



In May of this year, the former head of U.S. cybersecurity, Chris Krebs warned that digital experts are fighting a “pandemic of a different variety.” He was referring to the cybersecurity attacks that recently shut down large portions of U.S. industries. For the last seven to eight months, a rash of cyberattacks have occurred with hackers taking advantage of poor security measures in order to gain large payouts from their victims. It is estimated that in 2020, there were 65,000 successful security breaches. Many of the more significant attacks received national attention. In 2020, hackers broke into the systems of information technology company SolarWinds and then used that access to break into the systems of some of their clients, including several areas of the federal government such as the Treasury and Commerce Departments. In May of 2021, an attack on Colonial Pipeline forced the company to shut off gasoline supply resulting in gas shortages throughout the south. The following month, JBS, one of the country’s largest meat-packers, closed off a quarter of American beef operations for two days in order to recover from an attack.

What is the reason for the recent explosion in cyberattacks? COVID-19 quickly accelerated the digitization process for companies which brought with it some big cyber risks. Companies didn’t have the luxury to account for possible security mistakes and at the same time, cyberattacks have gotten easier to implement. According to Cybercrime Magazine, global cybercrime damage in 2021 could total \$16.4 billion a day or \$684.9 million per hour (see graphic). As such, we see



several tailwinds in the cybersecurity space. Fortune Business Insights reports that the cybersecurity market is proliferating with the global cybersecurity market for 2020 at approximately \$153 billion and rising to \$366 billion by 2028. Companies now recognize that cyber threats are a real danger that can harm their reputation and bottom line. President Biden is increasing spending on cybersecurity-related projects. In May, he signed an Executive Order to improve the nation’s cybersecurity and protect federal government networks. Another tailwind comes from increased remote work and digital transformations, which will continue in years to come.

With these factors in mind, we purchased Telos Corporation in the second quarter of 2021. Telos is a cybersecurity company that offers software-based security solutions to the U.S. government (e.g., CIA, Department of Defense, Department of Homeland Security) and enterprises (e.g., Microsoft, Amazon, Citigroup). Focused primarily on government work, Telos changed its strategy in 2018 to enhance its presence in commercial markets. It began improving margins and revenues by expanding its partner program in order to increase sales in commercial and international markets. Telos estimates its total addressable market to be \$80 billion. In addition, 85% of the company’s revenues are recurring and 50% of its total revenue comes from segments with limited or no competition. Given these changes and impressive figures, Argent believes the company has a long runway for growth and we’ve made the company one of our top five holdings in the Argent Small Cap strategy.

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,

*Peter Roy*

**Peter Roy, CFA-Portfolio Manager**

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