



## 2023 Annual General Meeting Chairman's Address

*Delivered by Mr. Russell Higgins AO at the 77th Annual General Meeting of Argo Investments Limited (Argo or Company) at the Adelaide Convention Centre on Monday 23 October 2023 at 10.00am.*

### Full year profit results

Last financial year was characterised by market volatility and challenging macroeconomic conditions. The global economy was impacted as Governments and Central Banks unwound the emergency fiscal and monetary policies adopted during the pandemic and as supply chains began to recover from the severe disruptions. Inflation re-emerged as a challenge for world economies and for policy makers. In this environment Argo Investments again delivered a positive total return for shareholders, including record high annual fully franked dividends.

Argo's 2023 full year profit of \$271.7 million represents an increase of +8.2% over the previous year, excluding the one-off, non-cash income received in the prior reporting period. A number of companies in Argo's investment portfolio increased their dividends which bolstered our income. However, these higher dividends were partially offset by lower dividends received from BHP and Rio Tinto, reflecting weaker commodity prices, particularly for iron ore.

### Record fully franked dividends

In August, the Board was pleased to declare a fully franked final dividend of 18.0 cents per share. Together with Argo's interim dividend of 16.5 cents per share, annual fully franked dividends totalled 34.5 cents per share – an increase of +4.5%.

Significantly, both the interim and the final fully franked dividends for the 2023 financial year marked record highs for the Company.

We have now paid dividends every year since Argo was founded in 1946 and it is worth noting that only a handful of Australian listed companies can boast a record of delivering dividends to shareholders for 77 consecutive years.

Furthermore, since the introduction of Australia's imputation system in 1987, every dividend has had franking credits attached and since 1995, all dividends have been fully franked.

We are proud of this enviable track record and remain focused on providing our shareholders with sustainable and tax-effective fully franked dividends, together with capital growth.

### Investment performance

Over the 12 months to 30 September 2023, Argo's investment performance, as measured by net tangible assets (NTA) return after management expenses and adjusted for the corporate tax we pay, was +13.1%. This compares to the S&P/ASX 200 Accumulation Index which gained +13.5%, noting that the Index does not make allowance for any costs.

The slight underperformance relative to the Index reflects investor sentiment pivoting back to growth-style investments. Argo's investment process favours more mature businesses that can maintain and grow their dividends. Taking a longer-term view, over the three financial years since the COVID pandemic, Argo has outperformed the Index return of +11.0% per annum, delivering +11.8% per annum.

### Directorate

I informed shareholders at last year's AGM that the Board had developed a succession plan to refresh the Board whilst maintaining an appropriate mix of skills, experience and diversity. Retirements and new appointments are being staggered over time to ensure our long-serving Non-executive Directors are not all retiring simultaneously. The first elements of the succession plan were implemented in the period leading up to last year's AGM and you will recall that Anne Brennan retired at the conclusion of that Meeting.

Since then, on 30 September 2023, Roger Davis retired from the Board after 11 years of service, including as Chair of the Remuneration Committee. Roger joined Argo's Board in 2012, bringing experience as a director of numerous ASX-listed companies and a strong background in financial services, including executive roles in banking and investment banking, and as Chairman of Bank of Queensland. As an active member of the Board and applying his skills and insights, Roger helped guide Argo through various market cycles and events, including the global pandemic.

On behalf of the Board, I would like to thank Roger for his diligent contribution to Argo Investments.

Following these retirements, two new Directors have been appointed.

Peter Warne was appointed as an independent, Non-executive Director with effect from 1 November 2022. Peter is an experienced company director and has extensive knowledge of the financial services and investment banking sectors. His executive career included senior positions at Bankers Trust Australia and, among his director roles, was the Chairman of Macquarie Group.

Melissa Holzberger was appointed as an independent, Non-executive Director with effect from 1 October 2023. She is a commercial, energy and resources lawyer with considerable experience in the international energy and resources sector. Melissa is an experienced director currently serving on various ASX-listed company boards and has previously been a member of numerous other public, government and not-for-profit boards.

I am pleased to formally introduce Peter and Melissa to shareholders today. They are standing for election to the Board and you will hear from each of them later in the meeting.

### Shareholder survey results

We recently conducted an online survey of our shareholders. The purpose was to better understand our shareholders and how we can improve our communication and engagement.

We would like to share the key findings of the survey with you today:

- Almost two thirds of respondents have been Argo shareholders for 10 or more years;
- One third have been shareholders for 20 or more years;
- Diversified exposure to Australia's share market is the most important reason shareholders hold Argo shares, followed by fully franked dividends;
- 95% of shareholders are happy with the current quantity of information provided;
- Emails are by far the most popular form of communication, with 80% of shareholders nominating emails as their preferred method of accessing information about the Company;
- 80% of respondents rated our shareholder engagement as 'excellent' or 'very good'; and
- 97% of our shareholders would recommend Argo to other investors.

Thank you to all those who completed the survey. We are pleased with the level of support for Argo among our shareholders. However, we do not see these results as cause for complacency. We remain cognisant that Argo is owned by, and managed for the benefit of, our shareholders and we will continue to work hard to serve your interests.

We welcome feedback at any time. If you have suggestions for Argo, including our shareholder engagement, please be in touch. Contact details will be provided at the end of today's presentation.

## Outlook

Australia's economy continues to be shaped largely by macroeconomic influences, most notably persistently high inflation. Like many central banks around the world, the Reserve Bank of Australia (RBA) has aggressively raised interest rates in an effort to dampen demand and control price rises.

To the surprise of many, Australia's economy remains remarkably resilient as evidenced by robust employment figures and rising house prices. An economic 'soft landing' seems possible as the RBA navigates the narrow path of lowering inflation, while not tipping the economy into recession.

However, the positive overall state of the economy belies the growing financial pressures on many people due to sharp interest rate increases and the growing cost of everyday expenses. In turn, this is weighing heavily on consumer confidence and spending.

Although investor sentiment is indicating that the Australian and global economy should be able to avoid recession, there are risks to the outlook. Geopolitical tensions and risks are particularly heightened at present. As a result, growth may be subdued in the near to medium term and further share market volatility is likely.

Against this backdrop, I want to remind and reassure shareholders that, for more than three quarters of a century, Argo has navigated through varying conditions including different market cycles and disruptive events. We have done this through being disciplined and consistently applying our conservative, long-term investment approach.

Argo has no debt, cash on hand and a portfolio of quality stocks, ensuring we are well-positioned in the current investment environment.

### Thank you

I would like to conclude my formal remarks today by thanking our Managing Director, Jason Beddow, and the Argo team for their ongoing hard work.

I would also like to thank my fellow Board members for their valuable contributions over the last year.

Finally, on behalf of the Board, I warmly thank our loyal shareholders. To our new shareholders, welcome to Argo.