# Dividend Select Quarterly Commentary

## 2021: Third Quarter

Argent

## Performance Summary

For the third quarter of 2021, the Argent Dividend Select strategy was in-line with its benchmark, the Russell 1000 Value® Index, returning -0.8% net of fees. As of September 30, 2021, the strategy's dividend yield was 2.5%, ahead of both the dividend yield of the Russell 1000 Value at 1.9% and S&P 500® Index at 1.4%.

| Performance Summary as of September 30, 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | % | 3Q21 | YTD | 1 Year | 3 Year* | 5 Year* | 10 Year* | 15 Year* | Since Inception* |
| Argent Dividend Select | Net | -0.76 | 16.57 | 34.16 | 12.26 | 12.32 | 14.20 | 9.09 | 9.51 |
| Russell 1000 Value | | -0.78 | 16.14 | 35.01 | 10.07 | 10.94 | 13.51 | 7.52 | 8.10 |
| **Excess Return** | | **0.02** | **0.43** | **-0.85** | **2.19** | **1.38** | **0.69** | **1.57** | **1.41** |

*Annualized

For comparison purposes, the strategy is measured against the Russell 1000 Value® Index. Past performance is no guarantee of future results. Data is as of 09/30/21 and is supplied as supplemental information to the composite disclosures presented later in this document. Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. This presentation was prepared by Argent Capital Management and may contain confidential information. Unauthorized use, disclosure, copying, dissemination or redistribution of this presentation is strictly prohibited.

During the third quarter, stock selection was a positive contributor to performance while allocation was a slight detractor. Financials and Information Technology drove performance on a sector basis, while Consumer Discretionary and Health Care were the largest detractors.

The Financials sector was a positive contributor during the quarter, driven by stock selection. Our sector outperformance was driven by Truist Financial Corporation. Truist Financial is the result of the merger between SunTrust Bank and BB&T Corporation. The company's management team remains focused on delivering the synergies discussed at the onset of the combination, resulting in a more efficient business model for the bank overall, driven by its increased scale and market share opportunities. This, coupled with an improving interest rate backdrop for banks, helped lift shares higher during the quarter.

The Information Technology sector was a positive contributor during the quarter, driven entirely by stock selection. Our outperformance during the period was buoyed by Microsoft Corporation. The company's strong performance has been fueled by growth and share gains for its cloud computing service platform, Azure and Office 365. Microsoft's growth, along with its resilient business model (highlighted by a revenue base that is 70% recurring) supports its best-in-class status. In addition to strong fundamentals, the company announced a $60 billion share repurchase program and a double-digit increase to its dividend. We believe the total return potential for the company continues to be attractive for shareholders.

Consumer Discretionary was a detractor during the quarter in terms of both allocation and stock selection. We remain overweight the Consumer Discretionary sector and that weighed on performance. V.F. Corporation's stock came under pressure during the quarter as concerns related to the company's largest brand, Vans, remained an overhang. Supply chain woes and store closures related to the spread of the COVID-19 Delta variant continue to impact the stock. Vans represents one-third of the company's overall sales and has the highest brick-and-mortar exposure within V.F's portfolio. More than 40% of Vans' sales are driven by store traffic. We believe V.F. and its Vans brand are positioned exceptionally well for a strong rebound. In addition, the recent acquisition of Supreme significantly strengthens V.F.'s streetwear portfolio. The company has a long and successful track record regarding its commitment to capital stewardship. However, recent industry pressures, including supply chain headwinds and margin pressures, reflect an evolving backdrop for retail.

The Health Care sector was a slight detractor during the quarter impacted by both allocation and stock selection. We remain underweight the Health Care sector as our investment process continues to point us towards other areas

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of the market. After a slow start to the year, our Health Care stocks rebounded in the third quarter, handily outpacing the benchmark return. The portfolio continues to hold large cap biotech and pharmaceutical companies where attractive valuations and strong cash flow generation align with the goals of our Dividend Select strategy. We remain selective as we evaluate new potential investments looking for stocks that meet all three of our investment criteria. Our criteria consist of better and enduring companies with management teams that exhibit a commitment to capital stewardship and upside optionality through the existence of a positive catalyst.

