



25 October 2021

Company Announcements  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

### **Annual General Meeting**

Please find attached the Chairman's Address, Managing Director's Address and the accompanying presentation slides for today's Annual General Meeting of Argo Investments Limited (ASX: ARG).

Yours faithfully,

Tim Binks  
Chief Operating Officer & Company Secretary



## 2021 Annual General Meeting Chairman's Address

Delivered by Mr Russell Higgins AO at the 75th Annual General Meeting of Argo Investments Limited (Argo or Company) held online on Monday 25 October 2021 at 10.00am (Adelaide time).

### Introduction

The past year has been a difficult one for many of our shareholders with COVID-19 related restrictions on travel, both international and interstate, lockdowns and various other restrictions creating a range of impacts, including on work, social, recreational and family activities. Let's hope that with the vaccination rollout progressing that next year is a better year for us all.

The pandemic has been difficult for many businesses as well, impacting those in the travel, hospitality, recreation and entertainment sectors particularly hard. However, many of the larger ASX-listed companies have been robust and adapted to the challenging conditions fairly well.

In Argo Investments' case, we have been able to carry on without our business model or investment philosophy being affected. Our staff are able to work remotely and can continue to meet with companies and analysts online. While COVID-19 certainly provides challenges for our investment team in assessing companies' prospects in the short-term, we remain focused on identifying long-term value, rather than being overly influenced by short-term or temporary factors.

### Investment performance

Despite all the difficulties, the share market had a stellar year in 2020-21. The S&P ASX 200 Accumulation Index increased by 27.8% during the year. Pleasingly, Argo Investments' portfolio outperformed the Index, with our NTA increasing by 28.5%, and that's after paying all costs and tax. This performance is particularly commendable given that Argo paid more tax than normal due to the large capital gains realised during the year.

One of the benefits of a large, diversified portfolio is that different companies in the portfolio will be affected in different ways when events occur or conditions change. This diversification helps to manage risks and to balance out short-term impacts. We can be true to our long-term investment approach due to the strength and diversity of our portfolio. Sydney Airport provides a great example of the benefit of our investment philosophy, as we did not need to sell our holding when its earnings evaporated, in fact we invested more. Ultimately, this long-term value approach has been vindicated with Sydney Airport shares rising substantially after receiving several takeover bids recently.

Argo's share price also provided a strong return, rising 28.6% to end the financial year at \$8.93. Since then, markets continued to climb and Argo shares reached a new record high of \$9.85 in August, although both the broader market and Argo's share price have pulled back a little since then.

### Financial results

Argo's profit for the 2021 financial year was \$174.0 million. This figure included a one-off, non-cash income item of \$19.1 million resulting from Woolworths Group's demerger of Endeavour Group during the year. Excluding that income, our profit result was 22.4% lower than the prior year.

Dividend income received from our portfolio was significantly impacted by the effects of the COVID-19 pandemic, although by the end of the financial year, dividends in most sectors were well on their way to recovery. The major banks which had cut or reduced dividends sharply at the end of the previous financial year, were able to start to increase payouts again as confidence in the economy grew and the need for bad debt provisioning subsided.

In response to the pandemic uncertainty, Argo froze salaries for all staff and directors and reduced its operational expenses by over 9% including by cutting incentive payments substantially and reducing travel and meeting costs.

### Fully franked dividends

The Board declared a fully franked final dividend of 14 cents per share, the same amount as the interim dividend paid during the year. Annual fully franked dividends therefore totalled 28 cents per share, down 6.7% on the previous year. That reduction was much less than the 22.4% decline in profit, demonstrating Argo's ability to draw on reserves of retained profits and franking credits to provide a relatively reliable stream of dividend income to our shareholders. We did this last year too, when COVID-19 first struck the economy, and our loyal shareholders have appreciated Argo's resilience throughout the crisis.

Due to several portfolio sales during the year crystallising substantial capital gains, the final dividend also included an LIC capital gain component of 8 cents per share - our largest ever. When Argo makes a discounted capital gain by selling a stock in its long-term portfolio, we can pass this tax benefit through to our shareholders as though each shareholder owned and sold the stock themselves. Most individual and self-managed superannuation fund shareholders can claim a tax deduction in relation to these capital gains, in addition to the benefit of franking credits. Argo is one of only a handful of companies able to provide this benefit to shareholders due to our special tax status as a genuine long-term investor, not a trader.

### 75<sup>th</sup> Anniversary

This year we are proud to mark 75 years of investing on behalf of our shareholders. Over this time, Argo has navigated through various market cycles and weathered many disruptive events by consistently and carefully applying our conservative and long-term approach to investing.

To mark the anniversary, we have refreshed Argo's visual identity, including our logo. We have also launched a new website with a range of user-friendly features including a number of short videos. We have also produced a 75<sup>th</sup> Anniversary Booklet outlining Argo's history, including a timeline of events and milestones. The booklet is available on our website in the 'Our history' section under the 'About Us' tab.

Some notable milestones and achievements over Argo's 75 years include:

- The Company was founded in 1946 and has paid a dividend every year since;
- Argo was listed on the stock exchange in 1948;
- The Company has had only three Managing Directors, including the current MD Jason Beddow, in its 75-year history;
- In 1987, the Australian Imputation System was introduced, and Argo's dividend has been franked ever since then;
- 1996 saw our 50<sup>th</sup> Anniversary, by then Assets had reached \$744m and we had 25,000 shareholders;
- In 1999, the Dividend Reinvestment Plan was introduced;
- In 2015, Argo Global Listed Infrastructure (ASX code: ALI) was floated to provide an easy diversification into global infrastructure for Australian investors; and
- Today, Argo has assets of more than \$6.6 billion and over 95,000 shareholders.

