SMID Cap Quarterly Commentary
2024: Second Quarter

Argent

Performance Summary

In the second quarter of 2024, the Argent SMID Cap strategy returned -5.62% versus the Russell 2500 index -4.27% return, underperforming the benchmark by 135 basis points, net of fees.

Performance Summary as of June 30, 2024*		2Q24	YTD	1 Year	3 Year*	Since Inception*
Argent SMID Cap	Net (%)	-5.62	5.87	19.25	6.29	11.39
Russell 2500		-4.27	2.35	10.47	-0.29	7.62
Excess Return		**-1.35**	**3.52**	**8.78**	**6.58**	**3.77**

*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 06/30/24 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 and allocation detracted from performance. Negative attribution was attributable to stock selection and allocation in the consumer discretionary sector and selection in the technology and real estate sectors. Stock selection in the financials and industrials sectors contributed positively.

The new all-time highs in the S&P 500 masked mostly lower returns across style boxes in the second quarter. Large-cap growth, specifically a handful of mega-cap technology stocks, outperformed everything else by a wide margin. Value, mid, and small-cap indices were all lower by mid-single digits. Performance ran in a straight line by market cap in what has become a consistent and frustrating pattern over the last several years.

The Russell 2500 closed out the first quarter at 52-week highs, marking a 30% gain from the market lows in October 2023. While consolidation is expected, the relative outperformance of the Magnificent 7 and a few others created the appearance of weakness across the remaining market cap spectrum. Despite the challenging period for small and mid-cap stocks, the Russell 2500 benchmark was still up 2.4% year-to-date and the Argent SMID Cap portfolio by almost 6%.

Second-quarter weakness was widespread, and the utilities sector was the only sector to finish positive. Macro slowdown fears weighed on investor sentiment and more economically sensitive industries. The industrials, materials, and consumer discretionary sectors led the benchmark lower, each falling more than 6%.

Attribution Commentary

The Russell 2500 consumer discretionary sector underperformed the benchmark in the second quarter. Argent SMID is overweight and underperformed on stock selection and allocation. Housing stocks generally have vastly outperformed expectations since the Federal Reserve started hiking interest rates. More recently, sentiment has shifted. In the second quarter, investors grew more concerned with the impact of mortgage rates stubbornly above 7% and record-high prices after New & Existing Homes sales data decelerated and the supply of homes increased. Building products supplier Installed Building Products and manufactured homes supplier Skyline Champion were under pressure. Investors were less forgiving of negative earnings surprises, and a few cyclical variables impacted Skyline Champion sales. Installed Building Products beat expectations and raised guidance on better pricing and margins, but the slowdown in multi-family construction and terminated SPI transaction weighed.

The Russell 2500 technology sector outperformed the benchmark in the second quarter. Argent SMID is overweight, and allocation was positive, but stock selection led to negative attribution. Cybersecurity stocks have faced excess volatility around releasing quarterly billings figures for some time. Premium valuation requires growth rates that are within or better than expectations. Enthusiasm built after Fortinet’s surprise fourth-quarter billings beat. It reversed in the first quarter, declining 6% year-over-year due to flat deferred revenue sequentially versus the significant change in the prior year period. It was within management's guidance and would have been closer to the midpoint had Europe not come in a bit softer than expected. The company guided the second quarter in line with expectations and maintained the guidance for full-year billings. Industry data supports the fact that the positive secular trends in cybersecurity are intact.

The Russell 2500 real estate sector outperformed the benchmark in the second quarter, and Argent Mid Cap lagged on stock selection. Benchmark performance was led by traditional real-estate investment trusts (REITs) in the residential and healthcare industries. The Argent SMID portfolio is rarely invested in a REIT due to the consistent lack of characteristics we seek in our enduring business framework. FirstService provides property management services for residential and commercial buildings. Company results have been solid, supported by strong organic growth from the residential segment, acquisitions, strong free cash flow, and margin expansion. Still, more cautious investor sentiment on the residential and building materials industries weighed.

Russell 2500 industrials underperformed the benchmark in the second quarter, but Argent SMID outperformed on stock selection. Weakness in the consumer electronics segment of science and engineering consultant Exponent has weighed on fundamental performance. Still, strong demand from various industries served by the company's reactive business led to a surprise "beat and raise" quarter. The improved demand trends uplifted utilization rates, leading the company to lower headcount reduction from 6%-8% to 5%-6% in 2024. Higher revenue and better utilization were a boon to margins that were 300 basis points above estimates and nearly 200 basis points better year-over-year.

