

2 for 1 Index[®]

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October 14, 2022

It's hard to maintain a stock split index and write a monthly newsletter about stock splits when there is a complete lack of same coming from the collective corporate board room. To fill this page and touch on a related subject, I'll take a moment to delve into a question I get from time to time. Specifically, readers have asked, "Are reverse split announcements a signal worth considering?" The short answer is NO! Reverse splits are almost always a sign of trouble. There have been a lot of reverse splits lately and almost all of them are related to the various stock exchange rules (NYSE and NASDAQ) regarding minimum price and trading volume levels. When a company's stock price is falling below the level allowed by an exchange, the exchange will notify the company its stock will be de-listed if things don't improve within a specified time. Often, the easiest way to meet the requirements is to reduce the number of shares, which causes the price to rise proportionally. In other words, declare a reverse split, sometimes called a "consolidation". There are other reasons a board of directors might consider a reverse split, but none of them have any resemblance to the positive thinking that inspires a forward split, the kind we like.

I'm just guessing but the lack of splits may have a lot to do with the uncertainty hanging over the economic and political environment just now. If this is true, the crystal ball may become a little less cloudy after the mid-term elections. We may see an uptick in split announcements regardless of which party prevails. While we wait to get over that hump, I'm going to let the Index coast, except I will do a deletion this month. No name will be added to the list for now and we'll hope we have a few more splits to look at before the end of the year.

The scheduled deletion is almost always the stock at the top of the Index "ladder". See the dates of acquisition in the table below. Accordingly, MBCN was the stock deleted last month and TKR is in line for this month. I'm going to go off-script this month and delete Franklin Resources (BEN). This decision relates primarily to the fact that we have an 18.7% overall annualized return on this position. Buy low, sell high.... In addition, BEN is one of the financial sector stocks in the Index, which could prove to be a liability until inflation and interest rates are stabilized.

In summary, **BEN will be deleted from the Index this month and there will be no addition.** There will be a rebalance, bringing the 2 for 1 Index to 29 equally balanced positions, as of the market close on Monday, 10/17/22.

Neil Macneale

TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	2 for 1 Index inception 7/31/1996
TU	TELUS COMUNICATIONS INC	MAR-20	CSX	CSX CORPORTION	JUN-21	
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	Value at inception = 100
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	Value as of 10/13/22 = 1733.52
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	All time high - 1/4/22 = 2105.21
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	52-week low - 6/16/22 = 1660.56
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	
BEP	BROOKFIELD RENEWABLE	NOV-20	PTSI	P. A. M. TRANSPORTATION	APR-22	Overall annualized return = 11.50%
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	Comparable S&P total return = 8.90%
LSI	LIFE STORAGE, INC.	MAR-21	REX	REX AMERICAN RESOURCES	JUL-22	
HWKN	HAWKINS, INC.	APR-21	TECH	BIO-TECHNE CORP.	SEP-22	