



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

Volume 25 Issue 1

2-for-1.com

January 17, 2020

RECENT SPLITS – OUR BUY

Something Completely New

Still no new splits to consider, so it's time to get creative. Here are two facts pertaining to our situation. 1) The majority of our portfolio is still made up of stocks giving us the benefit of the Stock Split Advantage. However, this advantage runs out after three years and every month we shuck off another of our splits as our "ladder" moves through time. 2) Due to the shrinking number of positions in the portfolio, the accumulation of cash thrown off by several high dividend yielding stocks, and my propensity to be on the conservative side in these uncertain times, the cash account has grown much larger than normal.

Thus, for January, our buy is going to be an ETF (exchange traded fund) that will stand in for a large percentage of our present cash account. One of my loyal subscribers pointed out that the Global X NASDAQ 100 Covered Call ETF (QYLD) might be nearly as safe as a short-term bond fund while offering an 8% to 10% yield. I have never traded options but I do know about ETFs, and this appears to be a solid one. QYLD has almost \$1B in assets, it's less volatile than the market, and has a reasonable 0.60% expense ratio. It is sponsored by Global X, a 10-year old business managing over 70 other ETFs.

The QYLD ETF makes its money by owning the stocks in the NASDAQ 100 Index and then selling call options on the index. Without getting too far into the weeds, this strategy provides a way to earn income from an index that is known as a vehicle for growth while mitigating the down-side risk, all while reducing volatility and maintaining good diversity.

Next week I'm going to add QYLD to the portfolio using about 70% of our cash. This ETF will be viewed as a proxy for our cash and will not be on the 30-month ladder like our stock positions. If there is a flurry of splits, I won't hesitate to sell off QYLD to allow us to get back to the "normal" 30 stock portfolio that we have been missing for a while now.

PORTFOLIO ITEMS

2019 in Review

The performance of the 2 for 1 portfolio for 2019 was not up to our typical 2% to 3% out-performance over the broad market but we did manage to hold our own. Our overall gain of 30.98% for the year just barely edged out the 30.73% gain of the Vanguard 500 Index Fund, the fairest benchmark for comparison, in my opinion.

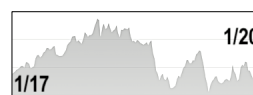
Long-time subscribers know that I have always favored dividend paying stocks but their importance in our overall performance has increased significantly. In 2019, dividends provided fully 9% of our overall return and that percentage will almost certainly increase with the addition of QYLD.

The most obvious issue impacting our 2 for 1 portfolio is the lack of splits. There's no denying this will affect how I proceed in the future. For much of 2019, 2 for 1 has been loading up on what I think may be promising companies, but ones that have not announced a split. Nine new positions were added to the 2 for 1 portfolio last year. Only three of them were 2 for 1 splits and one was a 3 for 2 (WRB). Being just another stock picker makes me uncomfortable. As you know, the average fund manager fails to beat the broad market indexes. Time will tell if split announcements will rebound and whether or not we can maintain a steady course until they do.

THIS MONTH'S SELL

A.O. Smith Corp.

What a disappointment! We owned A.O. Smith about eight years ago and it was an outstanding winner for 2 for 1. This time around it was definitely a loser. AOS was brought into the portfolio in 1/17 and the position was boosted twice along the way.



Our gain, including dividends, will be less than 1% overall when we sell next week. The Vanguard 500 Index Fund will have advanced 53% over the same period.

