SMID Cap Quarterly Commentary

2023: First Quarter

Argent

Performance Summary

For the first quarter of 2023, the Argent SMID Cap strategy outperformed its benchmark, returning 7.0% net of fees, compared to a return of 3.4% for the Russell 2500® Index.

Performance Summary as of March 31, 2023*					
		1Q23	1 Year	3 Year	Since Inception
Argent SMID Cap	Net (%)	7.00	-5.48	22.83	7.89
Russell 2500		3.39	-10.39	19.42	5.69
Excess Return		**3.61**	**4.91**	**3.41**	**2.20**

*Annualized for periods longer than one (1) year. Strategy inception date is 12/31/2019
For comparison purposes, the strategy is measured against the Russell 2500® Index. Past performance is no guarantee of future results. Data is as of 03/31/23 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.

It is the intention of the strategy to generate outperformance through bottom up, fundamental stock selection utilizing a proprietary blend of quantitative and fundamental analysis to uncover the right companies, in the right sectors at the right time. Relative outperformance in the quarter was driven by stock selection and sector allocation.

Argent SMID Cap Consumer Discretionary exposure led the outperformance on stock selection. The rapid increase in mortgage rates weighed heavily on the Housing market but housing related stocks have continued to exhibit relative strength. Home affordability and lack of supply are real issues, but demand is resilient and traffic trends of potential buyers remains buoyant. Factory-built housing company Skyline Champion Corp (SKY) was the top contributor but homebuilder NVR, Inc. (NVR), and building products firm Installed Building Products (IBP) added to the healthy gains. In each instance, there is a measure of a capable management team executing through the down cycle and maintaining fundamentals above expectations while putting the businesses in position to thrive as the housing market recovers.

The liquidity issues leading to the failure of Silicon Valley Bank and Signature Bank weighed on the Russell 2500 Financial sector and the banking industry especially in the first quarter. The Argent SMID Cap strategy has had no exposure to banks for some time, well prior to the recent turmoil, and thus selection in the financial sector was a positive contributor to performance. OneMain Holdings (OMF) is a consumer finance company focused on the low-end borrower and led the gains in the first quarter. Management has executed well through the economic slowdown, as credit conditions did not deteriorate at the rate expected while loan growth has remained stable despite tighter lending standards. The company has a solid balance sheet and ample liquidity allowing for favorable capital allocation split between reinvesting in growth initiatives, share repurchases, and dividends.

The Russell 2500 Technology Sector had a strong start to 2023 and was the best performing sector in the Russell 2500 Index, up more than 13.5%. Argent SMID Cap has a significant technology overweight and that allocation, in addition to positive stock selection, contributed to outperformance. Cybersecurity software provider Fortinet (FTNT) led the gains on better-than-expected billings growth despite a generally slowing IT spending environment. Fortinet is a market share gainer exposed to an industry that remains a top spending priority. The company is reinvesting in both its core and adjacent end markets to drive product revenue and subscription acceleration while strong execution supports margin expansion.

Russell 2500 commodity-related material companies had a solid first quarter. Argent SMID Cap was underweight the sector and this limited exposure weighed negatively on performance. Our investment process is hesitant to take positions in companies where so much of the outcome is out of their control. Ultimately, it is difficult to identify an enduring business when the price of a commodity drives earnings. It is typically a highly capital-intensive industry and generating positive returns consistently has proven arduous.

The Russell 2500 Communication Services sector generated strong returns in the first quarter of 2023, up nearly 10%, and significantly outperforming the benchmark index. Argent SMID Cap does not hold any communication services companies and the lack of exposure weighed negatively on performance.

Argent SMID Cap Healthcare exposure was the largest detractor in the first quarter, echoing Russell 2500 Healthcare sector weakness. Stock selection hurt, led by medical device holding Globus Medical (GMED). Globus announced a large acquisition that raised investor concerns about the strategic and cultural fit of the deal. The risks associated with integration, product overlap and culture differences transition the company away from our original investment thesis and we elected to sell Globus in the first quarter.

