21 October 2024

Company Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Annual General Meeting 2024

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
Company Secretary

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2024 Annual General Meeting
Chairman's Address

Delivered by Mr. Russell Higgins AO at the 78th Annual General Meeting of Argo Investments Limited (Argo or Company) at the Adelaide Convention Centre on Monday 21 October 2024 at 10.00am.

Full year profit result

During a period of continued high inflation and ongoing geopolitical tensions, Argo reported a solid profit and maintained its record-high annual fully franked dividends to our shareholders.

Argo delivered a full-year profit of $253.0 million for the 2024 financial year, down -6.9%. Profit fell overall due to lower dividend income from companies in the investment portfolio, including some of our largest holdings. Most notably dividends from BHP, Rio Tinto and Woodside Energy were down significantly reflecting lower commodity prices. Income generated from option writing and trading activities also declined, whilst income from special dividends increased.

Record high fully franked dividend maintained

In August, the Board was pleased to declare a final dividend of 18.0 cents per share. Together with the interim dividend of 16.5 cents per share, this brought annual fully franked dividends for the financial year to 34.5 cents per share, matching last year's record high.

This underscores an important advantage of the listed investment company (LIC) structure, which allows us to draw on reserves of retained earnings and franking credits to effectively 'smooth' our dividends over time.

In contrast, the cash dividend paid by the constituent companies of the S&P/ASX 200 Accumulation Index (Index) fluctuates over time. This volatility was particularly pronounced in the years since the start of the COVID crisis with the Index's cash dividend falling by as much as 45% compared to pre-pandemic levels. Furthermore, since 2019 the Index's level of franking has oscillated between 68% and 85%.

Throughout the same period, Argo's dividend has remained largely steady. Importantly, our dividend has been fully franked continuously since 1994. This is particularly valued by those investors seeking a stable and consistent after-tax return.

LIC capital gain tax benefit

The final dividend also included a listed investment company (LIC) capital gain component of 3.0 cents per share. This is due to capital gains being crystallised in our portfolio, including due to takeovers.

When Argo makes a discounted capital gain, the tax benefit this generates can be passed on to shareholders. In addition to the benefit of franking credits, eligible shareholders can claim a tax deduction in relation to this capital gain.

We are one of only a handful of Australian companies able to provide our shareholders with this benefit due to our unique status as a genuine long-term investor, not a trader. Argo's ability to pass this benefit on to shareholders distinguishes us from many other managed funds and LICs.

You can find more details on your dividend statement or refer to the 'Dividends' section of the Shareholder Centre on our website.

Investment performance

Over the 12 months to 30 September 2024, Argo's investment performance, as measured by the net tangible asset (NTA) return after all costs and adjusted for company tax we paid, was +18.9%. This compares to the Index which gained +21.8% over the same period. I would point out that the Index return does not take into account any costs. Furthermore, and as I have mentioned, the Index's constituent companies do not pay a consistent, fully franked dividend.

Share price relative to NTA

As many of you would be aware, Argo's share price has been trading at a discount relative to its NTA for several months. In our view, this is a cyclical trend, as reflected in the data over many decades.

We believe a key factor driving the current discount is the increased relative appeal of cash investments due to higher interest rates.

As Australia's official cash rate rises, stocks providing stable and consistent dividends become relatively less attractive. Conversely, as interest rates fall, investors who are seeking a consistent income favour so-called 'yield stocks'.

This dynamic was especially pronounced during the global COVID pandemic when the Reserve Bank of Australia (RBA) slashed interest rates, reaching a low of just 0.10% by October 2020. In that ultra-low interest rate environment, the returns on cash investments (such as term deposits) were negligible. This drove investors to investments offering reliable income, such as Argo. During this time, our shareholder numbers surged, and our share price traded at a consistent premium to NTA. The month-end share price premium reached a high of +10.9% in January 2022.

As we all know, from May 2022 the RBA began raising the cash rate aggressively to stave off inflation. With official interest rates now at 4.35%, returns on cash investments are more competitive compared with Argo's fully franked dividend yield. We believe this has put pressure on our share price, particularly as investors reallocate some of their investments to cash.

When Australia's rate-cutting cycle begins, resulting in lower returns from cash, Argo's ability to maintain and grow its fully franked dividend will become increasingly attractive to investors. We believe this is likely to support Argo's share price relative to NTA.

History shows us that over the long term our share price will, on average, trade close to its NTA. In fact, over the last 30 years, Argo's share price has traded at an average of just 0.3% below its NTA.

Chief Financial Officer

Earlier this year, we announced our long-serving Chief Financial Officer (CFO), Andrew Hill, would be retiring. At the end of August, we farewelled Andrew after more than 30 years at Argo. This is a remarkable accomplishment.

I would like to take this opportunity to thank him for his dedicated service to the Company. Andrew's diligence and expertise greatly benefited Argo and our shareholders through various market cycles, events, mergers and acquisitions. On behalf of Argo, I wish Andrew all the very best in his retirement.

Stephen Mortimer was subsequently appointed CFO, having been promoted from the position of Finance Officer. Stephen joined the Company in 2012 and worked closely with Andrew in the Adelaide office throughout that period. He is a Certified Practising Accountant and a Graduate of the Institute of Company Directors.

I am pleased to formally introduce Stephen to our shareholders today.

Outlook

Australia's economy continues to be shaped largely by macroeconomic influences, including persistent inflation. As I referenced earlier, the RBA has attempted to bring inflation down and back within its target range of 2-3% through rapid rises in interest rates. The RBA is now navigating the narrow path between keeping rates higher to tame inflation and being too aggressive and sending the Australian economy into recession.

Most developed economies are treading a similar path and many other central banks have started to lower interest rates already, including in the United States. However, inflation seems to be a little stubborn in Australia and the RBA is indicating that it is not likely to lower rates until 2025.

In the face of all this, the Australian economy remains resilient with low unemployment, continued public and private investment and exports supporting our national income, although there are risks to the outlook on a number of fronts.

Geopolitical tensions and conflicts present a higher risk to the world economy than at this time last year.

No matter who wins the United States Federal Election next month, I am concerned that the US will become more economically nationalistic, detracting from the benefits of globalisation for the world economy. China, Australia's largest trading partner, has a sluggish economy despite some recent stimulus by Chinese authorities.

And at home, many Australian consumers are under financial pressure from higher interest rates and the growing cost of everyday expenses and as a result consumer confidence and spending remains subdued.

Against today's dynamic financial, geopolitical and economic backdrop, I would like to remind our shareholders that since 1946 Argo has navigated through various market cycles, wars and global events including: the Cuban Missile Crisis, the oil price shocks of the 1970s, the '87 market crash, the dot-com boom and bust, the collapse of Lehman Brothers and the ensuing Global Financial Crisis, and the coronavirus pandemic.

Over the nearly eight decades since Argo was founded, the Company's overriding objective has been to deliver long-term shareholder returns by providing reliable, fully franked dividend income and capital growth. This remains our focus by continuing to apply a conservative, long-term investment approach within a low-cost business model.

Thank you

I would like to conclude by thanking our Managing Director, Jason Beddow, and the Argo team for their continued dedication and hard work.

I would also like to thank my fellow Board members for their ongoing and valuable contributions to the Company.

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

2024 Annual General Meeting

Managing Director's Address

Delivered by Mr. Jason Beddow at the 78th Annual General Meeting of Argo Investments Limited (Argo or Company) held at the Adelaide Convention Centre on Monday 21 October 2024 at 10.00am (Adelaide time).

Market review

For most of this year, investment markets globally have been fixated on when the US Federal Reserve would begin cutting interest rates. After much anticipation, the central bank started its easing cycle last month with a larger-than-expected 50 basis point cut. In doing so, it alleviated concerns, at least for the moment, of a hard landing for the world's largest economy.

Announcing the decision, US Federal Reserve Chairman, Jerome Powell, was upbeat in his outlook commentary and in his assessment of the labour market. In response, global markets have become even more positive. US markets hit a record high last week for the 46th time this year.

Following the strong lead from the US, Australian equities have also advanced and are currently trading around all-time highs. The local market hit an all-time high of 8,384 points on 17 October.

However, the record-breaking rallies have masked some of the volatile market moves. For instance, in the first week of August, the S&P/ASX 200 Index fell more than 5% as US recession fears rose and the Japanese Yen carry trade unwound, sparking a global market sell-off. On 5 August 2024, the Australian share market fell 3.7%, marking its largest single-day decline since May 2020. However, positive sentiment soon returned and Australian shares rallied to end the month up.

Domestically, rate cuts seem some way off, as inflation remains elevated, and the jobs market continues to be strong. However, inflation is showing signs of easing and discussion of further rate hikes was notably absent from the latest Reserve Bank of Australia meeting. This was a marked change from the central bank's prior commentary.

Commodity prices have been weak amid ongoing concerns about China's economy. However, in the last week of September, Chinese financial regulators announced a series of stimulatory monetary policy initiatives including, interest rate cuts, housing finance initiatives and support for the stock market. Optimism that these measures will boost the flailing Chinese economy has triggered a rotation into resources stocks, at least temporarily. However, the scale and effect of this stimulus remains unclear, as China's economy continues to face many structural issues.

