

**RE: INVESTMENT COMMENTARY FOR PERIOD ENDING DECEMBER 31, 2025**

**FROM: ARGENT CAPITAL MANAGEMENT**

***“When you arise in the morning, think about what a precious privilege it is to be alive, to breathe, to think, to enjoy, to love.”***  
**- Emperor Marcus Aurelius**

At the close of a very good third year in a row for equities and following a fifteen-year period of wealth generation that has few peers, we are struck by how many people feel angst about both the present and the future. Perhaps that is a result of information overload, maybe it is partisan politics, the inflation jolt to prices, or possibly the war in Europe. Whatever the cause, our hope for 2026 is for investors to take a deep breath . . . enjoy the moment. Any serious student of history can confirm that, despite our troubles, rarely, if ever, have things been this good in the world. The even better news is that there are reasons to believe 2026 can sustain the momentum.

First, a quick recap of U.S. markets in 2025. Domestically, the double-digit gains many U.S. stock indices enjoyed were fueled primarily by what we call “*all things AI*” (artificial intelligence). In fact, a relatively small group of AI-related companies has generated a whopping two-thirds of recent S&P 500 earnings, profits and capital spending. That is a *monumental* change since ChatGPT launched just three years ago.

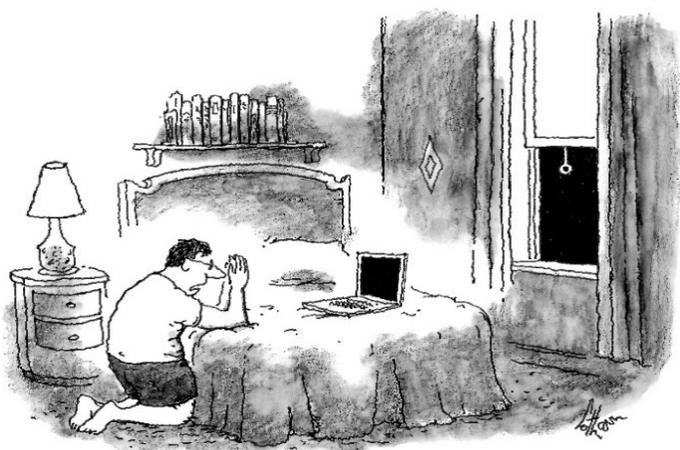
At Argent, we were, candidly, disappointed in our 2025 results. Nonetheless, we expect 2026 to look more favorably on Argent managed portfolios. The best managers one year are seldom the best the next. Case in point, we were touted by many to be the best manager in Mid Cap going into 2025, only to experience our worst one-year relative performance in decades. That is why it is important to view longer-term results for any manager, including Argent. Virtually all managers have a period when their style is out of sync, or subject to a few misplaced investments. Not fun, but reality.



*“At times like this, I wish I were a poet.”*

Importantly, we continue to believe in the quality of the businesses we own and the consistency of our investment discipline. Short-term performance leadership inevitably rotates, but long-term success is driven by owning companies with characteristics of an enduring business, including strong free cash flow and resilient balance sheets. Our portfolios remain firmly grounded in these attributes. We agree with Warren Buffett when he says, "The stock market is a device for transferring money from the impatient to the patient." We believe patient adherence to a proven process remains the most reliable path to attractive long-term outcomes.

For any investment manager, the obvious risks for 2026 and beyond are the great unknowns – *war, pandemics, civil unrest*. However, perhaps the biggest risk is what might be termed *populism*, where politics follows a less-traditional economic path – tariffs, excess government spending, trade protectionism and unpredictable Fed policy. Candidly, these are real risks, but hard to quantify in both impact and timing.



*"I'm sorry to trouble you yet again with Internet issues."*

Those aside, the U.S. economy remains on fundamentally solid footing. Recent holiday spending was strong, GDP growth in recent quarters has been surprisingly good, and inflation seems to be trending lower, closer to Fed targets. Even better, given the revolutionary opportunities created by AI, history suggests productivity of workers should accelerate rapidly. If it does, and we think it will, equity markets will likely respond favorably.

Interest rates should also play their part in 2026, and one would expect the Federal Reserve to lower short-term interest rates throughout the year. Ironically, lowering short-term interest rates could have the opposite effect at the other end of the yield curve – with longer maturity rates staying put, or even rising, on concern that inflation will be driven higher if short-term rates are too low.

For us, maybe the most important lesson of history is never to make forceful short-term predictions – it is folly. Longer-term, however, history teaches us that equity markets lift wealth for all over time and provide returns for investors well in excess of inflation. So, we enter the year 2026 knowing it will bring some adversity and surprises. In addition, we know we will end the year with midterm elections that could re-shape things for future years. Nonetheless, our forecast sees more positives than negatives in the upcoming year and with good reasons for investors to wake up each morning knowing it is a privilege to be living in such times.