

# 2 for 1 Index<sup>®</sup>

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November 12, 2021

The 2 for 1 Index was established in 1996 with a set of rules and a methodology used for portfolio management. One of the rules established 30 as the ideal number of positions for three simple reasons. 1) The "Stock Split Advantage", described in several academic studies, lasts for two to three years after a stock split announcement. Thirty months equals 2½ years; a good middle ground. Adding and deleting one stock a month keeps the Index at 30 positions. 2) A portfolio of 30 stocks mathematically eliminates all risk except market risk. In other words, our index should be highly correlated with the ups and downs of the market. This has been proven true over time. And 3) Thirty positions is a manageable number, giving the new investor the ability to establish a portfolio of 30 individual stocks with a relatively modest (\$30K) amount of money.

The 2 for 1 Index has been maintained at 30 positions for most of its 25 years. However, due to lack of promising split announcements, in November, 2017, the number of positions dropped to 29 and subsequently got down as low as 27 in February, 2019, and stayed there for most of the rest of that year. 2020 saw the Index gradually grow back to 30 positions where it has remained for all of 2021 until now. Again, for the lack of a promising split, I'm not adding a position to the Index this month, but I am deleting CASS on schedule.

There were two split announcements to consider. Arista Networks, Inc. (ANET) announced a 4 for 1 split on the first of the month and ePlus Inc. (PLUS) announced a 2 for 1 split just a few days ago. Both companies are involved with cloud computing and both are "hot" at the moment. ANET competes with Cisco, Juniper Networks and others in this space and I see no "moat" protecting their particular brand. High valuation numbers, volatility, and lack of a dividend put ANET out of reach.

ePlus is a software and application provider that has recently shot up in price due to a good earnings report coupled with the split announcement. The company has reasonably good numbers in some areas (better than ANET) but lack of a dividend and above average volatility weigh against it. My feeling is the stock price has gotten ahead of its growth potential - better to wait and see on this one.

Readers may detect a certain reluctance to engage on my part and I won't deny it. Both these stocks are at all-time highs; the markets are at all time highs. I see advantages in a "wait and see" approach right now. Going from 30 positions to 29 did us no harm a few years ago and that should hold true today as well.

In summary, **there will be no new position added and CASS will be deleted this month.** There will be a rebalance, bringing the Index to 29 equally balanced positions, as of the market close on Monday, 11/15.

Neil Macneale

CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	2 for 1 Index inception 7/31/1996
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	
WRB	W. R. BERKLEY	MAR-19	AAPL	APPLE INC.	SEP-20	Value at inception = 100
WHF	WHITEHORSE FINANCIAL	APR-19	NEE	NEXTERA ENERGY INC.	OCT-20	
FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	BEP	BROOKFIELD RENEWABLE	NOV-20	Value as of 11/11/21 = 2036.93
PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	
KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERMAN-WILLIAMS, INC.	FEB-21	All time high - 11/09/21 = 2046.96
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	52 week low - 11/13/20 = 1559.12
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	
TU	TELUS COMMUNICATIONS INC	MAR-20	CSX	CSX CORPORATION	JUN-21	Overall annualized return = 12.7%
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	Comparable S&P total return = 10.2%
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	