



6 March 2020

The Manager
Company Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Letter to Shareholders
Half-year report to 31 December 2019

Dear Sir or Madam,

Please find attached a copy of the letter to Argo Investments Limited (ASX: ARG) shareholders reviewing the result for the half-year ended 31 December 2019, which was distributed to shareholders with payment of the interim dividend on 6 March 2020.

Yours faithfully,
ARGO INVESTMENTS LIMITED

A handwritten signature in black ink, appearing to read "T.C.A. Binks".

T.C.A. Binks
Chief Operating Officer & Company Secretary

Shareholder Update

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019



JASON BEDDOW
Managing Director

BEng, GdipAppFin(Seclnst)

Dear valued shareholder,

On behalf of the Board of Argo Investments Limited (Argo), I am pleased to report a profit for the half-year to 31 December 2019 of \$118.8 million and an interim dividend of 16.0 cents per share, fully franked.

To receive financial results on the day they are announced, join our email list by clicking on the 'subscribe' button on our website at argoinvestments.com.au.

HALF-YEAR PROFIT RESULT

Argo's profit for the half-year was \$118.8 million, a decrease of -2.3%* on the previous half-year period, reflecting slightly lower trading income and interest from cash deposits.

SUMMARY OF FINANCIAL RESULTS

	Half-year to 31 Dec 2019	Half-year to 31 Dec 2018*	Change
Profit	\$118.8 million	\$121.1 million	-2.3%
Earnings per share	16.6 cents	17.0 cents	-2.4%
Interim dividend per share (fully franked)	16.0 cents	16.0 cents	steady
Market capitalisation	\$6.3 billion	\$5.4 billion	+16.7%
Shareholders	87,900	86,100	+2.1%

*Prior half-year excludes the \$36.1 million demerger dividend due to Wesfarmers divesting Coles Group. Including this one-off, non-cash income item, which boosted reported profit during the previous half, the decrease in profit was -24.4%.

RELIABLE DIVIDEND INCOME

Argo's Board was pleased to declare an interim dividend of 16.0 cents per share fully franked, unchanged from last year. The interim dividend was maintained at this level despite significant cuts in dividends received from Westpac Banking Corporation, National Australia Bank and Telstra Corporation.

In the current environment of historically low interest rates on cash deposits, we are acutely aware of the importance of providing reliable, tax-

effective dividend income to our shareholders, and we continue to make this a priority. Argo's listed investment company (LIC) structure provides the flexibility to smooth dividend payments over time which helps in meeting this objective.

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

INVESTMENT PORTFOLIO

Although equity markets generally continued to rise over the half-year, bank stocks languished with escalating remediation costs, new AUSTRAC allegations and continued management changes, particularly for Westpac, weighing on the sector.

As a result, the composition of Argo's top 10 portfolio holdings by market value has changed. The major banks have slipped down the order and have been overtaken by Macquarie Group and CSL, which have surged in value to become the largest holdings in Argo's portfolio.

The Company's largest holdings as a percentage of the investment portfolio are shown below.

TOP 10 INVESTMENTS AT 31 DECEMBER 2019

	%
Macquarie Group	5.5
CSL	5.0
Westpac	4.7
BHP	4.7
CBA	4.0
ANZ	3.9
Rio Tinto	3.4
Wesfarmers	3.4
NAB	2.5
Telstra	2.5

During the half-year, Argo purchased \$93 million of long-term investments which included adding to a number of existing holdings as well as new positions. Proceeds of \$65 million were received from sales and takeovers of long-term investments.

Details of the larger movements in the portfolio are shown below.

PURCHASES

- Amcor
- AP Eagers (takeover of Auto. Holdings)
- Corporate Travel Management
- Downer EDI
- Freedom Foods
- Ramsay Health Care
- Rural Funds Group
- Treasury Wine Estates*
- Tassal Group

* *New portfolio position*

SALES

- Automotive Holdings Group**
(taken over by AP Eagers)
- DuluxGroup** (taken over by Nippon Paint)
- Incitec Pivot**
- Milton Corporation
- Nufarm

** *Fully exited position*

INVESTMENT PERFORMANCE

Pleasingly, Argo's net tangible asset (NTA) performance returned +3.8% over the six months to 31 December 2019, to outperform the S&P/ASX 200 Accumulation Index return of +3.1%. The 2020 calendar year has started well for Argo, building on recent positive performance. Argo's latest month-end NTA at 31 January 2020 was \$8.87 per share, up +1.8% since the start of the year.

Argo's share price has also performed strongly, recently achieving an all-time high of \$9.11, assisted by continuing strength in the Australian equity market and Argo's ability to deliver sustainably growing dividends over the long-term.

“ 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

Global share markets shrugged off many negative factors to post strong returns in 2019, with investor confidence bolstered by central banks' ongoing commitment to accommodative monetary policy. Building on this performance, equity markets globally have started the new calendar year with a bang. Data indicating global growth is stabilising and continued optimism of a US/China trade deal has pushed markets to new highs.

Despite the coronavirus epidemic, investors remain bullish. Initially, news of the outbreak weighed on markets with some sectors and stocks particularly affected as investors feared the impact on China, the world's second largest economy, could hamper global growth. However, to date this volatility has proved to be short-lived with investor sentiment seemingly fortified by the assumption that central banks will provide further monetary support if the crisis worsens.

Company valuations remain stretched as markets have rallied while earnings continue to be downgraded. In our view, the impacts of Australia's tragic bushfires and the coronavirus could dent second half earnings for a number of companies and potentially lead to additional stock price fluctuations in coming months. Tourism operators, education providers and some exporters to China are among those businesses particularly exposed.

Although stocks are generally expensively priced, over the medium to longer-term we anticipate that continued low (and possibly lower) interest rates will support global economic activity and ultimately drive equities higher as investors seek returns above cash rates.

With no debt and cash on hand, Argo is well-positioned to take advantage of opportunities created by any short-term market volatility to add to positions in our long-term investment portfolio.

CHANGE OF SHARE REGISTRY PROVIDER

In November of last year, following a tender process, Argo appointed a new share registry provider, Boardroom Pty Limited (Boardroom). Tendering major supplier contracts from time-to-time helps to improve Argo's cost efficiency, to the benefit of all shareholders.

Argo shareholders can use Boardroom's secure and user-friendly website portal InvestorServe to manage their holdings, including viewing balances and transaction histories, managing communication preferences and updating bank account details.

The transition to a new share registry has required changes to the shareholder reference numbers for a small number of Issuer Sponsored shareholders, who have been contacted directly.

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

SHARE PURCHASE PLAN

Argo is not intending to offer a Share Purchase Plan to its shareholders in the near future. If this position changes, we will make an announcement to the ASX and you will be notified immediately.

We understand that many of our shareholders and their families or businesses have been directly impacted by the devastating Australian bushfires. On behalf of Argo, I extend our sympathies to all those affected by this disaster.

If you have any questions or comments about the Company, please don't hesitate to contact us by telephone on 08 8210 9500 or by email to invest@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