Mid Cap Quarterly Commentary

2020: Second Quarter

Argent

Performance Summary

In the second quarter of 2020 the Argent Mid Cap strategy outperformed its index, gaining 27.1% net of fees versus the Russell Mid Cap® Index return of 24.6%. As a reminder, Argent's Mid Cap strategy utilizes a proprietary blend of quantitative and fundamental analysis to uncover the right companies, in the right sectors at the right time.

Performance Summary as of June 30, 2020	%	2Q20	YTD	1 Year*	3 Year*	5 Year*	Since Inception*
Argent Mid Cap	Gross	27.14	-8.89	0.12	7.61	8.70	8.67
	Net	27.07	-8.99	-0.11	7.36	8.44	8.45
Russell MidCap		24.61	-9.13	-2.24	5.79	6.76	7.29

*Annualized

For comparison purposes, the strategy is measured against the Russell MidCap® Index. Past performance is no guarantee of future results. Data is as of 06/30/20 and is supplied as supplemental information to the composite disclosures presented later in this document. Russell Investment Group is the sources 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.

During the second quarter, relative outperformance was driven by sector allocation. Stock selection slightly detracted from performance. From a sector allocation standpoint, outperformance was driven primarily by a lack of exposure to Utilities and Real Estate, the two worst-performing sectors in the Russell Mid Cap Index. Furthermore, we maintained a large overweight exposure to Information Technology, which was the third best-performing sector in the index. From a stock selection perspective, Health Care had a negative contribution to performance. Health Care holdings Amedisys, Inc. and Hill-Rom Holdings, Inc. exhibited strong performance in the first quarter. These stocks reversed their gains during the second quarter as investor optimism fueled the move from defensive sectors like Health Care into cyclical sectors such as Energy and Consumer Discretionary.

From a stock selection standpoint, the three largest contributors were TopBuild Corp., Temper Sealy International, Inc. and Marvell Technology Group, Ltd. TopBuild is a nationwide distributor and the largest installer of new residential insulation in the U.S. The company has operations in every major metropolitan market. It is a pure-play on the cyclical recovery in new residential construction. It outperformed in the second quarter as housing demand held up better than expected during COVID-19. Temper Sealy is a manufacturer of mattresses and bedding products. The company is doing well under new management. The company recently signed distribution agreements with Mattress Firm, the country's largest bedding retailer. Temper Sealy also has new relationships with Better Bed, one of Europe's largest bedding retailers, and Big Lots in the U.S. The company is experiencing growth in e-commerce sales and retail stores have opened sooner than expected. Finally, Marvell designs, develops and markets semiconductors and is a leader in data storage solutions. A top ten holding in the Argent Mid Cap portfolio, Marvell performed well during the second quarter as it benefited from the work-from-home trend. The company also received a boost from the rumor that Sony will incorporate a Marvell chip in the new Playstation 5 console scheduled for release later this year.

The three biggest detractors from performance were Amedisys, Inc., Motorola Solutions, Inc., and CACI International Inc. Amedisys is one of the largest home healthcare providers and second-largest hospice care provider in the United States. During the first three months of the year, investors rapidly bid up the price of the stock as it was viewed as a more defensive play during COVID-19. Consequently, the valuation became stretched. The stock price has drifted down and the company's valuation is in line with its historical average. The business is strong and we continue to own the stock for the long-term. However, we did take some gains in Amedisys during the quarter. We reinvested the capital in names such as Entegris and Molina Healthcare, Inc., which temporarily traded at a discount in the market volatility. Motorola produces and sells communications products and services to public safety groups, government agencies and private agencies. Investor concerns regarding COVID-19 related state and local budget cuts hurt the stock during the quarter. We continue to hold Motorola, as we anticipate high revenue growth in its video security business and remain confident in its first responder business. The video security segment allows Motorola to expand into new customer verticals. This business unit will also benefit domestically as U.S. restrictions on Chinese security companies decrease competition for Motorola. We view Motorola's end-to-end solution for first responders as a competitive advantage that will assist the company in weathering difficult government budgetary climates. Finally, CACI International provides complex information security and cyber solutions to Federal government agencies. Although it was a strong performer in the first quarter, the stock gave back some of its gains in the second quarter.

CACI recently received the largest contract in its history, a $1.5 billion award for Transport and Cybersecurity Services for the National Geospatial Intelligence Agency. This expands the company's credentials in cyber work, a key area of budget growth and a high spending priority for the government. Due to security clearance requirements, the barriers to entry in this market are high and we continue to hold the stock despite the recent pullback.

