

2 for 1 Index[®]

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June 16, 2023

Another month into the stock split drought and the 2 for 1 Index will be shrinking to 28 positions. 30 is our ideal number but, mathematically speaking, the diversification risk of an equally weighted portfolio does not begin to suffer much until the number drops below around 25. All I can do is hope we have a few qualified splits over the next few months to allow the rebuilding of the Index back to 30.

Instead of just taking the month off, I'll use the time and space on this page to vent just a little bit. Many readers may have heard of a personal finance group called the Motley Fool. For years now, every time stock splits come up as a topic in their newspaper column, the same mantra is repeated. Quoting a recent Motley Fool column, "If you are a long-term investor who plans to own shares of a company for at least a few years, an upcoming stock split is no reason to buy an ownership stake in a business. A company has good reasons for initiating a split, but it doesn't change the fundamental value for shareholders."

Of course, it's true that the split announcement by itself does not change the fundamental value of a company, but it does signal that the company's stock has a slightly better-than-even chance to outperform the market for the three years following the announcement. If one puts together a portfolio of 25 to 30 such companies, and keeps it refreshed on a monthly basis following the 2 for 1 Index, your chance of beating the market by two to three percent per year is pretty good. I have written to the Motley Fool several times over the years, pointing out 2 for 1's track record and explaining the "stock split advantage", but I have yet to hear back from them. Maybe I shouldn't be so anxious to share our secret sauce.

I'll be deleting Marten Transport (MRTN) from the Index on Monday, bringing the total number of positions down to 28. Marten is one of my favorite companies. It was added to the Index in 8/2017. Then, just as it was reaching the top of the ladder, it announced a 3 for 2 split in 7/2020. Over the almost six years in the Index, it not only announced that second split, it also declared three very generous special dividends. Taking all into consideration, Marten has provided the 2 for 1 Index with over a 15% annualized return. It's a shame our methodology requires we part ways.

In summary, **there will be no additions and MRTN will be deleted from the Index this month.** There will be a rebalance, bringing the 2 for 1 Index to 28 equally balanced positions, as of the market close on Tuesday 6/20/23. The market will be closed on Monday for the Juneteenth holiday.

Neil Macneale

MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	2 for 1 Index inception 7/31/1996
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	Value at inception = 100
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	Value as of 6/15/23 = 2045.22
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	All time high - 1/4/22 = 2105.21
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	52-week low - 6/16/22 = 1660.56
HWKN	HAWKINS, INC.	APR-21	TECH	BIO-TECHNE CORP.	SEP-22	
CP	CANADIAN PACIFIC	MAY-21	UHAL	U-HAUL HOLDING CO.	NOV-22	Overall annualized return = 11.89%
CSX	CSX CORPORATION	JUN-21	PCAR	PACCAR, INC.	DEC-22	
SCVL	SHOE CARNIVAL, INC.	JUL-21	SSRM	SSR MINING INC.	FEB-23	Comparable S&P total return = 9.48%
ISRG	INTUITIVE SURGICAL, INC.	AUG-21	GCBC	GREENE COUNTY BANCORP	MAR-23	
RJF	RAYMOND JAMES FINANCIAL	SEP-21				