Argent Capital Management LLC

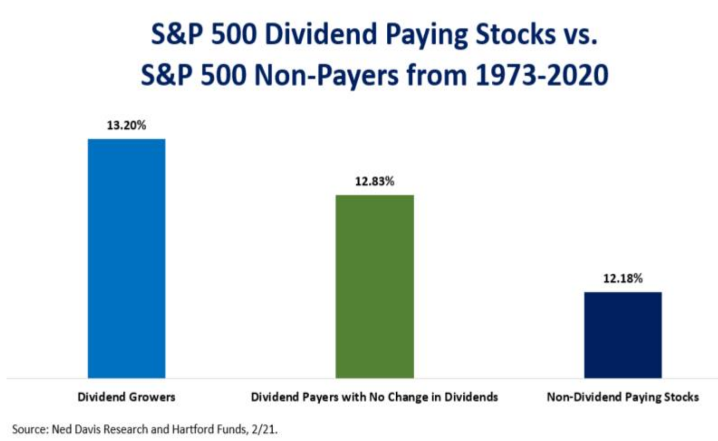
## *Market Overview – Second Quarter 2021*

As we close the books on the second quarter of 2021, we are particularly pleased with the results of the Argent Dividend Select strategy. The portfolio returned 8.1% *(net of fees)* for the quarter, outperforming the Russell 1000® Value return of 5.2%. The strategy's relative outperformance over longer time horizons is likewise impressive, beating the index over the trailing one, three, five, ten and fifteen-year periods *(net of fees)*. The Argent Dividend Select strategy is designed to be a "sleep at night" portfolio, investing in companies with strong balance sheets, attractive cash flows and positive dividend growth. One metric we particularly watch is our "downside capture ratio," which measures our performance relative to the market when the market drops. A ratio less than 100 is what we are after, and since inception our downside capture ratio is 84. So far, so good.

Argent's Dividend Select strategy looks for companies with share price appreciation, a history of dividend payments and consistent annual dividend growth. You might wonder why dividend growth is such an important component of the portfolio. It's pretty simple–dividends tend to grow. Since 1960, the average annual increase in dividend payments by S&P 500® companies is approximately 6%. Thus, $1,000 of dividends today could become $1,060 next year, $1,124 in two years and $1,338 by year five. Since the inception of the Argent Dividend Select strategy, our strategy's average annual increase in dividend payments has never fallen below 6%. In fact, the trailing five-year average dividend growth rate (as of 5/31/21) is *10.4%.* That means $1,000 of dividends became $1,104 the next year, $1,219 in two years and $1,640 by year five!

Companies that consistently grow their dividends over time are usually stocks that have hit their stride and can return some of their excess cash to shareholders. These companies are motivated to maintain earnings growth, without which they may be forced to decrease their dividend, causing investors to lose confidence in the company and negatively impact the stock price. Additionally, these "dividend-growing" stocks historically have outperformed those stocks that pay dividends but do not increase them.

According to the Hartford Funds, from 1930-2020, dividends accounted for about 41% of the S&P® 500 Index's total return. That statistic is exciting to me! Digging deeper, it may seem counterintuitive but since 1973 until 2020, returns of S&P 500 dividend paying companies *outperformed* those of non-dividend paying stocks in the index. During the same time period, companies that consistently grew their dividends outperformed those companies that did not grow their dividends (see chart).




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,

**Scott Harrison, CFA**
**Portfolio Manager**