		# SH	BOUGHT	VALUE AT BUY	CLOSE ON 12/31/19	COST BASIS	START MONTH	END MONTH	% OF PORT
CASH							49,646.75	51,432.86	8.45%
AOS	A.O. SMITH CORP	400	01/17/17	48.711	47.640	19,484.51	19,360.00	19,056.00	3.13%
CMCSA	COMCAST	430	02/24/17	37.874	44.970	16,285.94	18,984.50	19,337.10	3.18%
CPRT	COPART INC	300	04/17/17	29.721	90.940	8,916.30	26,700.00	27,282.00	4.48%
SLGN	SILGAN HOLDINGS	700	05/15/17	30.976	31.080	21,683.36	21,567.00	21,756.00	3.57%
SPKE	SPARK ENERGY INC	720	07/17/17	20.007	9.230	14,404.95	7,941.60	6,645.60	1.09%
MRTN	MARTEN TRANSPORT LTD	1000	08/22/17	16.064	21.490	16,063.84	21,130.00	21,490.00	3.53%
NLY	ANNALY CAPITAL MGMT	1900	12/18/17	12.250	9.420	22,145.65	17,727.00	17,898.00	2.94%
AFL	AFLAC INC	340	02/20/18	44.395	52.900	15,094.15	18,645.60	17,986.00	2.95%
BRO	BROWN & BROWN INC	600	03/19/18	26.353	39.480	15,811.95	22,644.00	23,688.00	3.89%
AGX	ARGAN INC.	500	04/16/18	38.649	40.140	19,324.50	18,320.00	20,070.00	3.30%
EXPO	EXPONENT INC.	370	08/17/15	21.948	69.010	8,120.58	23,513.50	25,533.70	4.19%
SWK	STANLEY BLACK & DECKER	150	05/21/18	145.687	165.740	21,853.07	23,661.00	24,861.00	4.08%
HBNC	HORIZON BANCORP INC	1000	06/18/18	20.266	19.000	20,265.90	18,820.00	19,000.00	3.12%
NWE	NORTHWESTERN CORP	280	07/16/18	58.708	71.670	16,438.15	20,039.60	20,067.60	3.30%
FDEF	FIRST DEFIANCE FINANCIAL	600	08/20/18	31.989	31.490	19,193.40	18,090.00	18,894.00	3.10%
NHC	NATIONAL HEALTHCARE CORP	230	09/17/18	73.952	86.430	17,008.85	19,550.00	19,878.90	3.26%
TJX	TJX COMPANIES	400	10/15/18	54.960	61.060	21,984.01	24,452.00	24,424.00	4.01%
CASS	CASS INFORMATION SYSTEMS	400	11/19/18	55.629	57.740	22,251.72	22,588.00	23,096.00	3.79%
T	AT&T	530	01/22/19	30.969	39.080	16,413.75	19,811.40	20,712.40	3.40%
WRB	W. R. BERKLEY	315	03/18/19	56.049	69.100	17,655.45	21,420.00	21,766.50	3.57%
WHF	WHITEHORSE FINANCIAL	1280	04/16/19	14.081	13.700	18,023.54	18,355.20	17,536.00	2.88%
FFIN	FIRST FINANCIAL BANKSHARES	600	05/20/19	30.408	35.100	18,244.95	20,742.00	21,060.00	3.46%
PPL	PPL CORP	580	06/17/19	31.309	35.880	18,158.95	19,737.40	20,810.40	3.42%
KELYA	KELLY SERVICES, INC.	800	07/15/19	26.175	22.580	20,940.03	17,528.00	18,064.00	2.97%
FAST	FASTENAL CO	630	08/19/19	30.398	36.950	19,150.65	22,377.60	23,278.50	3.82%
MBCN	MIDDLEFIELD BANC CORP	860	10/21/19	23.148	26.090	19,907.50	22,575.00	22,437.40	3.68%
TKR	TIMKEN CO.	370	11/18/19	53.410	56.310	19,761.70	19,458.30	20,834.70	3.42%

(The portfolio numbered 27 positions as of 12/31, a result of very scarce new split announcements. The count will be brought back to 30 as conditions permit)

TOTAL CASH AND EQUITIES

\$484,587.35

\$608,896.66 100.00%

ACCOUNT VALUE SUMMARY - 12/31/19

Description	Amount
Last Month's Closing Equity	\$595,385.45
Change in Stock Value	\$11,725.10
Interest & Dividends	\$1,786.11
This Month's Closing Equity	\$608,896.66

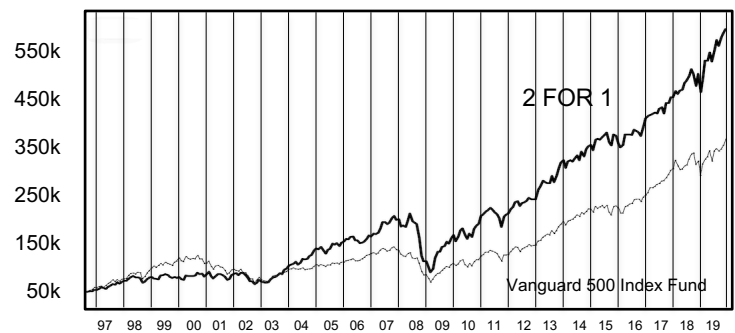
ANNUALIZED RETURN 7/31/96 - 12/31/19

2 for 1: **+11.27 %** Vanguard 500 Fund: +9.07%
(all costs and dividends included for both)

THE FINE PRINT

The above list represents all of the securities recommended, bought, and which are present in the 2 for 1 portfolio as of 11/30/19. An actual IRA account with E*Trade in the editor's name, the 27 stocks on this list constitute the entire 2 for 1 portfolio. The graph of the performance, above and to the right, was adjusted to equal the Vanguard 500 Index Fund at the end of July, 1996, adjusted for and including dividends. The Vanguard 500 Index Fund tracks the S&P 500, an index tracking the 500 largest U.S. companies. 2 for 1 tracks the 2 for 1 Index®, based on a portfolio of 27 companies, large and small. The 2 for 1 portfolio was started in July, 1996 with \$50,000. The \$484,587 basis above, plus the cash, minus the \$50K, is the total of all the realized gains accrued since the portfolio's inception. It shall not be assumed that recommendations made in this 2 for 1 issue, or in any future issues, will be profitable or will equal the performance of the securities on this list, now or in the future.

PORTFOLIO PERFORMANCE



2 for 1® is published and distributed by Neil Macneale, Inc., 140 O'Connor St., Menlo Park, CA 94025. Phone 408-210-6881. E-mail splits241@2-for-1.com. Neil Macneale, Inc., dba 2 for 1®, is not a broker and does not offer individual investment advice. 2 for 1 is published each month on the Friday closest to the 15th of that month. Contents are copyrighted but may be copied or quoted if attributed to the source. 2 for 1 subscription rate = \$20.00 per month for electronic delivery, payable by automatic monthly debit from any major credit or debit card approximately one week prior to publication. No long-term commitment is required.