

# Shareholder Update

## Half-year ended 31 December 2022



**Jason Beddow**  
Managing Director  
BEng, GdipAppFin(SecInst)

Dear valued shareholder,

On behalf of the board of Argo Investments Limited (Argo), I am delighted to report a strong half-year profit and a record interim dividend of 16.5 cents per share, fully franked. The result is particularly pleasing given the Australian share market experienced considerable volatility over the period.

### Half-year profit result

Argo's profit for the half-year rose +6.2% to \$137 million. Profit increased primarily due to higher investment income received from companies in the portfolio, with dividends continuing to recover from their pandemic lows.

Although income from ordinary dividends increased, income from special dividends fell sharply with companies generally not repeating these one-off, post-COVID capital returns. Income generated from Argo's trading activities was also higher during the half.

Summary of financial results	Half-year to 31 December 2022	Half-year to 31 December 2021	Change
Profit	\$137.0 million	\$129.0 million	+6.2%
Earnings per share	18.2 cents	17.8 cents	+2.2%
Interim dividend per share, fully franked	16.5 cents	16.0 cents	+3.1%
Management Expense Ratio	0.16%	0.14%	
Shareholders	96,100	95,200	

### Record fully franked interim dividend

The Board declared a record fully franked interim dividend of 16.5 cents per share, increased from 16.0 cents per share in the previous corresponding period. We are proud of our long history of delivering dividends every year since the Company was founded in 1946. Furthermore, dividends have been franked since the introduction of Australia's imputation system in 1987.

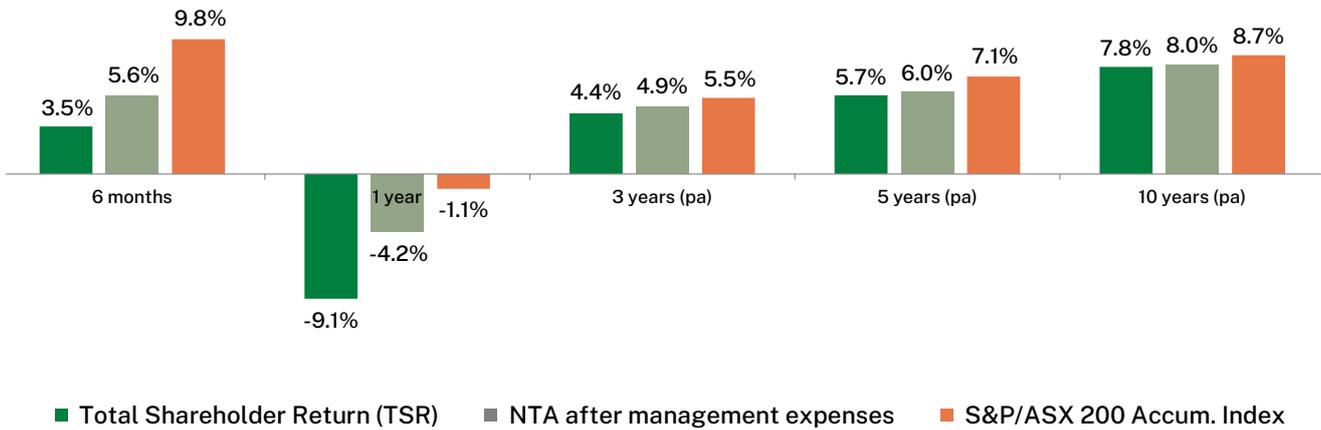
### Investment performance

Argo's investment approach favours companies that can grow their income sustainably over time, rather than more cyclical businesses, such as mining stocks which can see their earnings fluctuate significantly with commodity prices and often do not pay dividends.

During a particularly volatile and challenging period, Argo's investment performance, as measured by net tangible assets (NTA) return after management expenses, was +5.6%, compared to the S&P/ASX 200 Accumulation Index return of +9.8% over the six months to 31 December 2022.

