

# Shareholder Update

## Year ended 31 December 2023



Jason Beddow  
Managing Director  
BEng, GdipAppFin(SecInst)

Dear valued shareholder,

On behalf of the Board of Argo Investments Limited (Argo), I am pleased to report another solid half-year profit and a fully franked interim dividend of 16.5 cents per share.

### Half year profit result

Argo's profit for the half-year was \$125.3 million, a decrease of -8.5%.

Investment income received from companies in the investment portfolio declined, particularly dividends from mining companies BHP and Rio Tinto due to softer commodity prices. Income generated from option writing and trading activities was also lower compared to the previous corresponding period.

### Summary of financial results

	Half-year to 31 December 2023	Half-year to 31 December 2022	Change
Profit	\$125.3 million	\$137.0 million	-8.5%
Earnings per share	16.5 cents	18.2 cents	-9.3%
Interim dividend per share, fully franked	16.5 cents	16.5 cents	unchanged
Management Expense Ratio	0.15%	0.16%	

### Record fully franked interim dividend maintained

Argo's Board declared a fully franked interim dividend of 16.5 cents per share. Pleasingly, the interim dividend is equal to the record high interim dividend paid for the previous corresponding period. We are proud to have paid our shareholders dividends every year since the Company was founded in 1946. Argo remains one of only a handful of Australian listed companies with such a long track record.

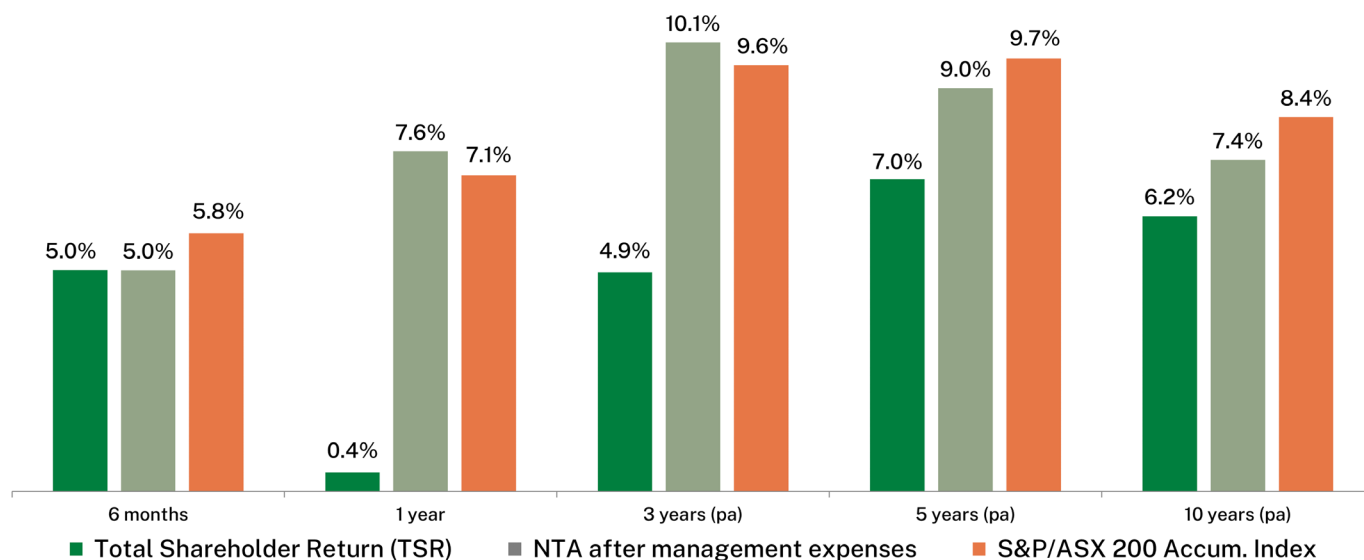
### Investment performance

Argo's investment performance, as measured by net tangible assets (NTA) return after management costs and adjusted for company tax paid, was +5.6% as compared to the S&P/ASX 200 Accumulation Index return of +7.6% over the six months to 31 December 2023 (without any allowance for costs).

Holdings in Clarity Pharmaceuticals (up more than +170%) and Stanmore Resources (up nearly +60%) contributed positively to performance. However, gains were offset by negative returns from other holdings, including pathology and imaging provider Healius. In general, Australian healthcare providers have lagged due to higher costs and lower utilisation levels. Not owning Fortescue materially weighed on relative performance, as did our underweight exposure to the major banks.

