



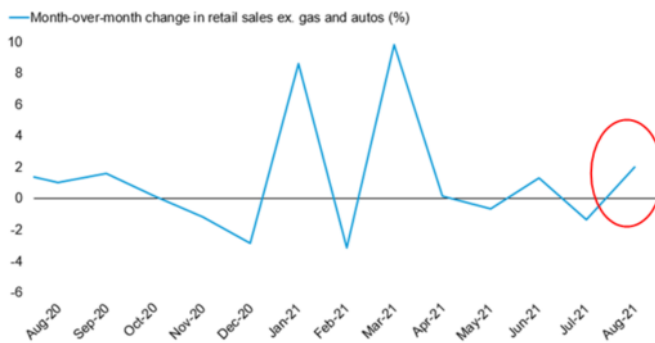
For the third quarter of 2021, Argent's Mid Cap strategy outperformed the Russell Midcap® Index by 3.3% (*net of fees*). While we are pleased with this performance, we are most proud of our outperformance versus the Russell Midcap on a trailing one, three, and five year basis (*net of fees*). Most importantly, since its inception on March 31, 2014, the strategy has outperformed the index by an annualized 2.0% (*net of fees*).

It has been a good year for midcap stocks which have produced healthy returns year-to-date. As of the end of the third quarter, the Russell Midcap® Index, a benchmark for midcap stocks, has returned over 15%. So, is now a good time to take another look at midcap stocks?

In short, yes. We believe midcaps will continue to produce strong returns over the next few years as the economy continues to recover from COVID-19. We also remind our large cap portfolio managers that midcaps tend to particularly outperform large cap companies in a recovery, when risk-taking is rewarded. In fact, midcaps outperformed large caps for three consecutive years, 2003-2005, after the recession in the early 2000s. After the

global financial crisis of 2007-2008, midcaps outperformed large caps in four out of the five years following the recession, 2009-2013.

Surprise Jump In Spending  
Consumers Out In Force In August, Overcoming Resurgent Virus



Source: LPI Research, Bloomberg 9/16/2021

So are we in a recovery? One only needs to look to the consumer to see that is the case. Indeed, consumers are in the best financial position to spend in a generation. The stimulus has allowed consumers to save over the last fifteen months and savings accounts have added a sweet \$2.3 trillion *above* the normal 8% savings rate. If these excess savings are deployed over the next three years, it could lift consumer spending by almost 5% per year. Even with the resurgence of COVID-19 prompted by the onset of the Delta variant this summer, consumer spending came back and kicked up in August of this

year, as shown by the chart above. And we believe the Argent Midcap portfolio is extremely well-positioned to benefit from this anticipated growth in consumer spending. We began to tilt the portfolio in favor of increased consumer spending late last year and continue to incrementally diversify our holdings into stocks that will benefit from the high growth environment.

The strength of the consumer can be illustrated by one of our holdings, Tempur Sealy International, Inc. Tempur Sealy is an American manufacturer of mattresses and bedding products. The company's second quarter 2021 sales increased approximately 76% over the same period in 2020. Second quarter earnings per share were \$.79 versus \$.20 in the second quarter of 2020. In addition to the company's strong top and bottom-line growth, it also recently announced a 30% dividend hike. Furthermore, the company predicts double-digit earnings growth in 2022 and beyond. With the help of a healthy consumer, it appears to have weathered the pandemic and come out stronger.

We have four very successful equity strategies— Large Cap U.S., Small Cap U.S., Dividend Select and Mid Cap U.S. In addition, if you like our market letters, we hope you will pass them on to friends.

Sincerely,

Kirk McDonald, CFA – Portfolio Manager & Senior Research Analyst – Quantitative

Past performance is no guarantee of future results. Views expressed herein represent the opinion of the portfolio manager as of the date above and are subject to change. 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.

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