Argo's performance relative to the broader share market was impacted by our underweight exposure to the resources sector, particularly coal and lithium companies which saw their share prices soar, in some cases by more than 100%.

## Total shareholder returns



Figures above are to 31 December 2022. TSR does not include the benefit of franking credits. NTA is adjusted for corporate tax paid by Argo. The S&P/ASX 200 Accumulation Index does not take into account any tax paid or management expenses.

## Portfolio movements

Over the half-year to 31 December 2022, Australia's share market experienced considerable volatility. In this environment, we made only minor adjustments to the investment portfolio. During the half-year, Argo purchased \$58 million of investments and received \$95 million from portfolio sales and takeovers.

There were no new stocks added to the investment portfolio during the period. Purchases were limited to increasing existing holdings in companies we believe have good future earnings prospects. We sold down or fully exited our positions in various companies in instances where their outlooks had become challenged or they had exceeded their fundamental valuations in our view. We were then able to deploy this capital into stocks and sectors which we judged represented better value. Tassal Group was taken over by private Canadian company Cooke Inc and subsequently delisted from the Australian Securities Exchange (ASX). Overall, the total number of portfolio holdings declined slightly to 88.

Larger movements in the portfolio during the half-year are shown below:

### Purchases

- Santos
- Stanmore Resources
- Macquarie Group
- IDP Education
- Viva Energy Group
- Superloop
- GUD Holdings

### Sales

- Tassal Group (takeover)\*
- Tabcorp Holdings\*
- Pact Group Holdings\*
- Australian United Investment Co.
- Endeavour Group
- Hub24\*
- Carbon Revolution

\* Fully exited position

## Our objective

Maximise long-term shareholder returns through reliable fully franked dividend income and capital growth.

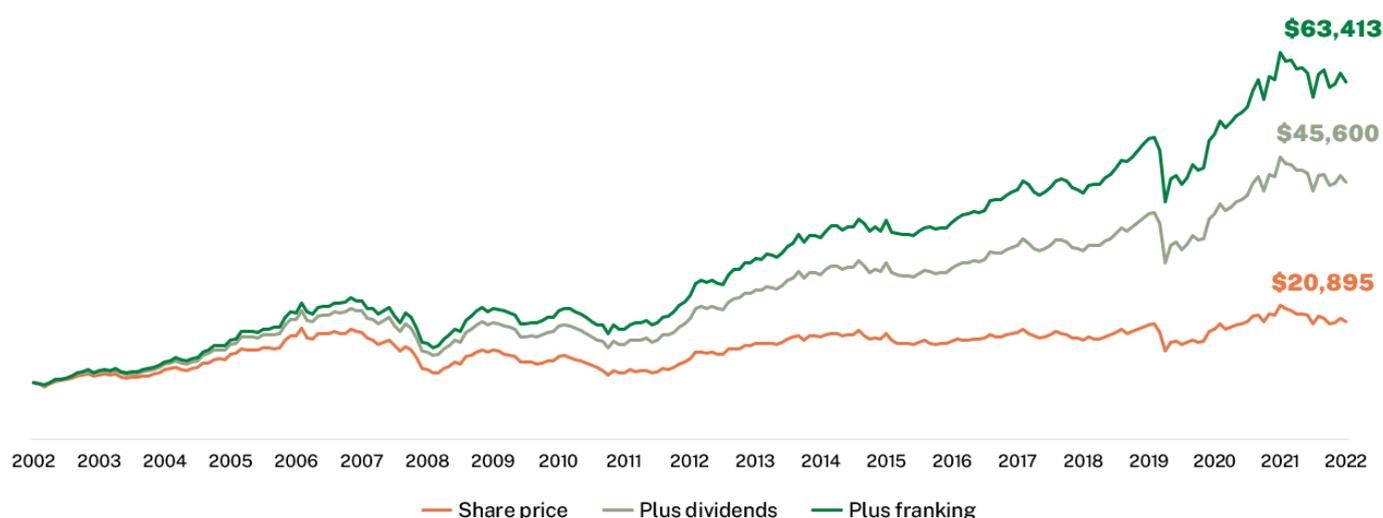
Actively managing a diversified portfolio of Australian shares with a low-cost, internally managed business model, we apply a conservative long-term investment approach which has proven resilient since 1946.