## Market Commentary

During the quarter, investors gravitated back to some of the growth stocks that propelled the market last year. To put numbers on that, the Russell 1000 Growth® Index rose 1.2% while the Russell 1000 Value Index returned -0.8%. There were a few reasons for this skew in performance. The first was the resurgence in COVID-19, with the highly contagious Delta variant making headline news daily. Investors worried that we could have a return to the locked-down world that was much of 2020. A second reason was that many of the stocks in the Russell 1000 Value were seeing very good results and investors worried that comparisons will be more difficult in the next 6 – 12 months, similar to what many of the growth leaders of last year experienced at the beginning of 2021. Finally, there was concern that the Federal Reserve had brought forward its plan to taper its bond-buying and may soon increase interest rates. With that potential to slow economic growth, some investors returned to the organic growth winners of 2020.

Quarterly Attribution Analysis, September 30, 2021
Argent Dividend Select Strategy vs. Russell 1000 Value Index*

| | Argent Dividend Select | | | Russell 1000 Value | | | Variation | | | Attribution Analysis | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average Weight | Total Return | Contribution to Return | Average Weight | Total Return | Contribution to Return | Average Weight | Total Return | Contribution to Return | Allocation Effect | Selection + Interaction | Total Effect |
| Comm. Services | 5.47 | -1.87 | -0.11 | 8.41 | -3.23 | -0.28 | -2.94 | 1.36 | 0.17 | 0.07 | 0.07 | 0.15 |
| Cons. Discretionary | 11.08 | -7.14 | -0.69 | 5.65 | -3.14 | -0.17 | 5.43 | -4.00 | -0.52 | -0.12 | -0.39 | -0.51 |
| Consumer Staples | 7.43 | 1.93 | 0.13 | 7.19 | -1.33 | -0.10 | 0.24 | 3.25 | 0.23 | -0.01 | 0.24 | 0.24 |
| Energy | 1.90 | -1.80 | -0.03 | 4.71 | -1.38 | -0.08 | -2.81 | -0.41 | 0.04 | 0.01 | -0.01 | 0.00 |
| Financials | 24.60 | 4.50 | 1.03 | 20.96 | 2.46 | 0.49 | 3.64 | 2.04 | 0.54 | 0.15 | 0.48 | 0.63 |
| Health Care | 8.65 | -2.99 | -0.25 | 17.59 | 0.31 | 0.05 | -8.94 | -3.30 | -0.29 | -0.08 | -0.28 | -0.35 |
| Industrials | 14.34 | -4.08 | -0.56 | 11.83 | -3.83 | -0.44 | 2.51 | -0.25 | -0.12 | -0.07 | -0.04 | -0.11 |
| Technology | 13.25 | 1.83 | 0.23 | 10.23 | -2.33 | -0.23 | 3.03 | 4.16 | 0.46 | -0.04 | 0.52 | 0.48 |
| Materials | 3.93 | -11.81 | -0.48 | 3.75 | -4.98 | -0.19 | 0.19 | -6.83 | -0.29 | -0.01 | -0.29 | -0.29 |
| Real Estate | 6.42 | 0.61 | 0.03 | 4.71 | 2.24 | 0.10 | 1.71 | -1.63 | -0.07 | 0.03 | -0.12 | -0.09 |
| Utilities | -- | -- | -- | 4.98 | 1.34 | 0.06 | -4.98 | -1.34 | -0.06 | -0.09 | -- | -0.09 |
| Cash | 2.92 | 0.01 | 0.00 | -- | -- | -- | 2.92 | 0.01 | 0.00 | 0.06 | -- | 0.06 |
| Total | 100.00 | -0.68 | -0.68 | 100.00 | -0.78 | -0.78 | -- | 0.10 | 0.10 | -0.10 | 0.20 | 0.10 |

* This is based on the holdings history of a representative portfolio of the Argent Dividend Select Strategy. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. You should not assume that investments in any securities within these sectors were or will be profitable. A list of stocks recommended by Argent in the past year is available upon request. Past performance is no guarantee of future results.