Reflecting recent share market volatility, the Index return for the six months to 31 January 2024 was +5.8%. This compares with Argo's investment performance of +5.0% over the same period. Please refer to the chart overleaf for our latest performance figures.

## Total shareholder returns (to 31 January 2024)



### Portfolio movements

Once again, short-term market volatility during the year created opportunities to invest in companies at prices that represented good value in our view. We primarily added to our existing investments with a small number of new stocks added to the portfolio. Several holdings were removed from the portfolio due to takeovers or where we believed there was better value elsewhere in the market.

During the half-year, Argo purchased \$151.4 million of investments and received \$136.4 million from sales and takeovers of stocks we held. Overall, the total number of stocks in the investment portfolio decreased slightly, from 89 to 86.

The larger movements in the portfolio during the period were:

#### Purchases

Resmed\*

CSL

Santos

Stanmore Resources

Viva Energy Group

Woodside Energy Group

#### Sales

Estia Health (takeover)\*\*

Invocare (takeover)\*\*

Liontown Resources\*\*

Insurance Australia Group\*\*

\*\* Fully exited position

\* New portfolio position

### Dividend Substitution Share Plan (DSSP)

At the request of some shareholders, we have now introduced a Dividend Substitution Share Plan (DSSP), in addition to the existing Dividend Reinvestment Plan (DRP).

The DSSP allows eligible shareholders to forgo their dividend and instead receive Argo shares. Unlike the DRP, shares issued under the DSSP are not deemed to be dividends and, therefore, will not usually be subject to income tax at the time of issue. However, there may be tax consequences when shares are subsequently sold. DSSP participants will not be entitled to receive franking credits or listed investment company capital gains tax deductions.

**For more information:** see the 'Dividends' section in the Shareholder Centre on our website. Alternatively, you are welcome to call our office on (08) 8210 9500.

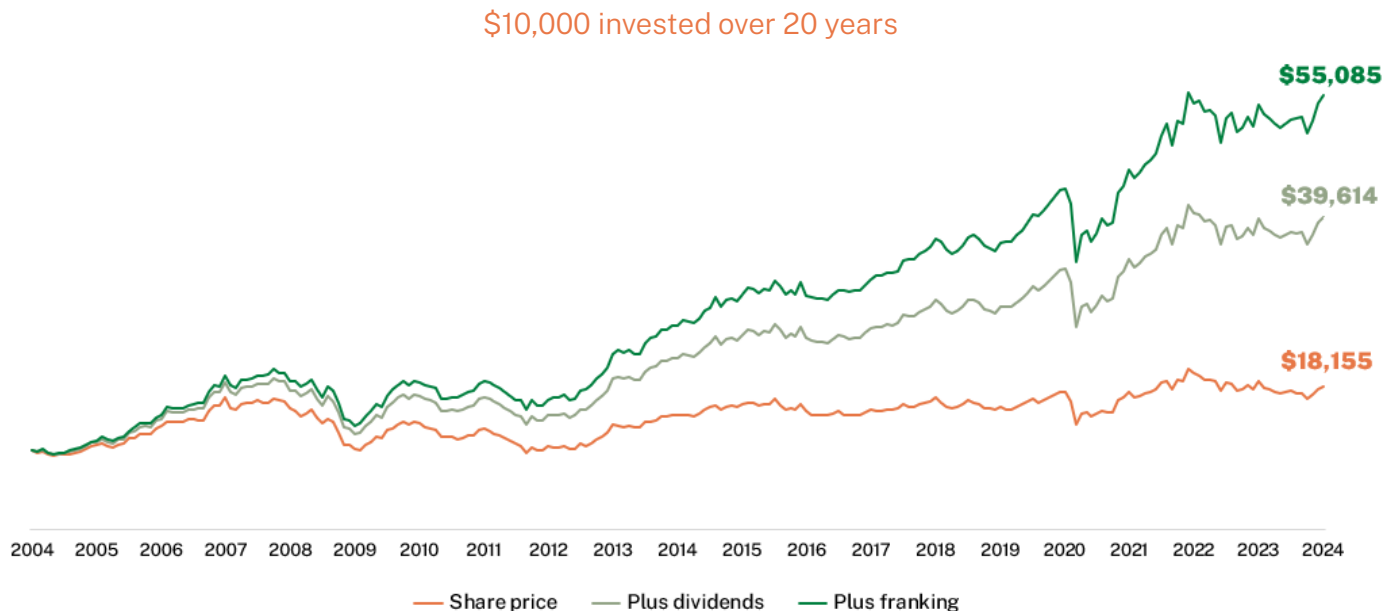
*Shareholders should seek individual tax advice before electing to participate in the DSSP.*