## Investing for the long term

Argo is focused on providing shareholders with both capital growth and fully franked dividend income. This is measured by Argo's share price and dividends received over time, with most shareholders also receiving the benefit of franking credits.

The chart below illustrates Argo's track record of delivering on our investment objective and demonstrates the benefits to shareholders of investing over the long term. For example, a \$10,000 investment in Argo shares on 1 January 2003 would have grown to a value of \$45,600 (+7.9% per annum) at 31 December 2022. The tax effective value taking into account franking credits is \$63,413 (+9.7% per annum).

### \$10,000 invested over 20 years



## Market outlook

Australia's economy has fared reasonably well over the last six to 12 months, in large part due to higher commodity prices, particularly the energy and battery commodities. In addition, very low unemployment and excess savings have helped cushion the impacts of surging inflation and many of the adverse macroeconomic effects of the Ukraine War. Companies have generally been able to pass on rising costs to maintain their profit margins and the sharp rise in interest rates has so far done little to dent consumer spending.

Looking ahead, the main focus for investors will continue to be inflation and the response of central banks globally. In Australia, recent broad-based inflation figures have given rise to a more 'hawkish' monetary policy approach by the Reserve Bank of Australia (RBA). Several more rate rises are now likely over the months ahead in an attempt to control the risk of inflation to the economy.

Labour shortages and wage rises have emerged from the latest corporate profit reporting season as key challenges for businesses across all sectors of the economy. This widespread wage inflation is a challenge for Australian companies. In our view, it also ensures the RBA will remain under pressure to control inflation and contain wages growth.

Higher interest rates will see spending ease and the increasing cost of capital may curb investment. However, the rapid re-opening of China's economy is positive for the Australian economic outlook, particularly for the resources, education and tourism sectors.

As seen throughout calendar year 2022, we again anticipate considerable dispersion in performance across the share market this year as global investment conditions remain challenging. Further volatility seems assured for the foreseeable future.

We believe the current investment climate underscores the benefit of Argo's diversified portfolio and our long-term, conservative investment approach. With a strong balance sheet, no debt and cash on hand to capitalise on expected volatility, Argo remains well positioned.



### Shareholder information meetings

This May, we will be holding in-person shareholder information meetings in various locations. Please see details below.\*

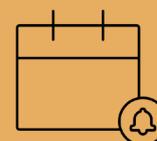
At these meetings we will provide an update and overview of Argo, the investment portfolio and our view of the share market. We will also present on Argo Infrastructure (ASX code: ALI). Argo Infrastructure's New York-based portfolio manager will attend to provide insights into the global listed infrastructure sector. Shareholders will also have the opportunity to meet with our team face-to-face and ask us questions.

As this is the first time Argo has conducted in-person shareholder information meetings since the onset of the pandemic, we are initially only presenting in the cities listed below. We intend to visit other locations in due course.

If you would like to attend, no RSVP is required. Light refreshments will be provided.

Save the date!

Shareholder  
information meetings



City	Time	Date	Venue
Melbourne	10am	Monday 22 May	Grand Hyatt Hotel 123 Collins Street, Melbourne
Adelaide	10am	Tuesday 23 May	Adelaide Convention Centre North Terrace, Adelaide
Brisbane	10am	Wednesday 24 May	Sofitel Brisbane Central 249 Turbot Street, Brisbane
Sydney	2pm	Thursday 25 May	Amora Hotel 11 Jamison Street, Sydney

\* Please check our website to confirm details closer to the date.

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](mailto: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](http://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