

# Small Cap Quarterly Commentary

## 2021: Third Quarter

Argent

### Performance Summary

The Argent Small Cap strategy outperformed the Russell 2000® Index for the third quarter of 2021, returning -1.6% net of fees versus the benchmark return of -4.4%.

Performance Summary as of September 30, 2021								
	%	3Q21	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
Argent Small Cap	Net	-1.55	12.75	39.23	1.95	7.65	11.30	7.55
Russell 2000		-4.36	12.41	47.68	10.54	13.45	14.63	9.48
<b>Excess Return</b>		<b>2.81</b>	<b>0.34</b>	<b>-8.45</b>	<b>-8.59</b>	<b>-5.80</b>	<b>-3.33</b>	<b>-1.93</b>

\*Annualized, 01/01/2008

For comparison purposes, the strategy is measured against the Russell 2000® Index. Past performance is no guarantee of future results. Data is as of 09/30/2021 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 and may contain confidential information. Unauthorized use, disclosure, copying, dissemination or redistribution of this presentation is strictly prohibited.

Stock selection was meaningfully positive during the third quarter, while sector allocation was flat. The team added value from selection in every sector, except Consumer Staples. Contributions from Consumer Discretionary, Industrials, Information Technology, Real Estate and Financials drove performance.

Argent Small Cap's Consumer Discretionary exposure benefited from positions in Murphy USA Inc. and Skyline Champion Corporation. Murphy USA runs gas stations almost entirely in Walmart parking lots across twenty-five states. We believe it has an advantaged store footprint. Most of its stations are in rapidly growing states including Texas, Florida and the Carolinas. Murphy acquired QuickChek in late 2020. The acquisition increased the company's revenue exposure to food and beverage. The deal is progressing, and Murphy continued to benefit from improved fuel margin performance during the quarter. Skyline Champion is a manufactured housing company serving the United States and Canada. Manufactured housing demand is rapidly increasing, driven by affordability, demographics and improved financing. Skyline continued to experience record backlogs and an improved labor market during the quarter. The company is gaining market share in an industry with favorable growth characteristics.

Industrials were led by meaningful outperformance from Exponent, Inc. and ASGN Incorporated. Exponent is an engineering and scientific consulting business that provides solutions to complex problems. The organization employs scientists, engineers and business and regulatory consultants to help companies navigate litigation, product development, regulatory compliance and product recalls. Exponent's business was negatively impacted during the COVID-19 shutdown as courts closed and on-site testing and due diligence were challenged. Nevertheless, the company was able to grow cash flow and earnings throughout 2020. Exponent has recently experienced top-line growth as restrictions have eased. ASGN is an information technology and federal government consulting company. It provides contingent labor in highly specialized functions, allowing ASGN's clients to benefit from cost structure advantages. ASGN also offers clients increased flexibility to address fluctuating demands in business trends and access to greater talent and expertise. The company has consistently supplemented organic growth with a thoughtful, successful approach to acquisitions.

Information Technology experienced gains from Fortinet, Inc. and Envestnet, Inc. Fortinet is a cybersecurity solutions provider with an expansive product line that has benefited from the growing spending trends within its end markets. Fortinet continued to produce impressive billings growth during the quarter. Envestnet is a FinTech company that provides intelligence systems for wealth management and financial wellness. Its unified technology is designed to enhance financial adviser productivity and strengthen the wealth management experience. The company announced a major spending initiative earlier this year which will dent near-term earnings via reduced margins. The increased expenditures were initiated to make the company larger and stronger. We were excited to

hear that Envestnet was reinvesting in its business, but the share price suffered initially. More recently, investors are comfortable with the company's capital allocation and the stock has rebounded.

Real Estate continued to benefit from Colliers International Group, Inc. and FirstService. Colliers is a global commercial real estate services firm that offers sales and leasing brokerage, outsourcing and advisory services and investment management services. Volumes in the company's more transactional-based lines have rebounded while its stickier, fee-based revenue streams have continued to grow meaningfully. FirstService is a leader in residential property management and other essential property services to residential and commercial customers. The company saw double-digit organic growth in both of its business lines. The organization also announced a handful of small acquisitions during the quarter.

