

# 2 for 1 Index<sup>®</sup>

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December 18, 2020

The market has returned to all-time highs and the 2 for 1 Index is right up there with the broad market indexes. 2 for 1 hit its all-time high just two days ago and it's close to that as I write. That said, my crystal ball is as clear now as it's ever been (not so much) and, with mighty forces pulling the market in all directions, predictions for 2021 are risky at best. The release of the Covid-19 vaccines is great news but the benefits will be slow in coming. The election of Joe Biden means huge changes are in store for the agencies that oversee the workings of the economy but again, it will probably be a while before we feel the impact.

Stifel Financial Corp. (SF) announced a 3 for 2 split in November, so there was one split to consider for the December adjustment to the 2 for 1 Index. However, a look at Stifel's numbers did not spark much interest. Stifel has had a very good year but, in my opinion, it has gotten ahead of itself and I'm going to take a pass for now. One outcome of this analysis was a fresh look at the financial sector in general and the realization that there are bargains to be had in the regional banking space. The financial sector has been close to the bottom of the rankings regarding overall sector performance this year, and quite a few regional banks in particular are trading near or below book value. Running my 2 for 1 screens on a group of these stocks brought Washington Federal, Inc. (WAFD) into focus as a good fit for the 2 for 1 Index.

Headquartered in Seattle, Washington Federal, Inc. is the holding company for Washington Federal Bank operating 234 branches located in Washington, Oregon, Idaho, Arizona, Utah, Nevada, New Mexico, and Texas. At the moment, WAFD is selling at below book value and with a low PE of 11.3 compared to the average PE of the nation's twenty largest banks of 21.3. WAFD pays a 3.5% dividend with a payout ratio of only 38%. The company is solidly profitable and has no long-term debt so, without a good split to recommend, WAFD seems a safe, predictable, and CHEAP stock to fill in while we wait for a few good splits to come along.

Aflac (AFL) is at the top of the ladder and it's time to move it along. Aflac has not been a winner for 2 for 1. Our overall return, dividends included, will be at right around 6.2% annualized when we delete AFL from the Index early next week. AFL was quite a bit higher last year but it has not yet fully recovered from the market wide "virus slump" in the Spring. This is true for the financial sector in general; one reason we're able to acquire WAFD so reasonably.

In summary, **Washington Federal, Inc. (WAFD) will be added to the Index and Aflac Inc. (AFL) will be deleted.** There will be 30 equally balanced positions in the 2 for 1 Index as of the market close on 12/21.

Happy Holidays,  
Neil Macneale

|      |                            |        |       |                          |        |                                     |
|------|----------------------------|--------|-------|--------------------------|--------|-------------------------------------|
| AFL  | AFLAC INC                  | FEB-18 | PPL   | PPL CORP                 | JUN-19 | 2 for 1 Index inception 7/31/1996   |
| BRO  | BROWN & BROWN INC          | MAR-18 | KELYA | KELLY SERVICES, INC      | JUL-19 |                                     |
| AGX  | ARGAN INC                  | ARP-18 | FAST  | FASTENAL CO              | AUG-19 | Value at inception = 100            |
| EXPO | EXPONENT INC               | AUG-15 | MBCN  | MIDDLEFIELD BANC CORP    | OCT-19 |                                     |
| SWK  | STANLEY BLACK & DECKER     | MAY-18 | TKR   | TIMKEN CO.               | NOV-19 | Value as of 12/17/20 = 1631.65      |
| HBNC | HORIZON BANCORP INC        | JUN-18 | TU    | TELUS COMMUNICATIONS INC | MAR-20 |                                     |
| NEW  | NORTHWESTERN CORP          | JUL-18 | BEN   | FRANKLIN RESOURCES       | APR-20 | All time high - 12/15/20 = 1635.57  |
| PFC  | PREMIER FINANCIAL CORP     | AUG-18 | AWR   | AMERICAN STATES WATER    | MAY-20 |                                     |
| NHC  | NATIONAL HEALTHCARE        | SEP-18 | EW    | EDWARDS LIFESCIENCES     | JUN-20 | 52week low - 3/23/20 = 970.29       |
| TJX  | TJX COMPANIES              | OCT-18 | MRTN  | MARTEN TRANSPORT LTD     | AUG-17 |                                     |
| CASS | CASS INFORMATION SYS.      | NOV-18 | COST  | COSTCO WHOLESALE CORP    | JUL-20 | Overall annualized return = 12.13%  |
| T    | AT&T                       | JAN-19 | TREX  | TREX COMPANY INC         | AUG-20 |                                     |
| WRB  | W. R. BERKLEY              | MAR-19 | APPL  | APPLE INC.               | SEP-20 | Comparable S&P total return = 9.54% |
| WHF  | WHITEHORSE FINANCIAL       | APR-19 | NEE   | NEXTERA ENERGY INC.      | OCT-20 |                                     |
| FFIN | FIRST FINANCIAL BANKSHARES | MAY-19 | BEP   | BROOKFIELD RENEWABLE     | NOV-20 |                                     |