ARGO INVESTMENTS LIMITED
ABN 35 007 519 520

2015 Annual General Meeting
CHAIRMAN'S ADDRESS

Delivered by Mr. Ian Martin AM at the 69th Annual General Meeting of Argo Investments Limited (Argo or the Company) held at the Adelaide Convention Centre on Monday 26 October, 2015 at 10.00am.

Introduction

On behalf of the Board, I welcome you to the 69th Annual General Meeting of Argo Investments Limited.

I am pleased to report that the financial year ended 30 June, 2015 was another good one for Argo. The Company achieved a record profit result, the portfolio outperformed the Australian equity market, and earnings per share and dividends to shareholders again increased.

In addition to these highlights within our core business, we have also established a separate ASX-listed investment company which invests in listed securities in the global infrastructure sector. I will comment further on the new company later, but would like to highlight that this strategic initiative has been implemented without impacting Argo's traditional operations or affecting the Company's management expense ratio, which has been maintained at 0.15% of average assets.

Our successful year was capped off when Argo received the inaugural award for the Best Australian Listed Investment Company from the Australian Financial Review's Smart Investor magazine. More recently, we also won the Core Data Self-Managed Super Fund (SMSF) Service Provider award for listed investment companies, in the category voted by SMSF members.

Argo continues to attract new investors. We now have over 78,000 shareholders, almost one third of whom consistently participate in the Company's Dividend Reinvestment Plan, which helps shareholders to build up their holdings over time.

Argo's conservative business philosophy and rigorous investment process continue to serve the Company well and deliver good outcomes for shareholders.

Result for the year ended 30 June, 2015

The financial results for the year ended 30 June, 2015 were announced to the Australian Securities Exchange on 3 August, 2015 and are summarised in this table:

	2015	*2014*	*change*
Profit	**$228.1 million**[(a)]	$195.9 million	+16.5%
Earnings per share	**34.3 cents**	30.2 cents	+13.6%
Final dividend per share	**15.5 cents**[(b)]	14.5 cents	+6.9%
Total dividends per share for the full year	**29.5 cents**[(b)]	28.0 cents	+5.4%
Net tangible asset backing (NTA) per share	**$7.52**	$7.35	+2.3%
Management expense ratio (MER)	**0.15%**	0.15%	-

(a) Includes a one-off, non-cash demerger dividend of $18.6 million, compared to similar one-off items in the previous year of $6.9 million.
(b) Includes a 3.0 cents per share listed investment company (LIC) capital gain component, compared to no LIC capital gain component in the previous year.

The Company's headline profit of $228.1 million, which was up 16.5% on the previous year, was boosted by $18.6 million of one-off, non-cash demerger dividend income due to BHP Billiton's demerger of South32. However, even if this was excluded, our underlying profit would still have been a record for the Company.

The growth in Argo's profit once again came primarily from the increased dividends and distributions received from the investments in the portfolio, which is the engine room of our business model. This was partially offset by reduced interest income on cash deposits, due to the lower interest rates available and the generally lower cash balances held during the year. Argo's cash on hand fluctuates according to the timing of dividends received, dividends paid, capital raisings, and investment purchases and disposals. In order to facilitate short-term cash flow management, the Company has put in place a $100m standby debt facility, which was not drawn down during the financial year.

We are pleased to have increased annual dividends to shareholders again, on the back of a 13.6% increase in earnings per share.

In fact, Argo has now recorded several good years in a row. Although investing in equities will always have its short-term ups and downs over time, the following charts [*refer Slide #5*] pleasingly illustrate steadily improving results and increasing dividends in recent years.

Argo's balance sheet remains strong, with net assets up $123 million to $4.4 billion as at 30 June, 2015. Although there was no Share Purchase Plan during the financial year, shareholders contributed $36 million of the increase in net assets through their loyal participation in the Dividend Reinvestment Plan. The bulk of the remaining growth was attributable to the increase in value of the investment portfolio.

Investment performance

The latest performance statistics for Argo's portfolio and share price compare favourably with the S&P/ASX 200 Accumulation Index for various periods to 30 September, 2015. We measure Argo's portfolio performance by the movement in net tangible assets per share (NTA) assuming dividends paid are reinvested. Remember 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.

Argo's portfolio returned -0.8% for the 12 months to 30 September 2015, after equity markets in general fell sharply in August. This performance was in line with that of the benchmark S&P/ASX 200 Accumulation Index return of -0.7%, bearing in mind that the index makes no allowance for costs or tax. Argo's share price performance was stronger, returning +3.9% for the same period. Argo's shares have traded at a premium to NTA for most of the year.

Longer term investment performance continues to be good, highlighted by the 15 year portfolio return of +8.9% per annum and the share price return of +10.3% per annum, both well ahead of the S&P/ASX 200 Accumulation Index return of +7.3% per annum.