Every holding in Financials in the portfolio outperformed in the third quarter. The best performers were Houlihan Lokey, Inc. and Victory Capital Holdings, Inc. Houlihan Lokey is a financial advisory firm specializing in financial restructurings and mergers and acquisitions. The company focuses more on middle-market transactions in the advisory space and also has a good-sized restructuring practice and valuation service practice which provides some countercyclical aspects to Houlihan Lokey's overall revenue profile. During the quarter, it announced the acquisition of GCA, a global technology-focused investment bank, headquartered in Tokyo. GCA is by far the largest acquisition that Houlihan Lokey has made and it materially expands its international presence. Victory Capital is a multi-boutique investment management firm featuring a number of investment franchises supported by centralized administration, distribution and technology. Investment performance is notable, with approximately 70% of its strategies outperforming their benchmarks over the last five years. Over 60% of its strategies are four- or five-star rated by Morningstar. During the quarter Victory reported improved net flows and a small acquisition.

Energy was once again the best performing sector in the Russell 2000, a streak that has reached four quarters. The Small Cap strategy's lack of exposure hurt sector allocation. The Consumer Discretionary overweight hurt allocation as the sector was down more than the benchmark during the third quarter. The overweight to Information Technology and Industrials benefited sector allocation as both sectors turned in better returns than the Russell 2000 in the quarter. Communication Services, home to several meme stocks that made headlines in 2021, reversed course from its blockbuster second quarter. Communications Services was the worst-performing sector in Russell 2000 Index for the third quarter.

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### Quarterly Attribution Analysis, September 30, 2021 Argent Small Cap Strategy vs. Russell 2000 Index\*

	Argent Small Cap			Russell 2000			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	--	--	--	3.42	-14.25	-0.54	-3.42	14.25	0.54	0.38	--	0.38
Cons. Discretionary	19.37	-2.71	-0.59	11.48	-7.49	-0.88	7.89	4.78	0.29	-0.25	0.86	0.61
Consumer Staples	0.44	-21.38	-0.20	3.21	-5.17	-0.17	-2.76	-16.20	-0.03	0.03	-0.16	-0.13
Energy	--	--	--	3.86	1.91	0.05	-3.86	-1.91	-0.05	-0.28	--	-0.28
Financials	14.83	4.02	0.53	15.23	1.46	0.21	-0.40	2.56	0.32	0.00	0.34	0.35
Health Care	21.16	-9.67	-2.12	20.57	-10.41	-2.19	0.59	0.75	0.07	0.01	0.13	0.15
Industrials	16.61	3.27	0.43	14.68	-1.66	-0.24	1.93	4.93	0.67	0.02	0.74	0.76
Technology	20.94	1.52	0.32	13.94	-1.84	-0.23	7.01	3.36	0.55	0.21	0.66	0.87
Materials	--	--	--	3.96	-5.42	-0.23	-3.96	5.42	0.23	0.05	--	0.05
Real Estate	5.32	9.07	0.44	7.12	-0.76	-0.05	-1.80	9.83	0.49	-0.07	0.47	0.40
Utilities	--	--	--	2.53	-3.60	-0.09	-2.53	3.60	0.09	-0.00	--	-0.00
Cash	1.32	0.01	0.00	--	--	--	1.32	0.01	0.00	0.01	--	0.01
Total	100.00	-1.19	-1.19	100.00	-4.36	-4.36	--	3.17	3.17	0.11	3.06	3.17

\* This is based on the holdings history of a representative portfolio of the Argent Small Cap 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.

## Market Commentary

While economic growth continued in the third quarter, sentiment turned and the pace of the recovery somewhat slowed as the COVID-19 Delta variant led to a surge of coronavirus cases in July and August. Supply chain disruptions, increasing costs and the possibility of the Federal Reserve tapering its asset purchases sometime before year-end led to increased volatility as the quarter progressed. The transition from an economy ravaged by a pandemic to one that is less so has been swift, but what happens when the punch bowl is taken away? We will be keeping an eye on developments in Washington D.C. as the budget reconciliation discussions continue. Additionally, we will be watching overseas as one of China's largest property developers attempts to work itself out of its financial issues.