Investing can be a daunting prospect for retail investors, especially during periods of volatility, and we are humbled to be considered a trusted investment by so many shareholders. This is a mantle we do not take for granted.

It is particularly pleasing that there are many families on our register who have passed down Argo shares from generation to generation over decades. Furthermore, over one in three shareholders continue to build up their holding in Argo Investments via the Dividend Reinvestment Plan.

### Outlook

The Australian and World economies are performing better now than they were in 2020. We expect that corporate profits will continue to recover, notwithstanding market volatility generated by re-opening challenges, possible inflation, and later the unwinding of stimulus measures.

The extraordinary recovery of the stock market over the last 18 months reflects high levels of investor optimism buttressed by fiscal and monetary policy measures. Governments worldwide have deployed massive fiscal stimulus to ameliorate the economic impacts of the health pandemic. This has been accompanied by a sustained period of at or near zero interest rates and large quantitative easing or bond buying programs by Central Banks.

How these extraordinary fiscal and monetary stimulus measures are unwound over the coming period will be a challenging task for Governments and Central Banks. It will require a deft touch and good judgment. In my view, even without any missteps, the pathway out represents a risk in the outlook and could be the source of some volatility in the period ahead.

With a strong balance sheet, no debt and a diversified portfolio of quality companies, Argo remains resilient in this environment. The Company is well-positioned to capitalise on opportunities arising from short-term market volatility, applying our long-term and patient approach to investing our shareholders' capital.

### Thank you

I would like to conclude by thanking our Managing Director, Jason Beddow, and his dedicated team for their continued hard work. I commend them for their resilience and flexibility during these difficult times.

I would also like to thank my fellow Board members for their valuable contributions to the Company through what has been another challenging year.

Importantly, on behalf of the Board, I sincerely thank you, our loyal shareholders.  
To our new shareholders, I welcome you to Argo.



## 2021 Annual General Meeting Managing Director's Address

Delivered by Mr Jason Beddow at the 75th Annual General Meeting of Argo Investments Limited (Argo or Company) held online on Monday 25 October 2021 at 10.00am (Adelaide time).

### Market trends and conditions

After rising for a record 11 consecutive months and reaching an all-time high, the S&P ASX 200 Index finally ended its upward trajectory in September, falling 2.7% for the month. The change in sentiment was driven by any number of concerns, including earnings growth peaking, central bank tapering of stimulus, rising bond yields, inflation fears, the US approaching its debt ceiling and the state of the Chinese economy, particularly its property sector.

The market's strong run has come despite Australia's two biggest economies, New South Wales and Victoria, being in lockdowns for many months which they are only just emerging from. While Australia may have initially lagged in its vaccination program, we can now boast one of the highest vaccination rates in the world and, with first dose numbers still rising, may well end up being the most vaccinated country in the world.

While companies across many sectors like healthcare, retail, travel and tourism are operating at only partial capacity, we believe that many of the businesses most impacted by COVID lockdowns largely remain outside of the listed environment in the small and mid-sized private space.

At this time of the year following the AGM we usually travel around the country, meeting with our shareholders. We enjoy this interaction and the opportunity to answer questions on many aspects of our portfolio and the market in general. Unfortunately, in the current environment this was not possible this year.

In lieu of this face-to-face interaction, we recently released a video which covered many of the questions we are currently being asked by shareholders, as well as some of our current thoughts on the market. The video provides a more succinct format, separate to the formalities of the AGM, to discuss these topics. For those shareholders who receive electronic communication, an email was sent with a link

to the video. It is also available on our website for anyone else who is interested.

One topic that is worth further mention is the most recent corporate reporting season which demonstrated strong earnings growth and a robust recovery for most industries. It also highlighted the benefits of strong fiscal stimulus, record low interest rates, a booming housing market and strong commodity prices.

The standout features of reporting season were strong balance sheets and record dividends. In aggregate, Australian companies delivered a record \$38 billion in dividends to shareholders during reporting season, led by iron ore miners, BHP, Rio Tinto and Fortescue Metals Group. These three companies alone paid \$17 billion in dividends.

The strength of company earnings and the excellent condition of balance sheets was further demonstrated by the increased number of special dividends and a record number of buybacks announced, totaling in excess of \$15 billion.

We received special dividends from Eagers Automotive, Milton Corporation, Rio Tinto, South32, Suncorp Group and Telstra Corporation.

Currently, there are more companies in our portfolio undertaking buybacks than ever before and there are many more across the market. Commonwealth Bank of Australia and Woolworths Group have just completed large off-market buybacks, while the other companies have elected for on-market buybacks. We expect the continued health of company balance sheets, coupled with the low cost of debt, should support more company buybacks over the next 12 months.

An extraordinary amount of capital has been allocated to equity markets globally, pushing valuations to record levels. Combined with optimism of vaccination success, huge amounts of cash looking for returns and increased levels of confidence, this has seen a sharp bounce back in merger and acquisition activity and initial public offerings – two tell-tale signs of a buoyant equity market.

Currently in our portfolio, we have ongoing takeover bids for Sydney Airport, Oil Search and Spark Infrastructure, with the takeover of Milton Corporation recently completed. It should be remembered that a significant number of takeover bids fail to proceed, with IRESS being one recent example.

