



The Argent Small Cap strategy’s return of 10.4% (*net of fees*) was good on an absolute basis, but underperformed the Russell 2000® Index return of 12.7% for the quarter. Companies without actual earnings, and those classified by professionals as “lower quality” performed best during 2020 and the first two months of 2021. Examples of this can be seen in some highly publicized stocks such as GameStop and AMC Theatres. These companies are struggling from a business strategy and financial perspective, but a retail brigade of investors drove their stock prices to the moon in January and February. Non-earners now make up 40% of the Russell 2000 Index, a short-term headwind for managers like Argent who invest in profitable, growing businesses. Sticking with the process we know works over time paid off, as these non-earners started to underperform in March of this year and our performance greatly improved, beating the benchmark for the month.

As a reminder, Argent believes positive *change creates opportunities*. The Argent Small Cap strategy invests in profitable companies undergoing a positive change in cash flow. During the quarter we added several new stocks to the portfolio that were undergoing a positive change in cash flow. One such stock is InfuSystem Holdings, Inc., which we added in January. The company provides medical equipment for patients transitioning from the hospital to the home that still require some type of device for treatment or recovery. In addition to equipment, the company also offers a full-service solution for healthcare providers that simplifies all of the back office and logistical difficulties of an at-home setting. We believe the company is positioned to benefit from the trend of treatment shifting from a hospital setting to a more comfortable and cost-effective at-home setup.

In January, we also started a position in Repay Holdings. Repay is a financial technology and payment processing company. For a retail customer, paying for goods and services with a debit or credit card is commonplace. However, digital payments such as credit and debit payments for auto and personal loans, mortgage payments and business-to-business transactions are rare. Repay serves industries that are behind the curve in adopting real-time digital transactions. During COVID-19, this area has become more important than ever as the world moved away from cash transactions. Repay has established a first-mover advantage with many software platform integrations. It also has a full-service payments system and a processing infrastructure that supports all settlement types. With the company pursuing niche markets, we have seen good growth prospects since the company’s inception. We are encouraged by the fact that Repay’s revenues and cash flow continue to be strong as the pandemic subsides and by the strong tailwinds in the global digital payments market.

We are open for business and welcome your interest in Argent Capital. In addition, if you like our market letters, we hope you will pass them on to friends. We have four successful equity strategies—Large Cap U.S., Small Cap U.S., Dividend Select and Mid Cap U.S.

Sincerely,

A handwritten signature in black ink that reads "Peter Roy". The signature is written in a cursive, slightly slanted style.

Peter Roy
Portfolio Manager