## Top Contributors

**Microsoft Corporation's** stock advanced more than 4%, during the quarter, outpacing the slight decline for the Russell 1000 Value benchmark. The company's strong performance has been fueled by growth and share gains for its cloud computing service platform, Azure and Office 365. Microsoft's growth, along with its resilient business model (highlighted by a revenue base that is 70% recurring) is supporting its best-in-class status. In addition to strong fundamentals, the company announced a $60 billion share repurchase program along with another double-digit increase to its dividend, providing attractive total return potential for shareholders.

**Life Storage, Inc.** is a leader in the self-storage industry. Over the past few years, Life Storage has been focused on transforming its growth profile through active portfolio management of its properties. In addition to shifting its geographical exposure for improved growth prospects, Life Storage has rolled out an inventory management option for businesses called Warehouse Anywhere that adds another avenue for potential growth. These strategic decisions are paying off for shareholders as they intersect with a surging demand picture for self-storage units thanks to a robust housing market and overall pick-up in economic activity.

**Oracle Corporation** is a leader in database management and enterprise resource planning software. The company has been undergoing a transition within its business model, focusing on becoming a leading cloud vendor and moving away from its traditional on-premise roots. Oracle has been making slow, but steady progress on this journey. The result is growing optimism from investors regarding the potential for accelerating growth for the company. This, coupled with an attractive dividend and sizeable share repurchase program, equate to an attractive total return opportunity for shareholders.

**Truist Financial Corporation** was a top contributor during the third quarter, advancing nearly 7% versus a slight decline for the benchmark. Truist is the company that resulted from the merger between BB&T and SunTrust Bank. As the combined companies work to integrate, investors are closely monitoring execution and expense management. Management continued to reiterate the merger goals and integration progress. This company-specific catalyst and an improving interest rate environment for banks resulted in positive gains for shareholders during this period.

**JPMorgan Chase & Co.** is one of the largest banks in the world and viewed as the gold standard by which other banks are measured. The holding was a positive contributor to performance for the quarter as management produced another quarter of strong fundamental results for the bank. The company's stock appreciation has been fueled by broad-based momentum, including strength in investment banking and equity trading, as well as home and auto lending results. All of this points to a strong business environment along with a healthy backdrop for consumers.

## Top Detractors

**United Parcel Service, Inc.** was a leading detractor for the third quarter. The company is being led by a new CEO, Carol Tome, formerly of Home Depot. Management's strategy is focused on "better, not bigger" to drive improving returns for shareholders. Earlier this year the company laid out a three-year plan, emphasizing Carol's vision and path towards higher earnings and cash flow generation. The company's shares have experienced near-term weakness on concerns related to higher wage inflation for employees, risk to hiring new help during the all-important holiday season, along with potential for increased competition in the industry. While each concern is valid, our long-term investment horizon allows us to look past what we believe are temporary headwinds and instead focus on the much-improved pricing environment for the industry along with the power of the company's strategy to drive significant value creation over the long term.

**V.F. Corporation's** stock came under pressure during the quarter as concerns related to the company's largest brand, Vans, remained an overhang. Supply chain pressures and store closures related to the spread of the COVID-19 Delta variant continue to be a concern. Vans represents one-third of the company's overall sales and has the highest brick-and-mortar exposure within V.F's portfolio. More than 40% of sales are derived from the brand's brick-and-mortar stores. We believe V.F. and Vans are positioned exceptionally well for a strong rebound. In addition, the recent acquisition of Supreme significantly strengthens V.F.'s streetwear portfolio. The company has a long and successful track record regarding its commitment to capital stewardship. However, recent industry pressures, including supply chain headwinds and margin pressures, reflect an evolving backdrop for retail.

