


## Argus Performance Review

JANUARY 2024

 Argus Research is a firm that produces independent research for investors. Since 1934, our business has been to produce, distribute and market high-quality investment and economic research. Our recommendations – BUY, HOLD and SELL – reflect the judgment of an analyst about a company’s prospects as an investment in terms of value, expected growth and risks.

Argus Research does not bring companies public, advise companies on mergers and acquisitions, broker trades or make markets in stocks. This independence allows us to make critical judgments about companies that we might not be so free to make were we competing for a firm’s underwriting business. And because we’re not a broker/dealer, we don’t have “inventory” of a stock that we have to move with a compromised recommendation. Our interests are aligned with our investing customers.

Over the 90 years we have been in business, we have developed a six-point system for analyzing stocks. The system involves rigorous quantitative analysis into a company’s growth prospects, financial strength and valuation. But it is not a black box. The framework also requires in-depth qualitative analysis into the company’s industry, the risks it faces and, most importantly, the quality and integrity of its management team. There is also a high level of oversight. Each potential rating change must be submitted to Argus’ Investment Policy Committee for final approval. We believe the Argus Research Six-Point System, combined with our independence and access to information, gives us an edge as we develop our ideas, forecasts, and ratings.

In this Annual Performance report, we provide some measurement of the success and or effectiveness of our proprietary investment approach. It is not easy to define either “quality” or “performance” in investment research. For some clients, the focus is on stock picks. For others, timeliness is critical. Still others are interested in differentiated industry insights and perspectives. Buysiders value relationships and access.

We approach performance from four angles:

- 1 Our Stock Recommendations
- 2 Analyst Awards
- 3 Our Model Portfolios
- 4 Our Focus List

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*For more information about Argus Research and performance, please contact Argus President John Eade or Director of Research Jim Kelleher, CFA.*

# ARGUS RATINGS VS. THE BENCHMARK

We compare the performance of our ratings against the benchmark S&P 500 as an important part of our quality control program. For this review, we rely on data from Investars (www.investars.com).

Investars uses a “SmartIndex” methodology to quantify the performance of stock ratings provided by research firms. In the SmartIndex method, stocks with buy, neutral, and sell ratings in each firm are classified into three indices. At the initial day of the indices, stocks covered by each firm are classified into the above three indices according to their ratings. An initial value is assigned to each index. The value distributed to each stock is determined by either a market-cap or equal-weight method.

The outcome of the SmartIndex method is a date-value series representing the performance of a firm’s positive, neutral, and negative rating indices.

In the table below, under the Qualitative heading, we report the performance of a SmartIndex comprised of our analyst-followed BUYs on stocks in the S&P 500 and of another SmartIndex comprised of our analyst-followed BUYs in the total Argus Universe. The SmartIndexes are compared against the benchmark S&P 500 for one-year, two-year, three-year, four-year, and five-year periods.

We also have Investars monitor the performance of our quantitative model, which we call our A6 Model. The Argus A6 Rating System quantifies our six-point approach through a proprietary algorithm and rates more than 1,500 stocks as BUY, HOLD or SELL. In the table under the Quantitative heading, we compare the performance of our full-universe A6 BUYs against the S&P 500 for one-year, two-year, three-year, four-year, and five-year periods.

Investors should understand that the methodologies employed by firms such as Investars might show biases, depending on recent market performance, toward companies that focus their coverage on large-cap or small-cap stocks, or by sector. Further, in a bull market, firms that tend to have more stocks on the BUY list often outperform their peers, while in a bear market, firms that tend to have more stocks on the SELL list often outperform.

## ARGUS RESEARCH PERFORMANCE COMPARISON

	Investars SmartIndex Returns (%)				
Qualitative	1-Year	2-Year	3-Year	4-Year	5-Year
<b>ARGUS S&amp;P 500 BUYS</b>	<b>10.8</b>	<b>4.3</b>	<b>30.0</b>	<b>50.0</b>	<b>88.0</b>
<b>ALL ARGUS BUYS</b>	<b>11.5</b>	<b>4.0</b>	<b>27.5</b>	<b>52.2</b>	<b>89.4</b>
<b>S&amp;P 500</b>	<b>20.5</b>	<b>1.5</b>	<b>25.9</b>	<b>45.5</b>	<b>84.2</b>
Quantitative					
<b>ARGUS S&amp;P 500 BUYS</b>	<b>12.5</b>	<b>3.8</b>	<b>27.8</b>	<b>40.4</b>	<b>79.6</b>
<b>ALL ARGUS BUYS</b>	<b>10.0</b>	<b>1.3</b>	<b>26.1</b>	<b>46.0</b>	<b>81.0</b>
<b>S&amp;P 500</b>	<b>20.5</b>	<b>1.5</b>	<b>25.9</b>	<b>45.5</b>	<b>84.2</b>

\* For the period ending 1/11/2024

# ARGUS ANALYST PERFORMANCE

As part of our performance measurement process, we look at the accuracy of the individual analysts. Our sources for this review in the past have included Starmine/Financial Times, FactSet/The Wall Street Journal, and Bloomberg. These organizations measure the accuracy of individual analyst stock recommendations and earnings estimates.

For our review this time, we are using data from Bloomberg, which measures the performance of stock recommendations according to its proprietary Bloomberg Absolute Return Rank (BARR) methodology.

According to Bloomberg, analysts are measured by calculating the total return generated by their recommendation(s) for each individual security they cover. A score is assigned to the analyst based on the analyst's percentile rank compared with all analysts for the security. An average score for the analyst's portfolio is then calculated.

