



For the second quarter of 2020, Argent's Mid Cap strategy returned 27.1% (*net of fees*), outperforming the Russell Mid Cap<sup>®</sup> Index return of 24.6% by 2.5%. While we are extremely happy with our performance in the second quarter, we are most proud of our outperformance versus the Russell Mid Cap over longer periods of time. Since its inception on March 31, 2014 the strategy has outperformed the index by an annualized 1.2% (*net of fees*).

At the beginning of 2019, we implemented a “barbell approach” in the Mid Cap strategy. The left side of the barbell holds *defensive* stocks while the right side holds *cyclical* stocks. Cyclical stocks are more closely tied to the prospects of the economy, compared to defensive stocks which are less sensitive to the ups and downs of an economic cycle. Depending on our view of economic conditions, we add stocks to one side of the barbell or the other, in order to weather any type of storm in the economy. When we talk of cyclical companies, think of homebuilders or auto companies like Ford or General Motors. Defensive companies, on the other hand, might include a company that makes food products, such as Kellogg or a healthcare company, such as Bristol Meyers. In a weak economy people are less likely to buy a home or car. Conversely, recession or not, people need to eat and take medication, so a food manufacturer or pharmaceutical company's sales change little based on economic conditions.

In the first quarter, during the midst of the COVID-19 pandemic, we saw investors flock to more defensive stocks that tend to outperform in times of economic turmoil. Going into the second quarter, the stock market began to recover, driven by a coordinated stimulus effort by the Federal government and positive data on COVID-19 vaccine trials. Investors started to believe the economy was returning to a sense of normalcy. Since cyclical stocks offer investors better upside when the economy starts to improve, we made some changes to our portfolio that have worked well. We reduced our position in a defensive stock, Amedysis, a healthcare company that provides home health and hospice care in the United States. The stock did very well in the first quarter as pandemic-related concerns increased. As economic conditions began to improve we redirected the proceeds from Amedysis to a cyclical company, Entegris, which is in the semiconductor industry. With the economy showing signs of improvement, Entegris offers opportunity for growth. We won't always be correct as we shift the balance from the right side of the barbell to the left, but having a list of investment “candidates” that will fit both sides allows us to quickly adapt when the process tells us a change is appropriate.

We have four very successful equity strategies– Large Cap U.S., Small Cap U.S., Dividend Select and Mid Cap U.S. If you 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, 2020

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 (%)
2019	34.33	34.02	30.54	14.40	12.89	31	57	3,019	0.61
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	14.34	14.06	12.06						
Five -Year Annualized	10.9	10.65	9.33						
Information for period(s) ending June 30, 2020									
2 <sup>nd</sup> Quarter 2020	27.14	27.07	24.61	21.64	20.17	36	65	2,461	
Rolling 1 - Year	0.12	-0.11	-2.24						
Rolling 3 - Year	7.61	7.35	5.79						
Rolling 5 - Year	8.70	8.44	6.76						
Since Inception Annualized	8.67	8.45	7.29						

### 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, 2019. 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 and 2019. During 2019, the composite included portfolios where commissions were waived representing less than 17% 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, 2019).
- 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.