The number of new IPOs has reached a feverish high. Many of these are relatively small companies or businesses in the resources sector, taking advantage of high commodity prices and the demand for newer commodities. However, there are many others we are assessing as potential new investments. Examples of some

recent or current IPOs taking place include Judo Bank, APM, EBR Systems, RAM Essential Services, SG Lottery and Clarity Pharmaceuticals. This is a busy time for me and the investment team as the process of analysing and assessing new opportunities requires numerous meetings and due diligence, not to mention the process involved to ensure we receive a meaningful allocation from the syndicate bankers.

### **Environmental, Social and Governance (ESG)**

No presentation is currently complete without discussing environmental, social and governance (ESG) matters, particularly the increased focus on the environment and decarbonisation. We are finding that companies are currently spending considerable time engaging with shareholders and other stakeholders regarding their ESG credentials and future strategy.

Consideration of ESG factors has always formed an inherent part of our investment process, as they can have a significant impact on a company's long-term value and its returns to shareholders. The investment team spends considerable time researching and analysing these issues including attending ESG investor days, not to mention the numerous ESG-related AGM resolutions of the companies in our portfolio.

We believe it is our responsibility as a shareholder to engage with management of all companies in our investment portfolio regarding a range of ESG issues, not just environmental. Over the last financial year, we have held hundreds of meetings with company executives and over fifty meetings with company board members regarding these issues. Potential liabilities and future growth implications arising from ESG issues are factored into our company forecasts and valuations. Environmental factors we consider include carbon and greenhouse gas emissions and the use of renewable energy.

In the lead up to the UN Climate Conference in Glasgow, the decarbonisation thematic continues to gather pace and commitments to net zero emission targets increase. With China, the US and India responsible for over half of current global emissions, to achieve these targets the world will clearly need to be united.

With a clear government commitment, large corporates who are well funded, have strong business models and sound balance sheets, will also be a necessary part of the solution.

To find out more, see Argo's Environmental, Social and Governance (ESG) Investment Statement which is available on our website.

## Outlook

Despite the ongoing COVID pandemic, the global economy appears strong with massive fiscal and monetary stimulus still in effect. Domestically, there is reason for optimism with high vaccination rates and significant financial assistance from both federal and state governments. As the economy reopens, we hope to return to a more normal lifestyle, as we are seeing overseas.

However, confidence may be tested as stimulus is withdrawn and economic settings respond to the possibility of extended inflation and a return to more normal interest rate settings.

There are still plenty of risks confronting the Australian and global economies. COVID-19 is still with us, market valuations are high, supply chain and logistics challenges are widespread and geopolitical risks seem to be increasing. China's economic health, as always, will have an impact on global growth and Australia's commodity demand.

With the market at these elevated levels, we expect some volatility. However, with a diversified portfolio, no debt and cash available, we believe Argo is well-positioned in the current environment.

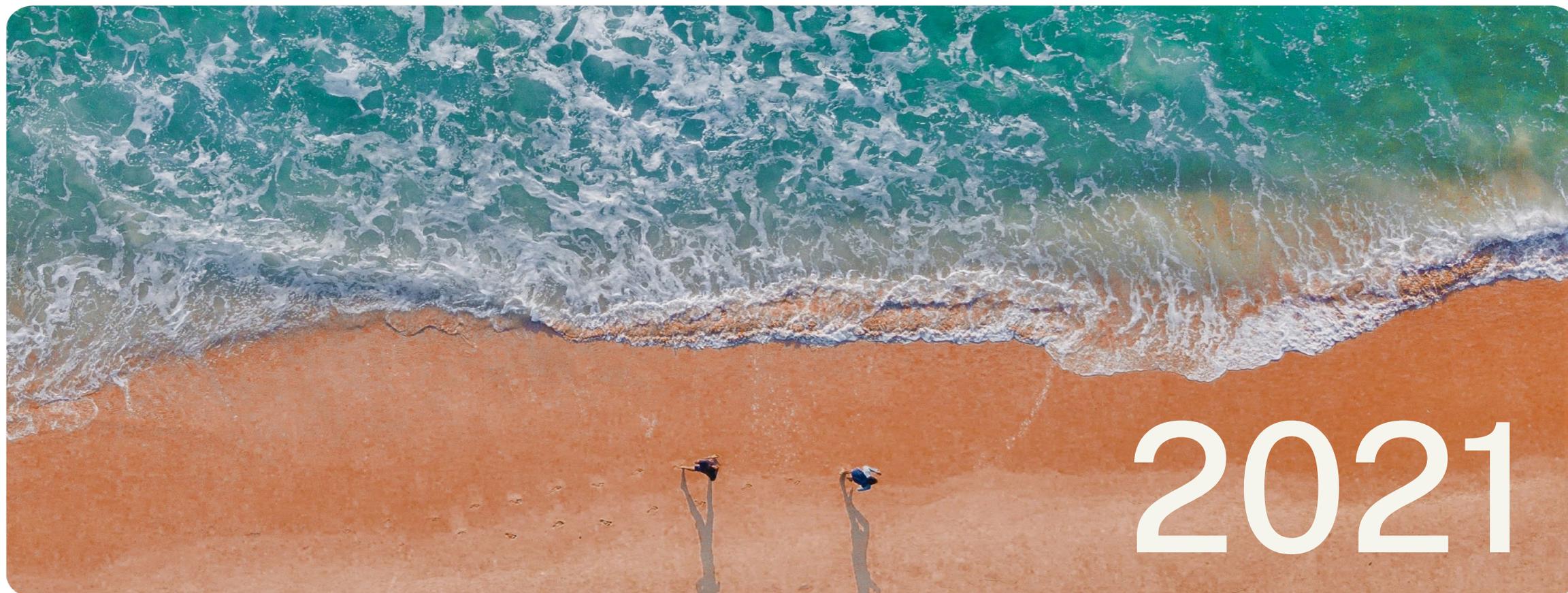
## Thank you

I would like to acknowledge the efforts of the whole team this year, who under extraordinary circumstances, in both our Adelaide and particularly our Sydney office, have done a great job to keep Argo fully operational.

