

Shareholder Update

Year ended 30 June 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 a strong full year profit and a record fully franked final dividend of 18.0 cents per share, an increase of +5.9%.

Full year profit result

Argo's profit for the full year was \$271.7 million, a decrease of -13.2%.

It is important to note that in the prior year Argo's income was significantly bolstered by one-off, non-cash income of \$61.7 million due to the merger of BHP's oil and gas assets with Woodside Energy and Tabcorp's demerger of The Lottery Corporation.

Excluding this income, profit increased +8.2%.

Summary of financial results	2023	2022	Change
Profit*	\$271.7 million	\$312.9 million	-13.2%
Profit excluding one-off, non-cash income	\$271.7 million	\$251.2 million	+8.2%
Earnings per share excluding one-off, non-cash income	36.1 cents	34.3 cents	+5.2%
Final dividend per share (fully franked)	18.0 cents	17.0 cents	+5.9%
Full year dividends per share (fully franked)	34.5 cents	33.0 cents	+4.5%
Shareholders	95,434	96,064	
Management Expense Ratio	0.155%	0.141%	

* Prior year figure was bolstered by one-off, non-cash income of \$61.7 million due to the merger of BHP's oil and gas assets with Woodside Energy and Tabcorp's demerger of The Lottery Corporation.

Record fully franked dividend

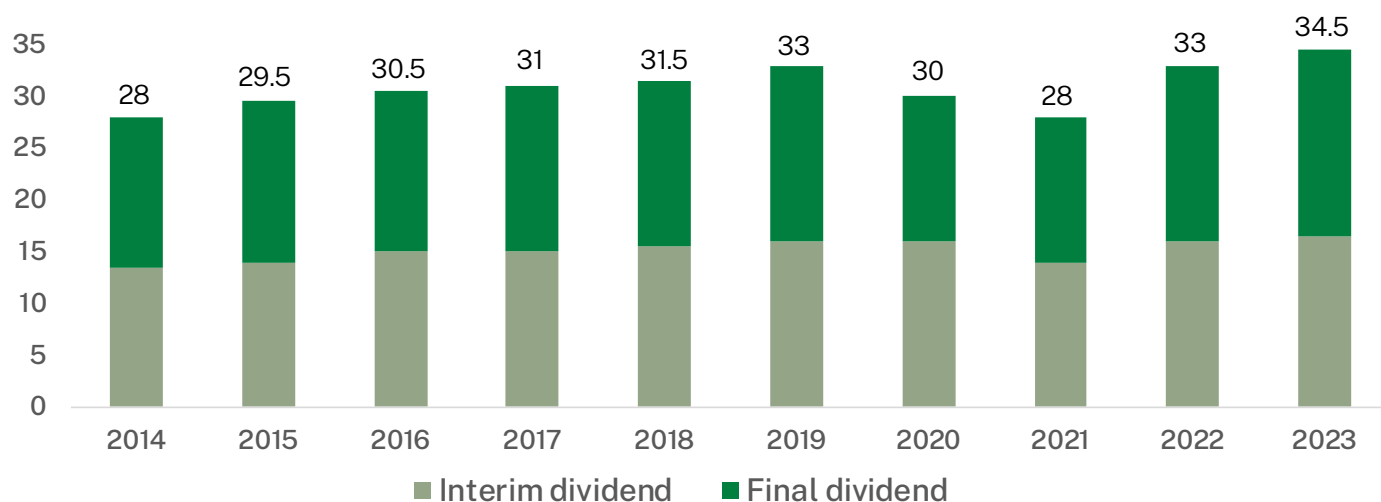
Argo's Board declared a fully franked final dividend of 18.0 cents per share. Together with the interim dividend of 16.5 cents per share, annual fully franked dividends for the financial year totalled 34.5 cents per share, representing an increase of +4.5% on the previous year.

Notably, both the interim and final fully franked dividends represent record highs for Argo.

Argo has delivered dividends to shareholders every year since 1946. Furthermore, since the introduction of Australia's imputation system in 1987, every one of our dividends has been franked, with the vast majority fully franked. This is an enviable track record and one we are very proud of.

Providing our shareholders with sustainable and tax-effective dividend income remains a priority for Argo and is integral to how we approach investing.

Fully franked dividends (cents per share)



Investment performance

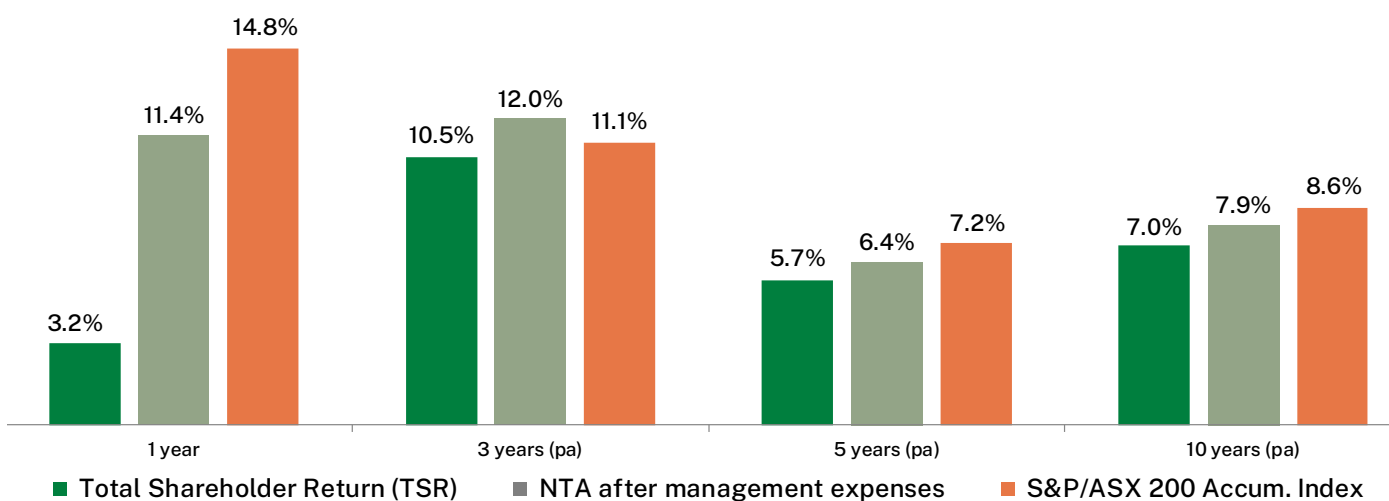
Over the financial year ended 30 June 2023, Australia's share market defied expectations to perform strongly in the face of persistent inflation, a sombre global economic outlook and the steepest interest rate increases in recent history. Although a range of economic headwinds fuelled periods of volatility, particularly in the first quarter, investors tended to 'look through' these challenges.

