15 September 2017

Dear Shareholder,

Result for the year ended 30 June 2017

Argo Investments Limited (Argo or Company)

ABN 35 007 519 520

The Directors are pleased to announce a full year profit of $211.5 million and an increased final dividend of 16.0 cents per share fully franked, bringing the full year dividends to a record high of 31.0 cents per share fully franked. Australian shareholders may be able to claim a tax deduction relating to the 5.0 cents per share capital gain component of the dividend. This is explained in more detail below.

Summary of results:	**2017**	*2016*	*change*
Profit	**$211.5 million**	$216.3 million	-2.2%
Earnings per share	**30.7 cents**	32.0 cents	-4.1%
Final dividend per share	**16.0 cents**	15.5 cents	+3.2%
Total dividends per share for the full year	**31.0 cents**	30.5 cents	+1.6%
Net tangible asset backing (NTA) per share	**$7.71**	$7.11	+8.4%
Management expense ratio (MER)	**0.16%**	0.17%	-0.01%
Number of shareholders	**81,445**	80,477	+968

Overview

The solid profit result and increased dividend was a pleasing outcome, especially considering the reduced dividends we received from a number of the larger companies in the investment portfolio during the first half of the year. In the first half, profit fell 8.9% but rebounded in the second half to be 5.2% higher than the previous year's second half, with business and consumer confidence improving as concerns of fallout from further political upheaval did not eventuate.

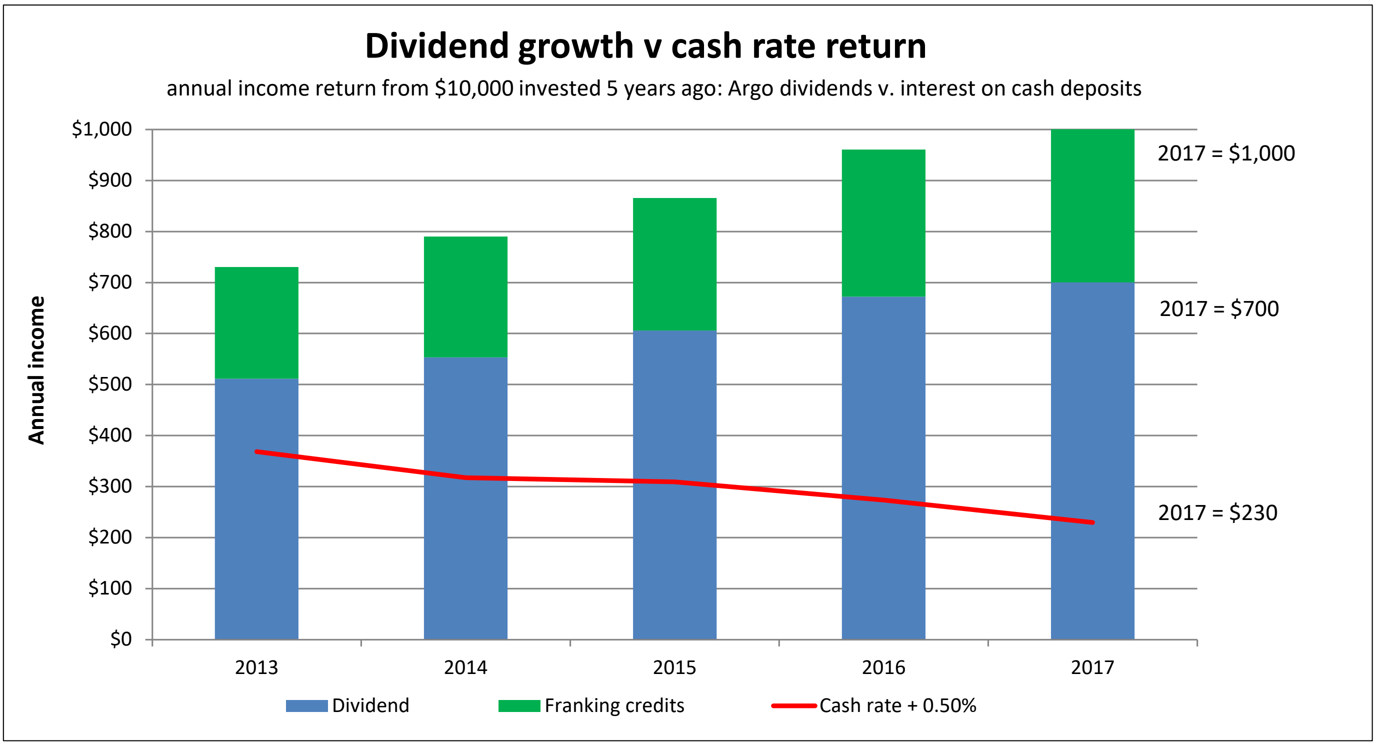
Portfolio income was slightly lower than last year, following dividend cuts from Rio Tinto, BHP Billiton, Woolworths, Origin Energy and ANZ Banking Group. These cuts were partly offset by increased dividends from Macquarie Group, AGL Energy and Sydney Airport, and special dividends received from Asciano (due to its takeover) and Crown Resorts. Income from option writing and trading declined this year, although interest received on cash deposits was higher, reflecting higher cash balances on hand. Expenses increased by only 0.5% on last year, and include the costs of managing the external listed investment company, Argo Global Listed Infrastructure Limited (AGLI) for which Argo received $1.7 million in management fee income.

