Argent Capital Management LLC

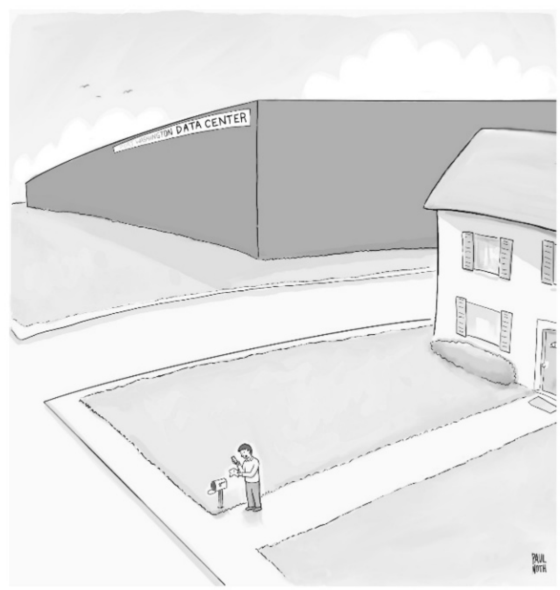
RE: INVESTMENT COMMENTARY FOR PERIOD ENDING JUNE 30, 2026

FROM: ARGENT CAPITAL MANAGEMENT

> "I am all for Artificial Intelligence (AI).
> There is a shortage of the real thing."
> Charlie Munger

There is a lot to question in today's world, but one thing is clear - the U.S. economy continues to display remarkable resilience. Corporate earnings maintain their steady climb, the labor market exceeds expectations, consumer spending is strong and the inflation picture, while elevated, will likely improve given lower energy costs over the balance of the year. As a result, the stock market, which is currently trading at twenty-one times projected earnings, is not unreasonably valued, particularly when compared to its earnings growth potential.

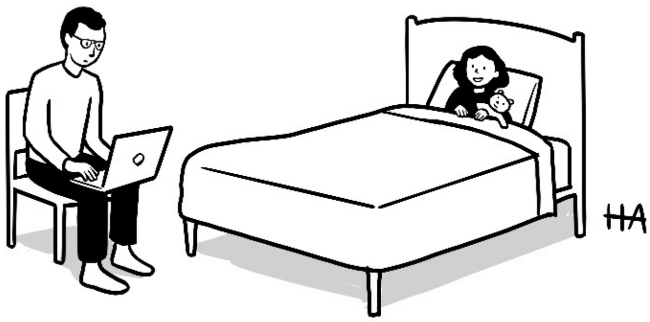
Corporate earnings are largely driven by innovation and productivity growth – they are the DNA of our economic system. Given that, when you combine the genius of our tech entrepreneurs with capital markets having access to tons of money, profit margins expand. When that occurs, the result is often what happened in this past quarter – stock prices rise. It is a marvel to behold.



"ChatGPT, why is my electric bill so high?"

One might think that given another six months of positive outcomes stock price valuations would be overly stretched. Well, to be fair, the market is on the high side. Yet, at current levels, it is actually trading at a lower valuation than where it began the year, despite many stocks being up double digits since January. More surprisingly, the stock market is now trading at a valuation similar to where it stood six years ago, in the early days of COVID.

That said, stock market gains have been uneven, and for every semiconductor stock that has doubled or quadrupled, there are financial or consumer discretionary companies where stock prices have hardly moved. Indeed, corporate earnings growth has been heavily dependent on AI and infrastructure spending, primarily on data centers along with those companies which build and supply them. That fact is worrisome, as a concentration of profit gains among a select few companies does increase short-term downside risk for the market. In addition, the gargantuan "spend" that the hyper-scalers (such as Alphabet, Amazon, Meta and Microsoft) are willing to invest in data centers will likely negatively impact their earnings for years to come. For the investor, the debate is whether this massive spend will prove smart over time. Most pundits believe it will, but there is no question that some companies will fare much better than others.



"Please tell me a story about a puppy who goes to Jupiter on her birthday to solve a mystery and is a mermaid, using an engaging and humorous tone, in approximately a thousand words, in the style of Ernest Hemingway."

In other news, the IPO (Initial Public Offering) market has seen new life in 2026, and this past quarter witnessed the debut of SpaceX as a publicly traded company. It was the largest IPO in history. SpaceX is an amazing story, and investing in Elon Musk companies over the years has almost always been a successful strategy, albeit one light on current earnings to justify their success. That is particularly true for SpaceX, sporting a multi-trillion valuation, but no real earnings . . . yet.

Likewise, we will have Anthropic and OpenAI also go public in upcoming months. Their AI models are literally changing the world, more so each week and month. Through their large language models (Claude and ChatGPT, respectively) they produce tens of billions of dollars in revenues, have software already used by millions, have major enterprise partnerships in place and are well-funded. However, neither has sustained profits . . . yet. That is the key. How long will it be before sustainable, growing profits can be realized? After some base level of expense, digital products like theirs are replicated with minimal incremental costs. Thus, profits should climb, perhaps by the bucket-load. At Argent, we hope to own one or more of these companies, but will do so at valuations we believe provide significant upside. We like all three, of these companies, particularly SpaceX and Anthropic, but finding an attractive price to pay for initial purchases is difficult, especially in a momentum market such as we have. It is always dangerous to rush to make an investment when many buyers of stocks seem willing to pay almost any price.

Mark Cuban recently said, "Learn AI or become a dinosaur within three years." We tend to agree. The surge in AI investment can be expected to make companies smarter, more efficient and much more productive. History suggests companies that are early in adopting productivity-enhancing technologies are often able to maintain profit growth well into the future. It is a lesson many companies seem to have learned, and that bodes well for future stock market gains. Nonetheless, be prepared for some turbulence. We believe the second half of 2026 will see strong corporate earnings, but stock returns seem unlikely to be as rewarding as in the first half. We still have a war or two to settle and midterm elections rarely instill short-term confidence in investors. Even so, we do not manage money for the next quarter or two - we manage for the fundamentals longer-term. We remain confident in the course ahead.