Quarterly Attribution Analysis, June 30, 2020
Argent Mid Cap Strategy vs. Russell MidCap Index*

	Argent Mid Cap			Russell MidCap			Variation			Attribution Analysis		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection + Interaction	Total Effect
Comm. Services	--	--	--	4.59	31.25	1.34	-4.59	-31.25	-1.34	-0.22	--	-0.22
Cons. Discretionary	11.60	39.25	4.25	10.87	38.91	3.95	0.73	0.34	0.29	0.09	-0.02	0.08
Consumer Staples	1.83	5.60	0.16	4.48	13.50	0.68	-2.65	-7.90	-0.52	0.31	-0.12	0.20
Energy	--	--	--	2.41	53.12	1.12	-2.41	-53.12	-1.12	-0.57	--	-0.57
Financials	10.38	32.60	2.99	10.74	19.19	2.06	-0.36	13.41	0.93	-0.00	1.17	1.17
Health Care	17.68	14.37	2.92	11.83	26.12	3.17	5.85	-11.76	-0.25	0.40	-2.25	-1.85
Industrials	19.04	32.54	6.13	12.96	23.23	3.05	6.08	9.31	3.08	-0.11	1.64	1.53
Technology	34.20	28.51	9.56	20.60	32.54	6.40	13.60	-4.03	3.17	1.00	-1.05	-0.05
Materials	4.09	22.80	1.00	5.29	22.97	1.26	-1.21	-0.17	-0.26	0.09	-0.12	-0.04
Real Estate	--	--	--	9.04	13.28	1.15	-9.04	-13.28	-1.15	1.05	--	1.05
Utilities	--	--	--	7.20	4.37	0.44	-7.20	-4.37	-0.44	1.43	--	1.43
Cash	1.18	0.03	0.00	--	--	--	1.18	0.03	0.00	-0.34	--	-0.34
Total	100.00	27.01	27.01	100.00	24.62	24.62	--	2.39	2.39	3.14	-0.74	2.39

* This is based on the holding history of a representative portfolio of the Argent Mid Cap Strategy. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. You should not assume that investments in any securities within these sectors were or will be profitable. A list of stocks recommended by Argent in the past year is available upon request. Past performance is no guarantee of future results.

Market Commentary

Equities staged a powerful rebound from their March lows in the second quarter as investors pinned their hopes on a return to normalcy. The S&P 500® Index saw gains of just over 20%, its best quarterly performance since 1998. This nearly offset the 20% drop in the first quarter driven by COVID-19. The unprecedented monetary and fiscal stimulus that the Federal Reserve and Congress provided in late March helped stabilize the markets in the second quarter as investors interpreted those actions as a backstop against further losses. During the quarter, stocks rose as investors focused on favorable economic data along with the possibility of further government stimulus. Nevertheless, there is still a lot of work to do in order for the economy to find itself on firmer footing. Gains slowed somewhat in June as new COVID-19 hotspots emerged and parts of the U.S. began to scale back reopening efforts while the unemployment rate remained high.

Top Contributors

TopBuild Corp. is a nationwide distributor and the largest installer of new residential insulation in the U.S. The company has operations in every major metropolitan market. It is a pure-play on the cyclical recovery in new residential construction. It outperformed in the second quarter as housing demand held up better than expected during COVID-19.

Temper Sealy International, Inc. is a manufacturer of mattresses and bedding products. The company is doing well under new management. The company recently signed distribution agreements with Mattress Firm, the country's largest bedding retailer. Temper Sealy also has new relationships with Better Bed, one of Europe's largest bedding retailers, and Big Lots in the U.S. The company is experiencing growth in e-commerce sales and retail stores have opened sooner than expected.

Marvell Technology Group Ltd. designs, develops and markets semiconductors and is a leader in data storage solutions. A top ten holding in the Argent Mid Cap portfolio, Marvell performed well during the second quarter as it benefited from the work-from-home trend. The company also received a boost from the rumor that Sony will incorporate a Marvell chip in the new Playstation 5 console scheduled for release later this year.

Top Detractors

Amedisys, Inc. is one of the largest home healthcare providers and second-largest hospice care provider in the United States. During the first three months of the year, investors rapidly bid up the price of the stock as it was viewed as a more defensive play during COVID-19. Consequently, the valuation became stretched. The stock price has drifted down and the company's valuation is in line with its historical average. The business is strong and we continue to own the stock for the long-term.

Motorola Solutions, Inc. produces and sells communications products and services to public safety groups, government agencies and private agencies. Investor concerns regarding COVID-19 related state and local budget cuts hurt the stock during the quarter. We continue to hold Motorola as we anticipate high revenue growth in its video security business and remain confident in its first responder business. The video security segment allows Motorola to expand into new customer verticals. This business unit will also benefit domestically as U.S. restrictions on Chinese security companies decrease competition for Motorola. We view Motorola's end-to-end solution for first responders as a competitive advantage that will assist the company in weathering difficult government budgetary climates.