I also acknowledge the contribution from the Chairman and Non-executive Directors and I look forward to hopefully seeing them face to face in December for the first time in over six months.

I wish all our shareholders well for the coming months. We thank you for your continued support and the trust that you have placed in us, and I hope we will be able meet with you in person sometime in 2022.

# Annual General Meeting



2021

# Board of Directors



**Russell Higgins AO**  
Non-executive Chairman



**Jason Beddow**  
Managing Director



**Joycelyn Morton**  
Non-executive Director



**Roger Davis**  
Non-executive Director



**Anne Brennan**  
Non-executive Director



**Chris Cuffe AO**  
Non-executive Director



**Liz Lewin**  
Non-executive Director

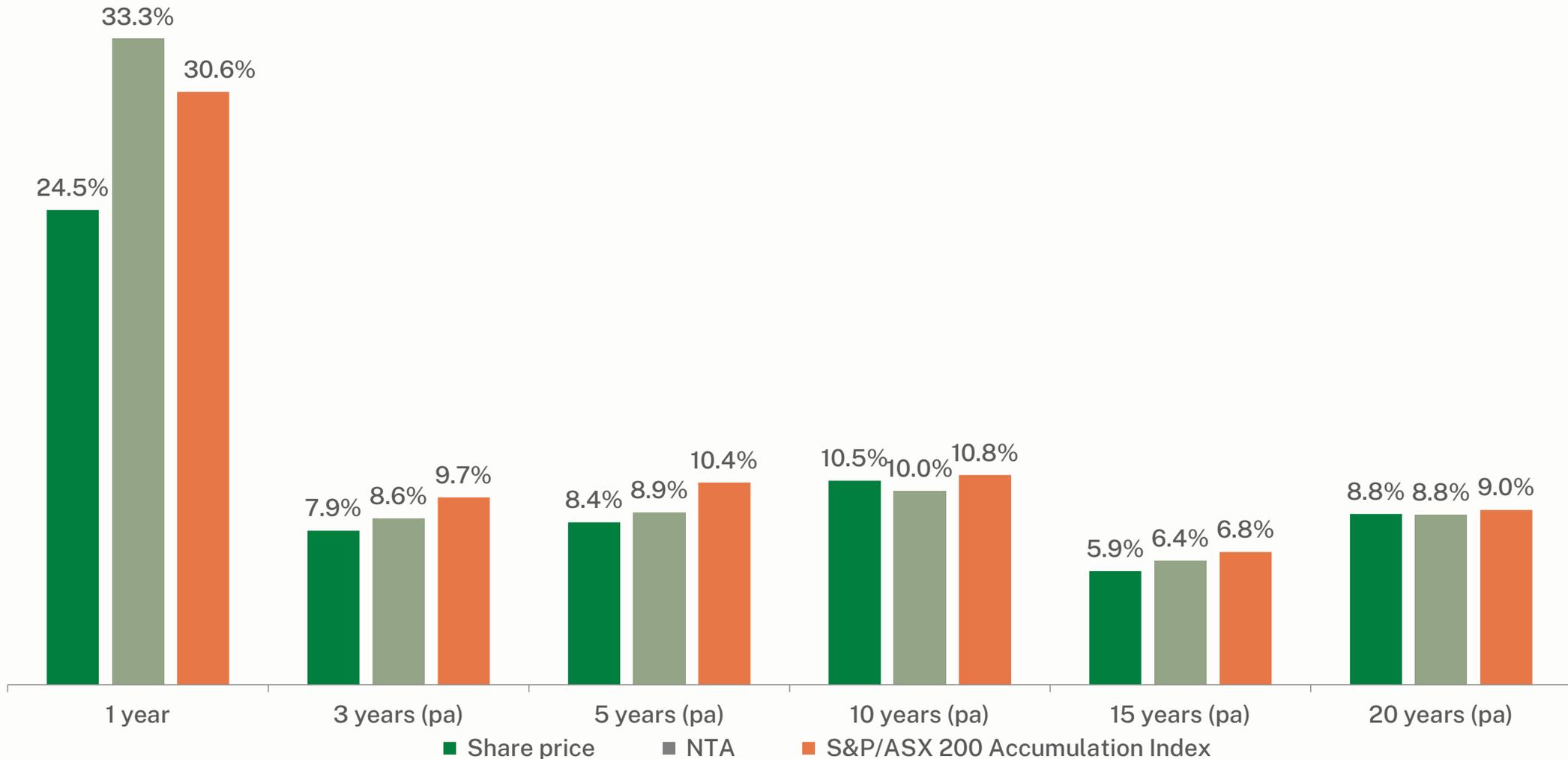
# ARGO

“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.”