For Table 1, we have tabulated the number of times our analysts' BARR ratings placed in the Top 5 among their company-coverage peers for their individual stock recommendations over the 12-month period ending January 11, 2024. Table 1 lists the analysts that achieved this level of performance accuracy at least 10 times.

We have also calculated a "batting average" which demonstrates the percentage of the time an analyst placed in the Top 5 for the companies in their full coverage universe. Table 2 lists the analysts that achieved a "batting average" of at least .300, or 30%.

**Table 1**  
**BLOOMBERG PERFORMANCE RANKINGS**  
**NUMBER OF TOP 5 FINISHES**

Analyst	Sector	#
Jim Kelleher, CFA	Technology	40
John Staszak, CFA	Consumer	35
John Eade	Industrial	29
Steve Biggar	Financial	24
Joe Bonner, CFA	TMT	23
Kevin Heal	Financials	22
David Toung	Healthcare	22
Chris Graja, CFA	Consumer	20
Kris Ruggeri	Consumer	18
Bill Selesky	Energy	18
Marie Ferguson	Income	17
Jasper Hellweg	Healthcare	16
Taylor Conrad	Consumer	12

**Table 2**  
**BLOOMBERG BATTING AVERAGE**  
**PERCENTAGE OF TOP 5 RANKINGS**

Analyst	Sector	%
Jim Kelleher, CFA	Technology	83%
John Eade	Industrial	76%
David Toung	Healthcare	76%
Kevin Heal	Financials	73%
John Staszak, CFA	Consumer	70%
Joe Bonner, CFA	TMT	70%
Jasper Hellweg	Healthcare	70%
Chris Graja, CFA	Consumer	67%
Steve Biggar	Financial	67%
Taylor Conrad	Consumer	57%
Kris Ruggeri	Consumer	53%
Marie Ferguson	Income	52%
Bill Selesky	Energy	40%

*Bloomberg data as of January 11, 2024*

# ARGUS MODEL PORTFOLIOS

Since 1997, Argus has managed model portfolios, including the Equity Income, Growth & Income, Growth, and Institutional models. Our Model Portfolio report includes Investment Policy Statements for each of the hypothetical models, including objectives, portfolio constraints and risks.

The objective of the Equity Income Model Portfolio is to seek an above-average level of current income.

The objective of the Growth & Income Model Portfolio is to seek current income and long-term growth of capital.

The objective of the Growth Model Portfolio, which was launched in 2017 and replaced a Mid-Cap Model, is to seek capital appreciation.

The objective of the Institutional Model Portfolio is to seek capital growth and income.

The following table shows the returns of the model portfolios through 2023. All returns reflect the reinvestment of dividends and other earnings. Net performance results include an annual hypothetical management fee of 100 basis points charged once each quarter. As of January 2022, there are no hypothetical trading costs associated with the Argus Model Portfolios. Performance results do not address tax considerations. For comparison purposes, returns of the Growth & Income, Institutional, and Growth model portfolios are compared to returns for the S&P 500 index. This benchmark was chosen because it is aligned with the Argus Universe of Coverage. The benchmark for the Equity Income model portfolio is the Russell 1000 Value Index.

## ARGUS MODEL PORTFOLIOS

Portfolio	1-Year	3-Year	5-Year
Growth & Income (gross of fees)	36.2%	12.0%	19.3%
Growth & Income (net of fees)	34.9%	11.0%	18.2%
Institutional (gross of fees)	22.0%	6.7%	13.5%
Institutional (net of fees)	20.8%	7.8%	14.6%
Growth (gross of fees)	35.6%	10.7%	18.8%
Growth (net of fees)	34.3%	9.6%	17.7%
S&P 500	26.2%	10.0%	15.7%
Equity Income (gross of fees)	12.4%	10.6%	14.2%
Equity Income (net of fees)	11.3%	9.5%	13.1%
Russell 1000 Value	9.0%	6.5%	8.3%

*\* For the period ending 12/30/23*

*Past performance of the model portfolios is not indicative of future performance.*

# ARGUS FOCUS LIST REVIEW

**W**e measure the performance of our Focus List recommendations and compare the individual stock results against the S&P 500, as part of our continuous Quality Control and Review processes.

The Focus List is featured in the Argus Portfolio Selector report, which is published monthly. The Portfolio Selector is typically used by clients to guide asset-allocation decisions, adjust industry weightings, and identify stocks that are potential candidates for portfolios. To determine the Focus List stocks, our Director of Research surveys our analysts for their top ideas. The DOR adjusts the list for industry diversification. Turnover is not a concern.

The Focus List differs from our Model Portfolios in several respects. For example, it is more short-term oriented, with higher turnover. In addition, the Focus List is simply a list of 30 stocks, as compared to our Model Portfolios, in which each stock is weighted as part of the portfolio. Third, our Focus List does not have an Investment Policy Statement, which is a key component of the Model Portfolios.

To measure performance of the Focus List, we calculate the return of each stock while it is a featured recommendation. Below are highlights of our analysis:

Total number of stocks on Focus List since 1/2012: 515

Median stock return while on the Focus List: 8.9%

S&P 500 median return, by comparison: 7.3%

Percentage of stocks that outperformed the S&P 500 while on the Focus List: 51%

Percentage of stocks with positive returns while on the Focus List: 64%

Highest return while on the Focus List (past 5 years): 107%

Steepest loss while on the Focus List (past 5 years): -58%

Average number of days for a stock on the Focus List: 222

*For more information, please see our Portfolio Selector report on [www.argusresearch.com](http://www.argusresearch.com).*

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