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ASX / Media Release

Argo declares record fully franked interim dividend

Argo Investments Limited (ASX code: ARG) announces an interim profit of \$137.0 million, an increase of +6.2%, and a record interim dividend of 16.5 cents per share, fully franked.

Summary of financial results	Half-year to 31 December 2022	Half-year to 31 December 2021	Change
Profit	\$137.0 million	\$129.0 million	+6.2%
Earnings per share	18.2 cents	17.8 cents	+2.2%
Interim dividend per share (fully franked)	16.5 cents	16.0 cents	+3.1%
Management Expense Ratio	0.16%	0.14%	
Shareholders	96,100	95,200	

Profit increased primarily due to higher investment income received from companies in Argo's portfolio, with dividends continuing to recover from their pandemic lows. Although income from ordinary dividends increased, income from special dividends fell sharply with companies generally not repeating these one-off, post-COVID capital returns. Income generated from Argo's trading activities was also higher during the half.

Investment performance

Argo's investment approach favours companies that can grow their income sustainably over time, rather than more cyclical businesses, such as mining stocks which can see their earnings fluctuate significantly with commodity prices and often do not pay dividends.

During a particularly volatile and challenging period, Argo's investment performance, as measured by net tangible assets (NTA) return after management costs, was +5.6% as compared to the S&P/ASX 200 Accumulation Index return of +9.8% over the six months to 31 December 2022. Argo's performance relative to the broader share market was impacted by our underweight exposure to the resources sector, particularly coal and lithium companies which have seen their share prices soar, in some cases by more than 100%.

Investment portfolio

The larger movements in Argo's portfolio during the period were:

Purchases

Santos
Stanmore Resources
Macquarie Group
IDP Education
Viva Energy Group
Superloop
GUD Holdings

Sales

Tassal Group (takeover)*
Tabcorp Holdings*
Pact Group Holdings*
Australian United Investment Co.
Endeavour Group
Hub24*
Carbon Revolution*

* Fully exited position

There were no new stocks added to the investment portfolio during the period. Overall, the total number of holdings declined slightly to 88.

Outlook

Australia's economy has fared reasonably well over the last six to 12 months, in large part due to higher commodity prices, particularly the energy and battery commodities. In addition, very low unemployment and excess savings have helped cushion the impacts of surging inflation and many of the adverse macroeconomic effects of the Ukraine War. Companies have generally been able to pass on rising costs to maintain their profit margins and the sharp rise in interest rates has so far done little to dent consumer spending.

Looking ahead, the main focus for investors will continue to be inflation and the response of central banks globally. Despite some evidence that inflation is moderating as supply chain issues are alleviated and oil prices soften, relatively full employment may support continued high inflation, particularly in services sectors. We expect markets will continue to be very sensitive to any potential 'pivot' towards an easing of monetary policy and further market volatility seems assured.

In our view, further interest rate rises will see spending ease. Some mortgage holders will start to roll off low, fixed-rate loans and confront much higher repayments and for businesses, the increasing cost of capital may curb investment. The rapid re-opening of China's economy is a likely positive for the Australian economic outlook, particularly for the resources, education and tourism sectors.

As seen throughout calendar year 2022, we again anticipate considerable dispersion in performance across the share market this year as global investment conditions remain challenging. We believe this underscores the benefit of Argo's highly diversified portfolio and our long-term, conservative investment approach. With a strong balance sheet, no debt and cash on hand to capitalise on expected volatility, Argo is well positioned in the current climate.

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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 Australian listed companies. Founded in Adelaide in 1946, Argo is one of the ASX's top 100 companies and invests more than \$6 billion on behalf of more than 96,000 shareholders.