Growing your dividends

This is the fifth year in a row that Argo has increased annual dividends to shareholders. As noted above, this year's increase was achieved despite a softer first half of the year. Argo's closed-end corporate structure allows the flexibility to smooth dividends paid to shareholders over time to a greater extent than the managed fund trust structure which distributes all profits (or losses) every year. This has helped us to maintain steady growth in dividends over the last five years particularly.

It is also important to note that Argo's dividend is generated from a diversified range of industries via its portfolio of investments, helping to reduce the volatility of dividends from individual investments through fluctuating economic cycles.

The chart below highlights the value of receiving this dividend stream in an environment of low interest rates. The annual dividend returns from Argo shares are compared with the annual interest returns from cash deposits. It is assumed that $10,000 was invested in each asset five years ago, with income from dividends and interest reinvested along the way. The dividends are fully franked, which further improves after-tax returns for Australian shareholders. The capital appreciation of Argo shares over this period has been ignored for this exercise.



Tax deduction for capital gain component of the dividend

During the year, two significant holdings in Argo's portfolio were taken over, being Asciano and DUET Group. As a result, we made large capital gains which are taxable. Argo pays the tax on these gains, but as a qualifying long-term listed investment company (LIC), a special tax rule allows the capital gains tax discount for holding a stock for more than a year to be passed on to our shareholders, as though you made the capital gain yourself.

We do this by declaring part of the dividend to be the 'LIC capital gain component', in this case 5.0 cents of the 16.0 cents per share final dividend. The 5.0 cents equates to 7.14 cents per share in pre-tax terms, which is known as the "attributable part". Australian resident individuals and trusts can claim a tax deduction equal to 50% of the attributable part, and self-managed super funds can claim 33⅓%. Your dividend statement will provide more specific details, including the total amount of your tax deduction, which depends on your tax status. This benefit is in addition to your franking credits, as the entire dividend is fully franked.

Further information and an example calculation are available on the Australian Taxation Office's website at www.ato.gov.au/General/Capital-gains-tax/Shares,-units-and-similar-investments/CGT-listed-investments-companies-concession/.

Investment performance

Global share markets have continued to march upwards, particularly in the US, driven by the rapidly growing technology sector which is pushing market indices to record highs. This optimism has spread to Europe and Japan where economic growth is at last recovering.

Most sectors of the Australian equity market recorded healthy gains for the year. The best performing sectors were chemicals, diversified financials, food & beverages, metals & mining and pharmaceuticals. The only sectors to record negative returns were telecommunications and property.

The recent strength in our market was led by the return to favour of the larger companies. However, some of the best individual share price performers were mid-size companies, especially in the resources sector.

Argo's underweight position in the materials sector, and more particularly the smaller and mid-size resources companies, hampered our performance relative to the broader market this year. This portfolio positioning reflects our preference for companies that can generate growing dividend income but occasionally results in underperformance when mining stocks are in favour.

Argo's best performing stocks in absolute terms were Downer EDI, South32, Orica, Aristocrat Leisure, iSelect, Challenger, Computershare, Alumina, WorleyParsons and ALS. The worst performing stocks were Vocus Group, MMA Offshore, McGrath and Santos.

The following table provides annual return statistics for Argo's portfolio, share price and the relevant share market index for various periods ended 30 June 2017. It should be noted that Argo's NTA performance return (measured by the movement in NTA per share assuming dividends paid are reinvested) is calculated after deducting all administration expenses and tax, whereas share market indices do not take account of these costs. For example, tax paid or payable reduced Argo's NTA return by 0.7% this year, from 13.6% to 12.9%.