## Investing for the long term

Argo's objective is to maximise long-term shareholder returns through reliable fully franked dividend income and capital growth. This is measured by Argo's share price and dividends received over time, with most shareholders also receiving the benefit of franking credits.

The chart below illustrates Argo's track record of delivering on our investment objective and demonstrates the benefits to shareholders of investing over the long term.

For example, a \$10,000 investment in Argo shares on 1 February 2004 would have grown to a value of \$39,614 (+7.1% per annum) at 31 January 2024. The tax-effective value taking into account franking credits is \$55,085 (+8.9% per annum).



Figures above are to 31 January 2024.

## Market outlook

As fears of a recession fade and expectations of official interest rate cuts build, equity markets globally have staged a remarkable rally over recent months. This bullish sentiment has seen investors largely overlook consensus expectations of lower company earnings for the remainder of 2024 and cast aside concerns about slowing growth and/or a monetary policy misstep.

The recent corporate reporting season has affirmed much of the market's optimism with companies' results reflecting a broadly robust domestic economy. Outlook statements reflect generally positive sentiment about operating conditions for the year ahead, notwithstanding a number of uncertainties, predominantly macroeconomic.

An obvious risk for Australia's share market is that central banks do not cut official rates as soon or as much as predicted. Geopolitical factors will also be at the forefront of investors' minds amid ongoing conflicts in the Middle East and Europe, as well as potential upheaval created from various looming national elections, most notably in the US.

As always, Australia's fiscal fortunes are linked to China's economy which remains challenged by falling property prices, weak consumption and deflation. Despite these sombre signs, China's economic woes have generally not weighed on the iron ore price and many analysts remain sanguine about the nation's prospects. In our view, Australia's economic fundamentals remain solid with the outlook underpinned by still strong employment and moderating inflation. This broadly positive economic picture belies the impact that price increases and higher mortgage repayments are having on many consumers with some demographic segments under considerably more financial pressure than others.

With a diversified portfolio, strong balance sheet, no debt and cash on hand, Argo is well positioned to navigate the current conditions.

### Save the date: Company information meetings

Following the success of last year's information meetings, we will again be holding in-person presentations in various capital cities.

At these meetings, we will provide an update and overview of Argo, the investment portfolio and our view of the share market. We will also present on Argo Infrastructure (ASX code: ALI). Argo Infrastructure's New York-based portfolio manager will attend to provide insights into the global listed infrastructure sector.

Shareholders will also have the opportunity to meet with our team face-to-face and ask us questions.

Light refreshments will be provided. No RSVP is required.

#### Bring a friend!

You are welcome to invite friends and/or family members to come along to an information meeting.



City	Time	Date	Venue
Melbourne	10am	Monday 20 May	Grand Hyatt Hotel 123 Collins Street, Melbourne
Adelaide	10am	Tuesday 21 May	Adelaide Convention Centre North Terrace, Adelaide
Brisbane	10am	Wednesday 22 May	Pullman King George Square Corner Ann & Roma Streets, Brisbane
Sydney	2pm	Thursday 23 May	Marriott Hotel at Circular Quay 30 Pitt Street, Sydney

*\*Meetings in Perth and Canberra will follow on dates to be advised. Details will be emailed to shareholders and available on our website closer to the finalised dates.*

If you have any questions or comments about Argo, please don't hesitate to contact us by telephone on (08) 8210 9500 or by email to [invest@argoinvestments.com.au](mailto:invest@argoinvestments.com.au).

To receive Company news and financial results on the day they are announced, I encourage you to join our email distribution list by completing the 'subscribe' form found at the bottom of each page on our website at [argoinvestments.com.au](http://argoinvestments.com.au).

On behalf of the Board, I thank you for your ongoing and loyal support of Argo.

Yours faithfully,



Jason Beddow  
Managing Director