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1 February 2016

Dear Shareholder,

Result for the half-year ended 31 December 2015
Argo Investments Limited (Argo or Company)

The Directors are pleased to report an increased profit for the half-year ended 31 December 2015 and a lift in the interim dividend to 15 cents per share fully franked.

Summary of financial results	***Half-year to 31.12.15***	*Half-year to 31.12.14*	*change*
Profit	**$114.2 million**	$104.8 million	+8.9%
Earnings per share	**17.0 cents**	15.8 cents	+7.6%
Interim dividend per share	**15.0 cents**	14.0 cents	+7.1%
Net tangible asset backing (NTA) per share	**$7.28**	$7.36	-1.1%

Overview

Argo's half-year profit increased by 8.9% on the previous corresponding period to $114.2 million and its earnings per share rose 7.6% to 17.0 cents per share. The profit growth was mostly due to higher dividends and distributions from the investments in the portfolio, with the increased market volatility assisting our option writing income strategy. Income from option activity and trading opportunities was $7.3m for the half-year, significantly above the $2.1m earned in the previous corresponding period.

While modest, the first management fee contribution to Argo's revenue from managing Argo Global Listed Infrastructure Limited (AGLI) was also included. There was a slight decline in interest income on cash deposits, due to lower cash balances and interest rates. Administration expenses increased, mostly reflecting the additional resources required for the establishment and ongoing management of AGLI.

Although the Australian equity market ended the calendar year at a similar level to which it started, there was considerable volatility during the year. In this environment, Argo's portfolio outperformed the index, with a total portfolio return of 2.8% and total shareholder return of 7.0%, both exceeding the S&P/ASX 200 Accumulation Index return of 2.6% for the same period.

Argo's share price continues to trade at a meaningful premium to NTA, closing on 31 December 2015 at $8.00, a premium of 9.9% to NTA.

The Share Purchase Plan offered in September 2015 raised $60.4 million for further portfolio investments.

Investment portfolio

During the half-year, $145 million was spent on long-term investment purchases, partly funded by $59 million in disposals and takeover proceeds. The larger transactions in the portfolio were:

Purchases	*$m*
Westpac Banking Corporation	21.4
Commonwealth Bank of Australia	18.2
Santos	15.7
DUET Group	15.0
Origin Energy	14.5
ANZ Banking Group	8.2
M2 Group	7.8
CBL Corporation	7.1
McGrath	6.7
Primary Health Care	6.2

Sales	*$m*
Medibank Private	32.1
Affinity Education (takeover)	14.2
Milton Corporation	10.0

Many of these investment purchases resulted from capital raisings. The four major Australian banks all raised significant amounts of new equity in 2015, primarily in response to the increasing capital requirements of regulators. In addition, the balance sheets of many energy companies have come under significant pressure due to ongoing oil price weakness, prompting capital raisings from Santos and Origin Energy.

Overall, the number of stocks held in the portfolio increased slightly over the half-year to 104. The cash balance at 31 December was $98 million, representing 2.0% of the Company's total assets of $5.0 billion.

Investment performance

The following table provides annual return statistics for Argo's portfolio, share price and the relevant share market index, for various periods ended 31 December 2015. It should be noted that Argo's total portfolio performance (measured by the movement in NTA per share assuming dividends paid are reinvested) is calculated after deducting all administration expenses and tax, whereas share market indices do not take account of these costs.

