



As the third quarter of 2019 comes to a close, we are finding some great things happening in the Argent Mid-Cap Strategy. The strategy is outperforming (*net of fees*) the Russell MidCap® Index for both the third quarter and year-to-date, as well as on a trailing three, five and since inception basis.

At Argent, we don't focus on owning stocks. We focus on having an ownership interest in good businesses. We look for companies that have a catalyst for growth selling at attractive valuations. When we find these types of companies, we tend to hold them for the long-term and sometimes that means holding them through some ups and downs in the stock price. One example of this in the Argent Mid-Cap portfolio is NVR, Inc. NVR is a homebuilder that primarily builds homes on the East Coast of the United States and operates under the Ryan Homes, NVHomes and Heartland Homes brands. NVR has grown earnings by a 21.0% annual rate since Argent first purchased the shares in 2015. We purchased NVR at \$1,488 in August of 2015 and by the end of September 2019, the price has risen to approximately \$3,700—an impressive gain! However, there were some dips in the price along the way, but we held the stock as we recognized it was a growing company with strong fundamentals. For example, during 2017, investors were concerned about what the four interest rate increases by the Federal Reserve would do to the demand for new housing as mortgage rates increased. These concerns pushed down NVR's stock price from a high of \$3,700 in January 2018 to \$2,100 in October of 2018. Warren Buffett once noted in a letter to shareholders that in the short-run the market is a voting machine, and in the long-run it is a weighing machine. The idea is that in the short-term market prices often represent a popularity contest, but in the long-run the market is more like a weighing machine, assessing the substance of a company. What matters in the long-run is the health of a company's underlying business and not the market's fickle opinion about its prospects in the short run.

Currently, two recent changes are benefitting NVR. First, recent reductions in interest rates by the Federal Reserve are stimulating home demand which, as of August, is the highest level in more than 12 years. Second, as millennials age, they are beginning to leave their urban apartments for houses in the suburbs, further increasing the demand for newer homes.

As always, we appreciate your interest in Argent Capital Management. We have four very successful equity strategies – Large Cap U.S., Small Cap U.S., Dividend Select and Mid Cap U.S. 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 September 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						
<b>Information for period(s) ending September 30, 2019</b>									
3 <sup>rd</sup> Quarter 2019	0.63	0.57	0.48	14.70	13.25	27	51	2,788	
Rolling 1 - Year	2.23	1.98	3.19						
Rolling 3 - Year	13.80	13.51	10.69						
Rolling 5 - Year	10.88	10.65	9.10						
Since Inception Annualized	10.00	9.79	8.86						

### 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.