Russell 2500 financials outperformed the benchmark in the second quarter, and Argent SMID generated positive attribution on stock selection. Boutique investment manager Victory Capital benefits from the organic assets under management growth generated from positive market returns. On top of that, its strategies consistently generate outperformance, which attracts better-than-industry money flows. A crucial part of Victory's strategic growth strategy is acquisitions, and the market responded favorably to the deal with leading European asset manager Amundi. It will create added scale, expand its global base, and add investment diversification to the existing Victory investment product offering.

Quarterly Attribution Analysis, June 30, 2024
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	--	--	--	2.45	-2.28	-0.05	-2.45	2.28	0.05	-0.05	--	-0.05
Cons. Discretionary	19.60	-12.43	-2.55	12.79	-7.19	-0.94	6.81	-5.24	-1.61	-0.21	-1.07	-1.29
Consumer Staples	--	--	--	3.27	-1.42	-0.04	-3.27	1.42	0.04	-0.09	--	-0.09
Energy	2.87	3.51	0.11	5.25	-1.93	-0.12	-2.38	5.44	0.22	-0.05	0.15	0.09
Financials	17.57	1.60	0.36	15.94	-3.25	-0.45	1.63	4.85	0.81	0.02	0.79	0.81
Health Care	11.60	-6.10	-0.71	11.62	-5.25	-0.63	-0.02	-0.85	-0.08	0.00	-0.10	-0.10
Industrials	22.94	-5.01	-1.16	20.71	-6.45	-1.37	2.23	1.43	0.20	-0.05	0.33	0.28
Technology	20.44	-5.66	-1.26	13.20	-2.82	-0.41	7.24	-2.83	-0.84	0.10	-0.57	-0.47
Materials	--	--	--	5.58	-6.50	-0.38	-5.58	6.50	0.38	0.12	--	0.12
Real Estate	4.29	-8.29	-0.36	6.34	-1.37	-0.08	-2.04	-6.92	-0.29	-0.05	-0.31	-0.36
Utilities	--	--	--	2.85	6.17	0.18	-2.85	-6.17	-0.18	-0.27	--	-0.27
Cash	0.68	1.26	0.01	--	--	--	0.68	1.26	0.01	0.04	--	0.04
Total	**100.00**	**-5.56**	**-5.56**	**100.00**	**-4.27**	**-4.27**	**--**	**-1.29**	**-1.29**	**-0.51**	**-0.78**	**-1.29**

*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 outperformance of mega-cap technology stocks accelerated in the second quarter, driving the concentrated gains in the large-cap universe. Mid- and small-cap stocks did not keep pace; the 4.3% decline in the Russell 2500 index and the 5.6% decline in the Argent SMID portfolio significantly trailed the 4.4% gain in the S&P 500. Still, the Russell 2500 benchmark finished the first half of 2024 positive by 2.3%. Argent SMID was higher by almost 6%.

Insatiable demand for AI-related services is the primary driver of the best-performing stocks across the market cap spectrum year-to-date. Russell 2500 utilities were the best-performing benchmark sector in the year's first half, led higher by the 50% gains in NRG Energy, benefitting from the power needs related to GenAI data centers. The performance concentration in mega-cap technology behemoths is well-documented and significant. Nvidia, Microsoft, Amazon, and Meta are responsible for nearly 60% of the first-half returns in the S&P 500, with Nvidia alone accountable for almost 30%.

The stellar gains from the world's largest companies by market cap masked deterioration down the market cap range in the second quarter. Auto, big-ticket retail, trucking, home builders, and building materials industries declined by double digits. First-quarter gains built on a much better-than-expected 2023 were faced with investors growing concerned about the impact of an economic slowdown, particularly in consumer-related industries, after a slew of economic data that consistently missed estimates. The Citi Economic Surprise Index hit a two-year low.

It is essential to distinguish between data that misses expectations, surveys that reflect weak or deteriorating sentiment, and hard data. Investors continue to have a more pessimistic outlook than what is reflected in economic figures. For example, the ISM Manufacturing survey has been in contraction territory for about 18 months, but year-over-year Industrial Production data has been more choppy and flat than contracting. The Atlanta Fed GDPNow forecast has declined from above 4% to 2% over the last several months but still implies decent growth.

Negative investor sentiment stands in stark contrast to earnings estimates. Russell 2500 earnings were up 6% in the first quarter and are expected to grow more than 8% this year. Forecasts for 2025 are for 24% growth. There have been no discernable revisions lower in sales estimates, which are expected to grow 6% in 2024. If an economic slowdown were to take hold, estimates would reflect it, but they do not.

