

2 for 1 Index[®]

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October 15, 2021

Splits are still few and far between. One company, InMode Ltd. (INMD) did announce a split in September. InMode is an Israeli medical device and products company specializing in aesthetic issues such as liposuction, hair replacement, cellulite reduction, skin tightening, etc. High volatility, high valuation numbers, and high "short interest" make me nervous about future prospects for InMode. More importantly, I've seen discussions online comparing and equating INMD with ISRG, our August pick for the Index. True, both are in the medical field but there is a significant difference. ISRG is selling machines used in vital and life-saving procedures, while INMD is simply playing to the vanity of its eventual consumers. I'm going to take a pass on INMD.

Readers may find this month's addition a bit curious. Toyota Motors (TM) announced a 5 for 1 split in Japan back in May. TM trades on the NYSE utilizing the mechanism of American Depositary Receipts (ADRs). Mellon Bank of New York handles the ADRs for Toyota and put out an announcement on 9/3/21 that it was adjusting its ratio of TM common stock from 1 ADR to 2 ordinary shares to 1 ADR to 10 ordinary shares. In other words, traders in Japan would see a 5 for 1 split of TM's shares, while traders in the USA would see no change at all in the price or number of ADRs in their account. It was probably for this reason that little to no attention was paid to Toyota's split in the USA. However, for our purposes, the motivation for TM's board of directors to split the shares in Japan would be the same as that for any American board of directors. The signal provided by the split in Japan leads us to take a look at TM's qualifications for inclusion in the 2 for 1 Index.

Toyota is the world's second largest car company after Volkswagen. At the present time, Toyota is arguably the most advanced in the engineering and progress toward the switch to electric vehicles. I remind readers that it was Toyota that developed the Prius hybrid over 20 years ago, long before any other car company took seriously the move to electric vehicles. And the good news is TM has solid numbers - good PE and price-to-book ratios, dependable 2.5% dividend, very low Beta, etc. Toyota has almost all the characteristics I look for in 2 for 1 Index stocks. That Mellon chose not to reflect TM's 5 to 1 split in Japan in its NYSE traded ADRs is no reason to ignore its potential for success in the 2 for 1 Index.

TJX Companies (TJX) will be deleted from the Index this month. TJX had a total annualized return of around 7% over its time in the Index. So, it's in the green, but behind the rest of the Index and the overall market.

In summary, **TM will be added and TJX will be deleted this month.** There will be a rebalance, maintaining the 30 equally balanced positions in the 2 for 1 Index, as of the market close on Monday, 10/18.

Neil Macneale

TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	2 for 1 Index inception 7/31/1996
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	Value at inception = 100
WRB	W. R. BERKLEY	MAR-19	AAPL	APPLE INC.	SEP-20	
WHF	WHITEHORSE FINANCIAL	APR-19	NEE	NEXTERA ENERGY INC.	OCT-20	Value as of 10/14/21 = 1906.23
FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	BEP	BROOKFIELD RENEWABLE	NOV-20	
PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	All time high - 9/2/21 = 1971.71
KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERMAN-WILLIAMS, INC.	FEB-21	
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	52week low - 10/30/20 = 1390.90
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	Overall annualized return = 12.4%
TU	TELLY COMMUNICATIONS INC	MAR-20	CSX	CSX CORPORATION	JUN-21	
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	Comparable S&P total return = 10.1%
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	