Over the financial year to 30 June 2024, Australia's share market performed strongly despite a mixed global economic outlook, to deliver an above-average return of +12.1%. Technology stocks were again the stellar performers, as the sector surged more than 26% after gaining 30% in the previous financial year. Only Financials, led by the banks, performed better, gaining 29%. In contrast, Telecommunications and Utilities were soft, both declining.

In the current financial year to date, Technology continues to rally, up over 15%. Following the US Fed rate cut, property stocks have also rallied, gaining around 15%. Despite escalating events in the Middle East, oil prices remain under pressure and Energy is the worst performing sector, down 6%. Utilities and Health Care also continue to struggle.

Investment portfolio

Argo diversifies its portfolio to maintain balanced performance over long-term periods and to deliver shareholders a relatively smooth dividend profile through market cycles.

With this in mind, our recent acquisitions have focused on companies with strong and growing cashflows, that are predominantly paying fully franked dividends. These have mainly been among existing holdings, although we did recently add two new stocks to the portfolio, professional services consultancy Worley and a small initial stake in Imricor Medical Systems.

We exited two takeover targets: QANTM Intellectual Property for cash and Alumina after its takeover bid by Alcoa. We also sold down a small parcel of Commonwealth Bank shares after its share price reached a record high. We used the proceeds to buy National Australia Bank and Westpac Banking Group shares, which will soon report their results.

August company results reporting season

The recent company reporting season was positive for Argo, particularly from a dividend perspective. However, brokers had a more varied interpretation of company results. In aggregate, 38% of companies failed to meet consensus expectations, referred to as ‘misses’, while 32% exceeded or “beat” expectations. The ratio of beats to misses was 0.8, which is well below the long-term average ratio of 1.4.

Earnings misses were more common across Health Care, Energy and Resources firms where higher costs continue to impact earnings.

Much like recent reporting seasons, companies experienced considerable share price volatility on the day of their result, with 35% of stocks moving up or down by more than 5%. It seems there is little interest in turnaround stories and limited investor patience for underperforming companies. Earnings and share price momentum still appear to be strong indicators of future performance.

Dividends paid by a number of companies in our portfolio were above our forecasts. Notably, QBE Insurance, Lendlease, EVT, IGO, Santos and Woodside Energy declared better-than-expected dividends. Woolworths and AUI declared special dividends.

Corporate balance sheets are generally strong, partly due to lower-than-expected capital expenses. Ten companies announced buybacks with their results, totalling $2.8 billion. In our portfolio these included Aurizon Holdings and Brambles. Total ongoing buybacks outstanding in the market now exceed $10 billion.

Costs remain sticky, particularly wages, resulting in margin declines. Interest charges and depreciation forecasts for some companies were revised higher, with the largest increases among the REIT and Industrials sectors.

Despite high interest rates and cost-of-living pressures, consumers have been largely resilient with retail spending continuing to hold up and, in several instances, expected to improve, although this trend varies across age cohorts.

Demand for hospital services remains soft and some supermarket spending is being impacted with evidence of consumers trading down and searching for products representing better value.

Numerous company executives raised concerns about the prevailing regulatory and political environment due to government intervention in various sectors, such as supermarkets and the energy market. Project approvals continue to be delayed by increased bureaucratic red tape and more onerous environmental requirements.

Amid all the hype around artificial intelligence (AI), a number of companies gave less exciting but practical examples of using this technology. For instance, to reduce inefficient manual processes, optimise logistics networks and improve their understanding of customer behaviour. We believe AI will create opportunities to reduce costs over time.

Outlook commentary remained cautious overall, with little forward guidance provided for the coming year.

Forecast dividend yield

Excluding the post-COVID dip, the Australian share market's dividend yield is at a low not seen for a considerable time. The forecast cash yield for the S&P/ASX 200 Index for financial year 2025 is just 3.5%, and the average level of franking is expected to fall to just above 70%.

A company's dividend yield is a function of its dividend and share price. While most companies are expected to maintain, or even slightly increase their cash dividend, their share prices continue to climb, which leads to shrinking yields. On a sector basis, with the exception of Utilities and Energy, most sectors are forecast to provide dividend yields below their historical averages.

Outlook

The key area of focus for investors remains interest rate movements. With the commencement of rate cuts in the US, current expectations are for an extended interest rate easing cycle. Assuming the US economy has a soft landing, markets are reacting positively, and equities continue to reach record highs.

There is increasing focus on the upcoming US Presidential election. With two weeks until election day, the outcome is difficult to predict as polling remains extremely close. Depending on which candidate wins and the composition of the Congress, there are potentially significant geopolitical and economic implications. Chief among them for Australia, are the trade impacts of Trump's proposed punitive tariffs on China. Regardless of which candidate wins, the market will likely welcome some stability following a highly disruptive election process.

In addition to focusing on dividends we are searching for relative value in the market. This is a challenge as most of the upward movement in the market is not supported by material earnings growth. This is further exacerbated by the continued ‘de-equitisation’ of the Australian share market. This dynamic undermines traditional valuation methods with increasing compulsory superannuation inflows inflating prices in a shrinking share market.

The domestic banks' recent performance has been phenomenal, resulting in record valuations. A number of the banks will report their full-year results beginning next week and we expect continued strong earnings results with the potential for further capital management.

One factor driving the bank’s outperformance has been the lack of investor interest in resources stocks due to a weak and uncertain China outlook. However, the recent stimulus announcements in China may see some shift into resources, which would likely be funded from the banks.

With no debt, cash available and a diversified portfolio, we believe Argo is well-positioned to navigate the evolving economic cycle, applying our conservative, long-term investment approach.

Thank you

I would like to acknowledge the efforts of all Argo staff. Our small team continues to be fully committed to the Company’s success across both our Adelaide and Sydney offices.

I would particularly like to thank Andrew Hill for his contribution to Argo for more than three decades and wish him well in his retirement. I would also like to congratulate Stephen Mortimer on his appointment as Chief Financial Officer.

I also acknowledge the contribution by the Chairman and Non-executive Directors, and I look forward to working with them as we best navigate Argo through this next period for you, our shareholders.

I wish all our shareholders well for the remainder of the year. We thank you for your continued support and I look forward to seeing you for our roadshow in 2025.


ARGO
ARGO INVESTMENTS
Annual General Meeting
2024


ARGO
Russell Higgins AO
Chairman

Disclaimer

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Past performance may not be indicative of future performance and no guarantee of future returns is implied or given. While all reasonable care has been taken when preparing this presentation, no responsibility is accepted for any loss, damage, cost or expense resulting directly or indirectly from any error, omission or misrepresentation in the information presented.

Board of Directors

Russell Higgins AO
Non-executive Chairman

Jason Beddow
Managing Director

Lianne Buck
Non-executive Director

Peter Warne
Non-executive Director

Melissa Holzberger
Non-executive Director

Chris Cuffe AO
Non-executive Director

Elizabeth Lewin
Non-executive Director

Our objective

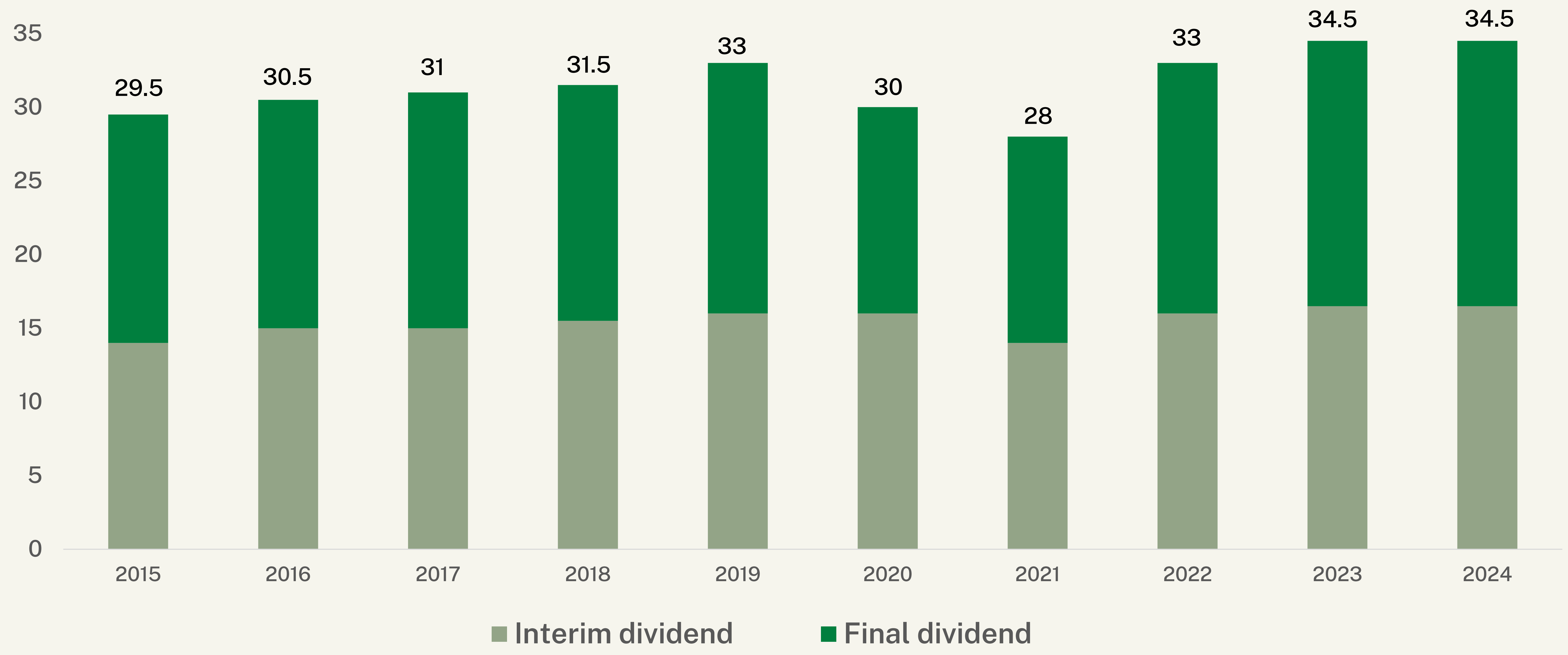
To maximise long-term shareholder returns through reliable fully franked dividend income and capital growth.

