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ASX / Media Release

Argo maintains record high fully franked interim dividend

Argo Investments Limited (ASX code: ARG), one of Australia's oldest and largest listed investment companies, announces a half-year profit of \$125.3 million and a fully franked interim dividend of 16.5 cents per share.

Summary of financial results	Half-year to 31 December 2023	Half-year to 31 December 2022	Change
Profit	\$125.3 million	\$137.0 million	-8.5%
Earnings per share	16.5 cents	18.2 cents	-9.3%
Interim dividend per share (fully franked)	16.5 cents	16.5 cents	unchanged
Management Expense Ratio	0.15%	0.16%	-0.01%

Investment income received from companies in the investment portfolio declined, particularly dividends from mining companies BHP and Rio Tinto due to softer commodity prices. Income generated from option writing and trading activities was also lower compared to the previous corresponding period.

Investment performance

Argo's investment performance, as measured by net tangible assets (NTA) return after management costs and adjusted for company tax paid, was +5.6% as compared to the S&P/ASX 200 Accumulation Index return of +7.6% over the six months to 31 December 2023 (without any allowance for costs).

Holdings in Clarity Pharmaceuticals (up more than +170%) and Stanmore Resources (up nearly +60%) contributed positively to performance. However, gains were offset by negative returns from other holdings, including pathology and imaging provider Healius. In general, Australian healthcare providers have lagged due to higher costs and lower utilisation levels. Not owning Fortescue materially weighed on relative performance, as did our underweight exposure to the major banks.

The share price performance was +5.4%, with Argo shares now trading at a slight discount to their NTA backing. Sharply higher returns from term deposits have decreased the comparative appeal of many equity investments, including listed investment companies (LICs). We expect this trend to reverse as the monetary policy cycle continues and interest rates fall.

Investment portfolio

The larger movements in the portfolio during the period were:

Purchases

Resmed*
CSL
Santos
Stanmore Resources
Viva Energy Group
Woodside Energy Group

* New portfolio position

Sales

Estia Health (takeover)**
Invocare (takeover)**
Liontown Resources**
Insurance Australia Group**

** Fully exited position

The total number of stocks in the investment portfolio decreased slightly, from 89 to 86.

Outlook

As fears of a recession fade and expectations of official interest rate cuts build, equity markets globally have staged a remarkable rally over recent months. This bullish sentiment has seen investors largely overlook consensus expectations of lower company earnings for the remainder of 2024 and cast aside concerns about slowing growth and/or a monetary policy misstep.

Looking ahead, an obvious risk for Australia's share market is the possibility that central banks do not cut official rates as soon or as sharply as predicted. Geopolitical factors will also be at the forefront of investors' minds amid ongoing conflicts in the Middle East and Europe, as well as potential upheaval from various looming national elections, most notably in the US.

As always, Australia's fiscal fortunes are linked to China's economy which remains challenged by falling property prices, weak consumption and deflation. Despite these sombre signs, China's economic woes have not weighed on the iron ore price and some analysts are predicting a stimulatory policy response from the Chinese government.

Overall, Australia's economic fundamentals remain solid with the outlook underpinned by strong employment and moderating inflation. This broadly positive economic picture belies the impact that price increases and higher mortgage repayments are having on many consumers. As a result, we anticipate a significant dispersion in profit results this corporate reporting season, which underscores the benefit of Argo's highly diversified portfolio. With a strong balance sheet, no debt and cash on hand, Argo is well positioned as we enter the new calendar year.

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About Argo

Argo Investments (ASX code: ARG) is one of Australia's oldest and largest listed investment companies (LICs). We offer investors low-cost, conservative and diversified exposure to approximately 85 companies listed on the ASX.

Founded in Adelaide in 1946, Argo is one of the ASX's top 100 companies and invests more than \$7 billion on behalf of approximately 95,000 shareholders.

