Three months ago, companies saw their stock prices soar when they announced they were throwing money at Artificial Intelligence (AI). Fast forward to today, and the same announcement might get you a "meh" from investors. Some of the big names in the market, particularly those in the so-called 'Magnificent 7', have been hit with skepticism as they ramp up their AI spending. Instead of just cheering for AI as the magical growth solution, investors are now asking, "Okay, but what's the payoff for these billions of dollars?"

Over the past couple of years, the market has pretty much been a one-man show—or rather, a seven-company show—thanks to the 'Magnificent 7'. So, when there are worries about these companies, it ripples across the market. These ripples were felt this past month, causing some folks to call July the 'great rotation'. While the Russell 1000 Growth Index, home of the 'Magnificent 7', dipped by 1.7% in July, the home of smaller US companies, the Russell 1000 Value Index rose by 5.1%.

So, what's the deal with the shifting investor reactions to AI spending? The short answer: 90 days isn't nearly enough time to decide if an investment is a winner. This is especially true for something like AI, which might be transformational — or not. Right now, nobody really knows where AI will end up. It will take years for the dust to settle, and the outcome will likely be quite different from today's guesses. Meanwhile, with AI's potential to change the game, and the fact that big tech companies are raking in plenty of free cash, we're comfortable with their spending habits.

At Argent, we're all about finding those businesses that stick around for the long haul. One of our critical things to look for is how much bang these companies get for their buck — what's called return on invested capital. If a company has a positive return, it means they either have a solid competitive advantage, or the management is pretty savvy with their assets. To stack the odds in our favor, we look for both. We anticipate that picking companies with a good track record of returns and management who look out for shareholders will pay off in the long run. These are the companies we call *enduring businesses*.

Determining whether a stock is a good pick or not is something only answered in the future. Given that uncertainty, at Argent, we've found that choosing companies with staying power, high returns on invested capital, and a track record of smart decisions makes it more likely we'll hold onto good stocks. We understand that investing is a long game. While we keep an eye on the market and stock performance, in times of volatility and uncertainty, we're more inclined to stick with our enduring businesses, expecting them to deliver the long-term performance we're after.

Argent Capital is 100% employee-owned and we thank you for your business and your interest. In addition, if you like these market letters in addition to the videos by Ward Brown, 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 clientservices@argentcapital.com.

Sincerely,

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