

2 for 1 Index[®]

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November 13, 2020

The election is over and the hope is that things in Washington will settle down and investors will regain some confidence the country and the markets will be getting back on a more predictable path. This is the good news, but it is tempered by the nation-wide surge in Covid-19 cases and the stark realization that the pandemic turmoil is not over yet. Historically, the 2 for 1 Index has ridden the roller-coaster of natural, political, and economic disasters, along with the markets, and come out ahead in the end. I'm assuming that's what will happen this time.

For this month's analysis of recent splits, I combined last month's runners-up, MKC, RUSHA, and NTES, with three more recent split announcements; Rollins, Inc (ROL), Brookfield Renewable Partners L.P. (BEP), and Tempur Sealy (TPX). None of the six set my ratings algorithm on fire but RUSHA has improved somewhat since last month's analysis and RUSHA and BEP wound up tying for the top spot with respectable scores. I had hopes for Tempur Sealy because of its 4 to 1 split ratio, but its lack of a dividend, its high price/book ratio, and its high Beta dragged it down. RUSHA and BEP came at their winning scores from different directions. RUSHA has relatively good valuation numbers and a strong balance sheet but the stock is fairly volatile and comes with a growth record and future prospects that, in my opinion, are not impressive.

Brookfield, on the other hand, has modest to poor valuation numbers. In fact, it has no meaningful PE because it currently has negative earnings. I can't remember the last time I recommended a company that wasn't earning money, but there are other factors at play here. First and foremost, BEP operates as a pure-play renewable power platform at a time when the world is rapidly converting from fossil fuels to renewables. BEP is highly diversified, owning a portfolio of renewable power generating facilities primarily in North America, Colombia, Brazil, Europe, India, and China. The company generates electricity through hydroelectric, wind, solar, cogeneration, and biomass sources, with solar emerging as the real growth story because of the rapidly falling cost of solar panels. The numbers are not all bad; we have a dividend close to 3%, relatively low volatility, and cash flow growing at around 6%/year. BEP is more of a gamble than I'm used to but the renewable story is compelling.

Aflac (AFL) is next in line to be deleted from the top of the Index ladder. However, it has several months to go before its three year "Stock Split Advantage" completely dissipates. The company is doing well and all the numbers still look good, so there is no urgent reason to eliminate it from the Index. This is the perfect opportunity to bring the list back up to its full strength of 30 positions.

In summary, **Brookfield Renewable Partners LP (BEP) will be added** and **there will be no deletion**. There will be 30 equally balanced positions in the 2 for 1 Index as of the market close on 11/16.

Regards,
Neil Macneale

AFL	AFLAC INC	FEB-18	PPL	PPL CORP	JUN-19	2 for 1 Index inception 7/31/1996
BRO	BROWN & BROWN INC	MAR-18	KELYA	KELLY SERVICES, INC	JUL-19	
AGX	ARGAN INC	ARP-18	FAST	FASTENAL CO	AUG-19	Value at inception = 100
EXPO	EXPONENT INC	AUG-15	MBCN	MIDDLEFIELD BANC CORP	OCT-19	
SWK	STANLEY BLACK & DECKER	MAY-18	TKR	TIMKEN CO.	NOV-19	Value as of 11/12/20 = 1529.51
HBNC	HORIZON BANCORP INC	JUN-18	TU	TELUS COMMUNICATIONS INC	MAR-20	
NEW	NORTHWESTERN CORP	JUL-18	BEN	FRANKLIN RESOURCES	APR-20	All time high - 2/13/20 = 1602.35
PFC	PREMIER FINANCIAL CORP	AUG-18	AWR	AMERICAN STATES WATER	MAY-20	
NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCIENCES	JUN-20	52week low - 3/23/20 = 970.29
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	Overall annualized return = 11.89%
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	
WRB	W. R. BERKLEY	MAR-19	APPL	APPLE INC.	SEP-20	Comparable S&P total return = 9.34%
WHF	WHITEHORSE FINANCIAL	APR-19	NEE	NEXTERA ENERGY INC.	OCT-20	
FFIN	FIRST FINANCIAL BANKSHARES	MAY-19				