**Skyworks Solutions, Inc**. is a leading semiconductor manufacturer for the mobile phone industry. Apple is Skyworks' largest customer. The semiconductor shortage and supply chain woes across the globe have been well documented, resulting in near-term sales pressure. Skyworks Solutions is positioned to benefit from the transition to 5G technology and ever-increasing device performance demands. As shortages and supply chain issues normalize, we expect Skyworks' business to remain resilient and investors to benefit from the long-term structural tailwinds for the mobile phone industry.

**Eastman Chemical Company** was a detractor during the third quarter. It is a leading chemical company focused on transitioning its business to a higher return specialty chemical company. While Eastman has made strides shifting its business mix to more specialty-focused end markets, this is overshadowed in the near term from pressures resulting from the global shortage in semiconductors, headwinds from increased shipping costs and a shortage in raw materials for the production of end products. All of this has resulted in share price weakness and an evolving backdrop for chemical companies which we are closely monitoring.

**Target Corporation** has been a long-time holding for the Dividend Select strategy. Target's improved competitive position was on full display during the pandemic, resulting in significant share gains and overall sales growth of 20% during the past fiscal year. Just as impressive, Target's management provided strong guidance that points to continued sales growth and market share gain opportunities moving forward. The stock pulled back this quarter on profit taking and supply chain concerns. Disruptions have led to increasing costs related to employee wages, surging shipping costs, and potential for lack of inventory during the holiday rush. While these concerns are particularly acute for the retail industry, our expectation is that Target has the ability and scale to navigate these challenges much better than the overall retail industry.

## Buys

**Ameriprise Financial, Inc.** is a diversified financial services and bank holding company headquartered in Minneapolis. It provides financial planning products and services such as asset management, wealth management, annuities, insurance and estate planning. The company continues to shift towards asset and wealth management. With the recent acquisition of BMO's EMEA asset management business, asset and wealth management will represent 75% of the company's earnings. Additionally, Ameriprise decreased its exposure to life insurance, which will free up capital. We believe these changes will drive higher cash flow and boost the company's value.

## Sells

**Union Pacific Corporation** is a railroad holding company established in 1969. Headquartered in Omaha, Nebraska, it is the parent company of the Union Pacific Railroad. The company's rail network links the Pacific Coast and Gulf Coast ports with the gateways of the Midwest and Eastern United States. Union Pacific faces issues recovering shipping volumes due to material shortages across supply chains, including the auto industry. Additionally, inflationary pressures have capped margin improvement over the long term, adding more headwinds for the company. Although these pressures are not specific to Union Pacific and impact the industry as a whole, Argent sold the position in order to reduce exposure to the transportation industry.

| Argent Dividend Select Strategy Top Contributors and Detractors for Quarter Ending September 30, 2021* | | | | | |
|---|---|---|---|---|---|
| Top Contributors | Avg. Weight | Total Effect | Top Detractors | Avg. Weight | Total Effect |
| Microsoft Corporation | 6.27 | 0.28 | Target Corporation | 7.09 | -0.22 |
| Life Storage, Inc. | 4.21 | 0.25 | Eastman Chemical Company | 1.96 | -0.24 |
| Oracle Corporation | 2.13 | 0.24 | Skyworks Solutions, Inc. | 1.95 | -0.25 |
| Truist Financial Corporation | 3.45 | 0.23 | V.F. Corporation | 2.21 | -0.38 |
| JPMorgan Chase & Co. | 5.37 | 0.20 | United Parcel Service, Inc. | 3.69 | -0.43 |

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## Portfolio Positioning

During the third quarter the Russell 1000 Value® Index declined 0.8%, bringing year-to-date gains to 16.1%. Our Dividend Select strategy is doing slightly better, declining 0.8% during the quarter, bringing the year-to-date gains to 16.6% net of fees. Our Dividend Select strategy focuses on constructing a "sleep at night" portfolio built on a strong foundation of high-quality, dividend-paying stocks that can compound and grow cash flows and dividends over time. This focus remains particularly important in the current environment where the potential for rising interest rates and increasing inflationary pressures can erode the buying power of a dollar. Since the strategy's inception more than 16 years ago, our portfolio has enjoyed positive dividend growth every year, including the Global Financial Crisis and the COVID-19 pandemic, a result we are particularly proud of. This consistent dividend growth is one of an investor's most powerful tools when navigating an inflationary backdrop.