The Russell 2000 Index finished in negative territory for the third quarter. The index has not had a down quarter since the first quarter of 2020. The market sell-off was led by loss-making companies and highly shorted stocks. It is fair to say that quality had a slight resurgence during the quarter as profitable companies and companies with the highest returns on invested capital outperformed. It is a trend that has persisted for most of 2021. Small cap value (-3.0%) handily outpaced small cap growth (-5.7%). That makes four quarters in a row in which small cap value has outperformed its growth counterpart. On a year-to-date basis, small cap value (+22.9%) is massively outperforming small cap growth (+2.8%).

## Top Contributors

**Fortinet, Inc.** is a cybersecurity solutions business that caters to the enterprise and small and medium-sized business markets. The addressable market for its products is north of \$100 billion and a substantial amount of Fortinet's revenue is recurring in nature. Spending patterns on cybersecurity are well positioned for further growth as it is

viewed as critical in nature in an environment that continues to become more complex and rife with security threats. Fortinet reported impressive operating results during the quarter that were highlighted by over 20% growth in billings.

**ASGN Incorporated** offers professional services and information technology consulting services to the federal government, digital, creative and life sciences end markets. ASGN has made several tuck in acquisitions this year. Additionally, during the third quarter it sold a non-core asset, which was a drag on operating results, for a nice multiple. ASGN has seen a rebound in its digital and creative segments while its government consulting line continues to power ahead. We anticipate further acquisition activity as the year progresses.

**Medpace Holdings, Inc.** is a contract research organization, or CRO, that caters to smaller biotechnology and pharmaceutical companies. CRO relationships allow biotechnology and pharmaceutical companies to focus their research efforts on developing innovative therapies to combat harmful diseases and viruses. CRO's conduct feasibility studies manage regulatory affairs, patient recruitment and clinical trials on behalf of their clients. Medpace reported excellent operating results during the quarter highlighted by double-digit organic revenue growth and bookings. Medpace remains one of the Argent Small Cap strategy's largest holdings at quarter end.

**ePlus Inc.** is an information technology value-added reseller that also offers consulting services to its clients. It focuses on emerging technologies such as security, artificial intelligence and the cloud. ePlus is somewhat different from most value-added resellers as it leads with a consultative sales approach, whereby it gets to know customers and understands their needs. It can then design, deploy and manage solutions that meet customers' objectives. This lifecycle approach tends to ingrain ePlus into the fabric of its end user's networks and sets it up to be a recurring partner. Earnings results easily beat expectations, and investors reacted favorably to the results.

**Asbury Automotive Group, Inc.** is a well-established auto dealer in the United States with a track record of effective cost management and excellent capital allocation. Auto dealers have been evolving towards a razor/razor-blade model that emphasizes less cyclical streams of revenue and profits such as parts and services, financing and insurance. Asbury has also recently introduced an omnichannel strategy that investors appear positive about. The company reported a record quarter of operating results and offered a healthy outlook. Right before quarter end, Asbury announced the largest acquisition in the company's history. The transaction is highly accretive and will increase Asbury's scale and take it from the eighth largest automotive retailer in the U.S. to the fourth largest.

### Top Detractors

**PetIQ, Inc.** provides services and products to the companion animal market. The company manufactures and distributes pet health and wellness products through an omnichannel approach, and also offers veterinary services via a clinic offering that partners with mass retailers. PetIQ has made a number of accretive acquisitions in its product segment over the past several years. The company is still navigating the pandemic across its services segment, as some stores remain understaffed from absenteeism resulting from COVID-19. This is a temporary phenomenon, but is negatively impacting current period results. We added to our PetIQ position during the third quarter.

