

# 2 for 1 Index<sup>®</sup>

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June 12, 2020

It's becoming clear that the current 2 for 1 Index is not performing as well as we would like or as well as it has in the past. For the year so far, the 2 for 1 Index is down 16.35% through yesterday's close. The S&P's total market return index (SP500TR) is off 6.23% YTD by comparison. A partial explanation may be found in the amazing performance of the FAANG stocks (FaceBook, Amazon, Apple, Netflix, Google) and the influence they have on the major indices. If the small and mid-cap portions of the market were doing better, we would probably be doing better as well. But this doesn't explain all of the under-performance of our portfolio. Upon examination, it looks as though we are suffering from the overall poor performance of our financial sector positions where we are somewhat over-weighted. This business sector is currently placing second from the bottom on the list of eleven economic sectors ranked by Bloomberg and others. I'm pretty sure I won't be adding any banks to the Index for a while.

One of the market sectors that is performing very well is healthcare, and it happens that Edwards Lifesciences Corp. (EW) executed a 3 for 1 split on the first of this month. EW is not scored particularly well by the 2 for 1 ranking algorithm, primarily because of its valuation numbers which are far higher than typical for a 2 for 1 stock. However, the company is quite profitable and in a business that should continue to prosper in good times and bad. EW's stock price is less volatile than the market average.

The overriding consideration here is that Edwards Lifesciences' split is such a standout in an environment seemingly so hostile to stock splits. If ever there was a signal that a Board of Directors is optimistic about their company's future prospects, this is it! And it's a 3 for 1 split to boot.

For the same reasons discussed in last month's newsletter, I will be keeping Copart (CPRT) in the 2 for 1 Index for just a little longer. Getting the portfolio back up to 30 positions has been a goal for several years now and this seems a good opportunity to almost close the gap.

In summary, **Edward Lifesciences Corp. (EW) will be added** to the index at the close of trading on Monday, 6/15. **There will be no deletion.** There will now be 29 positions in the 2 for 1 Index.

Regards,  
Neil Macneale

## 2 for 1 Index on 6/12/2020

CPRT	COPART INC	APR-17	TJX	TJX COMPANIES	OCT-18	2 for 1 Index inception 7/31/1996
SLGN	SILGAN HOLDINGS	MAY-17	CASS	CASS INFORMATION SYSTEMS	NOV-18	
SPKE	SPARK ENERGY INC	JUL-17	T	AT&T	JAN-19	Value at inception = 100
MRTN	MARTEN TRANSPORT LTD	AUG-17	WRB	W. R. BERKLEY	MAR-19	
NLY	ANNALY CAPITAL MGMT	DEC-17	WHF	WHITEHORSE FINANCIAL	APR-19	Value as of 6/11/20 = 1300.85
AFL	AFLAC INC	FEB-18	FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	
BRO	BROWN & BROWN INC	MAR-18	PPL	PPL CORP	JUN-19	All time high - 1602.35, 2/13/20
AGX	ARGAN INC	ARP-18	KELYA	KELLY SERVICES, INC	JUL-19	
EXPO	EXPONENT INC	AUG-15	FAST	FASTENAL CO	AUG-19	52week low - 970.29, 3/23/20
SWK	STANLEY BLACK & DECKER	MAY-18	MBCN	MIDDLEFIELD BANC CORP	OCT-19	
HBNC	HORIZON BANCORP INC	JUN-18	TKR	TIMKEN CO.	NOV-19	Annualized return = 11.35%
NEW	NORTHWESTERN CORP	JUL-18	TU	TELUS COMMUNICATIONS INC	MAR-20	
FDEF	FIRST DEFIANCE FINANCIAL	AUG-18	BEN	FRANKLIN RESOURCES	APR-20	Comparable S&P total return = 8.73%
NHC	NATIONAL HEALTHCARE	SEP-18	AWR	AMERICAN STATES WATER	MAY-20	