

2 for 1 Index[®]

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September 18, 2020

The buzz surrounding the Apple and Tesla stock splits has died down a bit. As stated in last month's newsletter, Tesla (TSLA) is just too speculative to consider, but Apple (AAPL) is another story. AAPL shot up immediately after the announcement and has been quite volatile since the split delivery on 8/31, but has now settled back down to a bit below the level of a month ago. It would be nice if we could acquire AAPL during a dip but it's impossible to know when that might come, so I'm going to pull the trigger now. AAPL will be in the 2 for 1 Index for the next 30 months, starting Monday.

Before getting too gloomy over the price we have to pay for Apple, consider these few items. Over the last twenty years, AAPL's average return, not including dividends, for all 30-month intervals, has been 94%. Past performance is no guarantee of future results, but the odds seem pretty good that in 30 months Apple's stock price will be higher than it is now. As of this writing, Apple is the largest company in the world with a market cap just under \$2 trillion dollars. Microsoft is a distant second at a little over \$1½ trillion. Valuation numbers are higher than the "normal" 2 for 1 company but Apple isn't even close to being a normal company. It earns over \$55 billion dollars a year, after taxes, and those earnings have been increasing at a double-digit percentage rate year after year. That increase will be reflected in its stock price over the coming few years. In every niche where it operates, Apple's products set the gold standard all around the world. To cap it off, of all the high-tech companies, in my opinion, Apple is #1 in terms of corporate governance, social responsibility, and environmental awareness. I'm pleased to include it in the 2 for 1 Index.

Silgan Holdings Inc. (SLGN) has reached the top of the Index ladder. SLGN was added to the Index 3 years, 4 months ago and it's time to part ways. SLGN was in the Index about ten years ago and, at that time we saw almost a 14% annualized return. This time around it's not quite up to par, with about a 6¼% annualized overall return.

NextEra Energy, Inc. (NEE) and Rush Enterprises, Inc. (RUSHA) both announced splits this week. I had already made up my mind to go with AAPL for my recommendation this month, but it's good that there are at least two companies to analyze for next month's 2 for 1 Index adjustment.

In summary, **Apple, Inc. (AAPL) will be added** to the index and **Silgan Holdings Inc. (SLGN) will be deleted**. There will 29 equally balanced positions in the 2 for 1 Index as of the market close on 9/21.

Regards,
Neil Macneale

2 for 1 Index on 9/18/2020

SLGN	SILGAN HOLDINGS	MAY-17	WHF	WHITEHORSE FINANCIAL	APR-19	2 for 1 Index inception 7/31/1996
NLY	ANNALY CAPITAL MGMT	DEC-17	FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	
AFL	AFLAC INC	FEB-18	PPL	PPL CORP	JUN-19	Value at inception = 100
BRO	BROWN & BROWN INC	MAR-18	KELYA	KELLY SERVICES, INC	JUL-19	
AGX	ARGAN INC	ARP-18	FAST	FASTENAL CO	AUG-19	Value as of 9/17/20 = 1410.28
EXPO	EXPONENT INC	AUG-15	MBCN	MIDDLEFIELD BANC CORP	OCT-19	
SWK	STANLEY BLACK & DECKER	MAY-18	TKR	TIMKEN CO.	NOV-19	All time high - 2/13/20 = 1602.35
HBNC	HORIZON BANCORP INC	JUN-18	TU	TELUS COMUNICATIONS INC	MAR-20	
NEW	NORTHWESTERN CORP	JUL-18	BEN	FRANKLIN RESOURCES	APR-20	52week low - 3/23/20 = 970.29
PFC	PREMIER FINANCIAL CORP	AUG-18	AWR	AMERICAN STATES WATER	MAY-20	
NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCIENCES	JUN-20	Overall annualized return = 11.59%
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	Comparable S&P total return = 9.16%
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	
WRB	W. R. BERKLEY	MAR-19				