In recent months, volatility in share markets, currencies and commodities has increased. However, as a long-term investor and a closed-end listed investment company, Argo is well placed to take advantage of short-term share market volatility. Our recently completed Share Purchase Plan raised $60.3 million for further investment as opportunities arise.

Argo Global Listed Infrastructure Limited

As noted earlier, Argo has established a new listed investment company, Argo Global Listed Infrastructure Limited (AGLI), which invests in a diversified portfolio of listed securities in the global infrastructure sector. Although AGLI is managed by Argo's executive team, it has a separate Board and now controls its own destiny. Its investment management function is also sub-contracted to Cohen & Steers, a highly respected specialist manager of global listed real estate and infrastructure which is based in New York.

AGLI's initial public offering (IPO) raised $286 million from just under 11,000 investors. About 50% of the IPO participants were existing shareholders of Argo, and in a sign of the growing popularity of self-managed super funds, we estimate that about half of AGLI shareholders are SMSFs, which compares with about one third of Argo's register. AGLI's shares and options commenced trading on the ASX on 3 July, 2015.

In order to facilitate the management of AGLI and any other external listed investment companies in the future, it was necessary to change Argo's internal structure slightly. A wholly-owned subsidiary, Argo Service Company Pty Ltd, was incorporated and now employs Argo's staff, so that it can provide management and investment services to Argo and external clients, under an Australian Financial Services Licence.

I would like to make some important points about Argo's reasons for this strategic initiative and clarify the relationship between Argo Investments Limited and Argo Global Listed Infrastructure going forward:

There were several important strategic considerations that led us to launch AGLI, and in so doing, extend Argo's business model.

Firstly, we think that global listed infrastructure is an asset class capable of generating sound investment returns over the longer term and which offers diversification benefits to Australian investors, particularly given the relatively narrowly focused nature of the Australian equity market.

Secondly, we saw an opportunity to package such an investment option in a Listed Investment Company framework and to utilise Argo's knowledge and skills in that regard.

Thirdly, we also saw an opportunity to sub-contract the investment management to Cohen & Steers, a specialist global listed infrastructure manager with an established track record of outperformance in the sector. We have come to know Cohen & Steers well and believe they have a culture which is compatible with that of Argo.

And fourthly, we saw an opportunity for Argo shareholders to benefit directly, by providing management and administrative services to AGLI for a fee.

Rest assured however, that while Argo has taken a small direct investment in AGLI, our own investment process and investment management team will continue to be focused on what they always have been: managing Argo's investment portfolio by a rigorous process of stock research and selection.

Directorate

There was one significant change to our Board during the financial year which I particularly want to acknowledge. Our long-serving Deputy Chairman, Robert Rich, retired from the Board in October 2014, after 22 years of dedicated service.

I acknowledged Rob's contribution at last year's AGM and I do so again today.

Outlook

I would now like to make a few outlook comments.

It's been more than six years since the worst of the Global Financial Crisis and the world economy has continued to grind through the very necessary debt de-leveraging process ever since.

Australia was initially immune, because of the continued strong growth in China immediately following the crisis and the extension of the boom in commodities.

However, all that has changed dramatically in recent years. Commodity prices have slumped, China's growth rate has slowed and Europe has been insipid. The US has generally done better, fuelled by the monetary-drug being supplied by the Federal Reserve in the form of stimulatory monetary policy, but like most addicts, its behavior is erratic, particularly as efforts are made to wean it off its dependency.

In these circumstances, the Australian economy and Australian companies have generally not done too badly. Our economic growth rate, whilst sub-par, has bumped along at around 2%, obviously helped by low interest rates and the lower currency, which have buoyed some sectors of the economy.

Well, where to from here?

Our best guess is more of the same - the world economy is likely to continue to muddle along at modest growth rates and China will also experience moderating levels of growth, although we are encouraged by signs that the services sector is now starting to gain momentum. As for the US, we think it too will continue to perform at a moderate pace, but at the same time, we also expect the market's nervousness about the pace of growth and direction of interest rates to persist. One added uncertainty is that a number of emerging markets, particularly in South America, look weak and vulnerable, due to lower commodity prices and tighter liquidity conditions.

Therefore, all up we expect a continued high level of uncertainty and financial market volatility, and most likely only relatively modest returns.

However for its part, Argo will continue to use periods of weakness to selectively add to its portfolio holdings in its usual methodical and measured way.

Finally, I would like to conclude by thanking Jason and the entire Argo team for their efforts and the results they have managed to achieve, both in terms of company results and investment performance, as well as the successful launch of Argo Global Listed Infrastructure Limited. I would also like to thank my fellow Board members.