CACI International Inc. provides complex information security and cyber solutions to Federal government agencies. Although it was a strong performer in the first quarter, the stock gave back some of its gains in the second quarter. CACI recently received the largest contract in its history, a $1.5 billion award for Transport and Cybersecurity Services for the National Geospatial Intelligence Agency. This expands the company's credentials in cyber work, a key area of budget growth and a high spending priority for the government. Due to security clearance requirements, the barriers to entry in this market are high and we will continue to hold the stock despite the recent pullback.

Buys

Aspen Technology, Inc. builds control systems software for asset optimization in refineries, chemical plants, and the engineering and construction industries. Market volatility provided the opportunity to purchase the stock at a discount. Aspen Technology's end markets are highly cyclical, which should provide a boost in demand for its products when the economy emerges from the current recession. Aspen's products are sold under long-term licensing agreements which provide a cushion for revenues during downturns and smooths the cyclicality of its business.

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Charles River Laboratories International, Inc. is an early-stage contract research organization (CRO) that provides products and services to expedite the discovery, early-stage development and safe manufacture of drugs and therapeutics for pharmaceutical and biotechnology companies, government agencies and academic institutions. Demand for early-stage CRO services is robust and significant economies of scale are accruing to larger CROs like Charles River. Overall, we view the company's end markets growing at mid- to high-single digits.

Entegris, **Inc.** provides products and systems that purify and protect materials used in the semiconductor fabrication process. The majority of Entegris' revenues are tied to the number of semiconductor chips produced. Although this is a cyclical industry, the overall demand for semiconductor chips is growing at approximately 5% per year. Furthermore, the increased complexity of semiconductor chips is causing rising purity needs in the supply chain. This benefits Entegris and adds another 2-3% of growth per year to its revenues.

Molina Healthcare, Inc. is a pure-play Medicaid health insurance company with enrollment concentrated in Texas, Ohio, California, Washington and Florida. Medicaid programs and subsidized coverage are offered through federal and state healthcare exchanges. We feel Molina is well positioned and that Medicaid will continue to see secular revenue and margin growth due to greater outsourcing by state governments to managed healthcare plans. Molina recently purchased Magellan Complete Care for $820 million which will be immediately accretive to earnings. Molina has approximately another $840 million of cash for acquisitions which will enable higher margins and faster earnings growth through significant economies of scale.

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Sells

Axalta Coating Systems Ltd. engages in the manufacture, marketing and distribution of coating systems. The Transportation Coating segment of the business offers advanced coating technologies to original equipment manufacturers of light and commercial vehicles. Axalta’s margins have been negatively impacted due to difficulties raising prices to match higher input costs. Additionally, sales have been pressured from COVID-19 as the largest part of Axalta’s business is supplying coatings to automobile manufacturers. The company was already under pressure this year as production was down before COVID-19.

Globus Medical, Inc. is a medical device company that develops and commercializes healthcare solutions, with an emphasis on the spinal market. The stock has been a strong performer in the portfolio since our original purchase in 2017. However, the company significantly increased its investment in research and development and sales and marketing due to competitive pressures. Additionally, the highly competitive landscape has weighed on sales growth.

Service Master Global Holdings, Inc. offers residential and commercial termite and pest control, restoration, commercial and residential cleaning as well as home inspections. The company’s largest brand is Terminix pest control. Service Master has struggled in the pest control business over the past few years and has consistently lost market share to competitors. A new management team has worked to turn around the business, which has led to a significant amount of turnover on the leadership team.

Trimble Inc. engages in the provision of positioning technology solutions. Expansion into software has helped to diversify Trimble’s business, nonetheless we found long-term growth challenged and we sold the stock.

Zions Bancorporation, National Association is a bank holding company that operates banks primarily in the western U.S. The company has struggled during the recent poor macroeconomic and low interest rate environment. Investors are concerned Zions will need to take higher loan loss provisions going forward due to the poor macroeconomic environment. Additionally, investors worry that Zions’ net interest margin will remain under pressure during an extended period of low interest rates.

