

## Key Professionals

### Sharon D. Wagoner

Chairman – Portfolio Manager

### Donna M. Palais

VP – Portfolio Manager

### Jim Kelleher, CFA

Director of Research

## Key Statistics

### Assets in the Core Strategy:

\$182 Million

### Benchmark:

S&P 500® with Dividends

### Portfolio:

Growth & Value Representation  
WTD Avg. Market Cap: \$211.1B  
Number of Holdings: 45-55

### Core Equity Highlights for May\*

	Argus	S&P
ROE 5-Year Avg.	20.9%	18.0%
A+ S&P Rated Stocks	50.0%	36.0%
Dividend Yield	2.57%	2.10%

\*Source: Bank of New York Mellon.  
Data from a representative account in  
the Argus Core Equity composite.

Performance notes on page 2.

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## Firm Overview

Argus Investors' Counsel, Inc. (AIC) is a women-owned and managed SEC-registered investment advisor. AIC was incorporated and registered with the SEC in 1960. We specialize in equity investment management for institutional and private investors. Our clients include corporations, public and private pension funds, Taft Hartley organizations, foundations, endowments, and high-net-worth individuals.

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.

Our Argus team can build a portfolio to meet your specific needs, including creating portfolios for socially responsible investing.

## Market Commentary

Given intense investor reaction to China and Mexico tariff news, the stocks of U.S. companies with significant import and export exposure to these countries fell sharply in May, as did the market. During brief but dramatic selloffs, insiders stepped in and bought the dip. While many investors are in the same place they were more than a month ago, insiders may be ahead of the game. For the month of May, the S&P with dividends declined 6.35%.

The Commerce Department lowered its estimate of 1Q19 GDP growth to 3.1% from 3.2%. The long-term GDP growth forecast is 2.0%, slowing from 4.0% in 2018.

## Argus Core Equity Portfolio Commentary

In May, six of the top 10 portfolio stocks were in the Healthcare and Consumer Staples sectors. Pfizer was the top performer in the portfolio, up 2.2%. Animal health stock Zoetis was also among the top performers, as it has been relatively insulated from trade war pressures.

The slide in crude prices has hurt the shares of oil producers, with the Energy sector down 18% over the last year. In late May, the announcement of potential tariffs on Mexican goods (subsequently cancelled in early June), along with high U.S. inventories, further pressured oil prices. Oil stocks fell sharply in May. Energy stocks in the portfolio, including Halliburton, Occidental and Exxon, all posted double-digit losses for the month.

## Looking Ahead

In 2020, Argus Research projects GDP growth of 1.5% - 2%. We look for stability in capital investment, as tax and interest rates remain low, and oil prices have risen year-to-date. We anticipate a pullback in exports, given the dollar's recent upward trend, weakness in Europe, and continued tariff threats. While government spending has been strong, it is not expected to rise at a 2.4% rate indefinitely, nor do we expect inventory building to remain robust. For these reasons, although we expect solid economic expansion for the balance of 2019, we look for heightened market volatility in 2020 as the economy cools off.

Argus continues to follow its strategy of investing in financially strong companies with uncorrelated revenue streams, and paring back the winners to maintain portfolio weighting diversification. We believe this remains the best way to take advantage of persistent stock and industry rotation while capturing long-term gains.

# ARGUS CORE EQUITY STRATEGY

## Philosophy

Argus constructs its portfolios to capture changes in market conditions. Our view is that rotation is a persistent phenomenon in equity markets. Our stock selection, weightings, and rebalancing aid in insulating the portfolio from short-term uncertainties and market fluctuations, while enabling Argus to capture the long term positive market appreciation. Argus Core Equity portfolios are managed using the following key elements:

- *Broad diversification based on uncorrelated revenue streams*
- *Financial strength as a primary stock selection criterion*
- *Independent fundamental research*
- *Counter-momentum rebalancing of holdings*

## What Sets Argus Apart...

### Trusted Fiduciary

In response to client demand for our portfolio management, Argus Investors' Counsel, Inc. was incorporated and registered with the SEC in 1960.

### Extensive Research

Argus Research, founded in 1934, was one of the earliest firms to produce fundamental, independent research on a systematic basis.

### Long Term Client Relationships

Many of our clients have been with us for decades; a testament to our people and our disciplined investment process.

## Argus Core Equity Portfolio As of May 31, 2019

Top 5 Holdings	12.0%
Air Products & Chemicals Inc.	2.4%
Visa Inc.	2.4%
Pepsico Inc	2.4%
Costco Wholesale Corp.	2.4%
McDonalds Corp	2.4%

## Annualized Performance as of May 31, 2019

Trailing Period	Composite (Gross)	Composite (Net)	S&P 500 (w/Dividends)
3 Years	11.04	10.66	11.72
5 Years	9.26	8.90	9.66
10 Years	13.92	13.56	13.95

Portfolio Characteristics	Argus Core Equity	S&P 500
Dividend Yield	2.57%	2.10%
Portfolio P/E	16.7	19.7
Portfolio P/E - 1 Yr. Forecast EPS	15.9	16.7
Return on Equity - 5 Yr. Avg.	20.9	18.0
A+ Rated Holdings (S&P Global)	50%	36%
A+ /A/ A- Rated Holdings (S&P Global)	75%	62%

### \*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. Performance numbers above are presented gross and net of management fees, are calculated using the Modified Dietz method from Advent, and included the investment 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 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 March 31, 2017 and by ACA Performance Services from April 1, 2017 through December 31, 2018. 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 Cathleen Lesko at (203) 548-9883 or Richard Ciuba at (646) 747-5439.