

ARGUS INNOVATORS QUARTERLY UPDATE – 2Q 2022

Argus Innovators – 2Q22

The diversified Argus Innovators portfolio brings together well-managed companies with proven records of innovation and a focus on sustainable cash flow and the return of capital to shareholders. The portfolio holds approximately 30 companies that spend aggressively on R&D, generate a high percentage of sales from products launched within the past five years, apply for and receive numerous patents, and develop cutting-edge management practices and methodologies adopted across industry verticals.

Within this year's broad selloff, Value stocks have relatively outperformed because of the greater negative impact of rising interest rates on Growth stock valuations. As a result, the Argus Innovators portfolio underperformed the S&P 500 in 2Q22 by 130 basis points, returning -17.4% (net of fees) versus -16.1% for the S&P 500 with dividends.

Argus Research expects Growth stocks and sectors to lead the market over the long term; however, we do expect sector rotation into cyclicals, interest-rate-sensitive areas, and, in particular, inflation beneficiaries into 2023. In the current environment of rising interest rates and fears of inflation and recession, Argus looks to innovative companies that are able to navigate these challenges successfully.

We continue to screen for consistently profitable innovative companies that have previously outperformed their respective industry averages in at least two of the following categories: gross margin; operating margin; R&D expense as a percentage of sales; one-, three- or five-year revenue growth; one-, three- or five-year net income growth; and one-, three- or five-year market-cap growth. We continue to focus on four types of companies to build the portfolio: 1) First-to-Market companies such as American Tower; 2) New Product Specialists such as L3 Harris Technologies; 3) Product & Process Perfectors like United Health Group; and 4) Industry Disruptors such as Air Products & Chemicals.

Looking Ahead

In its third and final estimate, the Bureau of Economic Analysis said that U.S. GDP declined at a 1.6% annualized rate in 1Q22. The Atlanta Fed's prediction tool also projects another quarter of negative GDP in 2Q.

However, given solid employment and rising wages, Argus Research expects the consumer segment of the economy to remain on a growth track, despite the impact of Fed rate hikes, the war in Ukraine, and higher prices at the pump.

At Argus Investors' Counsel, we continue to manage the Innovators portfolio using a disciplined investment process, focusing on mature companies that combine a strong record of innovation with income generation, sustainable cash flow, and the return of capital to shareholders.

Key Professionals

John Eade

President – Portfolio Manager

Jim Kelleher, CFA

Director of Research

Holdings (as of 6/30/2022)

Largest Holdings by Weight

Eli Lilly & Co.	6.0%
Thermo Fischer Scientific	4.6%
Alphabet Inc.	4.5%
Bio-Techne Corp.	4.3%
Costco Wholesale Corp.	4.2%

Largest Sector Weightings

Information Technology	24.7%
Healthcare	21.0%
Financials	14.3%
Industrials	12.7%
Consumer Discretionary	6.3%

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ANNUALIZED TOTAL RETURNS (as of 6/30/2022)	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Latest 3 Year	Since Inception
Argus Innovators- Net of Fees	-7.92%	-17.40%	-25.63%	-19.74%	9.90%	8.62%
Argus Innovators- Gross of Fees	-7.92%	-17.33%	-25.51%	-19.49%	10.23%	8.94%
S&P 500 w/Div	-8.25%	-16.10%	-19.96%	-10.62%	10.60%	9.91%

Source: Advent. Innovators Composite Inception date is 2/28/2018.

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:

Argus Investors' Counsel, Inc. (AIC) is an SEC-registered investment advisor that provides investment advisory services to institutional and individual investors. 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. The Argus Innovators Composite was created on February 28, 2018. The Argus Innovators Composite contains fee-paying, fully discretionary accounts that do not contain investment restrictions. The U.S. dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Past results are not indicative of future returns. AIC claims compliance with the Global Investment Performance Standards (GIPS[®]). AIC has been verified firm-wide by ACA Performance Services from April 1, 2017 through December 31, 2021 and by Ashland Partners & Company, LLP from January 1, 1995 through March 31, 2017. GIPS[®] is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.