2 for 1 Index®

December 13, 2024

Lots of splits to consider this month. Palo Alto Networks (PANW) and Arista Networks (ANET) are tech companies with high valuations, no dividends, and poor scores on my ranking algorithm. Covenant Logistics (CVLG), a trucking company, is not as good as two out of the three trucking companies already in the Index. Tractor Supply (TSCO) was in the Index in the early 2010s and was a winner, but it has grown by a factor of 12x since then and seems to have become a little fat. Patrick Industries, Inc. (PATK) is a smallish manufacturer, not very profitable, and without a compelling story. That leaves Entergy (ETR) and Meritage Homes (MTH) and a dilemma.

Entergy is a regulated electrical utility operating in Louisiana, Texas, and Mississippi. ETR had the 2nd highest score in my rankings, and I like the good dividend and the stability of a big utility. However, MTH scored much better by comparison with the rest of the field this month. Meritage is the 5th largest home builder in the USA. MTH's valuation numbers, balance sheet, and profitability are excellent. The problem for me (a retired contractor) is, "Do I want to own a builder that does not always deliver a quality product?" Reviews on several sites focus primarily on poor customer service and, to a lesser degree, on inferior workmanship. It's not surprising there would be a few disgruntled customers among the thousands of MTH buyers over the last few years and, to be fair, reviews for Meritage Homes vary widely. In this case, I'm going to put more weight on the fact that MTH has a reputation for building very energy efficient homes and they ranked #39 on the Forbes' 100 list of best mid-sized companies.

So, do I pick the safe, stable utility or the home builder with baggage? I'm going with my ranking algorithm despite my emotional reaction to the negative reviews by some Meritage home buyers.

Merchants Bancorp (MBIN) and Napco Security (NSSC) were both added to the Index in December three years ago. NSSC has been the more successful of the two so I'm choosing to delete MBIN and give NSSC another month. MBIN returned about 34%, or a little over 10% annualized over three years.

In summary, for December, **MTH will be added to the Index and MBIN will be deleted**. There will be a rebalance, maintaining the 2 for 1 Index at 29 equally weighted positions, as of the market close on Monday 12/16/24.

Neil Macneale

MBIN	MERCHANTS BANCORP	DEC-21	SRE	SEMPRA	AUG-23	2 for 1 Index inception 7/31/1996
NSSC	NAPCO SECURITY TECH.	DEC-21	NVO	NOVO NORDISK	SEP-23	
GOOGL	ALPHABET, INC.	FEB-22	MLI	MUELLER INDUSTRIES	OCT-23	Value at inception = 100
CM	CIBC	MAR-22	SNEX	STONEX GROUP INC.	NOV-23	
PAMT	P. A. M. TRANSPORTATION	APR-22	HUBG	HUB GROUP, INC.	JAN-24	Value as of 12/12/24 = 2656.25
CTO	CTO REALTY GROWTH, INC.	MAY-22	ODFL	OLD DOMINION FREIGHT LN	MAR-24	
AMRK	A-MARK PRECIOUS METALS	JUN-22	COO	COOPER INC.	MAR-24	
REX	REX AMERICAN RESOURCES	JUL-22	USLM	US LIME AND MINERALS	MAY-24	All time high - 11/11/24 = 2685.98
TECH	BIO-TECHNE CORP.	SEP-22	APH	AMPHENOL	JUN-24	
UHAL	U-HAUL HOLDING CO.	NOV-22	NVDA	NVIDIA	JUN-24	52-week low - 12/13/23 = 2152.67
PCAR	PACCAR, INC.	DEC-22	WRB	W.R. BERKLEY	JUL-24	
SSRM	SSR MINING INC.	FEB-23	RYAAY	RYANAIR HOLDINGS	SEP-24	Overall annualized return = 12.26%
GCBC	GREENE COUNTY BANCORP	MAR-23	ODC	OIL DRI CORP	OCT-24	
AAON	AAON INC.	JUL-23	RLI	RLI CORP.	NOV-24	Comparable S&P total return = 10.25%
CPRT	COPART, INC.	AUG-23				