

**Argo Investments Limited**

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3 August, 2015

Dear Shareholder,

Result for the year ended 30 June, 2015
Argo Investments Limited (Argo or the Company)

The Directors are pleased to announce a record full year profit of \$228.1 million and a 1.0 cent (6.9%) lift in the final dividend to 15.5 cents per share fully franked.

Summary of financial results

	2015	2014	change
Profit	\$228.1 million^(a)	\$195.9 million	+16.5%
Earnings per share	34.3 cents	30.2 cents	+13.6%
Final dividend per share	15.5 cents^(b)	14.5 cents	+6.9%
Total dividends per share for the full year	29.5 cents^(b)	28.0 cents	+5.4%
Net tangible asset backing (NTA) per share	\$7.52	\$7.35	+2.3%
Management expense ratio (MER)	0.15%	0.15%	-

(a) Includes a one-off, non-cash demerger dividend of \$18.6 million, compared to similar one-off items in the previous year of \$6.9 million.

(b) Includes a 3.0 cents per share listed investment company (LIC) capital gain component, compared to no LIC capital gain component in the previous year.

Overview

Argo's profit for the financial year increased by 16.5% to \$228.1 million and its earnings per share rose 13.6% to 34.3 cents per share. The Company again received increased dividends and distributions from its long-term investment portfolio, partially offset by reduced interest income on cash deposits due to a combination of generally lower cash balances on hand and the lower interest rates available during the year. The headline result was boosted by an \$18.6 million item of non-cash, one-off income, being the demerger dividend resulting from BHP Billiton's demerger of South32.

Over the past year, Argo's investment portfolio outperformed the broader Australian share market, returning a total of +6.1% for the year, compared with the S&P/ASX 200 Accumulation Index which returned +5.7% for the same period. The total return based on the share price performance was even stronger, at +8.2% for the year, continuing the pleasing run of longer term share price returns.

Argo's shareholder numbers continue to grow strongly, with over 4,000 new shareholders added during the year. The current total of 77,500 holders reflects continuing investor appetite for a diversified, low cost and tax effective exposure to Australian equities.

Another highlight of the year was the successful launch of a new listed investment company, Argo Global Listed Infrastructure Limited, which offers its shareholders exposure to a portfolio of international listed securities in the infrastructure sector.

Investment Portfolio

During the year, \$283 million was spent on long-term investment purchases, partly funded by \$129 million in disposals and takeover proceeds. The larger movements in the portfolio during the year included:

Purchases (above \$10m)

Medibank Private
Argo Global Listed Infrastructure
APA Group
Santos
Commonwealth Bank of Australia
National Australia Bank
Asaleo Care
Affinity Education Group

Sales (above \$5m)

Milton Corporation
Toll Holdings (takeover) *
David Jones (takeover) *
Newcrest Mining
Echo Entertainment Group *
Orora *
Southern Cross Media *
ASX

* Sale of complete position and removal from portfolio. Other stocks exited during the year were News Corporation, Fleetwood Corporation, 3P Learning and Arrium.

The Company again participated in a number of initial public offerings (IPOs) during the year. After careful analysis of the many IPO opportunities offered, Argo has established new investment positions in Medibank Private, Argo Global Listed Infrastructure, Asaleo Care, Australian Careers Network, Regis Healthcare, Surfstitch Holdings and Amaysim. In addition, a new holding was created when BHP Billiton demerged some of its assets into a separately listed company, South32.

Overall, the number of stocks held in the portfolio decreased slightly to 101. The cash balance at year end was \$78 million, representing 1.5% of the Company's total assets of \$5.0 billion.

Argo Global Listed Infrastructure Limited

Argo recently launched Argo Global Listed Infrastructure Limited (AGLI) by way of an initial public offering (IPO) to Argo shareholders and the general public. AGLI listed on the ASX on 3 July, 2015 and its shares and options trade under the ASX codes ALI and ALIO respectively.

Argo established AGLI to allow investors to gain exposure to a diversified portfolio of international securities in the infrastructure sector, contained within the simple structure of an ASX-listed investment company. In total, the IPO raised just over \$286 million, including \$25 million invested by Argo. Nearly 11,000 shareholders participated, of which approximately 50% were Argo shareholders.

Argo receives an ongoing fee for managing the operations of AGLI, via its wholly owned subsidiary, Argo Service Company Pty Ltd, which holds an Australian Financial Services Licence. This ongoing fee should grow over time to provide Argo with a meaningful, additional revenue stream to complement its traditional dividend and interest income. The day to day portfolio management of AGLI is outsourced to New York based specialist fund manager, Cohen & Steers, Inc.

Investment performance

The following table provides annual return statistics for Argo's portfolio, share price and the relevant share market index for various periods ended 30 June, 2015. It should be noted that Argo's portfolio performance (measured by the movement in NTA per share assuming dividends paid are reinvested) is calculated after deducting all administration expenses and tax, whereas share market indices do not take account of these costs.

