

2 for 1 Index[®]

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July 15, 2022

We have split announcements from two companies very much in the news lately. GameStop Corp. (GME) announced a 4 for 1 split on the 6th of this month. GME shares are known as a "meme stock". As defined by Investopedia, "a meme stock refers to the shares of a company that have gained a cult-like following online and through social media platforms." Those readers who have followed 2 for 1 for any length of time know I wouldn't touch this stock with a ten-foot pole. Tesla (TSLA) is the other popular stock in the news with a 3 for 1 split announcement on June 10th. The split has to be approved at the August 4th shareholder's meeting and the date for distributing the split shares will be determined upon that approval. TSLA is a little harder than GME to turn down, but not too hard. Tesla cars are great and I love that Tesla has paved the way for electric cars in general. However, the stock is way overvalued and the company is led by the mercurial and unpredictable Elon Musk. I just can't bring myself to get on board with this one.

That leaves us with Rex American Resources (REX), the only split announcement under consideration this month. Rex is an ethanol company, in the energy business, but without the baggage associated with oil, coal, or nuclear, etc. Rex rates quite high on the valuation scale with a PE of 11.2, a price-to-book ratio of 1.2 and, amazingly, a pile of cash worth close to \$40 per share. Rex does not pay a regular dividend but has been buying back its stock. The big cash hoard might prompt the Board to consider additional stock buybacks or a special dividend. If neither of these options come about, the company could be seen as an attractive takeover target. Any of these three possibilities could benefit shareholders. Volatility in the stock price has more or less matched that of the market but a temporary increase in volatility may be apparent in the days preceding and following the distribution of the 3 for 1 split coming up on 8/5/22.

Last month the Index sloughed off one of its losers. This month the most successful stock currently in the 2 for 1 Index will be deleted. As of this writing, Fastenal Co. (FAST) has provided the Index an overall 67% return, or 19% annualized, since its addition in August, 2019. FAST proved to be a solid contributor all through the pandemic, even providing a special dividend in 12/2020. I'm sad to see this one go.

In summary, **REX will be added to and FAST will be deleted from the Index this month.** There will be a rebalance, maintaining the 2 for 1 Index at 30 equally balanced positions, as of the market close on Monday, 7/18/22.

Neil Macneale

FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	2 for 1 Index inception 7/31/1996
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	Value at inception = 100
TU	TELUS COMMUNICATIONS INC	MAR-20	CSX	CSX CORPORTION	JUN-21	
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	Value as of 7/14/22 = 1721.85
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	All time high - 1/4/22 = 2105.21
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	52-week low - 6/16/22 = 1660.56
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	Overall annualized return = 11.59%
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	
BEP	BROOKFIELD RENEWABLE	NOV-20	PTSI	P. A. M. TRANSPORTATION	APR-22	Comparable S&P total return = 9.11%
WAFD	WASHINGTON FEDERAL, INC	DEC-20	CTO	CTO REALTY GROWTH, INC.	MAY-22	
SHW	SHERWIN-WILLIAMS, INC.	FEB-21	AMRK	A-MARK PRECIOUS METALS	JUN-22	