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2020: Second Quarter

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Argent Mid Cap Strategy Top Contributors and Detractors for Quarter Ending June 30, 2020*					
Top Contributors	Avg. Weight	Contribution	Top Detractors	Avg. Weight	Contribution
Cintas Corporation	3.89	0.88	CACI International Inc.	1.53	-0.36
Marvell Technology Group Ltd.	3.35	0.74	Cigna Corporation	1.95	-0.36
NVIDIA Corporation	4.37	0.71	Motorola Solutions, Inc.	1.21	-0.40
TopBuild Corp.	2.01	0.57	Fidelity National	3.33	-0.45
Tempur Sealy International Inc.	1.54	0.46	Amedisys, Inc.	3.25	-0.63

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Portfolio Positioning

The Argent Mid Cap strategy seeks to own good businesses for the long-term. We define a good business as one that earns above-average returns on capital, produces above-average cash flow and has a management team that is a good steward of capital. The emphasis on fundamentals and on owning good businesses for the long-term is always first and foremost in our portfolio approach. There is a top-down consideration in our process that is less often discussed. However, given the massive change the U.S. economy has experienced in 2020 it is pertinent to discuss this quarter. Think of the portfolio as holding two primary styles of stocks with one on the left side and one on the right – imagine a barbell. At the beginning of 2019, we implemented a “barbell approach” for style characteristics in the Argent Mid Cap strategy. Argent’s market cycle process indicated an expansion phase in 2020. As such, we designed our barbell approach as a risk-controlled way to position the portfolio for a stronger economy. The left side of the barbell holds stocks that exhibit high growth, high quality and low economic sensitivity. These typically outperform when economic growth is slowing. The right side contains stocks that exhibit value, lower quality and high economic sensitivity. These typically outperform when economic growth is accelerating.

During the second quarter, we took advantage of the market dislocation and purchased several discounted, quality companies. We trimmed positions in some of the high growth, high quality and low economic sensitivity positions that outperformed the market in 2020. We used the proceeds to initiate new positions in stocks with more cyclical end-markets that have struggled year-to-date. For example, we trimmed Health Care company, Amedysis, and purchased Entegris which services the more cyclical Semiconductor industry. We also added new positions in defensive areas to the left side of the barbell, such as Health Care. In this case, the market presented an opportunity to purchase these names at significant discounts relative to their 2020 market highs. Our new position in Charles River is a good example. The market believed biotech research spending, one of Charles River’s end markets, would be negatively impacted by a recession and the stock price tumbled in March. Charles River subsequently recovered and biotech research funding remains robust. The Argent Mid Cap strategy’s turnover increased to a 46.4% annualized rate for the second quarter versus 16.8% in the first quarter. Overall, portfolio turnover on a year-to-date basis is 30.7%, which is in-line with our average. The barbell approach continues to serve us well.

Our investment process requires that a potential purchase has both a positive quantitative score and solid fundamentals. At all times, we maintain a list of candidates that meet our investment process. This allows us to keep a stable of high quality growth stocks at discounted valuations for the left side of the barbell and higher economically sensitivity stocks at deeply discounted valuations for the right side of the barbell. Our plan is to opportunistically add names and gradually increase weight to the side of the barbell that is best suited to the market cycle. All of these companies share our definition of a good business. Our market cycle process indicates we are currently in a recession, but on the verge of recovery. A key indicator is improvement of the year-over-year growth rate of the Conference Board Leading Economic Index (LEI). We saw improvement in May. If the acceleration continues in June, we believe that trend is indicative of an economic recovery.

Going forward, we will continue to use market volatility to upgrade the portfolio.

Sincerely,
Argent Mid Cap Team

Argent

For the period ending December 31,	Gross-of-Fees (%)	Net-of-Fees (%)	Russell MidCap Return (%)	Composite 3-Yr St. Dev (%)	Russell MidCap 3-Yr St Dev (%)	Number of Composite Accounts	Composite Assets ($ millions)	Principal Business Assets ($ millions)	Internal Dispersion (%)
2019	34.33	34.02	30.54	14.4	12.89	31	57	3,019	0.61
2018	-11.37	-11.58	-9.06	13.4	11.98	25	41	2,542	0.4
2017	25.55	25.22	18.52	11.24	10.36	19	27	2,898	0.27
2016	13.12	12.85	13.8	NA	NA	17	20	2,604	0.7
2015	-0.79	-0.94	-2.44	NA	NA	11	14	2,357	0
2014 (3-31-14 to 12-31-14)	9.98	9.98	9.36	NA	NA	1	1	2,817	NA
Three Year*	14.34	14.06	12.06						
Five Year*	10.9	10.65	9.33						
Information for period(s) ending June 30, 2020									
2nd Quarter 2020	27.14	27.07	24.61	21.64	20.17	36	65	2,461	
1 Year*	0.12	-0.11	-2.24						
3 Year*	7.61	7.35	5.79						
5 Year*	8.7	8.44	6.76						
Since Inception	8.67	8.45	7.29						

*Annualized

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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).

7. 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.

8. 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.