

# 2 for 1 Index<sup>®</sup>

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May 15, 2020

For this month of May, the 2 for 1 Index is all about winners. Because of the lack of split announcements, our ability to ferret out the future winners from the rest of the market has been greatly diminished. Therefore, I have elected to look to past winners for inspiration. First, I'm going to keep Copart Inc. (CPRT) in the Index for the time being even though its stock split advantage has worn off after over three years in the portfolio. CPRT is currently the most successful stock in the Index with a 40% annualized return. It is down from its recent high but there is every reason to believe it will recover. Even if the overall economy flounders for a while, the need for a business that is good at dealing with used cars will not be going away.

Second, I'm going to bring back a stock that was a winner for 2 for 1 about five years ago, with a 24.6% overall annualized return when we sold it in 2016. American States Water (AWR) is a regulated utility providing water to portions of California. It is also under long term contract to supply water and maintain the water infrastructure for ten military bases across the country. This is another business that is not going to go away no matter what the state of the economy. AWR is relatively profitable for a utility while having the advantages of a secure and predictable cash flow and return on investment. The dividend is a modest 1.6% but it is secure and growing at about a 6% annual rate.

To summarize, **AWR will be added** to the Index at the close of trading on Monday 5/18. **There will be no deletion this month**, bringing the Index up to 28 positions.

As noted in last month's newsletter, the current unemployment situation is still dire. Even if workers begin returning to their jobs right now or in the very near future, the fallout from the layoffs and furloughs will probably be affecting the national and world economy for years to come. The bad news is that many of our friends and neighbors have depleted their savings and/or the companies they worked for have down-sized or gone out of business entirely. The good news is the creativity being exhibited by many small business owners just in order to survive until things open up again. Personally, I think it's also good news that, collectively, we seem to be learning how to get along with fewer trips to the mall or to our favorite recreation sites and events. I realize that reducing our consumption of fuel and other "stuff" cuts both ways. It teaches us we can live more frugally but it also means fewer jobs for those who work to supply these things. One outcome, for sure; there will be lots of work for economists and political scientists in the study and analysis of this unprecedented disruption of a modern economy. There is no clear picture of how it's all going to shake out at the moment. We should all wish ourselves and each other good luck.

Regards,  
Neil Macneale

## 2 for 1 Index on 4/30/2020

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 5/14/20 = 1154.00
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 = 10.83%
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 = 8.52%
NHC	NATIONAL HEALTHCARE	SEP-18				