

2 for 1 Index[®]

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February 12, 2021

Bonanza! There have been four eligible splits announcements since your last issue of 2 for 1. It's been a long time since there has been such a list to analyze and choose from for our monthly Index update. Varonis Systems (VRNS), a security software company, announced a 3 for 1 split this Monday. National Beverage Co. (FIZZ), a soft drink beverage company, announced a 2 for 1 split on 2/5. Sherman-Williams Co. (SHW), a paint company, announced a 3 for 1 split on 2/3. And eXp World Holdings Inc. (EXPI), an on-line real estate brokerage, announced a 2 for 1 split on 1/21. The fact that two of these splits are 3 for 1 tells me there may finally be a recognition by company boards of directors that their share prices are well above the sweet spot where a split is appropriate.

Sherman-Williams (SHW) will be our selection for addition to the 2 for 1 Index this month. In spite of above average valuation numbers, with a PE at 32 and a price-to-book ratio over 15, our screening algorithm scored SHW well above the other candidates. The compensating numbers include a good net profit margin, a good dividend growth rate, a good earnings growth rate, and good returns on equity, assets and investment. All the above "good" numbers are well above industry averages. SHW has a Beta, a measure of volatility, more or less equal to the overall market but much lower than most of its peers. I don't expect any big upside surprises here, but Sherman-Williams is a solid, profitable, old-time manufacturer of a product we all use, and I'm happy to include it in the 2 for 1 Index.

There have been quite a few recent sign-ups on the 2 for 1 website and, for those still getting familiar with the 2 for 1 procedure, the routine is as follows. Ideally, the Index is maintained at 30 positions with one stock added and one deleted every month. At the same time, all positions are balanced to an equal weight. Reflecting this procedure, the list below is in reverse order of the dates when each position was added, with the most recent addition at the bottom of the list. The two that are out of order (EXPO and MRTN) reflect a second stock split announcement during the time they were already in the Index, causing them to be moved back down to the bottom of the "ladder" to start another 30-month climb.

Brown & Brown (BRO) has reached the top of the portfolio ladder and will be deleted early next week. BRO has been in the 2 for 1 Index twice. First, in 2005-08, when it was a loser for us, and again more recently. This time BRO was definitely a winner, with over a 20% annualized return over almost three years, dividends included.

In summary, **SHW will be added and BRO 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 2/16. The market will be closed on Monday.

Neil Macneale

BRO	BROWN & BROWN INC	MAR-18	KELYA	KELLY SERVICES, INC	JUL-19	2 for 1 Index inception 7/31/1996
AGX	ARGAN INC	ARP-18	FAST	FASTENAL CO	AUG-19	
EXPO	EXPONENT INC	AUG-15	MBCN	MIDDLEFIELD BANC CORP	OCT-19	Value at inception = 100
SWK	STANLEY BLACK & DECKER	MAY-18	TKR	TIMKEN CO.	NOV-19	
HBNC	HORIZON BANCORP INC	JUN-18	TU	TELUS COMUNICATIONS INC	MAR-20	Value as of 2/11/21 = 1719.65
NEW	NORTHWESTERN CORP	JUL-18	BEN	FRANKLIN RESOURCES	APR-20	
PFC	PREMIER FINANCIAL CORP	AUG-18	AWR	AMERICAN STATES WATER	MAY-20	All time high - 02/09/21 = 1724.77
NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCENCES	JUN-20	
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	52week low - 3/23/20 = 970.29
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	Overall annualized return = 12.3%
WRB	W. R. BERKLEY	MAR-19	APPL	APPLE INC.	SEP-20	
WHF	WHITEHORSE FINANCIAL	APR-19	NEE	NEXTERA ENERGY INC.	OCT-20	Comparable S&P total return = 9.7%
FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	BEP	BROOKFIELD RENEWABLE	NOV-20	
PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	