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ASX / Media Release

Strong share market recovery boosts Argo's returns

Argo Investments Limited (ASX code: ARG), one of Australia's oldest and largest listed investment companies with assets of \$6.6 billion, announces a full year profit of \$174 million and declares a fully franked final dividend of 14.0 cents per share. This year marks Argo's 75th year of investing on behalf of its shareholders.

Summary of financial results	2021	2020
Profit	\$174.0 million	\$199.5 million
Earnings per share	24.1 cents	27.8 cents
Full year dividends per share (fully franked)	28.0 cents	30.0 cents
LIC capital gain component of final dividend	8.0 cents	-
Shareholders	94,253	92,342
Management Expense Ratio	0.14%	0.15%
Net Tangible Assets (NTA) per share	\$9.01	\$7.27

Investment performance

With the economy recovering considerably faster than expected, Australia's share market delivered one of its strongest financial year performances in decades. Investor optimism was supported by a combination of factors including record high commodity prices and the government's continued commitment to fiscal stimulus which has led to extraordinary levels of excess liquidity. Meanwhile interest rates remain at all-time lows, enhancing the appeal of equities relative to various other asset classes.

In this environment, we are pleased that Argo outperformed the broader share market. Benefitting from the rotation into 'value' stocks, Argo's investment performance, measured by NTA return after all costs and tax, was +28.5%, compared to the S&P/ASX 200 Accumulation Index return of +27.8% over the year.

Argo's share price also provided a strong return, rising +28.6% to end the financial year at \$8.93. Since then markets have continued to climb, with Argo shares recently achieving a new record high of \$9.85.

Fully franked dividend

Although dividend income from companies in the investment portfolio declined this year, the final dividend of 14.0 cents per share fully franked remains unchanged from last year. This reflects a key benefit of Argo's listed investment company (LIC) structure which provides the ability to draw on reserves of retained earnings and franking credits.

The dividend also includes a LIC capital gain component of 8 cents per share from which most individuals and self-managed superannuation funds can claim a tax deduction, in addition to the benefit of franking credits.

The full year's dividends represent a fully franked yield of 4.3% based on Argo's closing share price on 31 July 2021.

Investment portfolio

Periods of volatility during the year provided opportunities to selectively acquire new holdings and add to existing portfolio positions. Conversely, we trimmed our exposure to various companies where we believed valuations had become stretched.

Over the course of the financial year, Argo purchased \$350 million of investments and received \$358 million from portfolio sales and takeovers. The total number of stocks held increased slightly to 90. The larger movements in the portfolio were:

Purchases

Aurizon Holdings*
Downer EDI
EML Payments*
IGO*
Newcrest Mining*
Suncorp Group
Sydney Airport
The Star Entertainment Group

Sales

ANZ Banking Group
Boral^
Commonwealth Bank of Australia
James Hardie Industries
Vocus Group (takeover)**
Washington H. Soul Pattinson

* New portfolio position

** Fully exited position and removed from portfolio

^ Argo has fully exited its position in Boral since the end of the financial year

Outlook

Despite the emergence of the Delta strain of the coronavirus and the resulting lockdowns across various states and cities, the share market has continued to climb higher. When volatility has occurred, it has generally given way to renewed optimism, although sentiment has been more muted over the past month or two.

Overall, we are more cautious in our outlook than previously, due to the combination of the market trading at record highs and the ramifications of ongoing COVID-19 restrictions hampering a considerable portion of the economy.

Over the medium to long-term, our view is more positive as the nation's vaccine roll-out gathers pace. The federal and state governments have continued to demonstrate a willingness to provide targeted economic assistance to cushion the impact of lockdowns and the Reserve Bank of Australia maintains its supportive stance on monetary policy. Furthermore, earnings expectations have recovered and company balance sheets are robust, evidenced by increasing merger & acquisition activity.

The corporate financial reporting season is getting under way, and while many companies will be reluctant to provide specific earnings guidance, their commentary will likely give valuable insights regarding the business impacts of lockdowns on the eastern seaboard.

As we enter the new financial year, Argo's business remains resilient, with a well-diversified portfolio of quality stocks, a strong balance sheet and no debt. We continue to take a consistent and conservative approach to managing the portfolio, remaining faithful to our investment philosophy which has served us well for 75 years. We remain focused on delivering both capital growth and reliable dividend income to our shareholders.

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About Argo

Argo Investments (ASX code: ARG) is one of Australia's oldest and largest listed investment companies. We offer investors a low-cost, conservative and diversified exposure to approximately 90 Australian listed companies. Founded in Adelaide in 1946, Argo has grown to be one of the ASX's top 100 companies, investing over \$6.5 billion on behalf of more than 94,000 shareholders.