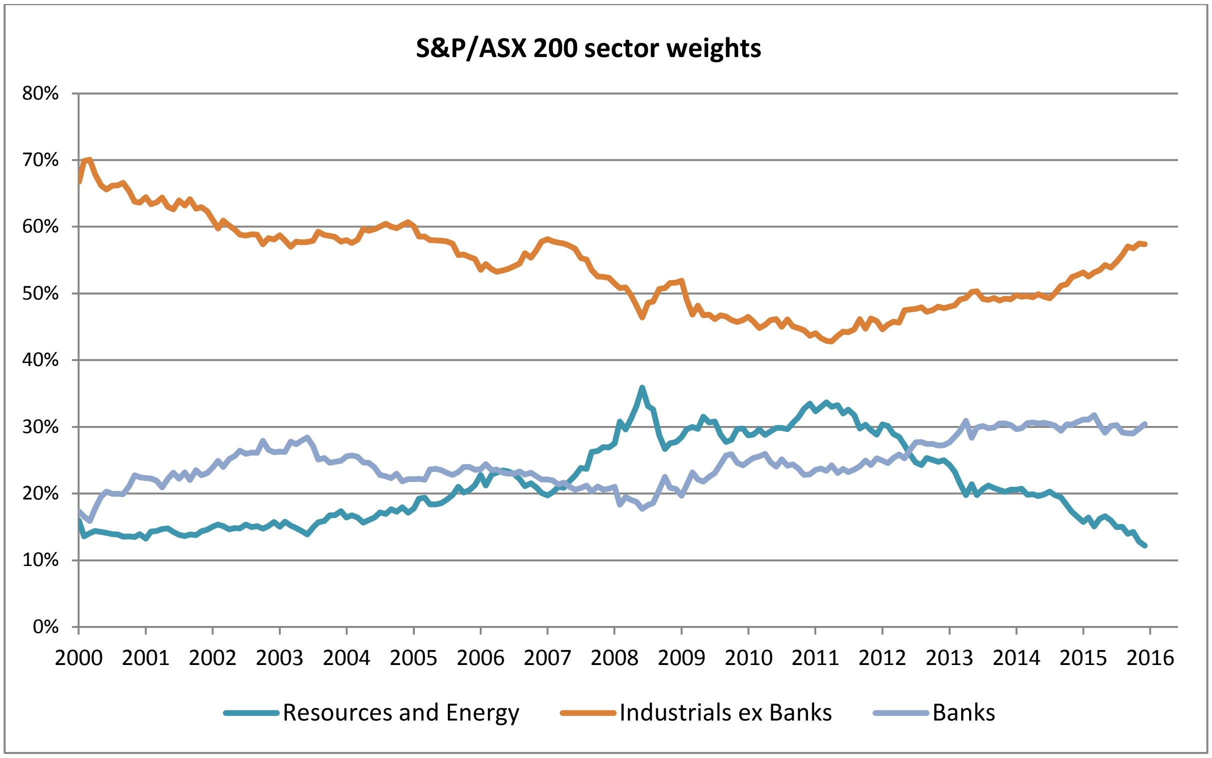
Accumulated performance (per annum)	*1 year*	*3 years*	*5 years*	*10 years*	*15 years*
Argo portfolio return	+2.8%	+9.3%	+7.3%	+5.6%	+8.9%
Argo share price return	+7.0%	+13.3%	+9.2%	+6.4%	+10.8%
S&P/ASX 200 Accumulation Index	+2.6%	+9.2%	+7.0%	+5.6%	+7.9%

Argo's portfolio has matched or exceeded the index returns for all the periods shown above.

The income contribution from the dividends paid by Australian companies has historically added approximately 4.5% p.a. to investment returns. This has often helped the market to deliver positive annual returns, which was again the case in calendar year 2015. The Australian equity market, as measured by the S&P/ASX 200 Accumulation Index, finished 2015 up 2.6%. However, without the income return contribution of 4.7%, the index would have been down 2.1%. Utilities were the best performing sector along with Retail, Consumer Staples and Property Trusts. Declining energy and other commodity prices continue to significantly influence the share market's overall performance, with the Resources and Energy sectors materially underperforming the broader index.

Argo's portfolio has also been impacted during the year, and although our performance relative to the index was helped by an underweight position in resource companies, this was somewhat offset by our overweight positions in Origin Energy and Santos.

The chart below illustrates the extent of the decline in the Resources and Energy sectors as a proportion of the Australian market since 2011, when they peaked at over one third of the total market.



