

ARGUS CORE QUARTERLY UPDATE – 3Q 2021

Core Equity – 3Q21

The Argus Core Equity strategy is based on a rigorous fundamental approach and seeks to outperform the S&P 500 with dividends over a full market cycle, while limiting downside risk.

During the third quarter, the market rose strongly in July and August. However, it then fell 4.65% in September on concerns about rising inflation, slower economic growth, and a surge of COVID cases spurred by the Delta variant.

The significant sector rotation that began in 4Q20 continued in 3Q21. Energy, one of the weakest sectors in the second quarter, outperformed in September amid rising demand for crude oil and natural gas and reduced supplies. Meanwhile, several Industrial stocks fell in September as the infrastructure bill stalled in Congress. Cyclical, interest-rate-sensitive, and inflation-beneficiary stocks prevailed in September after weaker performance early in the quarter.

While the market gave up about a quarter of its year-to-date gain in September, the benchmark S&P 500 with dividends still ended the quarter with a 15.92% year-to-date gain. The Core Equity portfolio returned 14.76% (net of fees) in the nine-month period. In 3Q alone, the Core Equity portfolio returned -0.79% (net of fees) versus 0.58% for the benchmark. Top-performing portfolio holdings for the quarter were in a range of sectors, with the top stock in Consumer Staples and the second in Healthcare. Financial stocks also ended 3Q in the top ten, reflecting optimism that rising interest rates would boost earnings.

Looking Ahead

Argus believes that the economic backdrop remains generally healthy, and, despite concerns about rising inflation, the Fed has reiterated its commitment to keeping short-term rates low through late 2022 to early 2023. The primary risks for equities continue to be pandemic-related uncertainty, the potential for sustained inflation, volatile energy prices, and political and geopolitical tensions. On an annual basis, Argus currently expects U.S. GDP growth of 5.8% in 2021, consistent with consensus forecasts and the outlook from the Federal Reserve, which call for growth of 4%-6%.

At Argus Investors' Counsel, we continue to adhere to our disciplined investment process, focusing on portfolio diversification and financially strong companies that can deliver long-term gains for investors. We believe this remains the best way to take advantage of persistent stock and industry rotation as the economy recovers.

Key Professionals

Sharon D. Wagoner
Chairman – Portfolio Manager

Donna M. Palais
VP – Portfolio Manager

Jim Kelleher, CFA
Director of Research

Holdings (as of 9/30/2021)

Largest Holdings by Weight

Alphabet Inc.	2.4%
Costco Whls Corp.	2.3%
Home Depot	2.3%
Microsoft Corp.	2.3%
Texas instruments Inc.	2.2%

Largest Sector Weightings

Information Technology	23.2%
Healthcare	14.2%
Consumer Staples	11.7%
Industrials	11.4%
Financials	10.8%

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ANNUALIZED TOTAL RETURNS (as of 9/30/2021)	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Latest 3 Year	Latest 5 Year	Latest 10 Year
Argus Core Equity- Net of Fees	-5.10%	-0.79%	14.76%	26.89%	13.54%	15.02%	15.88%
Argus Core Equity- Gross of Fees	-5.10%	-0.73%	15.04%	27.30%	13.94%	15.42%	16.27%
S&P 500 w/Div	-4.65%	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%

Source: Advent. Core Equity Composite Inception date is 12/31/1994.

Leave the Investing to Us

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.

At Argus Investors' Counsel, we continue to adhere to our disciplined investment process, driven by our focus on financial strength and thoughtful diversification.

What Sets Argus Apart...

- ✓ A trusted fiduciary since 1960
- ✓ Women-owned and managed
- ✓ Acknowledged authority on independent research for 85+ years
- ✓ Experienced portfolio managers who have worked together for 25+ years
- ✓ Award-winning research analysts

Contact Cathleen Lesko or Richard Ciuba for more information and to obtain a GIPS Report. Portfolios are offered to clients as Separately Managed Accounts and are also available to RIAs on various platforms, including Envestnet, Fidelity Wealthscape, and Schwab. In addition to Innovators, Dividend Growers, Core and ESG portfolios, customized portfolios to meet your client-specific needs are available.

Performance Notes:

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