

# 2 for 1 Index<sup>®</sup>

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June 17, 2022

The value for the 2 for 1 Index is at its low for the year. On Monday this week, the market officially entered bear market territory. The commonly accepted trigger for the "bear market" designation is a 20% drop from a recent high. Pundits almost universally blame the current bear market on the inflation and increasing interest rates that have been grabbing the headlines. But bear markets have many "causes" and, in my opinion, it usually has more to do with short memories and "irrational exuberance". When you think about it, the inflation number is just a measure of how fast everything is getting more expensive. During a time of hyper-inflation, shouldn't stocks, like everything else, be getting more expensive instead of less so? I am not the person to answer this question. It's a good example of why economics is called "the dismal science". What I will do is the same as what I've done during all of the previous bear markets over the last 26 years - pretty much nothing different whatsoever. I'm going to look at all the recent stock splits, add the one I like the best to the Index, and delete the stock that has been in the Index the longest.

For this month's pick, I'm going with A-Mark Precious Metals, Inc. (AMRK). A-Mark is a precious metals trading company. Its numbers are very good compared to the other recently announced splits; Tesla (TSLA), Kinetik Holdings Inc. (KNTK), and Brookfield Infrastructure Partners (BIP). In addition to gold and silver, A-Mark deals in palladium, a metal necessary in several high-tech applications. A-Mark is like any other trading company; they make their money on the spread between the bid and ask price of the item they are trading. A-Mark seems to have perfected this art to the point their earnings have been consistently beating Wall Street's estimates and are growing at a good pace. A-Mark does not pay a regular dividend but it did pay a generous special dividend last September. We can hope for a repeat this year.

Kelly Services, Inc. (KELYA) will be dropped from the Index on Monday. Kelly has had a rough time of it over the last few years, with a business disrupted by Covid to an extent more serious than almost any other business I can think of. Added to the index in July, 2019, KELYA dropped a little over the next few months, but nothing too serious. After Covid hit, the bottom fell out. Kelly's business was disrupted to the extent the company's board suspended the regular dividend for over a year to conserve cash. Recovery has been uneven and we happen to be deleting at a time when the market is testing new lows almost daily. Overall return for KELYA - close to minus 7% annualized.

In summary, **AMRK will be added to and KELYA 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, 6/20/22.

Neil Macneale

KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERWIN-WILLIAMS, INC.	FEB-21	2 for 1 Index inception 7/31/1996
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	Value at inception = 100
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	
TU	TELUS COMMUNICATIONS INC	MAR-20	CSX	CSX CORPORATION	JUN-21	Value as of 6/16/22 = 1660.56
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	All time high - 1/4/22 = 2105.21
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	52-week low - 6/16/22 = 1660.56
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	Overall annualized return = 11.47%
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	Comparable S&P total return = 8.99%
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	