# Total returns percentage per annum



Figures above are to 30 September 2021

# 2021 highlights



Profit

**\$174m**

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Full year dividends,  
fully franked

**28.0c**

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LIC capital gain  
component of final  
dividend

**8.0c**

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Earnings per share

**24.1c**

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Management expense  
ratio

**0.14%**

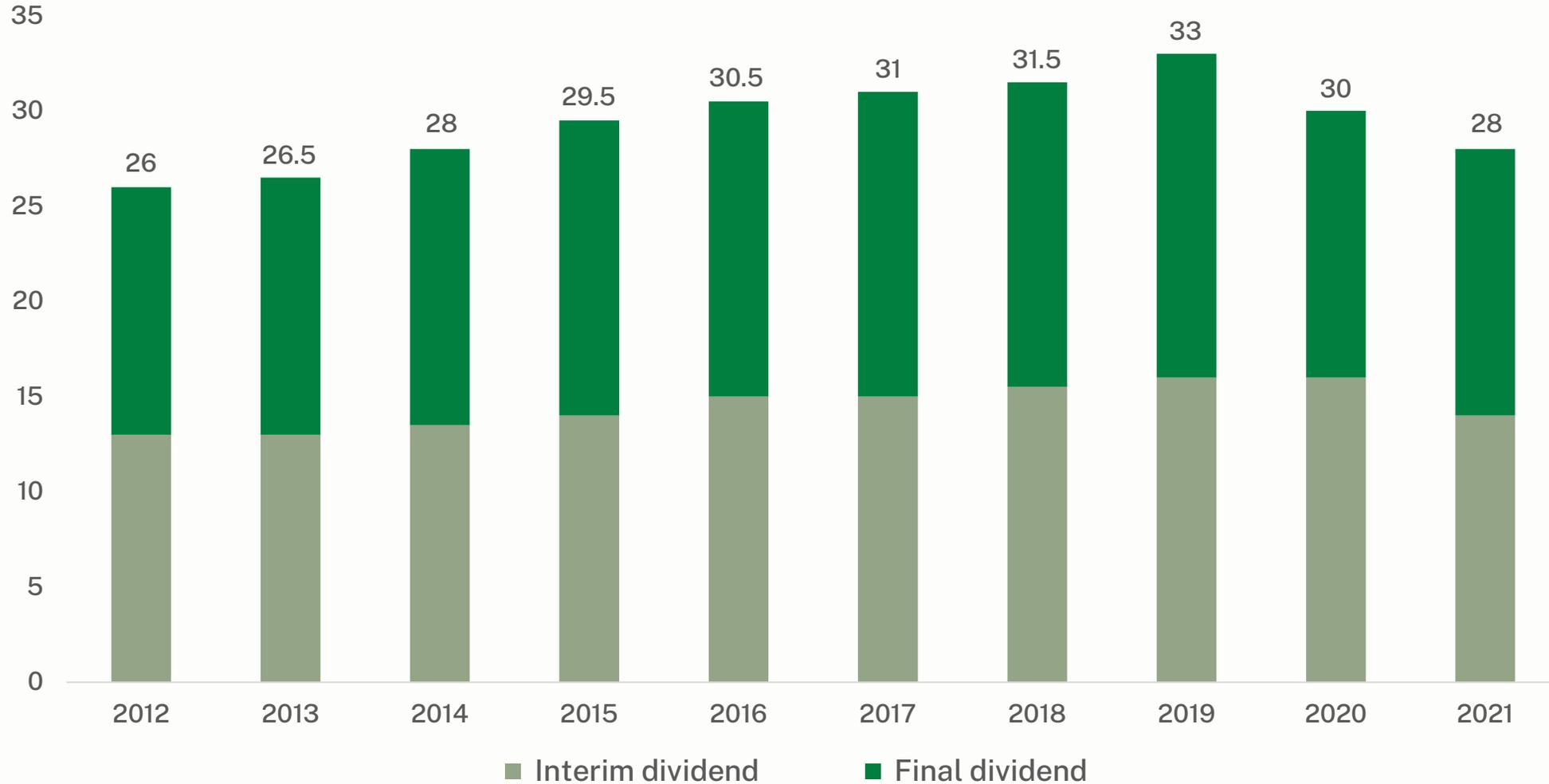
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Shareholders