	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>	<i>10 years</i>	<i>15 years</i>
Argo portfolio return	+6.1%	+15.4%	+9.6%	+6.9%	+9.4%
Argo share price return	+8.2%	+20.3%	+10.9%	+8.1%	+10.7%
S&P/ASX 200 Accumulation Index	+5.7%	+15.1%	+9.7%	+7.1%	+8.0%

The share market's overall performance for the year was hampered by significant falls in a number of commodity prices, including oil. As a result, Argo's portfolio performance relative to the market index was positively impacted by underweight positions in BHP Billiton and Woodside Petroleum, and similarly benefited from not owning any shares in Fortescue Metals Group or Oil Search. However, this outperformance was offset to some extent by our holdings in MMA Offshore, Santos and Origin Energy. Our relatively large positions in Macquarie Group, A.P. Eagers, Ramsay Health Care and APA Group all positively added to Argo's performance.

Net tangible asset backing

As a long-term investor, Argo does not intend to dispose of its long-term investment portfolio. Therefore, when calculating net tangible asset backing (NTA), Argo values its portfolio using the market price of each listed holding, without providing for estimated tax on gains that would be realised if the portfolio were to be sold. At 30 June, 2015, this valuation resulted in a NTA per share of \$7.52. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share would have been \$6.62. Both NTA figures are updated monthly and announced to the Australian Securities Exchange (ASX).

On 30 June, 2015, the Argo share price closed at \$7.97, ending the financial year at a 6.0% premium to NTA.

Final Dividend and Dividend Reinvestment Plan

The Directors have increased the final dividend by 1.0 cent to 15.5 cents per share fully franked.

The final dividend includes a listed investment company (LIC) capital gain component of 3.0 cents per share. This does not affect the level of franking on the dividend, but eligible shareholders may also be able to claim a tax deduction for a portion of the attributable part relating to the LIC component. Further details will be provided in the dividend statement.

The Dividend Reinvestment Plan (DRP) will apply to the final dividend for those shareholders with registered addresses in Australia or New Zealand who elect to participate. Shares issued under the DRP will be priced at a discount of 2% to the volume-weighted average price of Argo shares traded on the ASX between 17 August and 20 August, 2015 inclusive. The following dates apply to the final dividend and DRP:

Ex-dividend date for trading in Argo shares on the ASX	Monday 17 August, 2015
Record date for dividend entitlement	Wednesday 19 August, 2015
Last day for amendment of DRP participation (election date)	Thursday 20 August, 2015
Dividend payment date	Wednesday 2 September, 2015

Please note that Argo's share registry operations are managed by Computershare Investor Services Pty. Limited, and DRP participation instructions can be updated online at www.investorcentre.com. Registering your holding online with Computershare also allows you to elect to receive communications from Argo electronically rather than by post. Computershare can also be contacted by telephone on 1300 350 716 (within Australia) or +61 3 9415 4296 (from outside Australia).

Management changes

In recognition of their increased responsibilities, Tim Binks has been promoted to Chief Operating Officer and Andrew Forster has been promoted to Senior Investment Officer, with effect from 1 July, 2015. Mr. Binks and Mr. Forster have been with Argo since 2007 and 2010 respectively.

Annual General Meeting and shareholder information meetings

Details of the Annual General Meeting and shareholder information meetings are as follows:

Annual General Meeting - Adelaide - <i>Adelaide Convention Centre, North Terrace</i>	Monday 26 October, 2015 at 10.00am
Melbourne Information Meeting - <i>RACV City Club, Level 2, 501 Bourke Street</i>	Tuesday 27 October, 2015 at 10.00am
Sydney Information Meeting - <i>Wesley Conference Centre, The Lyceum, 220 Pitt Street</i>	Wednesday 28 October, 2015 at 10.00am
Brisbane Information Meeting - <i>Stamford Plaza Hotel, cnr. Edward & Margaret Streets</i>	Friday 30 October, 2015 at 10.00am

Share Purchase Plan

The Directors intend to offer a Share Purchase Plan in the near term and the details will be announced to the ASX when finalised. It is expected that the offer documents will be mailed to eligible shareholders on 2 September, 2015.

Outlook

Concerns about the Greek debt crisis and increasing risks in China saw a sharp drop in global equity markets in June, which unwound most of the financial year's previous gains. In Australia, the S&P/ASX200 Index finished the year just 1.2% higher, although the accumulation index, which includes dividend income, returned 5.7% overall.

The Australian equity market had a challenging and polarised year, as weak commodity prices impacted the performance of a number of mining and contracting companies, and the banking sector began its transition to higher regulatory capital requirements. However, the higher yielding and defensive sectors have continued to trade well, as more investors look to compensate for lower interest income on cash balances.

There have been expectations for some time that the US will begin to increase interest rates, due to the relative strength of its economy. This is likely to be accompanied by some disruptions to financial markets. In anticipation of rising rates, the US dollar has already strengthened against a number of currencies, including the Australian dollar, which has fallen to US\$0.73.

The recent fall in the Australian dollar should provide some support for our domestic economy as we move into 2016, and we feel that the housing market is likely to remain robust, due to the continued support of accommodative monetary policy.

We are cautious about the potential for short term equity market volatility, although we remain comfortable with our diversified portfolio of quality companies, and will look to participate in any opportunities that these market fluctuations may provide.

Yours faithfully,
ARGO INVESTMENTS LIMITED



Jason Beddow
Managing Director