2024 overview

Profit	Earnings per share	Full year dividends	LIC capital gain
$253.0m	33.3c	34.5c	3.0c
$271.7m in 2023	36.1c per share in 2023	Fully franked per share 34.5c per share in 2023	LIC tax benefit No LIC capital gain in 2023

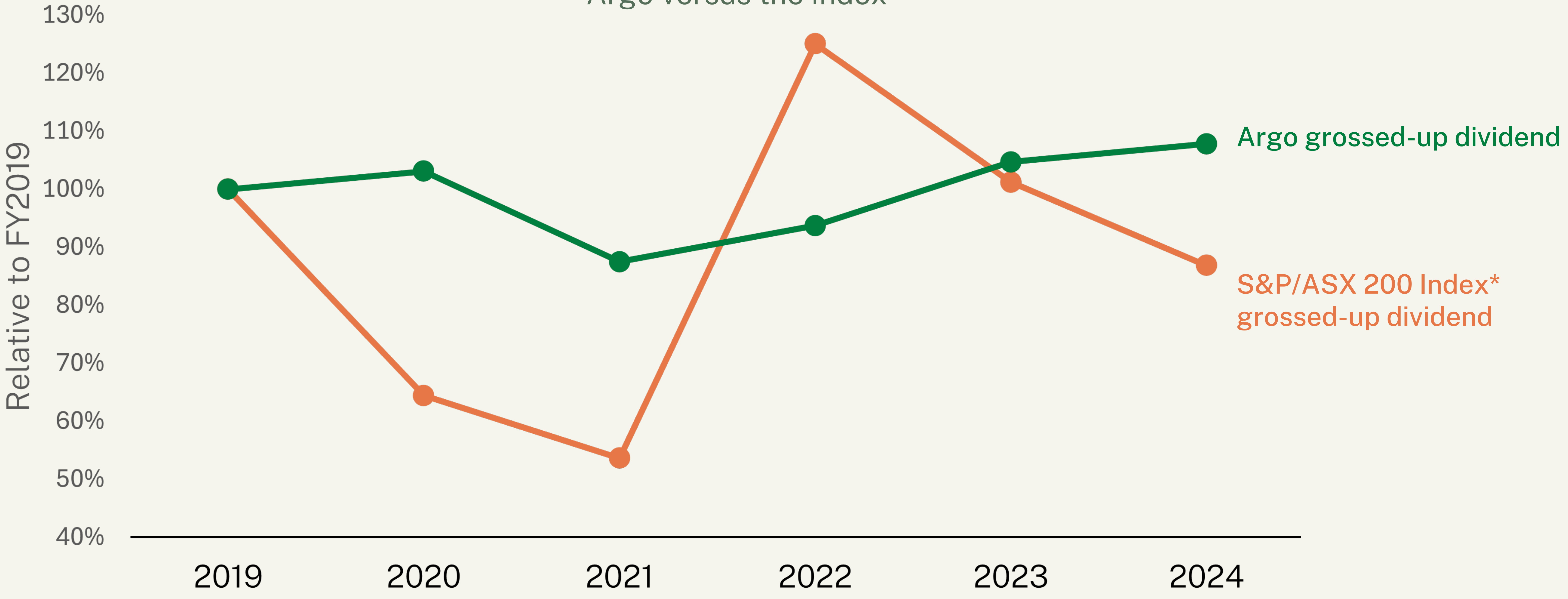
Total assets	NTA per share	MER	Shareholders
$7.4b	$9.61	0.15%	93,000
$6.9b in 2023	Net tangible assets $9.03 per share in 2023	Management Expense Ratio 0.16% in 2023	95,600 in 2023

Annual dividends cents per share



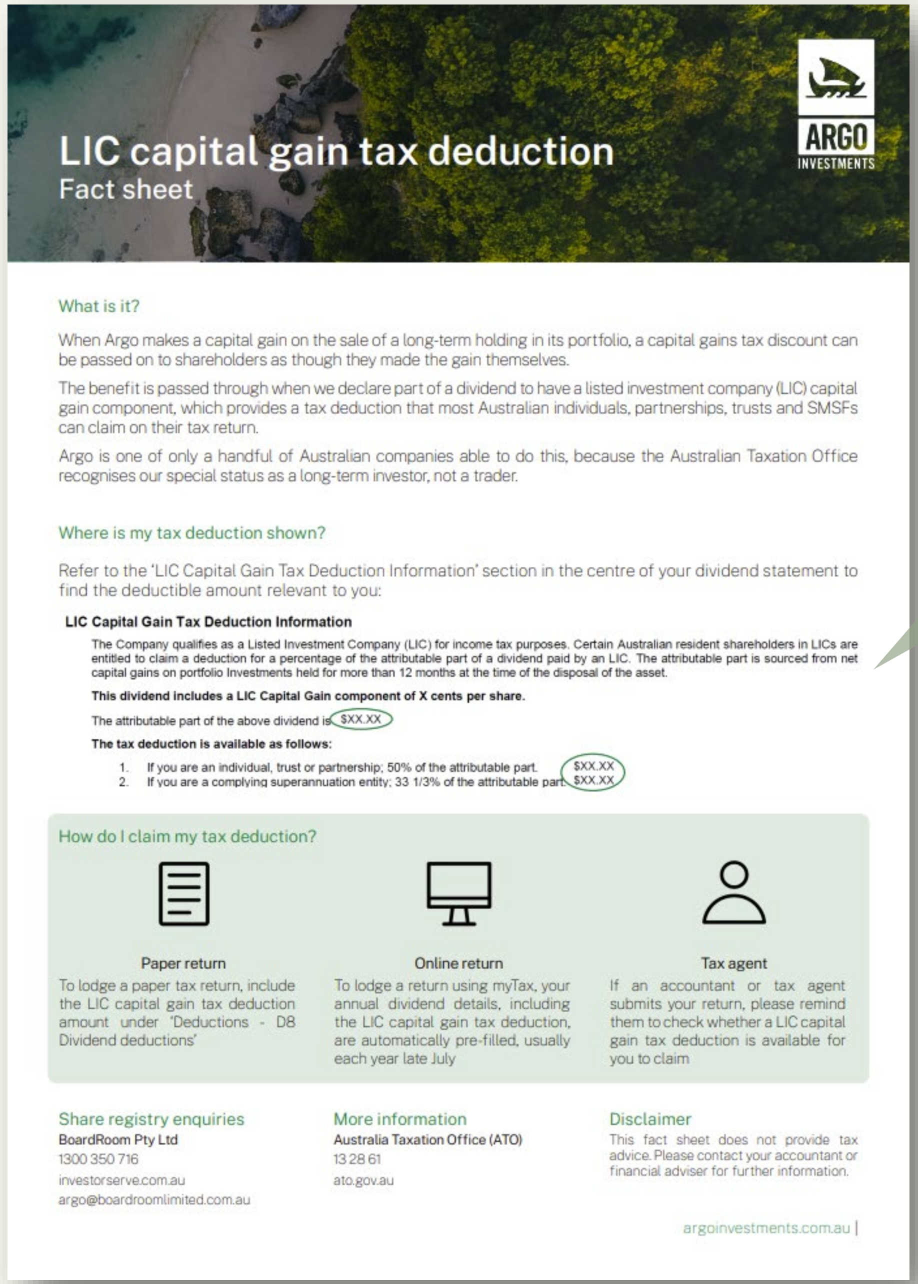
Dividends: Argo vs Index

Cash dividends (including franking)
Argo versus the Index*



Figures for financial years to the end of FY24. ** Using an ASX 200 Index ETF as a proxy.*

LIC capital gain tax benefit



LIC capital gain tax deduction

Fact sheet

ARGO INVESTMENTS

What is it?

