

Shareholder Update

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020



JASON BEDDOW

Managing Director

BEng, GdipAppFin(Seclnst)

Dear valued shareholder,

As the global and domestic economies continue to navigate through the many challenges arising from the coronavirus pandemic, Argo Investments Limited (Argo) is pleased to report a solid half-year profit and a fully franked interim dividend of 14.0 cents per share.

HALF-YEAR PROFIT RESULT

Argo's profit for the half year was \$67.4 million, a decrease of -43.3% on the previous year. In response to the ongoing COVID-19 crisis, Australian companies generally maintained a cautious approach to declaring dividends. Numerous companies in the investment portfolio substantially cut or cancelled their dividend payouts in the six months to 31 December, which significantly impacted Argo's half-year profit.

SUMMARY OF FINANCIAL RESULTS

	Half-year to 31 December 2020	Half-year to 31 December 2019	Change
Profit	\$67.4 million	\$118.8 million	-43.3%
Earnings per share	9.3 cents	16.6 cents	-44.0%
Interim per share (fully franked)	14.0 cents	16.0 cents	-12.5%
Shareholders	93,389	87,855	+6.3%

FULLY FRANKED DIVIDENDS

Although dividend income was down sharply, Argo's Board was able to declare a modestly lower interim dividend of 14.0 cents per share fully franked.

A key benefit of Argo's listed investment company (LIC) structure is our ability to draw on reserves of retained earnings and franking credits. This enables Argo to cushion the impact of fluctuations in dividend income through the economic cycle, allowing a more sustainable dividend flow to shareholders, as distinct from index funds that use a trust structure.

The interim dividend represents a grossed-up dividend yield of approximately 4.7%.

We are very proud to have paid dividends to our shareholders every year since the Company's inception in 1946. Argo has franked every one of its dividend payments since the introduction of Australia's imputation system in 1987.

INVESTMENT PORTFOLIO

During the half-year, Argo purchased \$114 million of investments which included adding to existing positions. Over the same period, Argo received \$122 million from sales and takeovers of investments. The major purchases and sales are shown below.

The total number of stocks in Argo's diversified investment portfolio increased from 89 to 92. Some smaller companies in the digital payments, technology and battery commodities sectors were added to the portfolio during the period.

PURCHASES

- Aurizon Holdings *
- Bega Cheese
- Downer EDI
- Healius
- Newcrest Mining *
- Sydney Airport

* *New portfolio position*

SALES

- AMP**
- Ansell**
- ANZ
- Australian United Investment Company
- Sydney Airport
- Westpac

** *Fully exited position*

Argo's largest holdings as a percentage of the investment portfolio are shown in the table below.

TOP 20 INVESTMENTS AT 31 JANUARY 2021	%
Macquarie Group	5.5
BHP	5.5
CSL	5.1
Wesfarmers	4.7
CBA	4.3
Rio Tinto	3.9
Westpac	3.9
ANZ	3.5
Telstra	2.5
NAB	2.4
Woolworths	2.3
Ramsay Health Care	2.2
Sonic Healthcare	2.1
Aust. United Investment	2.1
Transurban	1.9
APA	1.9
Aristocrat Leisure	1.7
Sydney Airport	1.6
Coles	1.6
Reece	1.5
Top 20 equity investments	60.2

INVESTMENT PERFORMANCE

Argo's investment performance, measured by NTA return after all costs and tax, was +12.3% over the six months to 31 December 2020. Argo's share price has moved to a premium to NTA per share, resulting in a shareholder return of +18.6% for the half year, ahead of the S&P/ASX 200 Accumulation Index return of +13.2% and assisted by Argo's ability to provide sustainable dividend income to our shareholders.

“Argo's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth. It does this by investing in a diversified Australian equities portfolio which is actively managed in a tax-aware manner within a low-cost structure.”

MARKET OUTLOOK

Over recent months, the market has wrestled with contrasting developments in the worldwide coronavirus pandemic. While global infection rates and deaths had reached record levels resulting in further severe lockdowns, they are now falling, assisted by several vaccines being distributed in many countries. Overall, the share market has been buoyant, with sentiment also supported by the US election result and expectations of Congress agreeing to further significant fiscal stimulus.

The recent Australian reporting season generally yielded stronger than expected results and demonstrated that dividends are recovering. Many companies rewarded shareholders with significant dividend increases, particularly miners exposed to record high commodity prices, retailers and other COVID 'winners'. As businesses navigate their new operating and trading environments, company outlook statements revealed a wide range of expectations for the coming year and profit guidance was limited.

As we look ahead, we are generally optimistic about the domestic economy. Despite numerous and ongoing state border closures, Australia has continued to fare well both economically and in the fight against COVID-19. Economic growth has rebounded, and the outlook has improved with the economy likely to continue to benefit from ultra-low interest rates and strong commodity prices.

However, we are also cognisant of potential challenges arising as unprecedented stimulus measures are unwound and the Australian and global economies transition to a new normal. We also recognise that the economy may face further coronavirus-related challenges as new strains emerge ahead of the widespread rollout of vaccinations.

With a well-diversified portfolio of quality stocks, no debt and a strong balance sheet, Argo's business model remains resilient. Argo maintains reserves and franking credits so we can prioritise providing sustainable and tax-effective dividend income for our shareholders.



Investing for our shareholders since 1946

ARGO'S 75TH ANNIVERSARY

This year we mark 75 years of investing on behalf of our shareholders. Since 1946, Argo has consistently applied its long-term investment approach and remained focused on providing a low-cost, reliable exposure to the Australian share market which delivers sustainable income to shareholders. Argo's approach has attracted investors of all ages and stages of life and today, we have almost 94,000 shareholders.

We look forward to commemorating this milestone later in the year and sharing the history of Argo and our shareholders over the last 75 years. Anecdotally, we understand that some families have been with Argo for much of this time, with shares passed down through the generations.

If you would like to contribute the story of your Argo shareholding to our archives, we would be delighted to hear from you by email to Lesley-May at invest@argoinvestments.com.au.

MANAGE YOUR SHAREHOLDING ONLINE

You can simply and easily manage your Argo shareholding online. Use BoardRoom's secure and user-friendly website portal, InvestorServe, to:

- Change communication preferences
- Update bank account details
- View current balances
- Elect to participate in the dividend reinvestment plan (DRP)
- Download dividend statements
- View transaction histories
- Update your postal address*

**If your shareholding is CHESS sponsored, please contact your sharebroker to update your postal address.*

If you have any queries with respect to InvestorServe, accessing your information or in relation to your holdings, please do not hesitate to contact Boardroom directly.

BOARDROOM PTY LIMITED

W investorserve.com.au

T 1300 350 716

To receive Company news and financial results on the day they are announced, I encourage you to join our email distribution list by clicking on the 'subscribe' button 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