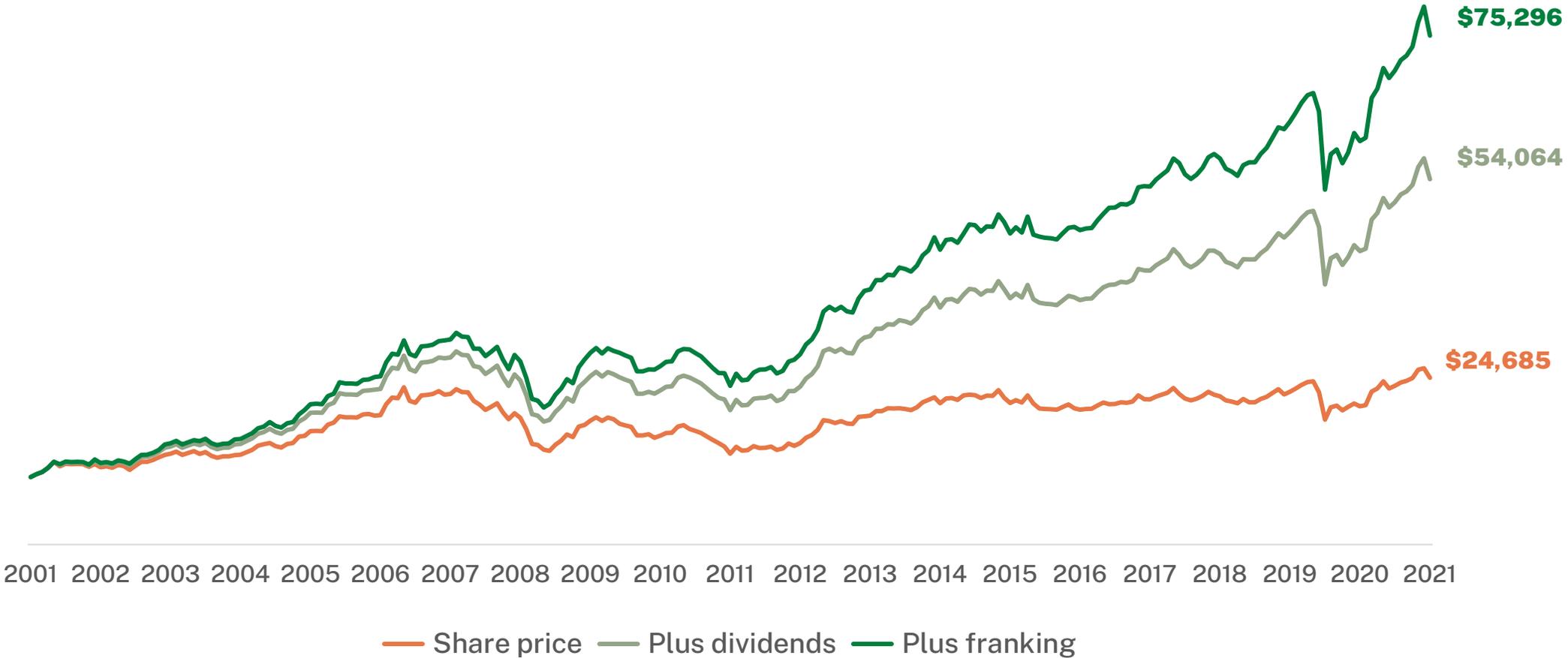
**94,100**

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# Annual dividends cents per share



# Shareholder returns \$10,000 invested



Figures above are over 20 years to 30 September 2021



**75**  
YEARS

**Celebrating 75 years  
of investing on behalf  
of our shareholders**

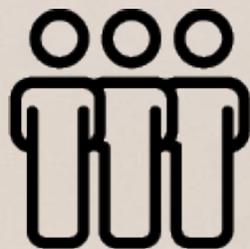
# Outlook



# Shareholder benefits



Low-cost,  
internally managed



Experienced board and  
management team



Long-term, proven  
investment approach



Fully-franked,  
sustainable dividends



Strong balance  
sheet, no debt



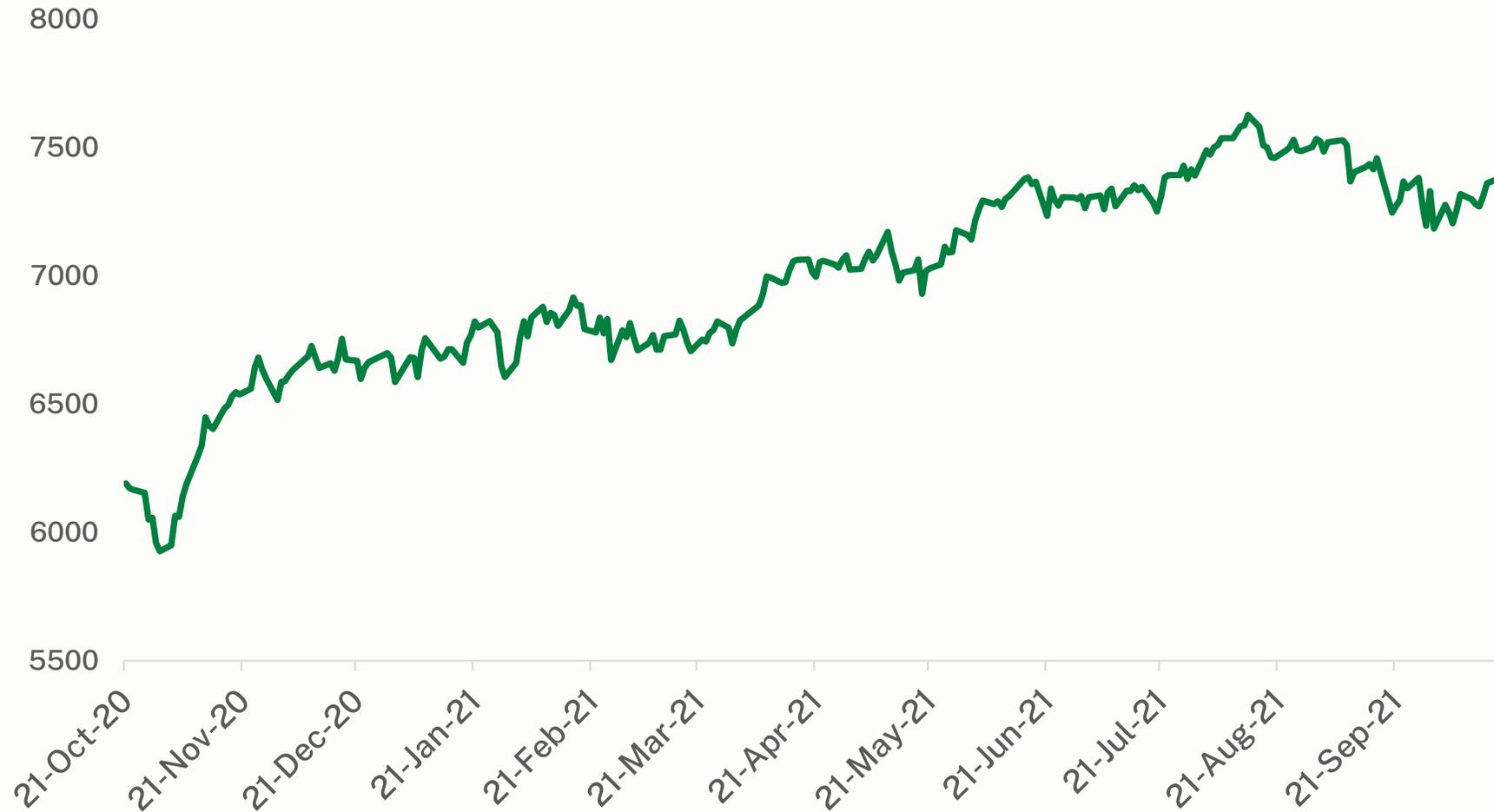
Diversified and  
administratively simple