**InfuSystem Holdings Inc.** is a health care service provider that facilitates outpatient care for durable medical equipment manufacturers and providers. It has two sources of revenue, renting durable medical equipment to providers and offering an integrated therapy services platform that provides treatment consumables, handles the logistics around orders and deliveries, around-the-clock nursing support, biomedical services and billing. It is a one-stop shop for manufacturers and providers of certain therapies such as oncology, pain management and negative pressure wound treatment. InfuSystem reported a weaker-than-anticipated quarter due to some negative impacts

from COVID-19 on its durable medical equipment segment. We believe this is a hiccup, but we need to become more comfortable with management's operating skills before adding to our position.

**Telos Corporation** sells software-based security solutions that protect sophisticated security customers against evolving threats. Telos has a meaningful and growing competitive advantage in the fast-growing cybersecurity software industry. It has been endorsed by U.S. intelligence agencies as the de facto standard for governance risk and automated compliance for cloud migration and continuous monitoring. Unlike many government cybersecurity providers, Telos owns its own intellectual property and can thus serve private sector customers as well. During the quarter a few contracts, one with the Center for Medicare & Medicaid Services and one with the Transportation Security Administration were delayed. These are "when" and not "if" contracts and we are excited to see Telos close on these deals in the coming quarters.

**America's Car-Mart, Inc.** is an integrated automotive sales and finance company with almost 150 stores in small cities across the south-central United States. The company serves subprime consumers and competes with mom-and-pop businesses and the used car portion of franchised car dealers. The addressable market of subprime consumers is large and underserved, providing excellent long-term growth prospects for America's Car-Mart from both an organic and consolidation perspective. The company saw gross profit margin contract slightly on elevated wholesale car prices in its most recent quarter. On the positive side volumes accelerated and gross profit dollars per unit grew. We added to our position in America's Car-Mart during the third quarter.

**Select Medical Holdings Corporation** operates critical illness recovery hospitals, rehab hospitals and clinics, and occupational health centers across the U.S. The company focuses its efforts on providing high-quality care and service, and specialized inpatient and outpatient services. While parts of Select Medical's business were negatively impacted by COVID-19, its exposure to critical illness recovery hospitals were a benefit. The company should continue to benefit from positive trends impacting its outpatient rehab segment longer term, as well as several referral partnerships with acute care hospitals. Select Medical reported better-than-anticipated operating results, but the stock took a breather after a meaningful move higher over the course of the year. We added to our position in Select Medical during the third quarter.

Argent Small Cap Strategy Top Contributors and Detractors for Quarter Ending September 30, 2021\*

Top Contributors	Avg. Weight	Total Effect	Top Detractors	Avg. Weight	Total Effect
Fortinet, Inc.	4.70	1.15	Select Medical Holdings	3.03	-0.26
ASGN Inc	2.92	0.52	America's Car-Mart, Inc.	2.80	-0.36
Medpace Holdings, Inc.	4.47	0.47	Telos Corporation	2.75	-0.39
ePlus inc.	2.38	0.45	InfuSystem Holdings, Inc.	1.71	-0.70
Asbury Automotive Group, Inc.	2.56	0.45	PetIQ, Inc. Class A	2.23	-0.78

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## Portfolio Positioning

Turnover was under 20% during the third quarter and is tracking at approximately 30% year-to-date. While turnover is somewhat market dependent, we believe that somewhere in the 20-30% range is reasonable. We made one new investment during the quarter starting a position in Rimini Street, Inc. The company provides third-party software

support services for enterprise software products. Rimini Street replaces traditional vendor support and allows licensees of Oracle, Microsoft, SAP and others to save at least half on support costs while offering superior customer service. The company has a dominant market share in an industry that is anticipated to grow at a 30% clip over the next several years. The founder and CEO of Rimini Street owns a little over 15% of the total equity of the company, and we think that aligns our interests as shareholders with his as an operator.

