

# 2 for 1 Index<sup>®</sup>

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May 12, 2023

Just one 2 for 1 split announcement has surfaced since the Index's April rebalance. Churchill Downs Inc. (CHDN) will split its shares next week and certainly deserves some discussion. CHDN runs the famous racetrack in Kentucky and has been in the news recently, not just for the Kentucky Derby, but also because of the seven horses that died at Churchill Downs in the week just before the derby. But CHDN is more than a race track. This is a gambling company, big time. Churchill Downs runs an online wagering and gaming entertainment business that totally eclipses the activities at the racetrack.

Earnings have been growing at an amazing clip of over 50% per year for the last five years. For this kind of growth, CHDN's 20.5 PE ratio and close to 16 Price-to-Book ratio don't seem out of line, but this is clearly not a "Value" stock. CHDN's 27% profit margin is almost too good to be true. CHDN pays a modest dividend. Its volatility indicator (Beta) is slightly higher than the overall market. There is long-term debt, but not out of line with the industry, and interest payments are well covered.

Some of these numbers are to my liking, others not so much. Based on all of the above, it's pretty much a toss-up as to whether or not I would be inclined to add CHDN to the 2 for 1 Index. What tips the scale for me is pretty simple. I hate gambling. For me, gambling is a stupid waste of resources. Playing penny-a-point poker with friends is one thing. The big-time gambling industry is another. I won't go on about all the ways gambling is hurting our communities, and railing against it is a futile exercise anyway, but I certainly can decide I'm not going to have a gambling company's stock in the 2 for 1 Index.

I will delete Edwards Lifesciences (EW) from the Index on Monday, bringing the total number of positions down to 29. EW has done OK by us, gaining about 10.4% annualized since its inclusion in the Index in June of 2020.

In summary, **there will be no additions and EW will be deleted from the Index this month.** There will be a rebalance, bringing the 2 for 1 Index to 29 equally balanced positions, as of the market close on Monday 5/15/23.

Neil Macneale

EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	2 for 1 Index inception 7/31/1996
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	Value at inception = 100
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	Value as of 5/11/23 = 1888.67
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	
BEP	BROOKFIELD RENEWABLE	NOV-20	PTSI	P. A. M. TRANSPORTATION	APR-22	All time high - 1/4/22 = 2105.21
WAFD	WASHINGTON FEDERAL, INC	DEC-20	CTO	CTO REALTY GROWTH, INC.	MAY-22	
SHW	SHERWIN-WILLIAMS, INC.	FEB-21	AMRK	A-MARK PRECIOUS METALS	JUN-22	52-week low - 6/16/22 = 1660.56
LSI	LIFE STORAGE, INC.	MAR-21	REX	REX AMERICAN RESOURCES	JUL-22	
HWKN	HAWKINS, INC.	APR-21	TECH	BIO-TECHNE CORP.	SEP-22	Overall annualized return = 11.60%
CP	CANADIAN PACIFIC	MAY-21	UHAL	U-HAUL HOLDING CO.	NOV-22	
CSX	CSX CORPORTION	JUN-21	PCAR	PACCAR, INC.	DEC-22	Comparable S&P total return = 9.22%
SCVL	SHOE CARNIVAL, INC.	JUL-21	SSRM	SSR MINING INC.	FEB-23	
ISRG	INTUITIVE SURGICAL, INC.	AUG-21	GCBC	GREENE COUNTY BANCORP	MAR-23	