# Market performance



S&P/ASX 200 Index – October 2020 to October 2021



Go to Argo Infrastructure →

Search...

About us   Our people   How we invest   Shareholder centre   News & insights




# Strong share market recovery boosts Argo's returns

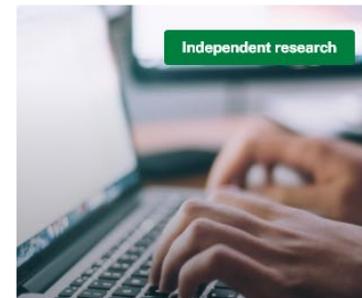
Argo Investments announces a full year profit of \$174 million and declares a final dividend of 14.0 cents per share



Latest Lonsec investment report



IIR 'highly recommended' rating



Bell Potter LIC report

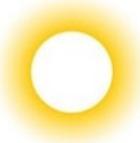
For more see: [argoinvestments.com.au](http://argoinvestments.com.au)

# Special dividends



RioTinto

 SOUTH32

SUNCORP 

 eagers  
automotive

 TELSTRA

Milton  
CORPORATION LIMITED

# Share buybacks



## Off-market



Commonwealth  
Bank

Woolworths 

## On-market



SUNCORP 

Downer 

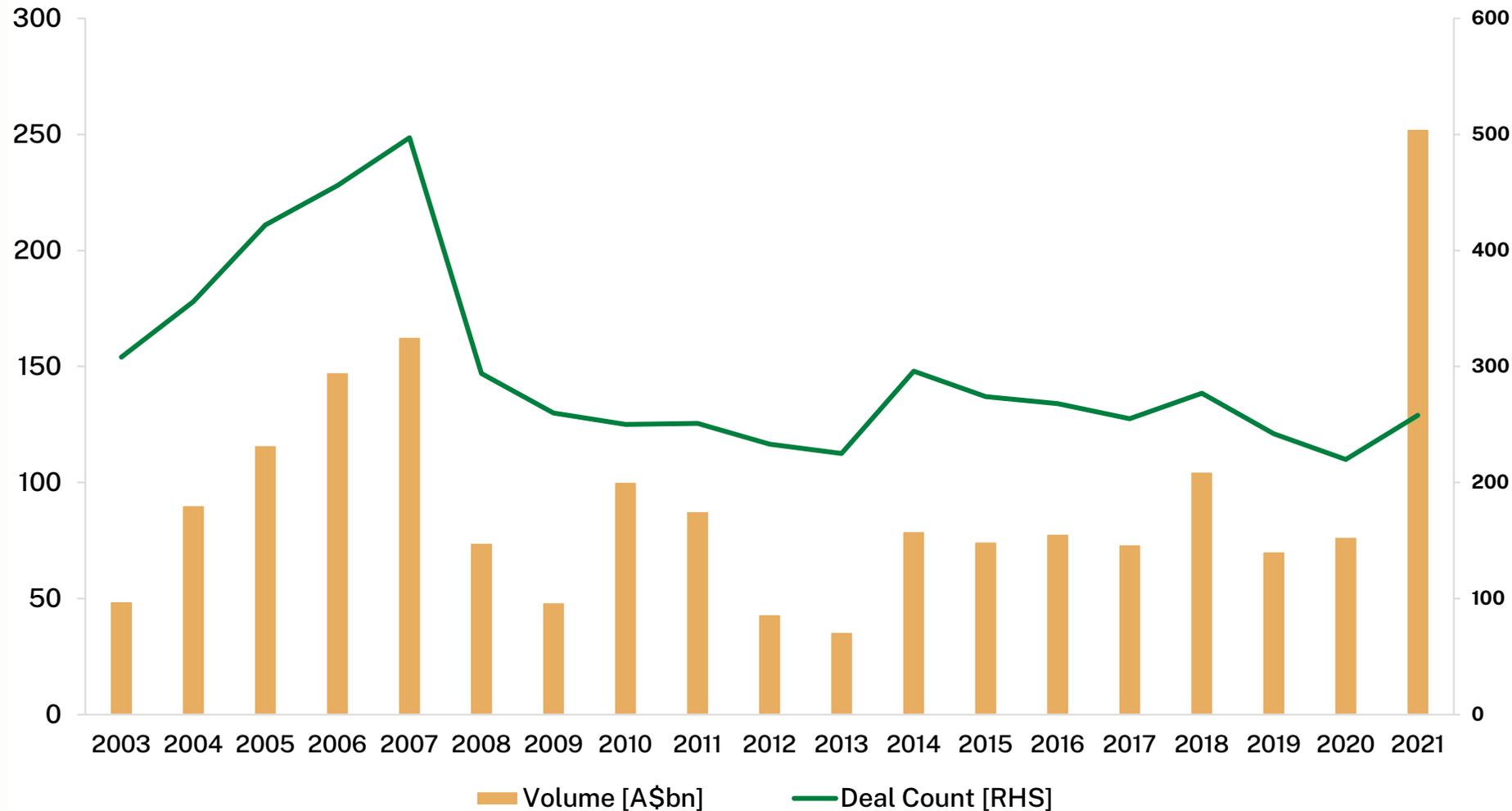
GPT  
The GPT Group

 healix

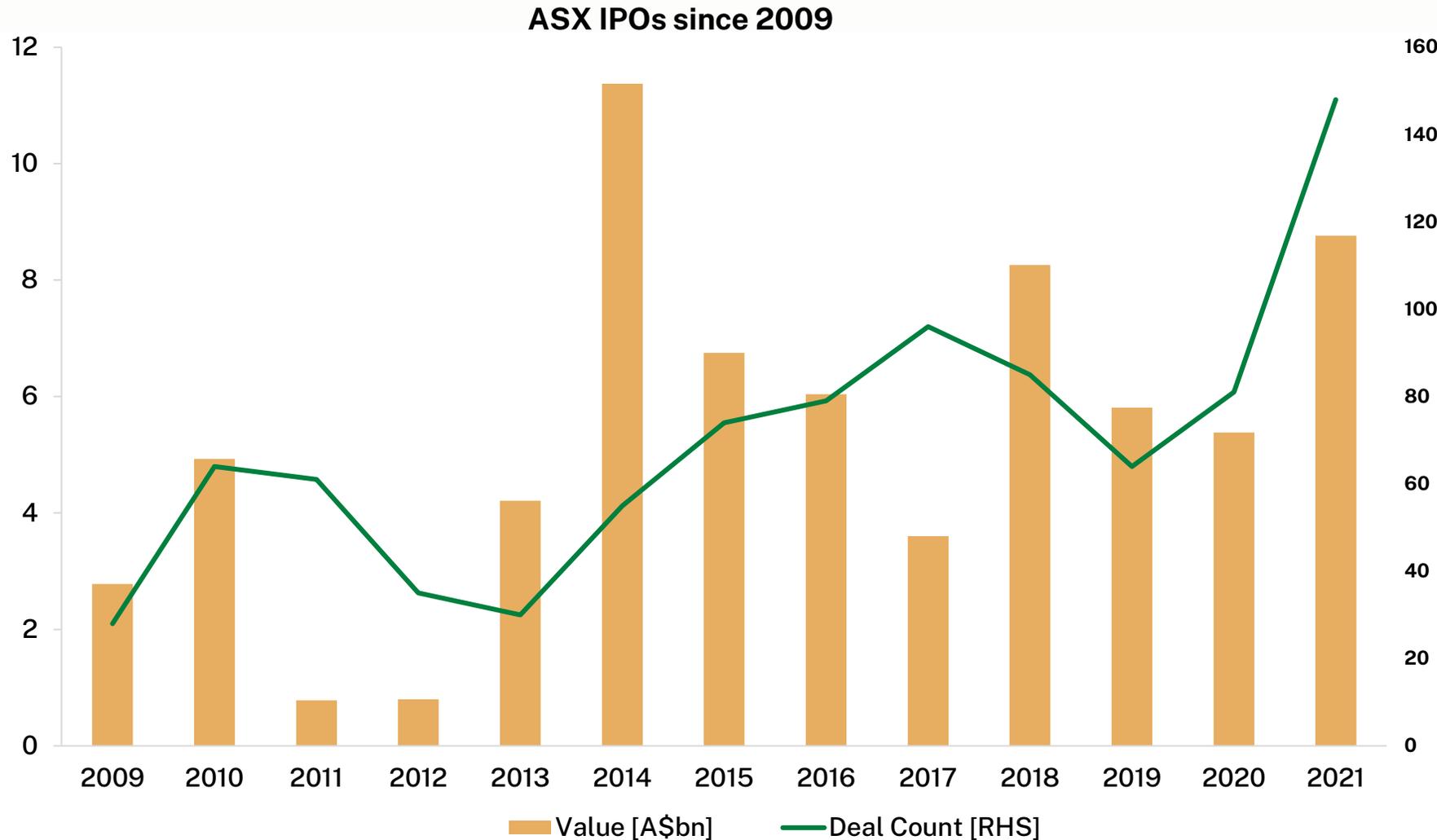
# Mergers and acquisitions



M&A deals involving ASX 200 companies



# Initial Public Offerings



# Initial public offerings



STEP ONE



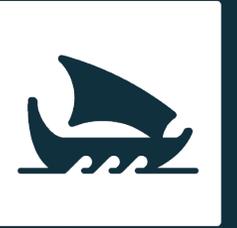
VULCAN.



# Environmental Social & Governance



# Outlook



**ARGO**  
INVESTMENTS



## Get in touch

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Investing for our shareholders since 1946