The Russell 2500 is at 18.5x next twelve months earnings, below its 10-year median 20.5x. By contrast, the S&P 500 is at 21x, several turns above its 10-year median of 17.5x. The equal-weighted S&P 500 is at 16.5x. The average stock is not overvalued, and mega-cap technology leaders have earned a premium multiple. Nonetheless, the gap is significant, and earnings growth is becoming more favorable for many stocks. That is the argument for mean reversion.

Whether investors rotate, and market breadth broadens out more substantially, or mega-cap technology leadership remains, and the rest of the market holds on, both scenarios leave room for further upside. Past instances with similar first-half gains saw the market appreciate further in the second half.

It is reasonable to expect an increase in volatility as the presidential election draws nearer. That includes the fixed-income market, poised to face increasing deficits regardless of the outcome. Since 1950, the average stock market correction in an election year has been more than 13%. Thus far, the deepest peak-to-trough decline is not even half the typical figure.

History has shown that making investment decisions based on election outcomes is a losing proposition. More importantly, the tenants of the "no-landing" glide path remain intact. Credit markets are running smoothly, with no signs of stress. A firm but slower economy and labor market, resilient corporate profits, and increasing productivity continue to give the Federal Reserve time to assess the inflation data. While the last mile to achieve the 2% target has been a slog, more discerning consumers limit businesses' ability to raise prices, while costs normalize as wage growth deflates.

Unemployment claims and the unemployment rate have increased, and adverse economic surprises have reached an extreme. The market expects the Federal Reserve to commence easing at the September meeting, and current conditions support the presumption.

Argent SMID Cap Strategy Top Contributors and Detractors for Quarter Ending June 30, 2024*

Top Contributors	Avg. Weight	Total Effect	Top Detractors	Avg. Weight	Total Effect
Victory Capital Holdings, Inc.	3.12	0.45	Tempur Sealy International	2.79	-0.34
Fair Isaac Corporation	1.95	0.42	Molina Healthcare, Inc.	1.52	-0.41
Select Medical Holdings	2.23	0.41	Ulta Beauty Inc.	1.72	-0.46
Murphy USA, Inc.	2.39	0.34	Installed Building Products	2.74	-0.47
Hamilton Lane Incorporated	1.98	0.25	Skyline Champion Corp.	2.90	-0.49

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Top Contributors

Victory Capital Holdings, Inc. (VCTR) is a boutique investment management firm featuring ten investment franchises supported by centralized administration, distribution, and technology. The positive market environment is a boon to the existing investment franchises under the Victory banner. Assets under management (AUM) grew 8.5% year-over-year, and longer-term performance figures are above industry peers. The more significant driver was the transaction announced with Amundi, the European asset manager. In addition to combining Amundi US with Victory, Amundi will become a strategic shareholder in Victory and establish a 15-year global distribution agreement. The deal comes with expense synergy potential and will notably increase Victory's scale and AUM.

Fair Isaac Corp. (FICO) provides analytics software, solutions, and services, including the FICO credit score. The company is accelerating growth and expanding its margins despite the weakening credit environment. The software business has generated annual recurring revenue at a 45% CAGR since 2021, and management continues to see a multi-year opportunity to expand its pricing for credit scores. The estimate for the score as a percentage of total mortgage closing costs is less than 0.2%, leaving a significant runway to bring price and value into better balance. Premium valuation reflects peer-leading margins, execution, and returning capital through its healthy buyback program.

Select Medical Holdings Corp (SEM) operates one of the largest networks of critical illness recovery (CIRH) and rehab hospitals, outpatient rehab clinics, and occupational health centers in the US. Fears of reimbursement headwinds in its hospital segments proved overblown, and performance in CIRH and inpatient rehab was better than expected. Patient days grew high single-digits, and margins expanded on the mix and lower salaries, wages, and benefits (SWB) costs. The shortage and higher rates required for nurses post-COVID are normalizing faster than initially guided by management. The spin-off of the Concentra segment is on track to be completed by year-end.

Murphy USA, Inc (MUSA) is a low-price, high-volume gasoline and convenience store retailer. Higher structural fuel margins versus pre-pandemic levels are an industry tailwind and catalyst for continued earnings growth. Fuel margins are also highly volatile week-to-week and thus quarter-to-quarter. Though fuel margins missed expectations at 24.8 cents per gallon, the guidance for the full year, 30.0-34.0 cents per gallon, is more than 2x where it was in 2019. In addition, Murphy's price leadership strategy resonates with customers during higher gas prices and general inflation in a more challenging macro environment. Enviable free cash flow conversion supports store growth, dividends, and a healthy share repurchase plan.