As of the end of the third quarter, the portfolio was most overweight Consumer Discretionary and Information Technology followed by Industrials and Health Care. The Small Cap strategy was underweight Real Estate. There is no sector exposure to Energy, Materials, Communication Services, Consumer Staples and Utilities. As an investment team, we continue to seek good businesses priced at attractive valuations for the portfolio. Recall, to us a good business is one that generates substantial cash flow, requires opportunistic capital investment, and has a conservatively financed balance sheet. We also prefer management teams with a track record of producing returns above their cost of capital and have proven their wherewithal over an economic cycle.

Sincerely,

**Argent Small Cap Team**



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For the period ending December 31,	Gross-of-Fees (%)	Net-of-Fees (%)	Russell 2000 Return (%)	Composite 3-Yr St. Dev (%)	Russell 2000 3-Yr St Dev (%)	Number of Composite Accounts	Composite Assets (\$ millions)	Principal Business Assets (\$ millions)	Internal Dispersion (%)
2020	2.65	1.91	19.96	26.13	25.27	1	30	2,874	0
2019	24.27	23.4	25.53	16.35	15.71	7	199	3,019	1.84
2018	-19.43	-20.19	-11.01	16.45	15.79	7	184	2,542	0.38
2017	18.39	17.24	14.65	14.51	13.91	7	227	2,898	0.47
2016	25.73	24.48	21.31	16.19	15.76	7	207	2,604	0.09
2015	-5.48	-6.42	-4.41	13.5	13.96	6	169	2,357	0.04
2014	7.44	6.37	4.89	12.17	13.12	7	186	2,817	0.11
2013	28.74	27.48	38.82	17.04	16.45	6	178	2,478	0.18
2012	19.68	18.49	16.35	19.84	20.2	7	139	1,782	0.22
2011	-1.95	-2.93	-4.18	23.38	24.99	7	109	1,247	0.33
Three Year*	0.92	0.12	10.25						
Five Year*	8.88	7.93	13.26						
Ten Year*	8.91	7.9	11.2						
Information for period(s) ending September 30, 2021									
3rd Quarter 2021	-1.39	-1.55	-4.36	26.4	25.33	1	24	3,235	
1 Year*	40.14	39.23	47.68						
3 Year*	2.68	1.95	10.54						
5 Year*	8.53	7.65	13.45						
10 Year*	12.31	11.3	14.63						
Since Inception*	8.55	7.55	9.48						

\*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. 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. The Argent Small Cap Equity Composite has had a performance examination for the periods January 1, 2008 through December 31, 2019. The verification and performance examination reports are available upon request. 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 invested in equities with small capitalization containing both growth and value characteristics for which Argent has sole investment discretion. Portfolios will include small cap equity holdings, with zero fixed investments and cash targeted to be less than 10% of total portfolio value. The composite inception and creation date is January 2008. The composite name changed from Argent Small Cap Core Equity Composite to Argent Small Cap Equity Composite in December 2020. A complete list and description of composites is available upon request.

3. The benchmark is the Russell 2000® Index which measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current 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-fees performance returns are presented before management and certain custodial fees, but after all trading expenses except where commissions have been waived or for accounts with asset based-pricing fees. Net of fee performance is calculated by reducing gross performance by actual management fees incurred and any asset-based-pricing fees for applicable portfolios as asset-based-pricing fees are considered a trading expense. The composite includes portfolios that pay a fee based on a percentage of assets under management. The composite includes accounts with asset-based-pricing fees which represent less than 1% of composite assets during the years 2016 and 2017. During 2018 - 2020, the composite included portfolios where commissions were waived representing less than 1% of composite assets.

6. Standard annual advisory fees for the Small Cap Equity product are calculated as a percentage of assets under management according to the following schedule: 0.80% on the first \$25M, 0.75% on the next \$25M, 0.70% on the next \$50M, 0.65% on the balance thereafter, although fees may be negotiated or waived in certain circumstances.

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. Note: values for calendar year 2008 & 2010 are not available since no portfolio was in the composite the entire calendar year. 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. The standard deviation is not presented for 2008 & 2009 since the composite inception date of 1/1/2008 does not provide historical data to calculate a 3-year formula.