Source: Macquarie Research

In a relative sense, the stocks in the portfolio which contributed most positively to performance during the calendar year were AP Eagers, Macquarie Group, Ramsay Health Care, Technology One and Sydney Airport. Underweight positions in CSL and Commonwealth Bank of Australia, and not owing Qantas, negatively impacted relative performance.

Net tangible asset backing

As a long-term investor, Argo does not intend to dispose of its long-term investment portfolio. Therefore, when calculating net tangible asset backing (NTA), Argo values its portfolio using the market price of each listed holding, without providing for estimated tax on gains that would be realised if the holdings were to be sold. At 31 December 2015, this valuation resulted in a NTA per share of $7.28. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share at 31 December 2015 would have been $6.47. Both NTA figures are updated monthly and announced to the Australian Securities Exchange (ASX).

Interim dividend and Dividend Reinvestment Plan

The Directors have announced an increased interim dividend of 15 cents per share fully franked.

The Dividend Reinvestment Plan (DRP) will apply to the interim dividend for those shareholders with registered addresses in Australia or New Zealand who elect to participate. Shares issued under the DRP will be priced at a discount of 2% to the volume-weighted average price of Argo shares traded between 15 February 2016 and 18 February 2016 inclusive. The following dates apply to the interim dividend and DRP:

Ex-dividend date for trading in Argo shares	Thursday 11 February 2016
Record date for dividend entitlement	Monday 15 February 2016
Last day for amendment of DRP participation (election date)	Tuesday 16 February 2016
Dividend payment date	Friday 4 March 2016

Please note that Argo's share registry operations are managed by Computershare Investor Services Pty. Limited, and DRP participation instructions can be updated online at www.investorcentre.com. Registering your holding online with Computershare allows you to elect to receive communications from Argo electronically rather than by post. Computershare can also be contacted by telephone on 1300 350 716.

Outlook

The macroeconomic themes which influenced the Australian equity market in 2015 are continuing into 2016, including a slowing Chinese economy, collapsing commodity and energy prices, modest economic growth in the US but weak elsewhere, globally low inflation and a domestic economy in transition which is beginning to benefit from a lower Australian dollar. In addition, expectations of the first increase in US interest rates for over a decade was the other major conundrum for global markets in 2015, with the US Federal Reserve finally raising rates in December.

The New Year has commenced with the same concerns, however investors are taking a more risk-averse stance. There is an increased focus on the fear of a hard landing in China and the impact that a weaker Renminbi and stronger US dollar may have on other emerging markets, particularly those with large US dollar debt levels. Recent economic data reported that the Chinese economy expanded at 6.9% in 2015, and while this was the slowest year of growth for 25 years, the mix of growth was encouraging, with the service sector of the economy growing by 8.3% and accounting for more than half of the output of the economy for the first time. The transition to a more developed, service-based economy was always going to cause some disruption, however China appears to be making some headway along this course.

Increased investor pessimism has seen sharp declines in most global equity markets including Australia, with our market falling over 8% in the first few weeks of 2016, and a number of global markets approaching "correction" levels.

In Australia, consensus earnings forecasts for the current financial year continue to be revised lower, now at -5% compared to the previous year. While these lower forecasts are largely attributed to weaker earnings in the Resources and Energy sectors, Telecommunications is the only sector which has seen positive earnings revisions over the past few months. With dividend payout ratios at high levels, it is likely that dividend growth will be subdued for the coming year. Consensus earnings per share growth forecasts for the following two years are currently at +7% and +9% respectively.

With the next corporate reporting season beginning and our cash at modest levels, we are likely to be patient with further meaningful investments, unless we see further market weakness or opportunities through reporting season. However, in a continued low interest rate environment, we believe the overall yield available in the Australian equity market remains attractive.

Yours faithfully,
ARGO INVESTMENTS LIMITED

Jason Beddow
Managing Director