Hamilton Lane, Inc. (HLNE) is a global private markets asset manager. Management had stated that most early-year headwinds were a matter of timing, which proved accurate. Fundraising accelerated sequentially, incentive fees increased meaningfully across fund types, fee rates increased, and margins expanded. The favorable mix shift into higher-fee evergreen products provides an additional runway for fee-related earnings margins to move higher over time. Management sees several pathways supporting future growth, including the private wealth channel. The dividend was increased by 10%, and valuation metrics are near the 5-year median, slightly above public alternative management peers.

Top Detractors

Temper Sealy International, Inc. (TPX) manufactures and distributes bedding products globally. The company is exposed to the broad deceleration in big-ticket discretionary spending that many firms noted this spring. The pressure on traffic and increased use of promotions was not surprising after management comments on demand trends during each month of the first quarter. However, unit sales are expected to decrease slightly year-over-year, a tweak lower than initial expectations for flat unit sales. Second-half demand is expected to improve. Management still expects the FTC to complete the review of the Mattress Firm acquisition by mid-year and targets closing the transaction in 2024.

Molina Healthcare, Inc. (MOH) is a healthcare service provider operating as a managed care organization (MCO). Health insurers were first pressured by the CMS announcement on proposed rates for Medicare Advantage, which are expected to provide lower payments than expected for 2025. Peer UnitedHealth created additional pressure on the group when the company warned of some upheaval in Medicaid that would weigh on results. Still, Molina's earnings for the year are tracking in line with guidance, redeterminations have been uneventful, and valuation is favorable.

Ulta Beauty, Inc. (ULTA) operates a chain of beauty stores. Investors were disappointed when the company introduced annual 2024 guidance that included additional investment spending and sales targets for the early part of the year, which looked less impressive than the solid year-ago period. Shortly after that, management spoke to broad-based decelerating spending trends across price points and segments at an industry conference. Although the impact was not quantified, the uncertainty on potential earnings downside weighed on the stock.

Installed Building Products (IBP) in one of the nation’s largest insulation and other building product installers for the residential new construction and commercial markets. In the second quarter, investors were more cautious about the macro environment for housing stocks. While single-family home construction has been suppressed, multi-family increased dramatically after the pandemic. Although the expected slowdown in multi-family construction has been well-telegraphed by management, and the backlog supports current growth, there are questions on volumes and price/mix heading into 2025. Still, recent single-family construction trends are encouraging as an offset, and margin resilience has been notable.

Skyline Champion Corp. (SKY) is a factory-built housing company. Investor sentiment weighed negatively on the housing and building products industry. Sales were lower than expected due to weaker demand in Canada, adverse weather in the U.S., and some inventory overhang. Margins declined but were better than estimates due to improved capacity utilization. The industry is now returning to growth. Valuation is toward the high end of the historical range but on what should be trough earnings. Management is guiding sales to grow low-double-digits.

Portfolio Positioning

There were no transactions in the Argent SMID portfolio in the second quarter.

During our regular portfolio reviews, including the current watch list names, we seek to affirm that the enduring business framework remains in effect. We verify the alignment between a positive quantitative score and fundamental performance, present and discuss new relevant data, and examine any stocks our risk management parameters captured. The barrier to entry is high, and patience is an intentional characteristic of our investment philosophy. Current holdings and exposures in the SMID portfolio met the parameters we require.

Argent SMID Cap portfolio turnover was 0% in the second quarter of 2024. Trailing twelve-month portfolio turnover was 11%.

Sincerely,
Argent SMID Cap Team

Argent Capital Management, LLC

ARGENT SMID CAP COMPOSITE

January 1, 2020 through June 30, 2024

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 (%)
2023	28.91	28.50	17.42	21.40	20.11	8	2	3,269	0.21
2022	-22.82	-23.10	-18.37	26.04	25.16	7	2	2,828	0.13
2021	35.43	34.64	18.18	NA	NA	5	2	3,517	0.46
2020	15.75	15.32	19.99	NA	NA	4	2	2,874	NA
Three -Year Annualized	10.37	9.99	4.25						
Information for period(s) June 30, 2024									
2nd Quarter 2024	-5.55	-5.62	-4.27	21.85	20.58	10	2	3,526	
Rolling 1 – Year	19.59	19.25	10.47						
Rolling 3 – Year	6.64	6.29	-0.29						
Since Inception Annualized	11.76	11.39	7.62						

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 exclude 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 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 - 2023, 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; 0.35% on the balance of the account, although fees may be negotiated or waived in certain circumstances. Non-fee-paying accounts are reduced by a model fee derived by applying this standard fee schedule in effect for the respective period. Note: Effective June 30, 2023, net-of-fees for all periods, since inception, has been revised to reflect a standard flat 0.35% fee. Individual composite accounts have had their fees adjusted and refunded.

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.