

# 2 for 1 Index<sup>®</sup>

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February 14, 2025

Napco Security (NSSC) was scheduled to be deleted from the 2 for 1 Index last month. Because it was decided there would be no addition to the Index in January, I decided to let Napco stay one more month so as not to drop the Index down to 28 positions. Big mistake! NSSC has dropped  $\pm 25\%$  since last month's rebalance due to a less than stellar earnings report for the final quarter of 2024. It's still up a bit from when it was added to the Index, but we missed its high last August when it was valued at over twice what it is now. It will be dropped this month. There's a reason I try to avoid volatile stocks.

A few new splits to check out. FitLife Brands, Inc. (FTLF) is splitting 2 for 1 but it's too small to be considered for the Index. StoneX Group (SNEX) is splitting 3 for 2 and, because it's already in the Index, it will be moved to the bottom of the list to start its 30-month clock all over again.

That leaves us with two big Japanese conglomerates to consider. Hitachi (HTHIY) is a well-run, \$123B market cap company but, unfortunately, it only trades over the counter in the USA and, therefore, does not meet one of the basic requirements for inclusion in the 2 for 1 Index. Orix Corp. (IX), on the other hand, does trade on the New York Stock exchange in the form of ADRs (American Depositary Receipts) in the custody of Citi Bank. Orix is a financial services conglomerate involved in real estate, lending, banking, and insurance. IX seems underpriced, with a PE of 9.2, and is selling at less than book value. Its earnings are on a strong upward trajectory and its 4% dividend is solid. A big stock buyback has been initiated. The ADRs are splitting 5 to 1 later this month and, to be clear, it is the IX ADRs that are splitting, not the underlying shares in Japan. In my opinion, this distinction is not significant for our purposes. I'm certain Citi Bank would not have taken this action without the Orix board's approval, so I'm sure this split does signal a positive outlook by the people in charge in Japan. IX will be in the Index next week.

You've seen or heard it hundreds of times - "Past performance is no guarantee of future results." However, when the Index is in the doldrums, as it has been for the last few months, I can't resist reviewing the Index track record to boost my spirits. I'll share one interesting set of figures that gives me hope. Since its inception in 1996, the Index has passed through 332 full twelve-month intervals. Over 4/5ths of those intervals (271) have produced positive returns. If you're into spreadsheets, you can play with the daily raw data for the Index available at <https://2-for-1-history.s3-us-west-2.amazonaws.com/history.csv>.

In summary, for February, **IX will be added to the Index and NSSC will be deleted.** The Index will be rebalanced to maintain 29 equally weighted positions at market close on Tuesday 2/18/25.

Neil Macneale

NSSC	NAPCO SECURITY TECH.	DEC-21	NVO	NOVO NORDISK	SEP-23	
GOOGL	ALPHABET, INC.	FEB-22	MLI	MUELLER INDUSTRIES	OCT-23	2 for 1 Index inception 7/31/1996
CM	CIBC	MAR-22	HUBG	HUB GROUP, INC.	JAN-24	
PAMT	P. A. M. TRANSPORTATION	APR-22	ODFL	OLD DOMINION FREIGHT LN	MAR-24	Value at inception = 100
CTO	CTO REALTY GROWTH, INC.	MAY-22	COO	COOPER INC.	MAR-24	
AMRK	A-MARK PRECIOUS METALS	JUN-22	USLM	US LIME AND MINERALS	MAY-24	Value as of 2/13/25 = 2492.52
REX	REX AMERICAN RESOURCES	JUL-22	APH	AMPHENOL	JUN-24	
TECH	BIO-TECHNE CORP.	SEP-22	NVDA	NVIDIA	JUN-24	All time high - 11/11/24 = 2685.98
UHAL	U-HAUL HOLDING CO.	NOV-22	WRB	W.R. BERKLEY	JUL-24	
PCAR	PACCAR, INC.	DEC-22	RYAAY	RYANAIR HOLDINGS	SEP-24	52-week low - 2/14/24 = 2250.87
SSRM	SSR MINING INC.	FEB-23	ODC	OIL DRI CORP	OCT-24	
GCBC	GREENE COUNTY BANCORP	MAR-23	RLI	RLI CORP.	NOV-24	Overall annualized return = 11.93%
AAON	AAON INC.	JUL-23	MTH	MERITAGE HOMES	DEC-24	
CPRT	COPART, INC.	AUG-23	SNEX	STONEX GROUP INC.	NOV-23	Comparable S&P total return = 10.26%
SRE	SEMPRA	AUG-23				