



For the first quarter of 2021, Argent’s Mid Cap strategy outperformed the Russell Midcap® Index by 1.3% (*net of fees*). While we are pleased with this performance, we are most proud of our outperformance versus the Russell Midcap on a trailing one, three, and five year basis (*net of fees*). Since its inception on March 31, 2014 the strategy has outperformed the index by an annualized 1.8% (*net of fees*).

Recently, the news has been filled with stories about the semiconductor chip shortage. COVID-19 accelerated the demand for various products and devices dependent on chips as illustrated in the following chart. As people were forced to work or go to school from home, it led to the increased demand for smartphones and computers. When movie theatres and other entertainment venues shut down, sales of gaming hardware and consoles

The semiconductor market grew sharply in 2020
Covid-19-driven demand was behind sector’s rebound

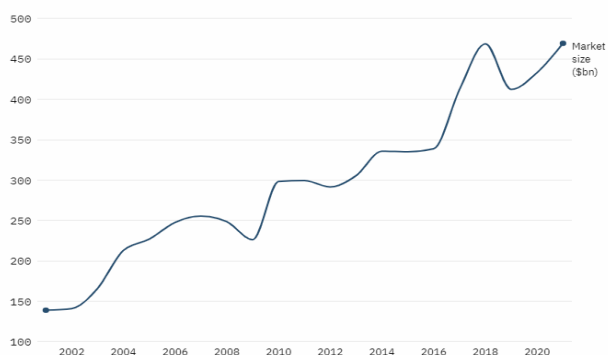


Chart: Tech Monitor • Source: World Semiconductor Trade Statistics/Statista TECHMONITOR

soared. Despite the shortage in chips brought on by COVID-19, other factors are also weighing on demand. Global automobile production has grown 13% in 2021 and the automotive sector is including more electronic components in cars that rely on semiconductors. Cars contain an average of twelve chips per vehicle, while electronic vehicles can contain up to thirty. In addition, the Internet of Things (IoT), or connecting anything with an on/off switch to the Internet, will be transformative across all organizations. By integrating all of our devices with internet connectivity the market is on pace to grow from eight billion connected devices in 2019 to *forty-one* billion in 2027. All IoT devices require semiconductors, further driving up the demand for chips.

One company in the Argent Mid Cap portfolio, Entegris, Inc., is benefiting from the chip shortage. The products manufactured by Entegris, such as filters and gases, help protect chip components during the manufacturing process and ensure their purity. The company’s revenues are driven by two components, the number of semiconductor chips produced and the capital spending by semiconductor companies for new equipment and chip foundries. Recent statistics show that capital spending in the chip industry is expected to grow 18% in 2021 to meet the demand.

Not only is the chip shortage playing in the company’s favor, but new chip manufacturing processes are a benefit to the company as well. New materials used in the chip manufacturing process drive the need for the advanced materials and engineering capabilities of Entegris. As chips get smaller and more complex, their manufacturing costs increase. The filtration and purification solutions offered by Entegris are a good way for chip manufacturers to increase production and minimize waste, which saves money. Furthermore, the smaller chips are more susceptible to contaminants. The adoption of Entegris’ materials and filtration solutions can assist the manufacturers in maintaining greater levels of purity. We purchased Entegris for the Argent Mid Cap portfolio in April of last year and the stock is up 117% as of quarter end. We continue to like its prospects.

We are open for business and welcome your interest in Argent Capital. In addition, if you like our market letters, we hope you will pass them on to friends. We have four very successful equity strategies—Large Cap U.S., Small Cap U.S., Dividend Select and Mid Cap U.S.

Sincerely,

Kirk McDonald, CFA, Portfolio Manager & Senior Research Analyst – Quantitative

Past performance is no guarantee of future results. Views expressed herein represent the opinion of the portfolio manager as of the date above and are subject to change. 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.

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