When Argo makes a capital gain on the sale of a long-term holding in its portfolio, a capital gains tax discount can be passed on to shareholders as though they made the gain themselves.

The benefit is passed through when we declare part of a dividend to have a listed investment company (LIC) capital gain component, which provides a tax deduction that most Australian individuals, partnerships, trusts and SMSFs can claim on their tax return.

Argo is one of only a handful of Australian companies able to do this, because the Australian Taxation Office recognises our special status as a long-term investor, not a trader.

Where is my tax deduction shown?

Refer to the 'LIC Capital Gain Tax Deduction Information' section in the centre of your dividend statement to find the deductible amount relevant to you:

LIC Capital Gain Tax Deduction Information

The Company qualifies as a Listed Investment Company (LIC) for income tax purposes. Certain Australian resident shareholders in LICs are entitled to claim a deduction for a percentage of the attributable part of a dividend paid by an LIC. The attributable part is sourced from net capital gains on portfolio Investments held for more than 12 months at the time of the disposal of the asset.

This dividend includes a LIC Capital Gain component of X cents per share.

The attributable part of the above dividend is $XX.XX

The tax deduction is available as follows:

1. If you are an individual, trust or partnership; 50% of the attributable part. $XX.XX
2. If you are a complying superannuation entity; 33 1/3% of the attributable part. $XX.XX

How do I claim my tax deduction?

Paper return

To lodge a paper tax return, include the LIC capital gain tax deduction amount under 'Deductions - D8 Dividend deductions'

Online return

To lodge a return using myTax, your annual dividend details, including the LIC capital gain tax deduction, are automatically pre-filled, usually each year late July

Tax agent

If an accountant or tax agent submits your return, please remind them to check whether a LIC capital gain tax deduction is available for you to claim

Share registry enquiries

BoardRoom Pty Ltd

1300 350 716

investorserve.com.au

argo@boardroomlimited.com.au

More information

Australia Taxation Office (ATO)

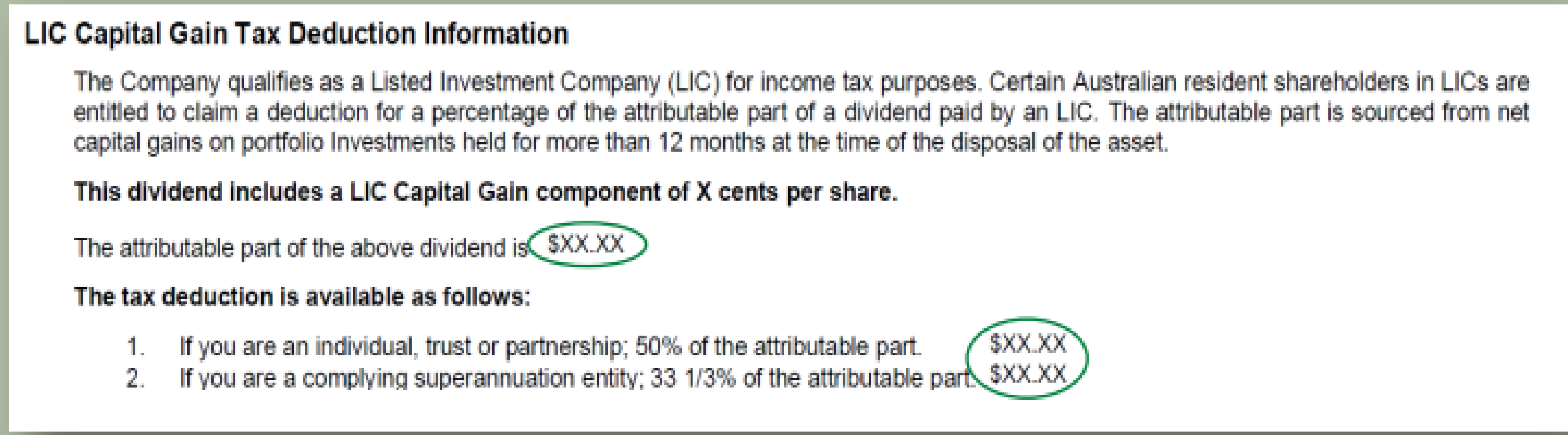
13 28 61

ato.gov.au

Disclaimer

This fact sheet does not provide tax advice. Please contact your accountant or financial adviser for further information.

argoinvestments.com.au |



LIC Capital Gain Tax Deduction Information

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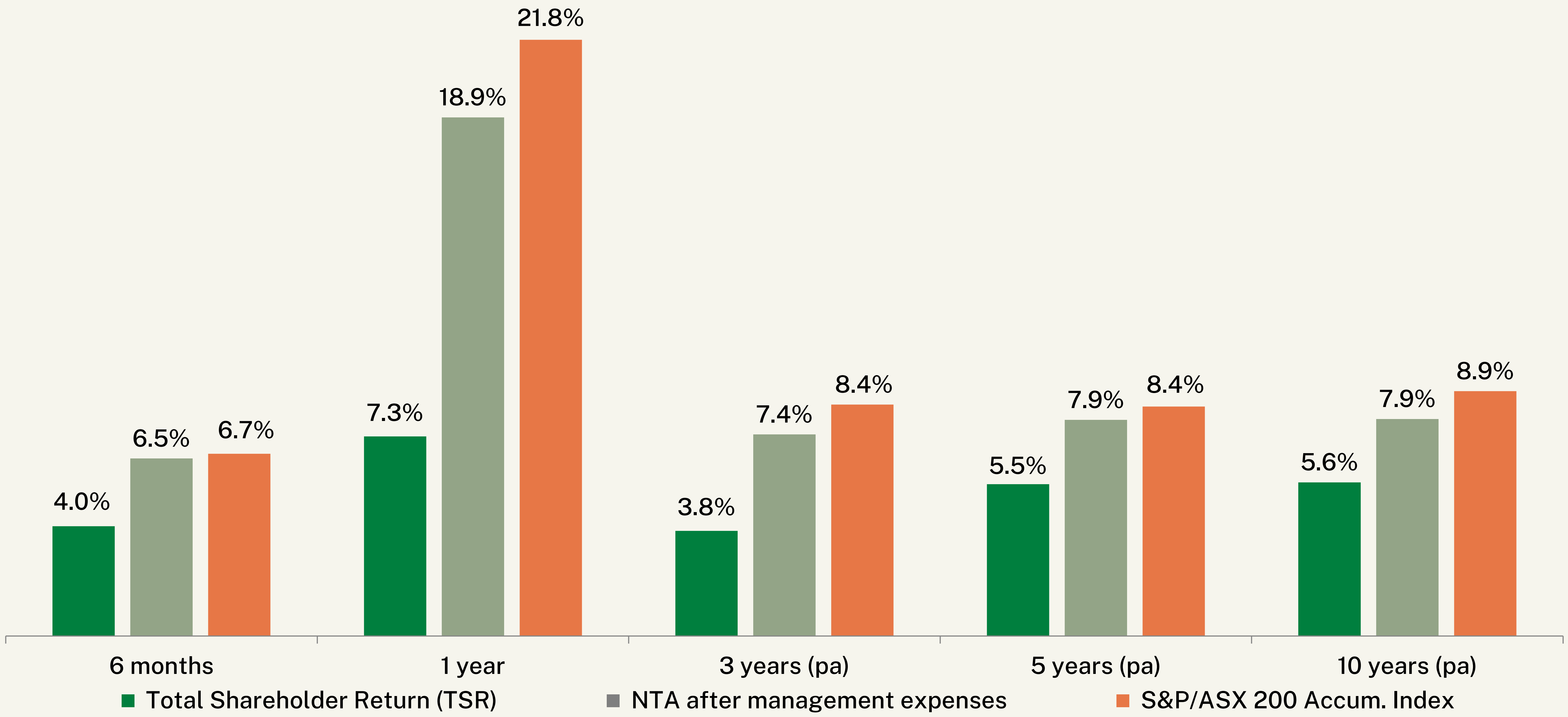
More information

See the fact sheet on our website:

