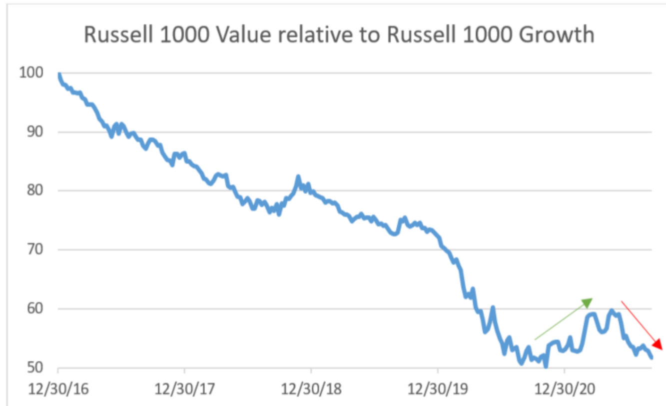
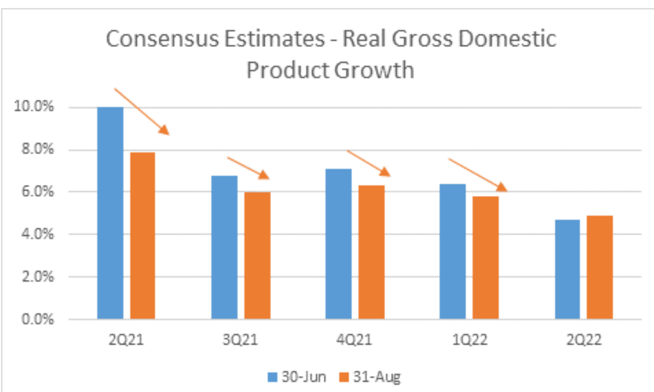
If you recall at the beginning of the year it looked as if the economic recovery in the United States was gaining steam. That belief coincided with the Russell 1000 Value® Index outperforming the Russell 1000 Growth® Index, a situation that had not been seen for four years. Many of the stocks in the Russell 1000 Value Index are economically sensitive, especially as compared to their Russell 1000 Growth peers. Stable growth companies, like pharmaceutical companies, tend to do relatively well in any period of an economic cycle, while economically sensitive or cyclical companies tend to see their results particularly improve during an upturn in the economy (think homebuilders, or auto and machine manufacturers). So, with the expectation that the U.S. was in recovery, investors naturally shifted money from the Russell 1000 Growth to the Russell 1000 Value.



That improvement in performance was short-lived, however. Recently, the Russell 1000 Value Index has fallen relative to the Russell 1000 Growth Index as illustrated by the chart on the right. This downturn came even while markets as a whole were hitting all-time highs almost on a weekly basis. That begs the question, what were investors thinking to explain that shift?



Part of the explanation may be seen in the chart to the left. Estimates for GDP, or economic growth, have fallen recently. With this drop in expected growth has come a shift in performance for the markets from value, or more economically sensitive stocks, to growth. Reasons for the downtick in GDP estimates are varied, including negative effects from the Delta variant of COVID-19, expectations that the Federal Reserve will pull back on its bond purchase program, i.e., taper and logistical bottlenecks in our economy and consequent inflation to name a few.

While these concerns are affecting expectations for economic growth in the near term, something to keep in mind is that economic growth is still expected to be positive. How all of these factors will either normalize or will continue to pressure our economy is something that we at Argent are watching closely and will adjust our investment strategies accordingly.

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, Dividend Select, Mid Cap and Small Cap.

Sincerely,

Ken Crawford, Portfolio Manager