



If you look up the term “middle of the road” in the dictionary, it defines the term as someone or something that is very ordinary and not exciting. Mid-cap stocks have market capitalizations that fall between large and small companies, but they are far from ordinary or unexciting. In fact, as the second quarter of 2019 comes to a close, we are finding very exciting things happening in the Argent Mid-Cap Strategy. The strategy is up 22.1% (*net of fees*) year-to-date versus the Russell MidCap® Index up 21.4%. It is also outperforming (*net of fees*) the Russell MidCap on a trailing one, three and five year basis and since

inception.

Over the last few years, the technology names getting the most headlines for their growth potential are *mega*-cap companies (those companies with market capitalizations above \$300 billion). However, the technology sector has some hidden gems in the mid-cap space with equally impressive returns and capacity for growth. One such stock is Xilinx Inc., which has been an Argent Mid-Cap portfolio holding since June of 2017. It is a little-known mid cap-company doing big things. (An often overlooked advantage to investing in mid-cap stocks is that they tend to receive less attention than better-known large cap stocks. As a consequence, it is potentially easier to find attractively valued companies going through a change.)

Xilinx makes a specialized type of semiconductor chip called a Programmable Logic Device, or PLD. For years, these semiconductor chips had a series of niche uses that made Xilinx solidly profitable, but not a fast growing company. For example, when Argent purchased Xilinx in 2017, the company had experienced virtually no growth in six years. However, four exciting developments were about to change the trajectory of the business: automated driver assistance systems, the new 5G wireless networks currently under construction, artificial intelligence and the “internet of things”—or chips embedded in everyday devices such as refrigerators and home security systems. Xilinx-style chips are useful in all of these applications and they have only one main competitor, a company recently purchased by Intel. Xilinx also benefits from the *process* needed to customize a semiconductor chip. Customers use specific software and design tools for this. Thus, customers are unlikely to switch vendors and it is very difficult for new players to enter the space. These developments resulted in solid growth for Xilinx and their sales grew from \$2.4 billion in 2017 to an estimated \$2.9 billion through 2019, with forecasted sales of \$3.5 billion in 2020. Not every pick works out so well, but the Argent Mid-Cap portfolio benefited from the price almost doubling since the stock was added to the strategy.

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, CFA
Portfolio Manager & Senior Research Analyst – Quantitative

Argent Capital Management, LLC

ARGENT MID CAP COMPOSITE March 31, 2014 through June 30, 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 June 30, 2019									
2 nd Quarter 2019	4.74	4.68	4.13	14.65	13.24	26	50	2,809	
Rolling 1 - Year	9.50	9.24	7.83						
Rolling 3 - Year	14.99	14.71	12.16						
Rolling 5 - Year	9.99	9.77	8.63						
Since Inception Annualized	10.37	10.16	9.21						

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 December 31, 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.