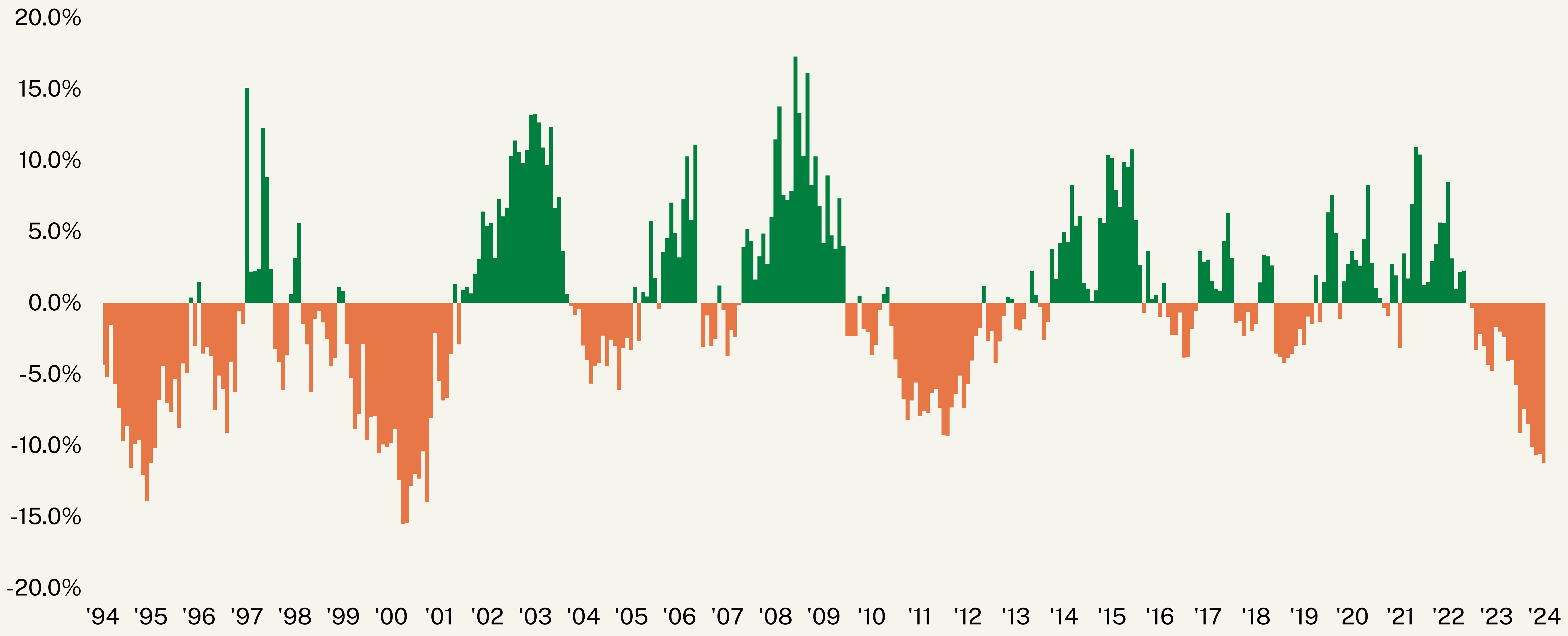
argoinvestments.com.au/dividends

Total returns



Figures are at 30 September 2024.

Premium/discount to NTA



Figures are at 30 September 2024.

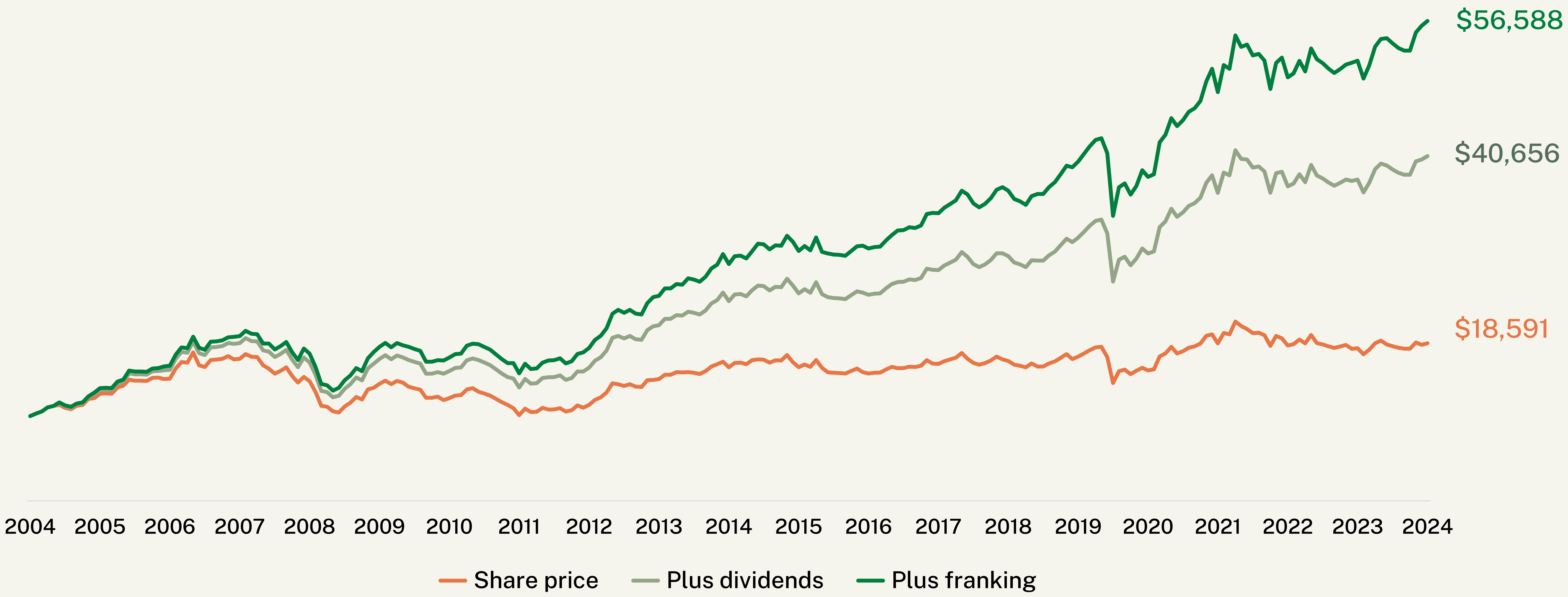
Chief Financial Officer succession

Andrew Hill

Stephen Mortimer


Looking ahead

Shareholder returns $10,000 invested



Figures are at 30 September 2024.

