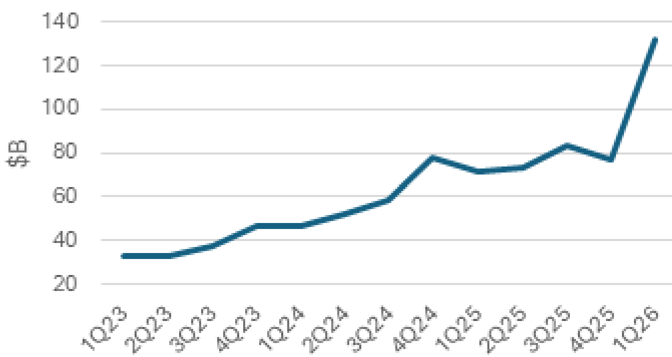
Argent Capital Management LLC

Coming into April, the market reflected two primary and related concerns. The first was the war in Iran, where it quickly became apparent that this was not going to play out like Venezuela, looking more like a quagmire than a quick victory. As a result, oil prices surged and the second concern, inflation, loomed larger over the market. Together, these concerns had driven the market down 4% on a year-to-date basis as April arrived. Yet by month's end, the market had not only recovered but posted a 5% total return for the year – a remarkable reversal.

So, what drove the market to a 10.4% gain in April? The same drivers that had been the market's focus for the past two and a half years: Information Technology and Artificial Intelligence (AI). On April 29th, even as the market had rallied throughout the month, Alphabet (aka Google), Amazon, Microsoft and Meta reported quarterly results. Collectively, these four companies, each with total value exceeding $1 trillion, represented nearly 20% of the value of the entire S&P 500 and certainly represented a litmus test for the strength of AI and AI-related demand.

On a revenue basis, the slowest growing of the four was Amazon, posting $181.5 billion in sales. The company grew its revenue by 17%, a staggering result for a $2.8 trillion company. Not only were revenue and earnings for the four companies stellar, but their capital spending – dollars primarily going into data centers to feed the AI machine – was noteworthy. The four companies collectively spent $131 billion in capital expenditures in the first quarter, representing an 84% increase year-over-year:



Source: Company SEC filings; compiled by Claude AI

That spending surge fueled gains in companies expected to benefit most from the AI buildout. Specifically, the Philadelphia Stock Exchange Semiconductor Sector Index (SOX), rose over 40% in the month, recording its best monthly gain ever. These semiconductor companies provide the foundational building blocks for data centers across the globe.

How long and how high AI spending will extend has been a major source of discussion for investors. To date, the spending continues to surprise to the upside. In this positive backdrop, however, there are areas of concern, even within the Information Technology sector. Many software companies have struggled as investors worry that AI will allow for easier in-house coding, potentially eliminating the need for off-the-shelf software products. There are also growing concerns about jobs which may eventually be displaced by increasingly capable intelligent systems.

How this ultimately plays out remains to be seen. At Argent Capital, we will continue to closely monitor the evolving AI landscape and its impact on the economy and markets while remaining disciplined in serving the best interests of our clients.

Argent Capital is 100% employee-owned and we thank you for your business and your interest. In addition, if you like our market letters and videos, we hope you will share them with friends. For information on our five successful equity strategies, Large Cap, Dividend Select, Mid Cap, SMID Cap, and Small Cap, please contact clientservices@argentcapital.com.

Sincerely,

Ken Crawford, Portfolio Manager Emeritus (kcrawford@argentcapital.com)