

2 for 1 Index[®]

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July 17, 2020

There have been no splits since the last letter. In fact, one of the sources tracking corporate events lists fully twenty-five reverse splits over the last three months, but not a single forward split. (I'm not sure why Edwards Lifesciences, our June pick, was not on this list). This stark imbalance probably has implications regarding the future health of the market and the economy but, as always, my crystal ball is a bit cloudy. Under the circumstances, keeping the 2 for 1 Index fully invested is a challenge. For this month's pick, I'm going with Costco Wholesale (COST). I do this with the knowledge there is no split in sight, the stock is trading at close to its 52-week high, and its valuation numbers are far higher than typical for our portfolio. But here's the thing: Costco is a really well-run business in a space that will not only survive any Covid-19 related downturn, it could thrive in its role as the supplier of many of our basic needs. I have been a Costco member for years and I have been impressed by the adaptations I have seen at our local store in response to the challenges presented by the virus. There are other positive features – modest but secure dividend, low volatility, a strong balance sheet, and good returns on equity and investment. I have confidence COST will be a plus for 2 for 1.

I'm going to delete Spark Energy (SPKE) from the list ahead of SLGN and CPRT. SPKE has been a drag on the Index almost from the day it was added. SPKE had some good numbers when it was recommended three years ago, but it turns out the company's business model and management left a lot to be desired.

Two notes regarding the 2 for 1 Index list below: Marten Transport (MRTN) announced a 3 for 2 split yesterday and has been moved to the bottom of the portfolio ladder and First Defiance Financial (FDEF) has changed its name and symbol to Premier Financial Corp. (PFC). This is just a name change, with no impact on its place on the portfolio ladder or anything else.

Readers may notice the link to the NYSE listing of the 2 for 1 Index no longer appears in the header of this newsletter. As of June 30, I terminated my agreement with the stock exchange and am no longer submitting the daily closing value of the index for publication. No funds or ETFs have been utilizing the 2 for 1 Index for several years now, so it seemed a waste of time and money to continue the daily submission. However, I want my readers to know, for my own use and for this letter, I will continue to track and calculate the Net Asset Value (NAV) of the Index on a daily basis, as I have since 1996.

In summary, **Costco Wholesale Corp. (COST) will be added** to the index and **Spark Energy Inc. (SPKE) will be deleted**. There will 29 equally balanced positions in the 2 for 1 Index as of the market close on 7/20.

Regards,
Neil Macneale

2 for 1 Index on 7/17/2020

CPRT	COPART INC	APR-17	T	AT&T	JAN-19	2 for 1 Index inception 7/31/1996
SLGN	SILGAN HOLDINGS	MAY-17	WRB	W. R. BERKLEY	MAR-19	
SPKE	SPARK ENERGY INC	JUL-17	WHF	WHITEHORSE FINANCIAL	APR-19	Value at inception = 100
NLY	ANNALY CAPITAL MGMT	DEC-17	FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	
AFL	AFLAC INC	FEB-18	PPL	PPL CORP	JUN-19	Value as of 7/16/20 = 1356.62
BRO	BROWN & BROWN INC	MAR-18	KELYA	KELLY SERVICES, INC	JUL-19	
AGX	ARGAN INC	ARP-18	FAST	FASTENAL CO	AUG-19	All time high - 2/13/20 = 1602.35
EXPO	EXPONENT INC	AUG-15	MBCN	MIDDLEFIELD BANC CORP	OCT-19	
SWK	STANLEY BLACK & DECKER	MAY-18	TKR	TIMKEN CO.	NOV-19	52week low - 3/23/20 = 970.29
HBNC	HORIZON BANCORP INC	JUN-18	TU	TELUS COMMUNICATIONS INC	MAR-20	
NEW	NORTHWESTERN CORP	JUL-18	BEN	FRANKLIN RESOURCES	APR-20	Overall annualized return = 11.50%
PFC	PREMIER FINANCIAL CORP	AUG-18	AWR	AMERICAN STATES WATER	MAY-20	
NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCIENCES	JUN-20	Comparable S&P total return = 9.02%
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	
CASS	CASS INFORMATION SYS.	NOV-18				