ARGO INVESTMENTS LIMITED
ABN 35 007 519 520

2014 Annual General Meeting
CHAIRMAN'S ADDRESS

Delivered by Mr. Ian Martin AM at the 68th Annual General Meeting of Argo Investments Limited ("Argo" or "the Company") held at the Adelaide Convention Centre on Monday 27 October, 2014 at 10.00 a.m.

I welcome you to the 68th Annual General Meeting of Argo Investments Limited.

This is my third AGM as Chairman and again I would like to say that I am proud to represent you and play my part in the stewardship of a Company with such a fine tradition of producing good outcomes for its shareholders.

Argo has a long history as an ASX listed company, and our business philosophy remains the same as it always has been. In a nutshell, by a rigorous fundamental research process we seek out, invest in and constantly monitor a portfolio of quality Australian companies with durable business models and the capacity to pay attractive and growing dividends, so that Argo in turn can pay out an attractive dividend. We also aim to keep our management expenses as low as possible.

Result for the year ended 30 June, 2014

I'm delighted to report that this philosophy again served us well in the year ended 30 June 2014, with the Company posting a record profit of $195.9 million.

In addition, the Company's earnings per share, dividends and net tangible asset backing per share (NTA) all improved, whilst our management expense ratio was reduced.

The financial results for the year ended 30 June, 2014 were announced to the Australian Securities Exchange on 4 August, 2014 and are summarised in this table:

Summary of financial results	***2014***	*2013*	*change*
Profit	**$195.9 million**	$175.0 million	+11.9%
Earnings per share	**30.2 cents**	27.7 cents	+9.0%
Final dividend per share	**14.5 cents**	13.5 cents*	+7.4%
Total dividends per share for the full year	**28.0 cents**	26.5 cents	+5.7%
Net tangible asset backing (NTA) per share	**$7.35**	$6.52	+12.7%
Management expense ratio (MER)	**0.15%**	0.18%	-16.7%

* Included a 0.75 cent per share listed investment company (LIC) capital gain component.

These are good numbers in their own right, but it should be remembered that they also follow good results in the previous year. Argo's profit increased 11.9% this year, following an increase of 4.6% last year. Similarly, dividends per share increased by 5.7%, following a 1.9% increase last year.

The growth in profit once again came primarily from the increased dividends and distributions received by Argo from the investments in our portfolio. This was partially offset by reduced interest income on cash deposits, due to lower interest rates.

Also of note was the lowering of the management expense ratio from 0.18% to 0.15%. Whilst this reduction was aided by the increase in the value of the assets we manage within Argo, it also reflects the firm's frugal culture when it comes to expense management.

Argo's balance sheet continues to be in excellent health, with no debt and net assets of $4.3 billion as at 30 June, 2014, an increase of $526 million during the year. Shareholders contributed $133 million of this improvement through the Share Purchase Plan and Dividend Reinvestment Plan, with the bulk of the remaining growth derived from the increase in value of the investment portfolio.

Investment performance

This chart compares annual performance statistics for Argo's portfolio against those of the S&P/ASX 200 Accumulation Index for various periods to 30 September, 2014. We measure Argo's portfolio performance by the movement in net tangible assets per share (NTA) assuming dividends paid are reinvested. I would also remind you that as Argo is internally managed, our performance figures are calculated after deducting all administration expenses and tax, whereas the share market index figures do not take account of these costs.

Performance to 30 September, 2014	1 year	3 years	5 years	10 years
Argo portfolio	+6.5%	+15.5%	+6.8%	+8.1%
S&P/ASX 200 Accumulation Index	+5.9%	+14.8%	+6.8%	+8.4%

Argo's short-term performance has been solid, with the investment portfolio returning 6.5% in the year to 30 September 2014, outperforming the S&P/ASX 200 Accumulation Index which returned 5.9% for the same period. It is also pleasing to note that Argo's share price performance returned 13.8 % over the year to 30 September, 2014, reflecting a combination of stronger equity markets and the share price moving to a premium to NTA.

Renewed interest in the LIC sector

You will recall that a couple of years ago, our share price was trading at quite a large discount relative to its NTA and we made closing the discount a strategic priority.

In the period since then, the Argo team has stepped up its marketing and communication efforts directed at self-managed superannuation funds and financial planners, in order to emphasise the benefits of Argo shares as an attractive investment option - particularly the fact that they are a convenient and low cost way to get exposure to a professionally managed portfolio of Australian shares. Coinciding with these efforts, Argo has been steadily attracting new investors, with over 74,000 shareholders now on the register, up from just over 70,000 at this time last year.

Of course the share price improvement relative to NTA has been a feature of the last year or so for several listed investment companies. It is particularly pleasing that the sector has experienced renewed interest from investors, perhaps partly due to the public debate around the Future of Financial Advice (FOFA) reforms which have helped to highlight the benefits of listed investment companies as a low-cost and administratively simple alternative to unlisted managed funds, and without many of the perceived conflicts of interest which are associated with those products.

Governance

At the last two AGM's I have spoken at some length about Argo's governance practices, the composition of our Board and our Director selection processes, and also about how the Board goes about reviewing and assessing its own performance.

