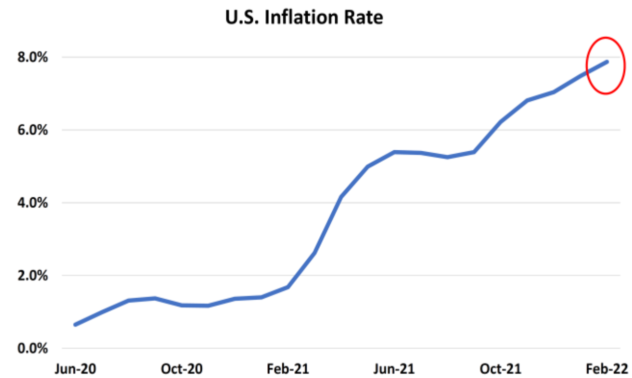
Argent Capital Management LLC

Market Overview – First Quarter 2022

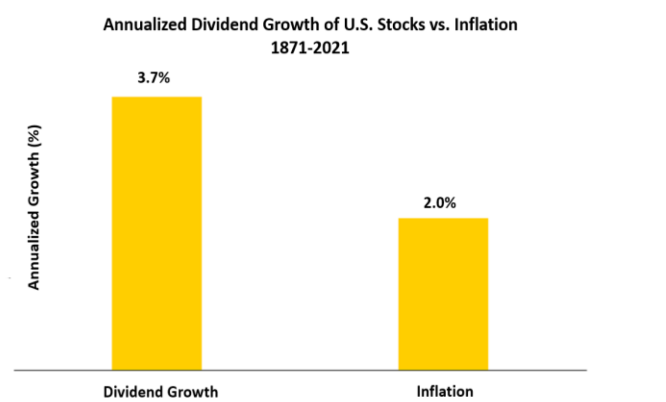
It's almost impossible to turn on the news today and not hear about inflation. The annual inflation rate in the U.S. accelerated to 7.9% in February–the highest level we have seen since 1982. The chart below shows the acceleration in the inflation rate since June 2020. So why is inflation so high? Experts say the surge has been caused by turmoil in the supply chain along with the pent-up consumer demand for goods following the reopening of the economy in 2021. The Ukraine invasion is compounding the problem.



Source: Y-Charts

Controlling inflation is one of the dual mandates of the Federal Reserve along with maximizing employment. During 2021, Federal Reserve Chairman Jerome Powell and other Federal Reserve officials described inflation as "transitory" and claimed inflation would take care of itself as supply chain bottlenecks died down. Over the last few months, the Fed has acknowledged that rising prices are not transitory as once thought and could threaten the economy. The Federal Reserve meeting in mid-March helped investors gain some certainty surrounding the Fed's policy around inflation. In order to tackle inflation, the Fed approved raising rates by a quarter percentage point, its first rate hike in more than three years.

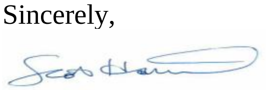
The rate hike is a good start, but it won't solve the inflation problem overnight. Gas prices are nearly 40% higher and vehicles prices are up more than 41% from one year ago. Food is up almost 8% and consumers are feeling the squeeze in their wallets. But as inflation erodes the value of a dollar, investing in dividend paying stocks is a way to help consumers maintain their purchasing power. Well-selected companies with sound business models and a pattern of paying dividends can generate, over time, a rising income stream while also appreciating in value. In fact, historically dividend increases alone have been significantly above the level of annual inflation. The chart below shows that over the past 150 years, the annualized dividend growth of U.S. companies is 3.7% compared with 2.0% per year for inflation. Annual outperformance of *1.7%* per year for dividends illustrates that dividends provide an extremely attractive option for retirees and other investors.



Source: Source: Shiller Data Library, http://www.econ.yale.edu/~shiller/data.htm. Data covers the period January 1871 to March 2021. Dividend growth based on the S&P Composite. Inflation based on CPI.

We are 100% employee-owned and we thank you for your business and your interest. In addition, if you like our market letters, videos by Ward Brown and podcasts by Ken Crawford, we hope you will share them with friends. For information on our five successful equity strategies–Large Cap U.S., Dividend Select, Mid Cap U.S, Small Cap U.S. and SMID Cap U.S., please contact clientservice@argentcapital.com.

Sincerely,



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