Quarterly Attribution Analysis, March 31, 2023
Argent SMID Cap Strategy vs. Russell 2500 Index*

	Argent SMID Cap			Russell 2500			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	--	--	--	2.82	9.70	0.27	-2.82	-9.70	-0.27	-0.17	--	-0.17
Cons. Discretionary	13.29	25.14	2.74	11.99	10.36	1.16	1.30	14.77	1.58	0.01	1.86	1.87
Consumer Staples	1.92	14.98	0.26	3.36	5.77	0.21	-1.44	9.21	0.06	-0.03	0.16	0.13
Energy	3.38	-0.24	0.01	4.78	-9.43	-0.46	-1.40	9.19	0.47	0.21	0.33	0.54
Financials	15.28	2.85	0.43	16.66	-6.55	-1.10	-1.38	9.40	1.53	0.12	1.62	1.74
Health Care	14.31	-13.32	-1.65	12.49	-0.11	0.06	1.82	-13.21	-1.71	-0.16	-2.04	-2.20
Industrials	22.61	7.41	1.77	18.91	7.34	1.22	3.70	0.08	0.55	0.14	-0.02	0.12
Technology	23.19	13.51	2.87	12.45	13.57	1.57	10.73	-0.06	1.30	1.10	0.09	1.19
Materials	0.30	13.25	0.27	5.94	6.74	0.40	-5.64	6.50	-0.13	-0.15	0.07	-0.08
Real Estate	4.80	13.97	0.47	7.69	0.86	0.10	-2.89	13.12	0.37	0.07	0.55	0.62
Utilities	--	--	--	2.91	1.04	0.05	-2.91	-1.04	-0.05	0.07	--	0.07
Cash	0.92	1.08	0.01	--	--	--	0.92	1.08	0.01	-0.12	--	-0.12
Total	**100.00**	**7.19**	**7.19**	**100.00**	**3.48**	**3.48**	**--**	**3.71**	**3.71**	**1.08**	**2.63**	**3.71**

*This analysis is based on the holdings history of a representative portfolio of the Argent SMID 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

The investing world is very quickly being reminded of the power of interest rates. While investors were already grappling with conflicting opinions about the current state of the economy, the failure of Silicon Valley Bank (SIVB) and contagion concerns at several other financial institutions rightfully grabbed the headlines. Sometimes in the stock market risk happens fast, but the seeds for the current Banking sector issues were sown a long-time ago.

Market prognosticators spent much of the first quarter hypothesizing on the future path of Federal Reserve's interest rate decisions. The impact of continued increases, a pause, or even interest rate cuts were being considered. The stock market response was expected to be pronounced in each circumstance. Clearly, Fed decisions on interest rates are important.

For the last forty years investment management has operated under an environment of low to declining interest rates. The Zero Interest Rate Policy (ZIRP) implemented in response to the Great Financial Crisis accelerated the trend. COVID and the subsequent monetary and fiscal responses represented the nadir for interest rates. It is clearly going to take time for many companies to adjust their operating models to a higher rate world.

Interest rates have been moving higher since March 2020 during the height of pandemic worry. The rate on the 10-year US Treasury is now near its median of the last thirty years. Assumptions that had become accepted wisdom – including permanently low and declining interest rates – are now being fundamentally challenged. We have gone from TINA – there is no alternative – to TARA – there is a reasonable alternative in the deposit and investment world. A clear example of this is what occurred at Silicon Valley Bank, where depositors pulled their money, seeking higher interest rates, thus creating a classic run on the bank.

Predicting where interest rates might be at any given time in the future is a fool's errand. What we do know is interest rates are now higher than they have been for many years. As a result, access to low-cost funding and cheap credit has morphed into something more traditional and discerning. While painful in the short-term, there are benefits, as easier is not always better, and can lead to inefficient and unproductive capital allocation decisions.

