



The first quarter of 2019 was a very different experience for investors than the last quarter of 2018. The defensive style stocks—food producers, soap manufacturers and utilities, for instance—where demand for their products varies little with the economic cycle, were the *best* performing stocks in late 2018. On the other hand, the stocks of more cyclical companies—think homebuilders or auto manufacturers—where demand for their product is more closely tied to the ups and downs in the economy, were the worst performers in late 2018. Everything switched in the first quarter—defensive stocks lagged and cyclical stocks surged. Overall, the Russell MidCap® Index swung from down 15.4% in the last quarter of 2018 to up 16.5% through the end of the first quarter in 2019.

What caused this reversal in the stock market? The answer is summed up by one word: fear. In December, 2018 investors feared recession; in March, 2019 investors feared *missing out* on market gains.

As I write this, not only is the economy moving higher, so is the temperature outside. Warmer temperatures result in what I call the three B's: the first two, Baseball and Barbeque, are generally liked by people; the third B, Bugs, are not. Thankfully, an Argent MidCap Portfolio holding has a solution for the annoying third B: Service Master Global Holdings Inc. (SERV) or more commonly known as Terminix Pest Control. Argent's Change-BasedSM investment approach looks for companies with favorable valuations that are undergoing a significant change that we feel could result in an acceleration in revenue and earnings growth. At the time of initial purchase, the valuation of Terminix was about one-third of its main competitor. This modest valuation was largely due in our opinion to poor execution on the prior management's part, resulting in limited earnings growth. Our ears perked up, however, when the board started a search for a new CEO, eventually bringing in a top executive from Honeywell, a company with a long track record of solid execution. More change followed as the new CEO, Nik Varty, brought in a new leadership team, invested in new technology to improve operations and spun-off businesses that were less profitable than pest control. The result was an almost doubling of the stock price since we purchased it for the MidCap portfolio and an improvement in valuation to two-thirds of the main competitor. The good news is more good news—we have swarms of bugs to remind people they need pest control and another one-third of the way to go *just* to catch up with their main competitor.

Of note, we are particularly excited to mark the five year anniversary of the Argent Mid Cap Strategy. We are pleased with the performance of the strategy—outperforming the Russell Midcap® Index not only for the first quarter of 2019, but on a rolling three year and “since-inception” basis.

As always, we appreciate your interest in Argent Capital Management. We have four very successful equity strategies – Large Cap, Small Cap, Dividend Select and Mid Cap. We are very proud of them all, and if you have questions on any of these, or know others who might have an interest in our strategies and mailings, please call us.

Sincerely,



Kirk McDonald
Portfolio Manager & Senior Research Analyst – Quantitative

Argent Capital Management, LLC

ARGENT MID CAP COMPOSITE March 31, 2014 through March 31, 2019

| For the period ending December 31, | Composite Return % Gross-of-Fees | Composite Return % Net-of-Fees | Russell Mid Cap Return (%) | Composite 3-Yr St. Dev (%) | Russell Mid Cap 3-Yr St. Dev (%) | Number of Composite Accounts | Composite Assets (\$ millions) | Principal Business Assets (\$ millions) | Internal Dispersion (%) |
|--------------------------------------------------------|----------------------------------|--------------------------------|----------------------------|----------------------------|----------------------------------|------------------------------|--------------------------------|-----------------------------------------|-------------------------|
| 2018 | -11.37 | -11.58 | -9.06 | 13.40 | 11.98 | 25 | 41 | 2,542 | 0.40 |
| 2017 | 25.55 | 25.22 | 18.52 | 11.24 | 10.36 | 19 | 27 | 2,898 | 0.27 |
| 2016 | 13.12 | 12.85 | 13.80 | NA | NA | 17 | 20 | 2,604 | 0.70 |
| 2015 | -0.79 | -0.94 | -2.44 | NA | NA | 11 | 14 | 2,357 | 0.00 |
| 2014 (3-31-14 to 12-31-14) | 9.98 | 9.98 | 9.36 | NA | NA | 1 | 1 | 2,817 | NA |
| Three -Year Annualized | 7.97 | 7.71 | 7.04 | | | | | | |
| Information for period(s) ending March 31, 2019 | | | | | | | | | |
| 1 st Quarter 2019 | 16.70 | 16.63 | 16.54 | 13.44 | 12.02 | 26 | 48 | 2,822 | |
| Rolling 1 - Year | 4.64 | 4.38 | 6.47 | | | | | | |
| Rolling 3 - Year | 13.50 | 13.22 | 11.82 | | | | | | |
| Since Inception Annualized | 9.90 | 9.69 | 8.81 | | | | | | |

Disclosures:

- Argent Capital Management, LLC ("Argent") is an independent investment management firm comprised of two distinct business entities: the Non-Wrap Fee/SMA Business of Argent Capital Management, LLC ("Principal Business"), which does not include wrap fee/SMA clients; and the Wrap Fee/SMA Business of Argent Capital Management, LLC ("Wrap Business"), which includes only wrap fee/SMA clients. The Principal Business claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. The Principal Business has been independently verified for the period January 1, 2003 through September 30, 2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
- This composite represents investment performance for portfolios in U.S. equities with strong earnings and mid-capitalization, for which Argent has sole investment discretion. Portfolios typically include 40-50 equity holdings and cash targeted to be less than 10% of total portfolio value. This composite was created in April 2016. A complete list and description of composites is available upon request. The name was changed from Argent Special Situations Composite to Argent Mid Cap Composite in December 2017.
- The benchmark is the Russell Mid Cap® Index which measures the performance of the mid-cap segment of the U.S. equity universe. It includes approximately 800 of the smallest securities in the Russell 1000 Index. Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Argent. Russell Investment Group is not responsible for the formatting or configuration of this material or for any inaccuracy in Argent's presentation thereof.
- Valuations are computed and performance reported in U.S. currency. Performance results are total return, (i.e. include the reinvestment of all income). Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is no guarantee of future results.
- Gross-of-fee returns are presented before management and certain custodial fees, but after all trading expenses except where commissions have been waived or for accounts with asset-based-pricing fees. Net of fee performance is calculated by reducing gross performance by actual management fees incurred and any asset-based-pricing fees for applicable portfolios as asset-based-pricing fees are considered a trading expense. The composite includes portfolios that pay a fee based on a percentage of assets under management. The composite includes accounts with asset-based-pricing fees which represented approx. 5% of composite assets during the years 2016 and 2017 and 2% in 2018. During 2018, the composite included portfolios where commissions were waived representing less than 10% of composite assets.
- Standard annual advisory fees are calculated as a percentage of assets under management according to the following schedule; 1% on the first \$1M, .80% on the next \$2M, .65% on the balance thereafter, although fees may be negotiated or waived in certain circumstances. Non-fee paying accounts represent 100% of the composite during 2014, 1.1% (2015), 8.5% (2016), 10.1% (2017) and 5.8% (2018).
- Internal dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for an entire year, net of fees.
- The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for years 2014 through 2016 since the composite inception date of 3/31/14 does not provide historical data to calculate a 3-year formula.