On this front, two themes are keeping investors' attention at the moment - higher interest rates and inflationary pressure. Inflationary pressures include wage inflation, asset inflation, surging commodity prices and massive supply chain disruptions that are expected to cause dislocations for quarters to come. We believe this uncertain backdrop will service our style of investing well. We seek dividend-paying stocks that we believe are better and enduring businesses, that exhibit a commitment to capital stewardship and that are undergoing a catalyst that will promote positive change. We believe positive change creates opportunity.

The portfolio is positioned to benefit from rising interest rates. We are decidedly overweight Financials. During the quarter we increased our sector exposure further, adding a position in Ameriprise Financial, a solutions-based wealth and asset manager. Financial stocks are highly correlated with interest rates and thus, upward pressure on rates will lead to upward pressure on stock prices within the sector, all else equal. While inflation and rising commodity prices are benefiting oil companies and oil prices, we remain underweight the sector. Our process steers us away from organizations that have not shown the ability to deliver attractive cash flow returns over an extended period. Quite frankly, they fail our definition of "better and enduring businesses."

To best capitalize on the opportunity set we see in front of us while also being mindful of downside capture, we have been reducing the economic sensitivity of our portfolio as we prepare for an eventual economic slowdown. We continue to actively manage our portfolio positioning to maintain flexibility around opportunities that may present themselves. Our Dividend Select strategy has a lower valuation than the Russell 1000 Value benchmark while remaining higher quality with more attractive growth prospects. In our view, this combination best positions our clients to win over the long term.

Downside capture has been a key positive characteristic of Argent's Dividend Select strategy since inception. We invest in high-quality companies with strong balance sheets that have a proven ability to grow both cash flows and dividends over time. Companies with these qualities tend to hold up as markets fall. In addition, dividend growers naturally offer investors a buffer during drawdowns thanks to both a return from the dividend itself but also the reduced volatility offered by companies that focus on prudent and sustainable capital allocation philosophies. Since the strategy's inception, downside capture is just over 84%. The consistency of returns has helped our clients outperform the Russell 1000 Value Index on both a short and long-term basis.