This year, as part of our annual performance review process, we engaged a specialist consulting firm to conduct an independent assessment of the Board's capabilities and performance. Cameronralph Navigator

Pty. Ltd. conducted the review and I am pleased to say it assessed the Board with a rating of *"Strong - the Board demonstrates strong capabilities across the majority of the critical elements of board effectiveness and is actively minimising governance risk to the organisation and for stakeholders."*

In addition, the other internal aspects of our review process were also carried out, as they are every year. I lead this process as Chairman, by talking to all Directors individually about their own performance, the performance of the other Directors and the Board as a whole. Concurrently, the Chairman of the Remuneration Committee goes through a similar exercise with all Directors to review my performance as Chairman. The findings are jointly presented to the Board and if required, any appropriate action is initiated.

Directorate

Mr. Rob Rich has been a Director of Argo for 22 years and today he will retire, after a distinguished career at Argo and in the investment industry generally. On behalf of the Board and management team, I wish to record our appreciation for Rob's enormous contribution to the Company's growth and success over many years. Those of you who know Rob will also know that he is absolutely passionate about Argo.

Rob's involvement with the Company started in 1992 when Stoddarts Holdings Limited, a listed investment company with a similar long-term investment philosophy to Argo and of which Rob was Managing Director, merged with Argo. At that point, Rob became an Executive Director of Argo, thereby strengthening the management team and heading up Argo's office in Sydney.

In 1998, he stepped back from executive duties and became a Non-executive Director and Deputy Chairman, a role he has served in with distinction. Along the way, he was also a Director of several Argo subsidiaries and a number of other public and private companies and charities. He is also one of one Argo's largest shareholders and we look forward to staying in contact with Rob in this capacity as well as that of a respected friend.

Rob, we thank you for so many years of hard work and for your tireless representation of shareholders' interests.

Although Rob leaves us today, I remind you that Jason Beddow was appointed to the Board as Managing Director in February, after serving as Chief Executive Officer since 2010. This transition is appropriate in many ways, as I know that since Jason joined the Company 13 years ago, Rob has been an invaluable colleague, mentor and friend to him.

I would also like to mention another recent retirement. Brenton Aird retired in July after 28 years of faithful service, mostly behind the scenes as Company Secretary and Chief Financial Officer. He started with Argo in 1986, when Sir Donald Bradman was still involved with the Company, and has served many other Argo Directors over the years since then. I thank Brenton for his dedicated and diligent service on behalf of the current Board and our predecessors, and I also commend both him and Jason for the thorough succession planning they engaged in over a number of years to make the management transition as seamless as possible.

Public policy issues

Before I make some comments on the economic outlook, there is one public policy issue that I specifically want to address, and that is the question of dividend imputation – particularly in light of the interim report by the Financial System Inquiry Panel, which noted that a number of submissions had queried the value of dividend imputation.

I want to quite categorically state that Argo is an enthusiastic supporter of dividend imputation and we are implacably opposed to any suggestions that it should be abolished or watered down.

The whole concept of dividend imputation is based on the principle that income should only be taxed once, and that if companies pay tax on their income, then their shareholders should get a credit for that and not have to pay an additional level of tax when the company's profits are distributed to their owners as after-tax dividends.

Not only is this principle intellectually sound, we think it has been important in promoting a particularly healthy and robust equities market in Australia, and has also been instrumental in ensuring that quality dividend streams are helping Australian self-funded retirees meet their retirement income needs.

Argo is a founding member of The Australian Listed Investment Companies Association (ALICA) which has made a submission to the Financial System Inquiry that the dividend imputation system be retained.

Outlook

Financial market volatility has certainly increased significantly in the last month or so, on the back of rising geo-political tensions, including the escalating conflict in Iraq and Syria; the conflict in Ukraine; the protests in Hong Kong accentuating concerns regarding China; and the worsening Ebola epidemic.

At the same time, investors have been becoming more and more nervous about what will happen to US interest rates as monetary policy is normalised.

In response to these and other concerns, the International Monetary Fund has modestly downgraded its global growth outlook and warned about the risks of rising geopolitical tensions and the potential of a financial market correction. While the US economy now appears if anything, to be a little bit stronger, Europe, Brazil, Russia and Japan are all weaker. In fact, the Eurozone seems to be again flirting with recession, while the Japanese economy is struggling to absorb additional tax hikes. The Chinese economy and emerging markets are also sluggish by their standards.

In Australia specifically, consumer and business confidence is fragile, particularly in the wake of the Federal budget, and the resources sector is feeling the full force of lower commodity prices.

It remains to be seen how all these things will pan out. Certainly, we expect continued financial market volatility. Moreover, given the at best sluggish global growth environment, it seems unlikely that the share market returns experienced over the last couple of years will be repeated.

However, we certainly do not think it is all doom and gloom. There are also many positives that can be pointed to, including the impact of increased US shale oil production on that economy which is stimulatory, the improved US fiscal position, and the underlying structural reforms being undertaken in China to reduce the role of state-owned enterprises. Moreover, specifically in Australia, the lower currency will also have a net stimulatory impact.

Our best guess therefore is that the world economy will continue to do what it has been doing for most of the period since the GFC – muddle along with sluggish growth and that financial markets will continue to remain highly volatile.

In this environment, Argo will continue to do what it has always done: look through the short-term noise by investing in good quality Australian businesses when we perceive them to be attractively priced, and of course judiciously trimming our holdings when we consider their long-term prospects have deteriorated.