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ASX / Media Release

Argo reports profit of \$129m on a record half of dividend income

Argo Investments Limited (ASX code: ARG), is pleased to announce an interim profit of \$129 million, an increase of +91.5%. The Board has declared an increased interim dividend of 16.0 cents per share, fully franked.

Summary of financial results

	Half-year to 31 December 2021	Half-year to 31 December 2020	Change
Profit	\$129.0 million	\$67.4 million	+91.5%
Earnings per share	17.8 cents	9.3 cents	+91.4%
Interim dividend per share (fully franked)	16.0 cents	14.0 cents	+14.3%
Net tangible assets (NTA) per share	\$9.52	\$8.01	+18.9%

The rebound in first half profit was driven by increased investment income, with most companies in Argo's portfolio raising or returning to paying dividends as the economy recovered from the initial impacts of the COVID-19 pandemic. In particular, a number of our larger holdings increased dividends by more than 100 per cent, including Macquarie Group, BHP Group, Rio Tinto and National Australia Bank.

Investment outperformance

Argo's investment performance, measured by NTA return after all costs and tax, was +7.3%, compared to the S&P/ASX 200 Accumulation Index return of +3.8% over the six months to 31 December 2021. The calendar year return of +22.7% was even more impressive compared to the index return of +17.2%, with Macquarie Group, Sydney Airport and our exposures to battery materials through IGO, Lynas Rare Earths and Novonix providing about half of the outperformance.

The strong performance relative to the broader Australian share market reflects Argo's focus on company fundamentals to identify high quality companies with good long-term prospects. Our investment approach saw us avoid several stocks and sectors with inflated valuations, which sold off later in the year.

Argo's share price gained +15.7% over the reporting period and +25.5% for the calendar year. Including franking, the 12-month total shareholder returns (TSR) were in excess of 27.0%.

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Investment portfolio

During the half year, Argo purchased \$301 million of investments and received \$191 million from portfolio sales and takeovers. The larger movements in the portfolio during the period were:

Purchases

EML Payments
Aurizon Holdings
Lendlease Group
CSL
Macquarie Group
RAM Essential Services Property Fund*

Sales

Washington H. Soul Pattinson
Boral**
Crown Resorts**
AGL Energy**

* New portfolio position

** Fully exited position and removed from portfolio

In addition, a number of new stocks were added to the portfolio over the half year, while other holdings were removed due to mergers or takeovers, including Oil Search, Spark Infrastructure and Milton Corporation. Overall, the total number of stocks in the portfolio remained the same.

Outlook

After staging a dramatic rebound following the initial impacts of the COVID-19 pandemic, the share market was generally more subdued in the six months to 31 December as markets globally reached all-time highs. However, the ASX200 index has retreated swiftly in the new year, now down over 5% with increasingly volatile moves, particular among technology stocks.

In recent weeks, economic conditions have worsened as surging Omicron cases and isolation requirements created labour shortages, crippled supply chains and renewed fears leading to 'shadow' lockdowns.

In the immediate term, we expect conditions to remain challenging as markets globally digest the effects of rising inflation and the realisation that interest rate rises are imminent. We believe this environment favours Argo's long-term investment approach which concentrates on identifying high quality companies with solid fundamentals.

Looking further ahead, we remain confident in Australia's underlying economic recovery, whilst cognisant that the share market's strong returns recently have been supported by unprecedented stimulus and are not likely to be repeated.

Argo has a strong balance sheet and no debt. With cash on hand, we are well positioned to capitalise on opportunities generated by any market volatility in the short term.

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About Argo

Argo Investments (ASX code: ARG) is one of Australia's oldest and largest listed investment companies (LICs). We offer investors low-cost, conservative and diversified exposure to Australian listed companies. Founded in Adelaide in 1946, Argo is one of the ASX's top 100 companies and invests approximately \$7 billion on behalf of more than 95,000 shareholders.