The Argent approach to stock selection should benefit from a more stringent interest rate environment. Our investment team looks for high quality, enduring businesses. High quality for us is defined by several key tenets: It is a business that has growing cash flows, has a durable competitive advantage and allocates capital wisely led by a shareholder friendly management team. An additional defining characteristic of Argent portfolios is that our companies generate returns above their cost of capital.

In a declining interest rate world, the cost of capital (borrowing) declines as well. When interest on debt declines, the returns needed to justify business investments in plants, people and equipment also go down. In a low interest environment, lower quality business can appear attractive because the cost required to generate a positive return is so low. Thus, low interest rates can distort the evaluation of the characteristics of truly high-quality businesses. At its most extreme a low interest rate environment allows for the proliferation of business models that work only with depressed interest rates and siphons capital from more worthy enterprises.

The unintended consequences of artificially suppressed interest rates, such as those ultimately leading to the demise of Silicon Valley Bank, are unfortunate. However, business casualties should not be unexpected on the path to normalization. Rising rates have forced enormous change and are transformational to the previous investment landscape of the last four decades. This seismic shift will not be pain free.

In a world of monetary tightening, truly exceptional businesses can more readily distinguish themselves by earning high returns on invested capital. There are elements to the ZIRP unwind that make for a more stable and healthy investment environment in the future.

Top Contributors

Fortinet, Inc (FTNT) provides network security solutions. Cybersecurity spending is proving resilient even amidst a slowing economy and weaker overall IT spending environment. Fortinet product revenue growth has defied increasingly negative sentiment and management recently reiterated its 2022-2025 long-term targets of billings and revenue compound annual growth rate of 22% and mid- to high-30s FCF margin (compared to 33% in 2022).

Skyline Champion Corp. (SKY) designs and produces manufactured homes. Although housing data including single-family starts has declined precipitously, the overall residential construction market has been more favorable than many expected last Fall. Management recently noted the demand environment as improving and the company reiterated its reasons for why it believes its margin profile will be generally more sustainable than in past years.

Cancellations have reversed 70% from earlier in the full year, foot traffic is improving, management expects retailer destocking will be done by early spring and there are some reasons to think that demand will be reasonably strong come the June quarter selling season.

NVR, Inc (NVR) builds and markets homes in addition to providing mortgage banking and title services. Although housing data including single-family starts has declined precipitously, the overall residential construction market has been more favorable than many expected in the fall. NVR's net new home orders have declined, but less than peers, and gross margins have held up better than expected. The strong balance sheet and healthy cash levels support continued capital return in the form of share repurchases.

Zebra Technologies Corp (ZBRA) is a global leader in the Automation Identification and Data Capture (AIDC) industry. Despite investor concerns on macro-related inventory de-stocking, the company has exposure and dominance in multiple growing end markets with consistent new products, an improving supply chain, and potential margin improvement in 2H23.

Copart, Inc (CPRT) is one of the leading providers of online auction and vehicle remarketing services, primarily for insurance companies. The salvage car auction market is benefiting from an increase in miles driven as well as the impact from the higher cost of repairs. Copart was rewarded for growing share and increasing revenue per unit sold. Unit volume increased, particularly the international segment. Pricing was a headwind but outperformed the broader declines in the market and the Manheim Used-Vehicle Index.

Top Detractors

Agilent Technologies, Inc (A) is a leading producer of scientific testing equipment for the communications, electronics, life sciences, and chemical analysis companies. Backlog visibility in the analytical instrumentation segment is 3-6 months out and given the macro uncertainty the stock was pressured by management caution in their conservative approach to 2H23 expectations. Nonetheless, the pipeline remains healthy, and cancellations are near zero. In addition, organic growth expectations are robust with operations in China & Europe outperforming.

Medpace Holdings, Inc (MEDP) is a clinical research organization serving a fast-growing segment of the drug development industry. The clinical research industry was pressured by decelerating Request for Proposals (RFPs) and higher cancellation rates in addition to negative investor sentiment over a peer's ongoing investigation related to the import of non-human primates (NHPs). However, management is notoriously cautious and the company's ability to drive organic growth is stellar.

