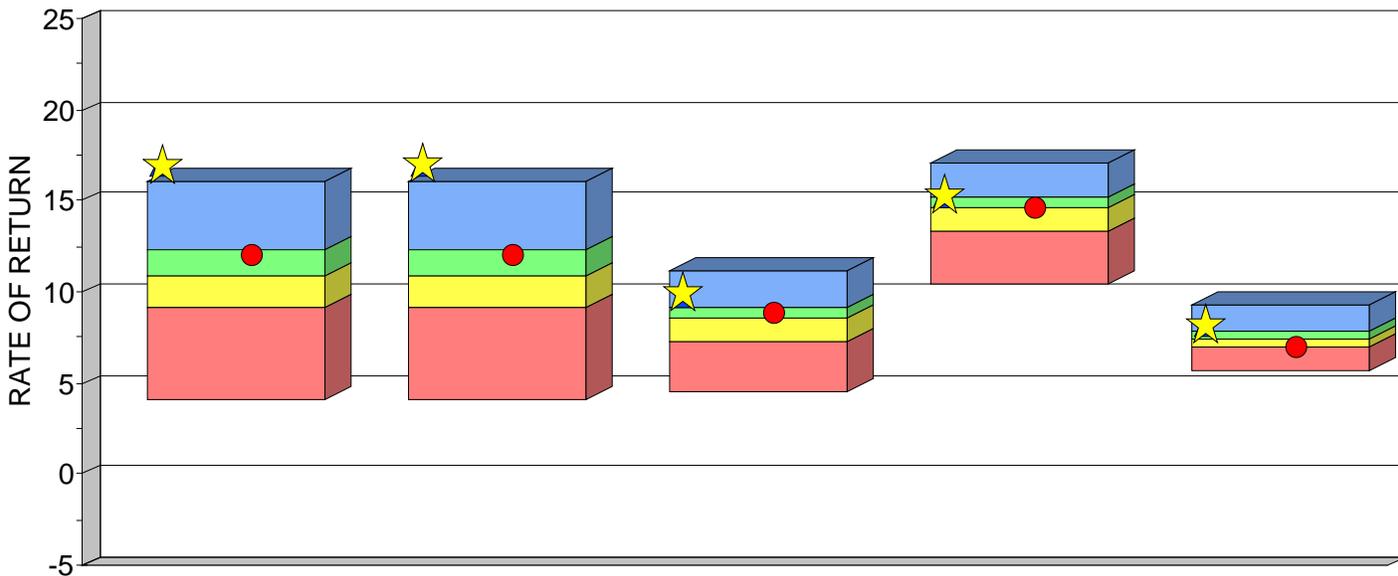# ARGUS CORE EQUITY STRATEGY

**Quartile Ranking Bar
Compared to PSN Large-Cap Core**
(Periods Ending December 31, 2016)**

		YTD		1 Year		3 Year		5 Year		10 Year	
	HIGH (0.05)	16.08		16.08		11.19		17.06		9.21	
	FIRST QUARTILE	12.37		12.37		9.10		15.18		7.90	
	MEDIAN	10.91		10.91		8.53		14.56		7.37	
	THIRD QUARTILE	9.18		9.18		7.32		13.35		6.90	
	LOW (0.95)	4.14		4.14		4.49		10.38		5.61	
	MEAN	10.66		10.66		8.25		14.27		7.37	
	VALID COUNT	284		284		280		265		228	

	YTD		1 Year		3 Year		5 Year		10 Year	
	VALUE	RANK	VALUE	RANK	VALUE	RANK	VALUE	RANK	VALUE	RANK
☆ AIC Core Composite	16.87	1	16.87	1	9.67	13	15.18	24	8.19	14
🔴 Standard & Poor's 500	11.96	32	11.96	32	8.87	36	14.66	44	6.95	73

**The bar chart above shows Argus Core Equity Composite returns gross of fees, compared to returns for the PSN Large-Cap Core peer group. (See page 2 for Core Equity Composite net-of-fees returns compared to the benchmark.) The PSN database calculates returns for all money managers using the simple linked geometric return method, rather than the Modified Dietz method used by Advent in the table on page 2. The 'Rank' in the table above indicates the relative performance of a fund within the PSN Large-Cap Core peer group, with 1 being the highest score and 100 the lowest. A score of 1 for the most recent *one-year* period means that the Argus Core Equity Composite outperformed 99% of large-cap core equity managers in the PSN database. Past performance is not indicative of future results. The information contained herein is intended for institutional investors only. Please see Performance Notes below.

Performance Detail

As shown in the chart above, the Argus Core Equity Strategy strongly outperformed its large-cap core equity peers in 2016. For the full year, **Argus Core Equity outperformed 99% of large-cap core managers in the PSN database, and outperformed the S&P 500 index by nearly 500 basis points.** The Core Equity Strategy is designed to take advantage of persistent rotation and capture alpha when timing the market may be elusive.