All industry sectors generated positive returns, although Technology was the standout performer, surging more than +30%. Companies leveraged to lithium and other battery minerals also generated particularly strong returns. Meanwhile, sectors with more defensive attributes, such as Utilities and Health Care, lagged the broader market.

Argo's investment performance, measured by net tangible assets (NTA) after all costs and adjusted for company tax paid, was +11.4%. This compares with the S&P/ASX 200 Accumulation Index which returned +14.8%, without allowance for any costs.

The relative underperformance of the portfolio this year reflects investor sentiment pivoting back to growth-style investments, whereas Argo's investment process favours more mature businesses that can maintain and grow their dividends. On the same basis however, looking back over the three financial years since the COVID crisis arrived, Argo has returned +12.0% per annum, compared to the Index return of +11.1%.

Total returns



Figures above are to 30 June 2023.

Portfolio movements

Short-term market volatility during the year created buying opportunities, primarily to add to existing portfolio positions. However, the total value of transactions (both sales and acquisitions) was modest relative to prior periods. The total number of stocks in the investment portfolio decreased from 93 to 89.

The larger movements in the portfolio during the period were:

Purchases

Allkem*

BHP Group

CSL

GUD Holdings

IDP Education

Macquarie Group

Santos

Stanmore Resources

Viva Energy

* New portfolio position

Sales

Australian United Investment Co.

Diversified United Investments

Insurance Australia Group

Pact Group**

Tabcorp Holdings**

Tassal Group (takeover)**

** Fully exited position

Market outlook

Only a short time ago, the prospect of global recession seemed likely as central banks aggressively raised interest rates to control rampant inflation. However, indicators are now increasingly pointing to an economic 'soft landing' as most central banks, including the US Federal Reserve, seem to be successfully navigating the narrow path of lowering inflation without causing a recession.

Like many other developed economies, Australia has remained surprisingly robust despite high inflation and a raft of other, mainly macroeconomic, challenges. The economy's resilience has been largely underpinned by fiscal stimulus and historically low unemployment. In addition, many Australians are benefiting from higher deposit rates and asset prices.

Although domestic economic indicators are holding up well at this stage, for a growing cohort of the population, sharp interest rate increases and still elevated inflation levels are increasingly weighing on sentiment and negatively impacting spending.

Despite increased margin pressures, predominantly in the form of rising wages and increasing financing costs, companies generally reported solid earnings during the recent corporate reporting season. Businesses are managing higher labour and interest expenses mainly through price rises and, to a lesser extent, efficiency programs. Declines in other input costs, such as commodities prices and freight fees, are also helping to ease margin pressures.

A consistent feature of earnings announcements, particularly among mining and resources companies, was the increase in capital expenditure budgets. Notably, only a small proportion of forecast capex was earmarked for generating growth. Instead, increasing capital expenditure predominantly reflected significant cost overruns on a growing number of existing projects.

Overall, companies were cautious about the outlook as many are experiencing weaker trading conditions as demand softens. Given the economic environment, those companies that provided forward profit guidance were understandably conservative.

While current investor sentiment indicates that Australia and the global economies should be able to avoid recession, in our view further share market volatility is likely and growth will be muted over the medium-to-longer-term.

With no debt, cash available and a diversified portfolio of quality stocks, Argo is well-positioned to navigate these conditions applying our conservative, long-term investment approach to identify quality companies.



Annual General Meeting

Argo's Annual General Meeting (AGM) will be held on Monday 23 October 2023 in Adelaide. The AGM will be held in-person or can be viewed via a livestream on Argo's website. A recording will be available via our website in the week following the AGM.

Full details of the AGM will follow in your Notice of Meeting.

Information meetings

Following the success of our recent information meetings, we will again be holding in-person presentations in various capital cities in May of next year. Further details will be provided closer to the time.

Receive communications electronically

We would like to take this opportunity to encourage you to receive all communications from Argo electronically. With postal delays increasingly common, communication by email is the fastest and most reliable way to receive information from us. This is particularly important for time-sensitive offers, such as Share Purchase Plans.

You can elect to receive your Argo communications via email by contacting our share registry provider BoardRoom on 1300 350 716 or simply change your communication preferences via their secure and user-friendly online shareholder portal at investorserve.com.au.

Save the date
Argo AGM
In-person and livestream



23 October 2023
10am Adelaide time

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.

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.

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

Yours faithfully,



Jason Beddow
Managing Director