Booz Allen Hamilton Holding Co (BAH) provides management and portfolio consulting services to the U.S. government in the defense, intelligence, and civil markets. Geopolitical events contributed to significant outperformance for defense stocks in 2022. Booz Allen benefitted but entered the year at decade highs across valuation metrics while the Defense budget and the impact to forward growth came under scrutiny. Sentiment on defense stocks has shifted rapidly but the company remains exposed to favorable growth segments still experiencing strong demand.

Molina Healthcare, Inc (MOH) operates as a managed care organization. Recent headlines affecting Pharmacy Benefit Managers (PBMs) and risk associated with the Medicare Advantage Advanced Notice have weighed on the industry and sparked margin concerns for Molina specifically. However, Molina retains multiple drivers for premium growth including new RFP contract wins and acquisitions despite Medicaid redetermination risk.

Globus Medical Inc (GMED) is a medical device company focused on products that promote healing in spinal disorders. While Globus has continued to execute on its fundamental growth strategy the company announced a merger with spinal medical products peer NuVasive (NUVA) that was met with significant investor skepticism.

Argent SMID Cap Strategy Top Contributors and Detractors for Quarter Ending March 31, 2023*					
Top Contributors	Avg. Weight	Total Effect	Top Detractors	Avg. Weight	Total Effect
Fortinet, Inc.	4.14	1.24	Agilent Technologies, Inc.	3.07	-0.37
Skyline Champion Corp.	3.20	1.15	Medpace Holdings, Inc.	2.77	-0.44
NVR, Inc.	2.68	0.50	Booz Allen Hamilton	2.94	-0.46
Zebra Technologies Corporation	2.70	0.47	Molina Healthcare, Inc.	1.67	-0.46
Copart, Inc.	2.38	0.46	Globus Medical Inc Class A	1.45	-0.92

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Buys

Colliers International (CIGI) operates globally in the real estate services sector. The company is led by an impressive capital allocator operating in an attractive industry that is very large, highly fragmented, and likely to provide a nice runway for growth well into the future. Colliers runs an asset-light business model that generates substantial free cash flow. In addition, Colliers began to change its business mix with the mid-2018 acquisition of Harrison Street which gave it a nice sized entry into the high margin, investment management piece of the industry. Despite a record year for mergers & acquisitions in 2022, the balance sheet remains in excellent shape and the opportunity set for future deals remains strong.

Entegris Inc (ENTG) is a leading supplier of advanced materials and process solutions for the semiconductor and other advanced technology industries. The company is a market share gainer benefitting over time from the transition to new nodes as well as the increasingly more complex semiconductor architecture. Its broad range of products gives the company exposure to a wide range of industry trends in addition to providing competitive advantage. In addition, the acquisition of CMC Materials (CCMP) comes with cross-selling, new product development and synergy optionality.

Exponent Inc. (EXPO) is a science and engineering consulting firm intent on solving complicated issues for a broad range of industries and governments. The unique service offering, and secular growth opportunities of the business are further supported by industry leading margins and a strong balance sheet. Given the mission critical nature of its projects there is less cyclicality in the earnings profile while supporting top and bottom-line growth over the long-term.

Sells

F&G Annuities & Life Inc (FG) is a recent spin-off from Fidelity National Financial (FNF) providing title insurance and transaction services to the real estate and mortgage industries. We received a small position as part of the corporate action and elected against further investment.

Globus Medical Inc (GMED) is a medical device company focused on products that promote healing in spinal disorders. While Globus has continued to execute its fundamental growth strategy the company announced a merger with spinal medical products peer NuVasive (NUVA). The risks associated with integration, product overlap and culture differences transition the company away from our original investment thesis.

Huntsman Corp (HUN) manufactures chemicals for the international plastics, automotive and construction industries. The company executed well over the last few years to upgrade the quality and growth profile of the business. More recently, twin headwinds of a slowing construction activity and more general, macro related demand weakness including in China increased the risk profile.