Shareholder benefits

Low-cost, internally managed

Experienced board and management team

Long-term, proven investment approach

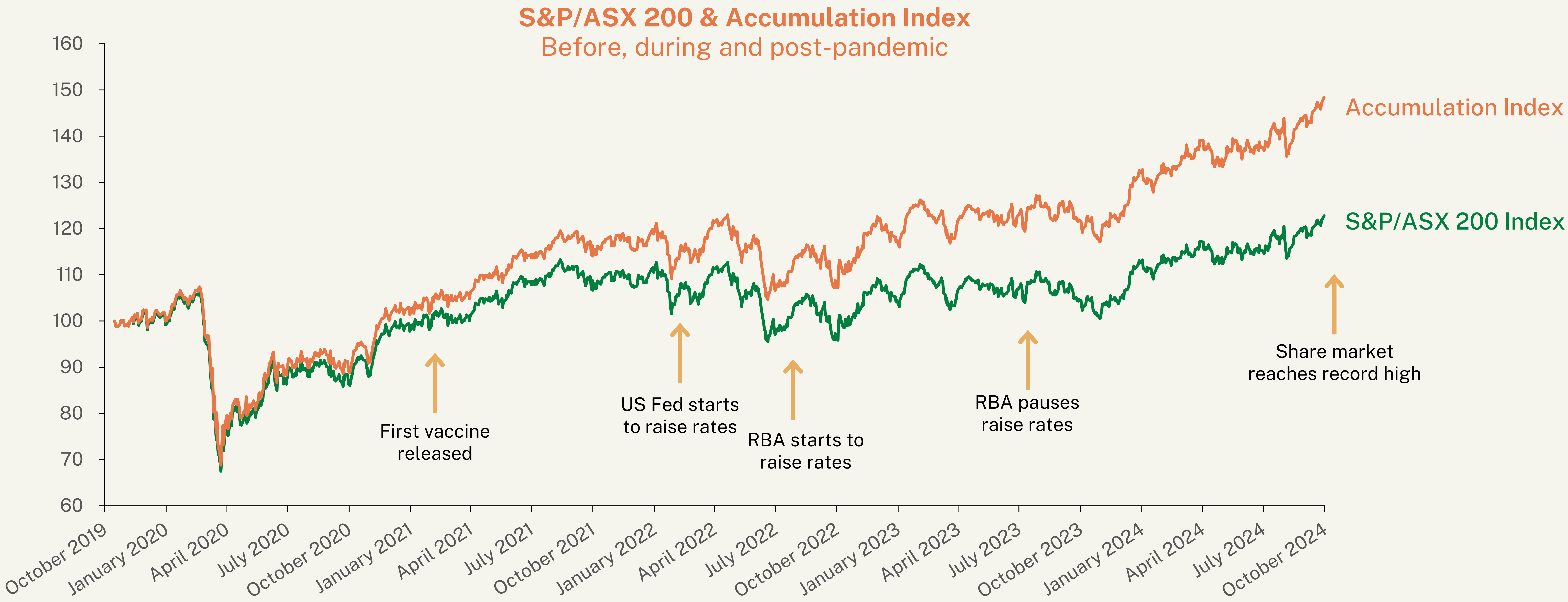
Fully-franked, sustainable dividends

Strong balance sheet with no debt

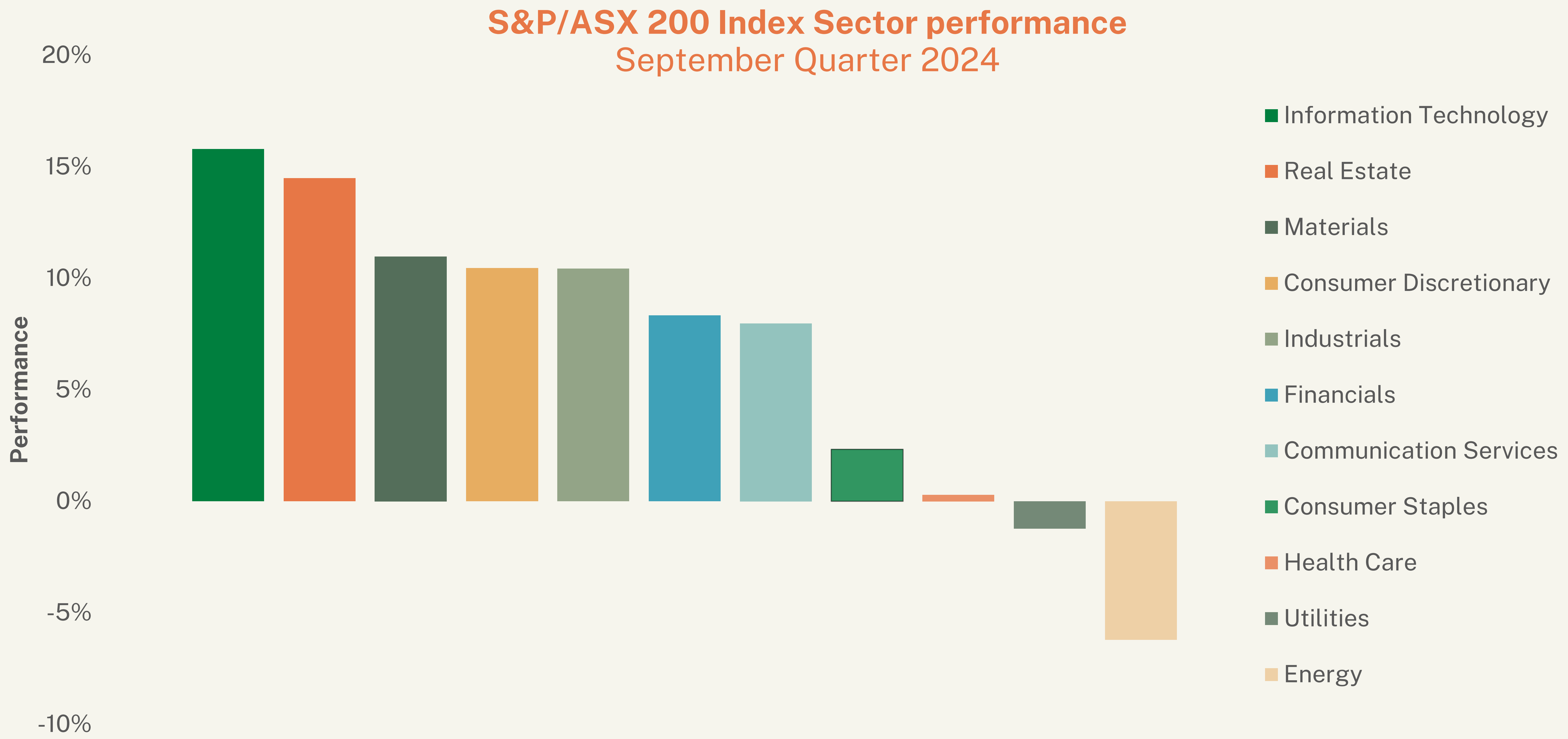
Diversified and administratively simple


ARGO
Jason Beddow
Managing Director

Share market over time



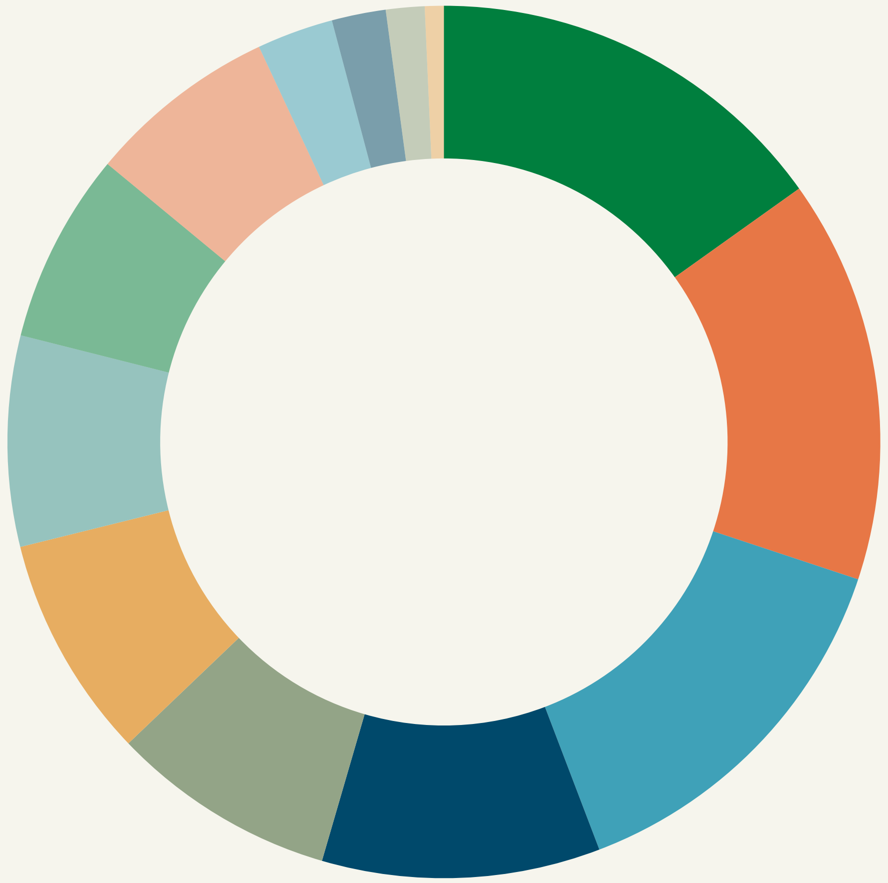
Recent sector performance



Figures are for September 2024 quarter.

Investment portfolio

Sector diversification



Top 10 holdings

	%
Macquarie Group	7.8%
BHP	6.0%
CSL	5.0%
CBA	4.4%
Wesfarmers	4.0%
Rio Tinto	3.7%
Westpac	3.6%
ANZ	3.2%
Aristocrat Leisure	3.0%
NAB	2.8%

Figures at 30 September 2024.

Recent portfolio movements

Purchases

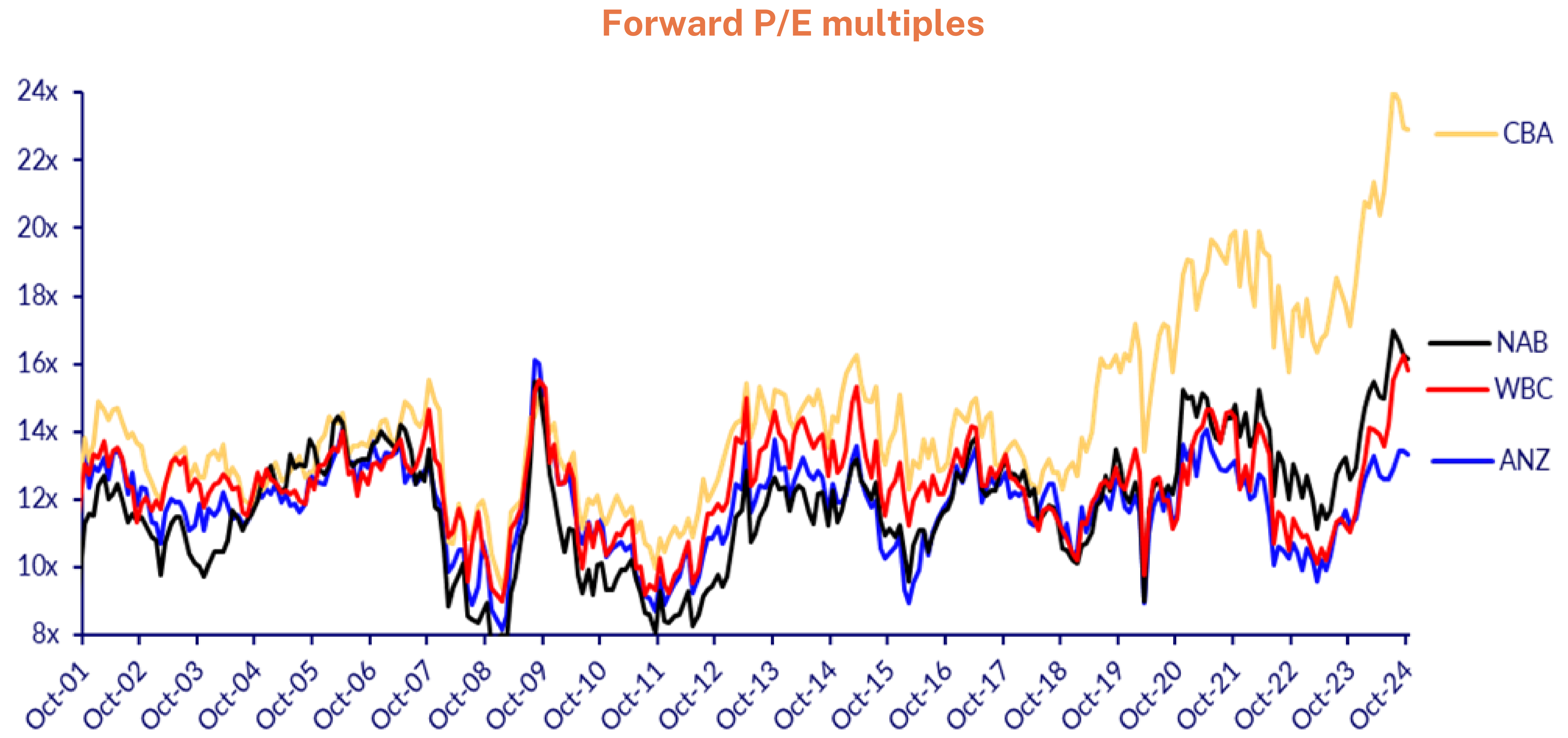
- nab
- BHP
- origin
- Westpac
- worley
- Amotiv
- VIVA Energy Australia

