

# 2 for 1 Index<sup>®</sup>

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October 16, 2020

Historically, September has not been such a great month for the 2 for 1 Index and/or the market. This year, surprise! We had four split announcements and the 2 for 1 Index beat the market by losing slightly less than the broad market indexes. With four splits to consider, the 2 for 1 ranking algorithm was dusted off and it gave us a clear signal regarding this month's recommendation.

NextEra Energy Inc. (NEE), a holding company, will be added to the Index after the close on Monday. NEE is one of the largest electric power and energy infrastructure companies in North America and a leader in the renewable energy industry. It does business as Florida Power and Light, a regulated utility, and NEER, the world's largest generator of renewable energy from the wind and sun. Of the five largest US electric utilities, NEE has been the only one with a rising stock price over the last year, apparently due, in large measure, to the growing realization that renewables are where the industry will be heading, with NEE already in the lead. The PE is higher than I like, a problem shared by most of the recent additions to the Index. It can be argued this is balanced by the steady growth in earnings, a 5-year dividend growth of over 11% per year, and a debt-to-capital ratio below that of all its peers. Returns on investment, equity, and assets are all higher than industry averages. The icing on the cake is a very low Beta, a number suggesting we should see much lower volatility in the NEE's stock price when compared to the market. NEE is splitting 4 for 1. Even if you buy after the record date (10/19), you will still receive the split shares to be delivered on 10/26.

Rush Enterprises (RUSHA), McCormick & Co. (MKC), and NetEase (NTES) were the other splits in contention. Without going into detail, suffice it to say our ranking algorithm scored them all well below NEE.

Annaly will be dropped after disappointing us with a 20% loss, even after including its generous dividend.

A note for long-time subscribers who remember that I have always kept my personal 2 for 1 IRA account with E\*Trade Securities. E\*Trade has recently merged with Morgan Stanley, a firm that I distrust and want no part of. My personal reasons for this distrust are not important, but the recent record of FINRA fines, wealth management scandals, etc. should be enough to steer anyone away from this firm. I always liked E\*Trade but feel they have made a tremendous blunder in their hook-up with Morgan Stanley. I have voiced my displeasure by moving my 2 for 1 account to recently merged Charles Schwab/TD Ameritrade.

In summary, **NextEra Energy (NEE) will be added** and **Annaly Capital Management (NLY) will be deleted**. There will 29 equally balanced positions in the 2 for 1 Index as of the market close on 10/19.

Regards,  
Neil Macneale

## 2 for 1 Index on 10/16/2020

NLY	ANNALY CAPITAL MGMT	DEC-17	FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	2 for 1 Index inception 7/31/1996
AFL	AFLAC INC	FEB-18	PPL	PPL CORP	JUN-19	
BRO	BROWN & BROWN INC	MAR-18	KELYA	KELLY SERVICES, INC	JUL-19	Value at inception = 100
AGX	ARGAN INC	ARP-18	FAST	FASTENAL CO	AUG-19	
EXPO	EXPONENT INC	AUG-15	MBCN	MIDDLEFIELD BANC CORP	OCT-19	Value as of 10/15/20 = 1475.58
SWK	STANLEY BLACK & DECKER	MAY-18	TKR	TIMKEN CO.	NOV-19	
HBNC	HORIZON BANCORP INC	JUN-18	TU	TELUS COMUNICATIONS INC	MAR-20	All time high - 2/13/20 = 1602.35
NEW	NORTHWESTERN CORP	JUL-18	BEN	FRANKLIN RESOURCES	APR-20	
PFC	PREMIER FINANCIAL CORP	AUG-18	AWR	AMERICAN STATES WATER	MAY-20	52week low - 3/23/20 = 970.29
NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCIENCES	JUN-20	
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	Overall annualized return = 11.76%
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	Comparable S&P total return = 9.30%
WRB	W. R. BERKLEY	MAR-19	APPL	APPLE INC.	SEP-20	
WHF	WHITEHORSE FINANCIAL	APR-19				