Hello, this is Ken Crawford, Senior Portfolio Manager with Argent Capital Management and this is the premiere edition of the Argent Capital podcast. What I intend to do with these podcasts for this one, and going forward is to talk about some of the salient aspects of the markets, the economy, some of the stocks that we're buying for our clients, and the reasons behind those buy decisions and stocks that we're selling and reasons behind that. In addition, I'd like to introduce some of the people at Argent that are driving our strategies and helping with other aspects of the company. So with that as a preamble, for the first podcast I thought I would talk about growth versus value stock investing. For those of you who read my monthlies, I apologize, because some of this will be redundant. For those of you who don't read my monthly- better listening to this podcast, I apologize, because I don't know how this is going to turn out. But let's wing it and find out.

So, growth versus value investing in a normal, with air quotes around normal, a normal market sometimes growth stocks lead the market, and sometimes value stocks lead the market. And as you would expect, the baton gets passed for a few reasons. The first is if one of the groups- growth stocks, say, get bid up and become too expensive, investors will sell them and buy value stocks. And similarly if value stocks get bid up, then investors will sell them and buy growth stocks. Another reason why the baton can shift is because what's going on in the market leads to better fundamentals for one group or the other. So again, normally, what you would see is sometimes growth leading sometimes value leading, and the two groups trading in a bit of a range, because people understand the aspects of growth stocks and value stocks. To be sure growth stocks generally trade at a premium but again, investors understand that and they price them accordingly.

So why do I want to talk about growth versus value and talk about normal markets? Well, the reason for that is since the end of 2016 up until recently, what we've had is what we think at Argent is something other than a normal market. And what was going on was that growth stocks were going up up up while value stocks were going down down down, at least on a relative basis. So the immediate question is what was going on? Why were investors reacting the way they were? Well, if you remember coming out of the great financial crisis of 2007 and 2008, we had a recovery that economists generally classified as anemic. And with an anemic recovery, as the name implies, growth, which drives a recovery is hard to find. So like everything else in the world, if you have a scarce commodity, in this case growth, investors will bid up that commodity because they want to own some. So in a world of low growth, investors piled into organic growth companies and bid those stocks up. Thus, growth stocks outperforming value. That trend was exacerbated, especially last year in 2020 when we went into the COVID-19 driven recession. And as you I'm sure know, a recession, by definition means no growth. So again, scarce growth became even more scarce and investors bought as much growth stocks as they could. In fact at its zenith in November of last year, five stocks, Apple, Amazon, Facebook, Google, Microsoft, were up close to 50% while the remaining 495 stocks in the S&P 500 were up under 5%. So you had five stocks at plus 50, 495 at plus 5- a tremendous skew towards growth and tremendous concentration in the market. Similar at least in my mind to what we had in the internet bubble. And then at the end of last year, we began to see the baton pass, and value stocks began to outperform growth stocks. So that begs the question, what was going on there? We understood why growth stocks might outperform in the past, why suddenly would we have a baton shift to value?

And there are three reasons that I think drove that transition. The first was during the COVID-driven recession, we had tremendous stimulus on the part of monetary authorities. So the US that means the Federal

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Reserve, for the Europeans, that's the European Central Bank, the Bank of Japan in Japan, and the Bank of China in China. And what these monetary authorities were doing, and continued to do is to push tremendous amounts of liquidity, aka cash into the economy, all with the design to mitigate, ameliorate the recession and pull us out of a recession and move us into recovery. So point number one, lots of stimulus. Point number two, if you remember, in November of last year, Pfizer and Moderna released their results for their vaccines, and their results for their vaccines were off the chart good- 94 and 95% efficacious. All of a sudden, that conversation flipped from, “When are we ever going to get out of this pandemic cocoon that we're living in?” to “When can I roll up my sleeves and get that shot, so I get back to a normal world?” So a tremendous change, both in terms of investor psyche, and frankly, the world population. We suddenly had an out from the pandemic that we were living through for a year plus. And the final positive that I would note is Joe Biden's presidency. So even though monetary authorities again, the Federal Reserve was pumping tremendous amounts of money into the economy, so were fiscal authorities, think of the House and the Senate or Congress in Washington along with the presidency, then President Trump. Expectations were that that would continue if Trump were re-elected president, but investors thought were Biden to be re-elected, or elected, that stimulus likely would grow. And so a Biden presidency win implied more stimulus, and layered on that was the surprise win in Georgia of the House or the Senate, so all the sudden you had the House, the Senate and the presidency, all Democrats. So the expectation was, again, stimulus from fiscal policy would continue, and may indeed increase.

So you had monetary stimulus, you had better vaccine data, and you add a Biden presidency, all mingling to make investors believe that the recovery that we were seeing would continue and in fact would grow, and for a recovery to grow, what does that mean? What it means is that growth is easier to find. So you don't only have to own Amazon, you don't only have to own Google, Microsoft, Facebook, Apple, you can own a car manufacturer, a homebuilder, an industrial plant company, because they will benefit from a recovery in the economy. And to put some numbers around that, Credit Suisse recently issued a report, and Credit Suisse expects large growth companies to see their earnings grow in 2021 by 24%, a very good growth rate again, coming off of COVID-19. However, Credit Suisse expects value stocks to see their earnings grow by close to 35%. So you’ve got value at plus 35 and growth at plus 24. Value stocks, suddenly we'll see better growth. And the reason for that, again, is an improving economy, which helps more economically sensitive companies than others, and many of those economically sensitive companies fall in the value bucket. Not only does Credit Suisse expect value stocks to have better earnings in 2021, but once Credit Suisse looks at the valuation of those companies relative to growth stocks they see that value companies are trading cheaply from a historic basis. So you've got cheap stocks, with better earnings. And for us at Argent, we agree with the Credit Suisse analysis. If we have a continued economic recovery, we would expect those economically sensitive companies that generally fall into the value bucket in terms of investing to do better than growth companies, because their fundamentals will improve more. So that wraps up the first webcast, our podcast for Argent Capital. Again, Ken Crawford talking to you. We embrace feedback from you all. So if you have questions, if you have comments, please let us know if you have ideas for topics going forward, please let us know that too. And otherwise, stay safe. And we'll talk to you next time. Thank you very much.

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