Sales

- Commonwealth Bank
- QANTM Intellectual Property
- technologyone
- gpt
- Alumina Limited

For the three months to 30 September 2024.

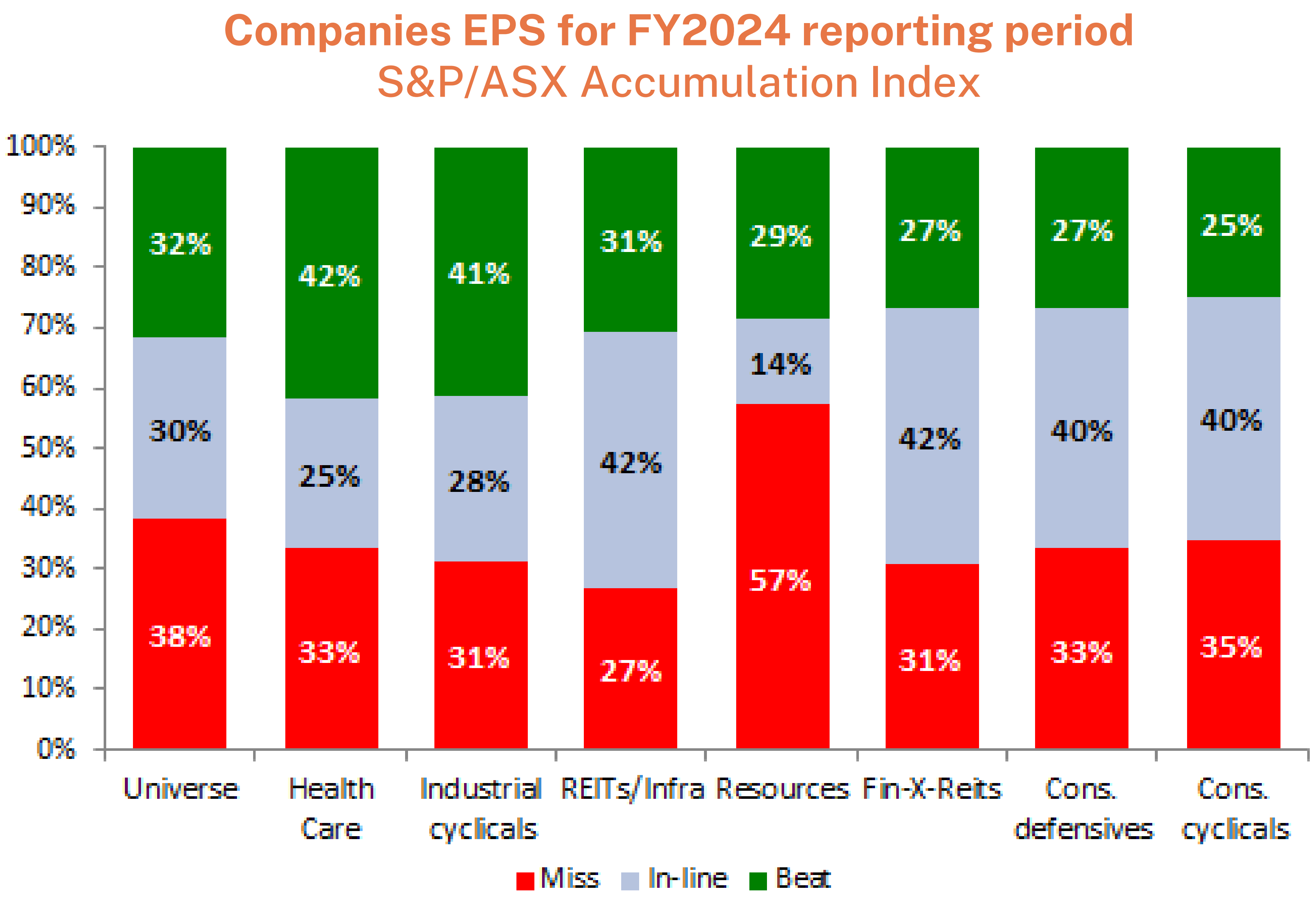
P/E multiples: major Australian banks



Source: CLSA

Reporting season

Earnings beats vs misses



Source: *Goldman Sachs Global Investment Research , Bloomberg, Visible Alpha Consensus Data*

