

2 for 1 Index[®]

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May 13, 2022

It looks like the market will be in a funk for a while and, for a fully invested index such as 2 for 1, that would typically translate into "a good time to buy / a bad time to sell". For the 2 for 1 Index, over the last 25 years, stocks added during these periods of correction have tended to do very well and, interestingly, stocks deleted during these times have not done as poorly as one might expect. Our deletion this month (PPL - see below) is not a winner, but would not have been a winner even if it were deleted a year or even two years ago. In other words, our losers are not losers just because they are deleted during a correction. My guess is this finding should simply be attributed to the "Stock Split Advantage", meaning the companies in the Index, overall and for two to three years, have an inherent advantage over the market and, seemingly, are somewhat inoculated against the worst impacts of any bear market corrections.

For our next potential winner, CTO Realty Growth, Inc. (CTO) will be added to the Index. CTO will be splitting its stock 3 for 1 at the end of June. CTO is a small (\$373M market cap) real estate investment trust (a REIT), a sector that has rarely been well represented in the 2 for 1 Index. CTO owns 2.7M square feet of commercial property, primarily in Florida and Texas. CTO is selling at below book value, has a reasonable debt level for a REIT, and is less volatile than the market average. CTO has been growing its earnings at a 14.5% annual rate for the last five years. Along with these good numbers, comes the fact that, as a REIT, it is required by the IRS to pay out 90% of its net earnings to its shareholders, resulting in almost a 7% annual dividend. Insiders own a decent percentage of the stock and there has been insider buying activity recently. There is risk here, due to the relatively small size of this company, but management seems to have a good record of picking a diverse, well located, and profitable group of properties. It's my hope a 3 for 1 split announcement is an indicator of management's continued confidence going forward.

PPL Corporation (PPL) will be deleted from the Index next Monday. PPL, joining the Index in 6/2019, was one of the companies added without the benefit of a stock split. It had a good dividend and seemed a safe bet. However, it sold all of its UK affiliates recently, cutting its earnings and dividend significantly. For its almost three years in the Index, PPL's total return comes to 7.1%, or 2.4% annualized, so at least we're not in the red, but I'm happy to part with PPL and move on.

In summary, **CTO will be added to and PPL 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, 5/16/22.

Neil Macneale

PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	2 for 1 Index inception 7/31/1996
KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERWIN-WILLIAMS, INC.	FEB-21	
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	Value at inception = 100
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	Value as of 5/12/22 = 1763.18
TU	TELUS COMUNICATIONS INC	MAR-20	CSX	CSX CORPORTION	JUN-21	
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	All time high - 1/4/22 = 2105.21
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	52-week low - 5/11/22 = 1753.58
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	Overall annualized return = 11.77%
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	Comparable S&P total return = 9.33%
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	
BEP	BROOKFIELD RENEWABLE	NOV-20	PTSI	P. A. M. TRANSPORTATION	APR-22	