

2 for 1 Index[®]

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January 13, 2023

Before jumping into 2023 (Happy New Year!), a brief sum-up of 2022 is in order. 2022 is one of those years the highly paid Wall Street analysts would like to bury. Virtually none of the big banks or money managers came even close to predicting the final tallies for any of the broad market indexes. According to the New York Times, the Wall Street consensus at the end of 2021 was that the S&P 500 would finish 2022 at 4,825. It finished at 3,840. The S&P total market index which, like 2 for 1, includes reinvested dividends, was down 17.0% for 2022. The 2 for 1 Index finished down 12.5% for the year. Thus, one can say 2 for 1 outperformed the market by 4.5% for 2022.

It's a challenge to write a monthly newsletter about stock splits when there are so few of them. To keep the 2 for 1 Index refreshed, our methodology requires (loosely interrupted) the addition and deletion of one position each month. In the past, when there have been no split announcements and no stocks worthy of consideration, even looking back to the splits announced over the previous six months, there have been three options. 1) Delete the position at the top of the ladder without any addition, thereby reducing the number of positions. 2) Add a stock that passes all our screens except for the most important; the stock split announcement. 3) Do nothing and put the Index on cruise control.

For this January, the choice is option #3. There are no new splits to consider, so no addition. There is no pressing reason to delete American States Water (AWR). The three-year maximum holding period* for AWR will not be up until May and the Index is already one position short of the ideal 30, so no deletion and option #1 is out. Regarding option #2, adding a theoretically "good" stock that has not announced a split is always a possibility but, over the last decade or more, this scenario has been tried about a dozen times without any clear benefit. On average, the "non-splitters" more or less served as place holders but only market performed, at best. This result was only just OK and did confirm, for me, the veracity of "the stock split advantage", but we don't need to go there at this time.

In summary, **there will be no addition to or deletion from the Index this month.** There will be a rebalance, maintaining the 2 for 1 Index at 29 equally balanced positions, as of the market close on Tuesday, 1/17/23. The market will be closed on Monday in observance of Martin Luther King day.

*The Marten Transport (MRTN) position has been in the Index for five and a half years. This is the result of a second split announcement while the stock was already in the Index. When this happens, the position is moved back down to the bottom of the "ladder".

Neil Macneale

AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	2 for 1 Index inception 7/31/1996
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	Value at inception = 100
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	Value as of 1/12/23 = 1862.47
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	All time high - 1/4/22 = 2105.21
BEP	BROOKFIELD RENEWABLE	NOV-20	PTSI	P. A. M. TRANSPORTATION	APR-22	
WAFD	WASHINGTON FEDERAL, INC	DEC-20	CTO	CTO REALTY GROWTH, INC.	MAY-22	52-week low - 6/16/22 = 1660.56
SHW	SHERWIN-WILLIAMS, INC.	FEB-21	AMRK	A-MARK PRECIOUS METALS	JUN-22	
LSI	LIFE STORAGE, INC.	MAR-21	REX	REX AMERICAN RESOURCES	JUL-22	Overall annualized return = 11.69%
HWKN	HAWKINS, INC.	APR-21	TECH	BIO-TECHNE CORP.	SEP-22	
CP	CANADIAN PACIFIC	MAY-21	UHAL	U-HAUL HOLDING CO.	NOV-22	Comparable S&P total return = 9.17%
CSX	CSX CORPORATION	JUN-21	PCAR	PACCAR, INC.	DEC-22	
SCVL	SHOE CARNIVAL, INC.	JUL-21				