Other key themes

Increased regulatory and political headwinds

Consumer demand solid overall

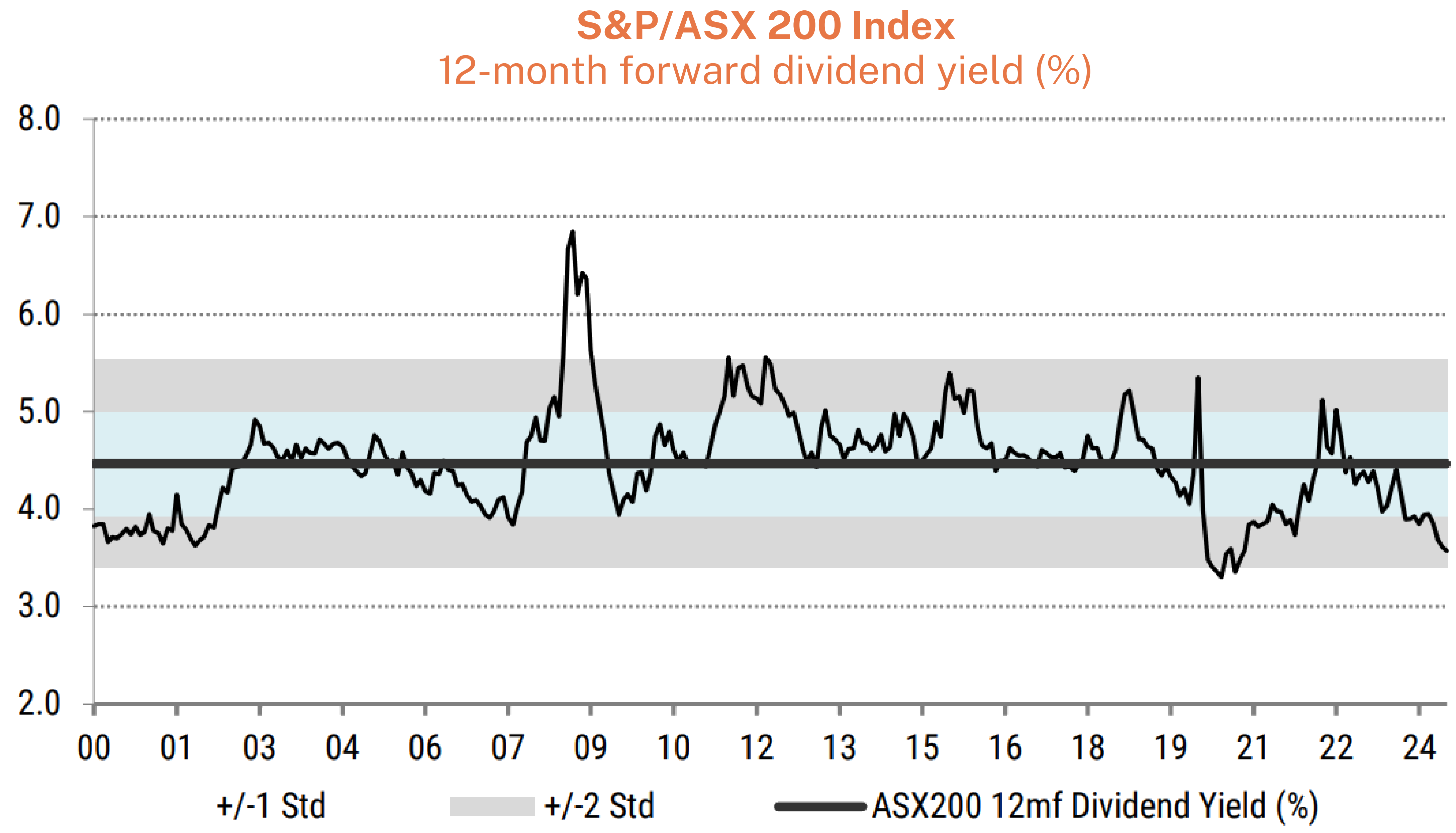
Cost pressures persisting

AI driving cost efficiencies

Balance sheets remain strong

Outlook commentary cautious

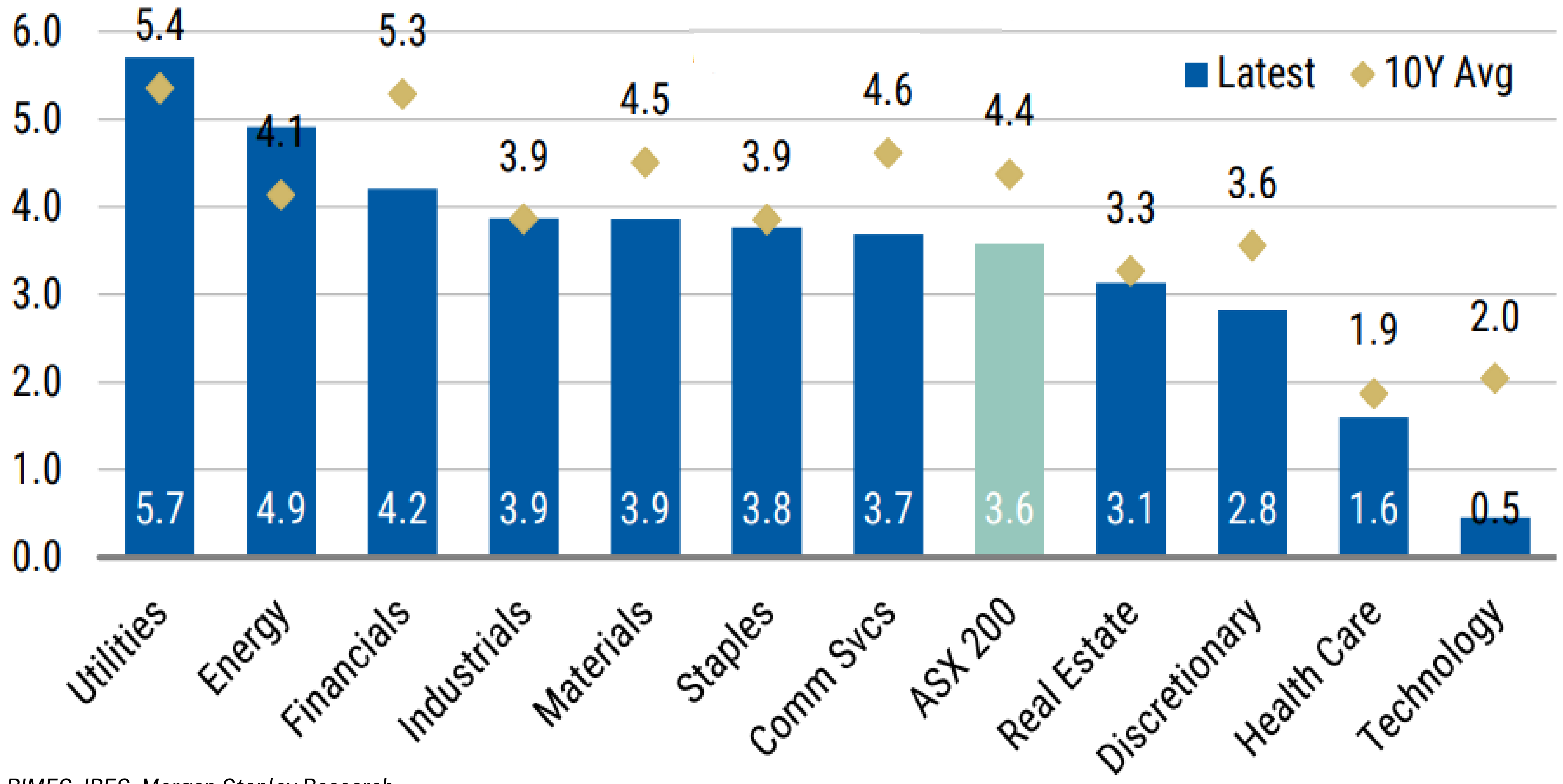
Long-term dividend yields



Source: RIMES, IBES, Morgan Stanley Research.

Forecast dividend yield

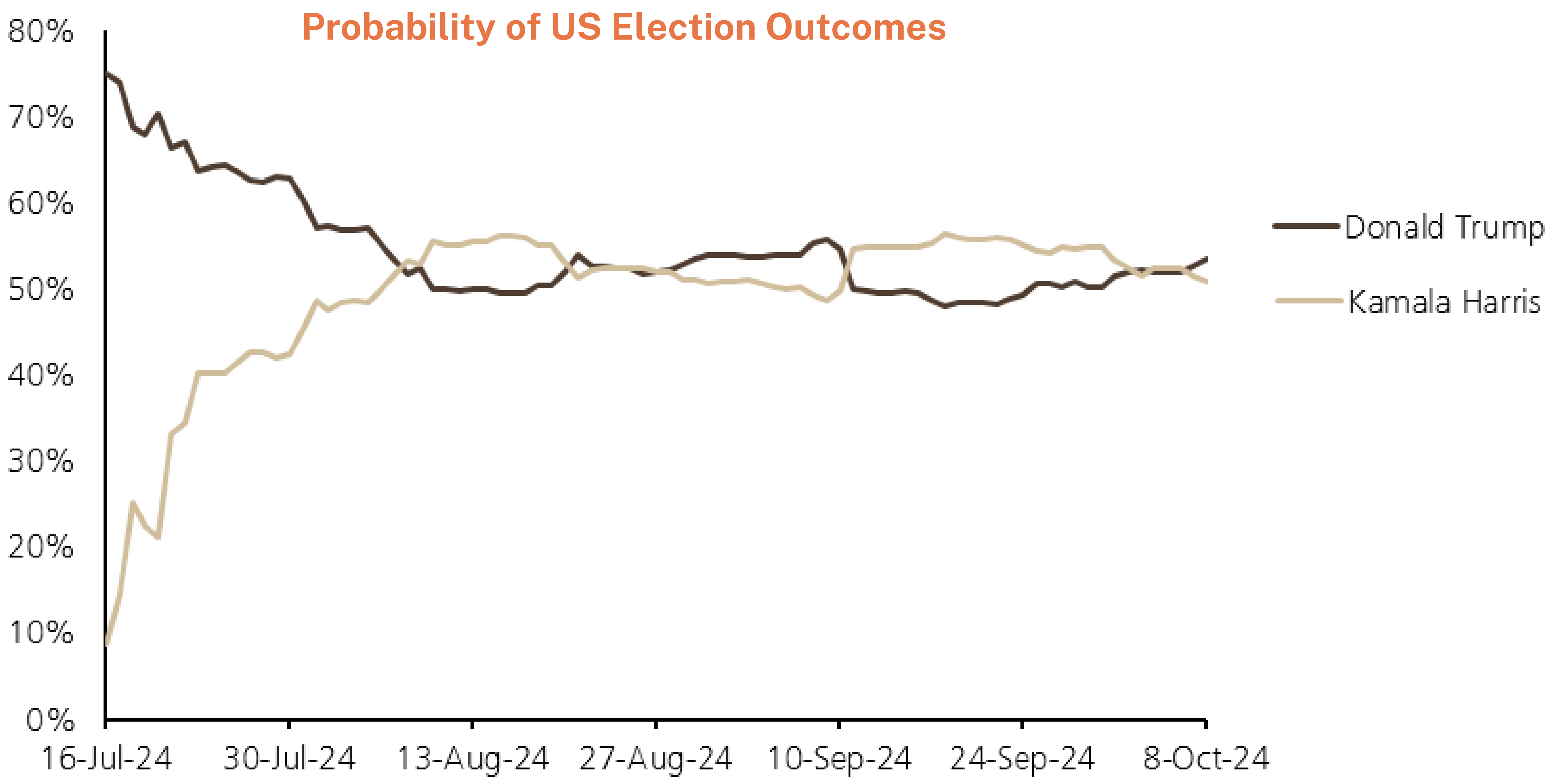
12-month forward dividend yield by sector
S&P/ASX 200 Index



Source: RIMES, IBES, Morgan Stanley Research.

Looking ahead

US election polls



Source: UBS Evidence Lab. Data as of 8 October 2024.

Banks vs Resources

Source: RIMES, IBES, Morgan Stanley Research


SINCE
1946