LPL Financial Holdings Inc. (LPLA) is the largest independent broker-dealer in the U.S. The underlying business of the company to acquire additional advisory firms and act as an agent providing a broad array of products and services has supported consistent and impressive growth. More recently, LPL has been a significant beneficiary of higher interest rates due to the positive impact on brokered cash deposits. The latter has become more pronounced and now accounts for essentially all its expected earnings growth. Given the increased volatility in interest rates and correlation for LPL there is increased risk unrelated to our original investment thesis.

Portfolio Positioning

The Argent SMID Cap team builds a high conviction, low turnover portfolio of better and enduring businesses. To us, a good business generates exceptional profitability and cash flow, compounds returns above its cost of capital, and is run by a management team that has proven itself a capable steward of capital.

We focus on finding investments that show alignment between their Argent Alpha Model score and company fundamentals. The diligent, bottom up research process drives high conviction candidates for portfolio consideration. Low portfolio turnover is intentional and creates a high barrier to entry. Turnover in the first quarter was 9%.

The Argent SMID Cap strategy has had no exposure to Banks for some time. Fundamental pressure from volatile capital markets, higher costs and slowing loan growth had the portfolio underweight banks well before the SVB collapse.

The Argent SMID Cap team continues to identify excellent investment opportunities, and the portfolio pipeline of new ideas under consideration is consistent and spread across sector exposures.

Sincerely,
Argent SMID Cap Team

Argent

Argent Capital Management, LLC

ARGENT SMID CAP COMPOSITE

January 1, 2020 through March 31, 2023

For the period ending December 31,	Composite Return % Gross-of-Fees	Composite Return % Net-of-Fees	Russell 2500 Return (%)	Composite 3-Yr St. Dev (%)	Russell 2500 3-Yr St. Dev (%)	Number of Composite Accounts	Composite Assets ($ millions)	Firm Assets ($ millions)	Internal Dispersion (%)
2022	-22.82	-23.49	-18.37	26.04	25.16	7	2	2,828	0.13
2021	35.43	35.21	18.18	NA	NA	5	2	3,517	0.46
2020	15.75	15.61	19.99	NA	NA	4	2	2,874	NA
Three -Year Annualized	6.55	6.15	5						
Information for period(s) March 31, 2023									
1st Quarter 2023	7.22	7.00	3.39	21.83	21.51	5	5	3,113	
Rolling 1 – Year	-4.68	-5.48	-10.39						
Rolling 3 – Year	23.39	22.83	19.42						
Since Inception Annualized	8.34	7.89	5.69						

Disclosures:

1. Argent Capital Management, LLC ("Argent") is a registered investment adviser with United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. As of October 2022, Argent was redefined to include the wrap division. Argent claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Argent has been independently verified for the periods January 1, 2003 through December 31, 2022. 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 SMID Cap Composite has had a performance examination for the periods January 1, 2020 through December 31, 2022. 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 in U.S. equities with both mid & small-capitalization showing strong earnings, with both growth and value characteristics, for which Argent has sole investment discretion. Portfolios typically include 40-50 equity holdings and cash targeted to be less than 10% of total portfolio value. This composite inception date is December 2019 and was created in December 2020. A list of composite descriptions and broad distribution pooled funds are available upon request.

3. The benchmark is the Russell 2500® Index which measures the performance of the 2,500 smallest companies in the Russell 3000 Index, with a median capitalization of $1.2 billion. 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, including but not limited to dividends received). Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is no guarantee of future results. There is no guarantee that strategies, systems, indicators, or signals will result in profits or that they will not result in a full loss or losses. All investors are advised to fully understand all risks associated with any kind of investing they choose to do.

5. Gross-of-fee 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. During 2020 - 2022, all portfolios in the composite had their commissions waived.

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 79% of the composite during 2020 and 77% (2021).

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. The standard deviation is not presented for 2020 & 2021 since the composite inception date of 12/31/19 does not provide historical data to calculate a 3-year formula.