Performance statistics (per annum)	*1 year*	*3 years*	*5 years*	*10 years*	*15 years*
NTA return after all costs and tax	+12.9%	+5.8%	+11.4%	+3.6%	+8.4%
Argo share price return	+8.4%	+4.1%	+12.7%	+3.7%	+9.1%
S&P/ASX 200 Accumulation Index	+14.1%	+6.6%	+11.8%	+3.6%	+8.6%

Investment Portfolio

During the year Argo purchased $159 million of long-term investments. Proceeds of $218 million were received from long-term investment sales, which included $135 million from the takeovers of Asciano and DUET Group. The larger movements in the portfolio during the year included:

Purchases
Boral
CBL Corporation
CSL
Estia Health
QANTM Intellectual Property
Rural Funds Group
Tabcorp Holdings
Tassal Group
Vocus Group

Sales
Asciano (takeover)*
ASX*
Australian United Investment Co.
Downer EDI
DUET Group (takeover)*
Milton Corporation
Rio Tinto

* Sale of complete position. Other stocks exited during the year were Sims Metal Management, Reliance Worldwide Corporation, Surfstitch Group and Macquarie Group income securities.

New investments were made in QANTM Intellectual Property, oOh!media, Speedcast International, Murray River Organics Group and Motorcycle Holdings. We also added to 26 existing holdings. Overall, the number of stocks held in the portfolio decreased slightly to 98.

Annual General Meeting and shareholder information meetings

For the benefit of those unable to attend the Annual General Meeting (AGM) in Adelaide, we will be streaming the meeting live on our website at www.argoinvestments.com.au.

The schedule for the AGM and shareholder information meetings will be combined with that of Argo Global Listed Infrastructure Limited (AGLI). Argo meetings will be followed by AGLI meetings on the same day, with refreshments served in between. Argo shareholders are also invited to attend the AGLI meetings. We look forward to seeing many of our shareholders and their guests at this time to provide an update of the Company's activities and to answer any questions you may have. We will also have some survey questions to ask you.

Details of the meetings are as follows:

Annual General Meeting - Adelaide - *Adelaide Oval, War Memorial Drive, North Adelaide*	Monday 23 October 2017 at 10.00am (AGLI at 1.00pm)
Melbourne Information Meeting - *RACV Club, 501 Bourke Street*	Tuesday 24 October 2017 at 10.00am (AGLI at 12.00pm)
Sydney Information Meeting - *Swissotel Sydney, 68 Martin Street*	Wednesday 25 October 2017 at 10.00am (AGLI at 12.00pm)
Brisbane Information Meeting - *Marriott Hotel, 515 Queen Street*	Thursday 26 October 2017 at 10.00am (AGLI at 12.00pm)
Perth Information Meeting - *Hyatt Regency, 99 Adelaide Terrace*	Friday 27 October 2017 at 10.00am (AGLI at 12.00pm)
Canberra Information Meeting - *Park Hyatt, 120 Commonwealth Avenue, Yarralumla*	Friday 3 November 2017 at 10.00am (AGLI at 12.00pm)

Outlook

We expect that global macroeconomic and geopolitical influences will continue to have a significant impact on the Australian stock market, as will the prospect of higher interest rates in the US and the potential unwinding of stimulus across a number of developed economies. While ongoing economic growth in China will be vital to the performance of the Australian resources industry, global growth has improved, and this has contributed to robust demand for commodities and maintained commodity prices at levels above what may have been expected 12 months ago.

Domestically, the banks face some well publicised headwinds, and the recent A$ strength following commodity price increases and speculation that interest rates will start to rise again, may hamper companies with substantial offshore earnings.

The corporate results reporting season has been mixed, although profits and dividends declared were largely in line with our expectations. Meaningful growth was limited to the resources and energy sectors, and many companies highlighted that the coming year would be more challenging with increasing cost pressures.

We continue to meet with the senior management teams of our investee companies, and apart from analysing their financial results, we are particularly interested to hear how these companies are thinking strategically for the longer term, at a time when many traditional business models are being challenged.

Our cash balances are currently higher than in recent years, reflecting our cautious approach when we perceive market valuations to be relatively high.

Share Purchase Plan

We do not intend to offer a share purchase plan to shareholders in the immediate future as we have sufficient cash to take advantage of any volatility through the corporate reporting season.

Yours faithfully,

Jason Beddow
Managing Director