*Performance Notes

Argus Investors' Counsel, Inc. (AIC) is an SEC-registered investment advisor that provides investment advisory services to institutional and individual investors. The Argus Core Equity Composite contains fee-paying fully discretionary core equity accounts that do not contain investment restrictions. Returns on page 2 are presented gross and net of management fees and include the reinvestment of all income. AIC's SEC registration does not imply a certain level of skill or training. The information in this document has not been approved or verified by the SEC or by any state securities authority. Annual and annualized periods are calculated based on geometrically linked monthly returns. The quartile ranking bar chart was produced by PSN and generated on January 19, 2017. The Argus Core Equity Composite was created on December 31, 1994. AIC claims compliance with the Global Investment Performance Standards (GIPS®). AIC has been verified firm wide by Ashland Partners & Company, LLP from January 1, 1995 through September 30, 2016**.** The US dollar is the currency used to express performance. Past results are not indicative of future returns. To obtain a complete list and description of AIC's composites and/or a GIPS-compliant presentation, please contact Richard Ciuba at (646) 747-5439 or Steve Biggar at (646) 747-5446.

Firm Overview

Argus Investors' Counsel (AIC), a registered investment advisor, was incorporated and registered with the SEC in 1960. Our flagship product, The Argus Core Equity Strategy, is based on a rigorous fundamental approach. The Core Strategy seeks to outperform the S&P 500® with dividends over a full market cycle, while limiting downside risk.

Philosophy

While many equity market participants construct investment strategies in response to recent events, Argus constructs its Core Equity portfolios to prosper in a range of market environments. Recognizing that the S&P 500 is an investable universe, not an investment strategy, and that purely passive index construction methodologies often create unrecognized risks, Argus constructs its Core Equity portfolios using the following key elements:

- Broad Diversification using uncorrelated revenue streams
- Financial Strength as Primary Stock Selection Criterion
- Counter-Momentum Rebalancing of Holdings
- Independent Fundamental Research

Key Professionals:

Sharon D. Wagoner
Chairman – Portfolio Manager

Donna M. Palais
VP – Portfolio Manager

Jim Kelleher, CFA
Director of Research, ARC

Peter Canelo
Investment Strategist, ARC

Assets in the Core Strategy:
$249 Million
Benchmark:
S&P 500® with Dividends
Historical Tracking Error:
2.25%-3.25%
Diversification:
Growth & Value Representation
Minimum $5 Billion Market Cap
WTD Average Market Cap: 141B
Number of Holdings: 45-55

Past performance is not indicative of future results. Portfolio characteristics and performance data presented in this document are representative only. The information contained herein is intended for institutional investors only. **Please see Performance Notes on page 1.*
**According to a report published by Bank of America Merrill Lynch.

CONTACT US:
Stephen Biggar
Director of Business Development
SBiggar@ArgusResearch.com
(212) 425-7500

2016 Market Commentary

Calendar 2016 was characterized by frequent swings in stock and industry leadership. The Argus Core Equity Strategy, which uses disciplined counter-momentum rebalancing to help manage portfolio holdings, capitalized on this significant industry rotation throughout the year.

The year began with major selloffs in most global equity markets, spurred by fears of slowing global growth, low inflation, and relatively weak housing and employment data. The two most significant developments in the first quarter were the stabilization in commodity and energy prices and the fall from favor of the narrow group of stocks that led the market in 2015 -- the so-called FANG stocks. Equities recovered in the second half of February, helped by higher oil prices. And then, amid market turbulence and election rancor, the S&P 500 achieved six straight winning months, from February through July. After the election, investor enthusiasm propelled the market even higher. The Argus strategy benefited from these changes.

In 2016, correlations between the performance of different stocks (i.e., the tendency of stocks to move up and down together) diminished, while sector dispersion (the difference in returns among sectors) increased. Based on our analysis, the dispersion of sector returns is at its highest level since 2009, and investors have clearly noticed the wild swings in sector leadership. Active management tends to outperform in periods when dispersion is high, as it is today.

In all, the Argus Core Equity Strategy significantly outperformed the S&P 500® with dividends in 2016 – beating the benchmark by more than 450 basis points. We note that in 2016, fewer than one in five large-cap active managers - 19% - generated returns that beat the Russell 1000. The percentage of active managers beating the S&P 500 was even lower, at just 18%**.

Annualized Performance – Argus Core Equity Composite
(As of December 31, 2016)*

Trailing Period	Argus Composite (Gross)	Argus Composite (Net)	S&P 500® Benchmark (with dividends)
1 Year	16.84	16.48	11.96
3 Year	9.65	9.32	8.87
5 Year	15.17	14.82	14.66
10 Year	8.18	7.88	6.95