be looking at about a 300% gain. In 2017 I wrote that ISRG was vulnerable to missteps in a rapidly evolving new technology (robotic surgery). Past performance is no guarantee of future results but it does seem that ISRG has proved itself over these past four years and now deserves a spot in the 2 for 1 Index.

The other split, P.A.M. Transportation is a trucking company with some attractive numbers, but it is relatively volatile and thinly traded. It could be OK and might deserve another look, but I'm going with ISRG for now.

The 2 for 1 Index "ladder" as reached the point where the stocks added in late 2018 are coming to the top. Most of them have lagged the overall performance of the Index and Premier Financial Corp. (PFC) is a good example. This position started out as First Defiance Financial (FDEF) of Defiance, Ohio but changed its name and ticker symbol in June of 2020. Even with its close to 4% dividend, PFC has been underperforming its sector and the overall market and leaves the Index with a small overall loss. It's just a guess, but perhaps this result can be attributed to the economic struggles of the mid-western industrial "rust belt", the region PFC serves.

In summary, **ISRG will be added and PFC 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 Monday, 8/16.

Neil Macneale

PFC	PREMIER FINANCIAL CORP	AUG-18	AWR	AMERICAN STATES WATER	MAY-20	2 for 1 Index inception 7/31/1996
NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCIENCES	JUN-20	
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	Value at inception = 100
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	Value as of 8/12/21 = 1947.04
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	
WRB	W. R. BERKLEY	MAR-19	AAPL	APPLE INC.	SEP-20	All time high - 8/11/21 = 1947.84
WHF	WHITEHORSE FINANCIAL	APR-19	NEE	NEXTERA ENERGY INC.	OCT-20	
FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	BEP	BROOKFIELD RENEWABLE	NOV-20	52week low - 9/23/20 = 1339.77
PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	
KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERMAN-WILLIAMS, INC.	FEB-21	Overall annualized return = 12.6%
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	Comparable S&P total return = 10.1%
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	
TU	TELUS COMMUNICATIONS INC	MAR-20	CSX	CSX CORPORATION	JUN-21	
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	