

# 2 for 1 Index<sup>®</sup>

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The last weeks of August brought us three split announcements to consider. The first was First Savings Financial Group (FSFG) with a 3 for 1 split delivered just this last Wednesday. FSFG has good numbers and might be a good fit if someone is building a micro-cap portfolio, but trading is too thin to qualify this small Illinois bank for the 2 for 1 Index. Microchip Technology Inc. (MCHP) was the next announcement, with a 2 for 1 split coming in October. MCHP is overvalued in my opinion. It's a fairly volatile stock and its earnings have actually declined over the last five years, making the 90+ PE ratio hard to justify.

That leaves us with Raymond James Financial (RJF) announcing a 3 for 2 split payable next Tuesday. Raymond James is a broker and money management firm providing services similar to Morgan Stanley and Charles Schwab. However, Morgan Stanley and Charles Schwab are, respectively, about ten times and seven times the size of Raymond James. RJF makes up for this disparity by utilizing a distinctly different business model. An example would be the fact that Raymond James is the only broker left still charging a commission for stock trades. RJF ranks last in fees but very high in customer satisfaction among its peers. In other words, Raymond James is the financial services firm to use if you need a lot of hand-holding and you don't mind paying for it. There is clearly a need for this type of service and Raymond James has made it their niche.

I'm adding RJF to the 2 for 1 Index with some reservations. Its valuation numbers, growth projections, balance sheet and other metrics are OK but do not stand out in the way I like to see in my stock picks. I add RJF to the Index with the faith that the "stock split advantage" will give this position the boost that it needs to put its performance at least a little ahead of the market's return over the next few years. The alternative would be to skip an addition this month, delete NHC on schedule, and drop the Index count to 29 stocks instead of 30.

Another option would be to do nothing at all, including leaving National Healthcare (NHC) in the Index for another month. NHC is a nursing home operator impacted severely by the Covid pandemic. No one could see this coming at the time NHC was added to the Index and now we have to take our lumps. NHC has been a loser for the Index and I see no reason to hold onto it any longer than necessary.

In summary, **RJF will be added and NHC 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, 9/20.

Neil Macneale

NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCIENCES	JUN-20	2 for 1 Index inception 7/31/1996
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	Value at inception = 100
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	
WRB	W. R. BERKLEY	MAR-19	AAPL	APPLE INC.	SEP-20	Value as of 9/16/21 = 1899.47
WHF	WHITEHORSE FINANCIAL	APR-19	NEE	NEXTERA ENERGY INC.	OCT-20	
FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	BEP	BROOKFIELD RENEWABLE	NOV-20	All time high - 9/2/21 = 1971.71
PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	
KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERMAN-WILLIAMS, INC.	FEB-21	52week low - 9/23/20 = 1339.77
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	Overall annualized return = 12.4%
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	
TU	TELUS COMMUNICATIONS INC	MAR-20	CSX	CSX CORPORATION	JUN-21	Comparable S&P total return = 10.1%
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	