Sincerely,

**Argent Dividend Select Team**

# Dividend Select Quarterly Commentary
## 2021: Third Quarter

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| For the period ending December 31, | Gross-of-Fees (%) | Net-of-Fees (%) | Russell 1000 Value Return (%) | Composite 3-Yr St. Dev (%) | Russell 1000 Value 3-Yr St Dev (%) | Number of Composite Accounts | Composite Assets ($ millions) | Principal Business Assets ($ millions) | Internal Dispersion (%) |
|---|---|---|---|---|---|---|---|---|---|
| 2020 | 11.36 | 11.04 | 2.8 | 19.15 | 19.62 | 237 | 640 | 2,874 | 0.68 |
| 2019 | 26.98 | 26.62 | 26.54 | 11.8 | 11.85 | 213 | 642 | 3,019 | 0.58 |
| 2018 | -10.47 | -10.73 | -8.27 | 10.3 | 10.82 | 209 | 528 | 2,542 | 0.65 |
| 2017 | 16.84 | 16.49 | 13.66 | 8.97 | 10.2 | 203 | 611 | 2,898 | 0.38 |
| 2016 | 13.54 | 13.18 | 17.34 | 9.59 | 10.77 | 192 | 540 | 2,604 | 0.66 |
| 2015 | 3.88 | 3.55 | -3.83 | 10.57 | 10.68 | 178 | 452 | 2,357 | 0.38 |
| 2014 | 10.24 | 9.88 | 13.45 | 9.28 | 9.2 | 155 | 404 | 2,817 | 0.38 |
| 2013 | 36.93 | 36.5 | 32.53 | 11.24 | 12.7 | 115 | 282 | 2,478 | 2.3 |
| 2012 | 14.82 | 14.36 | 17.51 | 14.34 | 15.51 | 75 | 113 | 1,782 | 0.57 |
| 2011 | 3.71 | 3.08 | 0.39 | 17.87 | 20.69 | 25 | 42 | 1,247 | 1.43 |
| Three Year* | 8.18 | 7.87 | 6.07 | | | | | | |
| Five Year* | 10.93 | 10.6 | 9.74 | | | | | | |
| Ten Year* | 12.11 | 11.72 | 10.5 | | | | | | |
| Fifteen Year* | 9.44 | 8.97 | 7.34 | | | | | | |
| Information for period(s) ending September 30, 2021 | | | | | | | | | |
| 3rd Quarter 2021 | -0.69 | -0.76 | -0.78 | 19.38 | 19.9 | 256 | 751 | 3,235 | |
| 1 Year* | 34.55 | 34.16 | 35.01 | | | | | | |
| 3 Year* | 12.59 | 12.26 | 10.07 | | | | | | |
| 5 Year* | 12.65 | 12.32 | 10.94 | | | | | | |
| 10 Year* | 14.59 | 14.2 | 13.51 | | | | | | |
| 15 Year* | 9.55 | 9.09 | 7.52 | | | | | | |
| Since Inception* | 10 | 9.51 | 8.1 | | | | | | |

*Annualized

Disclosures:

1. Argent Capital Management, LLC ("Argent") is an independent investment management firm comprised of two distinct business entities: the Non-Wrap Fee/SMA Business of Argent Capital Management, LLC ("Principal Business"), which does not include wrap fee/SMA clients; and the Wrap Fee/SMA Business of Argent Capital Management, LLC ("Wrap Business"), which includes only wrap fee/SMA clients. The Principal Business claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The Principal Business has been independently verified for the periods January 1, 2003 through December 31, 2019. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

2. This composite represents investment performance for portfolios with an Equity Income investment objective for which Argent has sole investment discretion. Portfolios typically include the following as a percentage of total portfolio value: equity holdings (excluding mutual funds) greater than 80%; cash less than 10%; and fixed income, mutual funds and preferred investments less than 20%. This composite inception date is January 2005 and was created in September 2011. A complete list and description of composites is available upon request. The name was changed from Argent Large Cap Equity Income Composite to Argent Large Cap Dividend Select Composite in September 2012.

3. The benchmark is the Russell 1000 Value Index which measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. Performance results prior to December 31, 2012 were measured against the S&P 500 Index. Effective September 30, 2018 we will no longer present the S&P 500 Index. Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Argent. Russell Investment Group is not responsible for the formatting or configuration of this material or for any inaccuracy in Argent's presentation thereof.

4. Valuations are computed and performance reported in U.S. currency. Performance results are total return, (i.e. include the reinvestment of all income). Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is no guarantee of future results.

5. Gross-of-fee returns are presented before management and certain custodial fees, but after all trading expenses except where commissions have been waived. Net-of-fees performance is calculated by reducing gross performance by actual management fees incurred. During 2019 & 2020, the composite included portfolios where commissions were waived representing approx. 20% of composite assets.

6. Standard annual advisory fees are calculated as a percentage of assets under management according to the following schedule; 1% on the first $1M, .80% on the next $2M, .65% on the balance thereafter, although fees may be negotiated or waived in certain circumstances. Non-fee paying accounts represent less than 1% of the composite assets during the periods of 2012 - 2020.

7. Internal dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for an entire year, net of fees. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The external deviation is based on the 36 month gross-of-fees returns of the composite and the benchmark.