

Shareholder Update

Year ended 30 June 2021



Jason Beddow
Managing Director
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Dear valued shareholder,

As the Australian and global economies continue to chart a path of recovery through the coronavirus pandemic, Argo Investments Limited (Argo) is pleased to report a solid full year profit and a fully franked final dividend of 14.0 cents per share.

This year we are proud to mark 75 years since Argo was founded in Adelaide in 1946. To find out more about this milestone, please see page 4 of this letter.

Full-year profit result

Argo's profit for the full year was \$174.0 million, a decrease of -12.8% on the previous year. Argo's dividend income from companies in the portfolio declined for the year as COVID-19 continued to impact businesses, although some parts of the economy were more affected than others.

Summary of financial results

	2021	2020
Profit	\$174.0 million	\$199.5 million
Earnings per share	24.1 cents	27.8 cents
Full year dividends per share (fully franked)	28.0 cents	30.0 cents
LIC capital gain component of final dividend	8.0 cents	-
Shareholders	94,253	92,342
Management Expense Ratio	0.14%	0.15%
Net Tangible Assets (NTA) per share	\$9.01	\$7.27

Fully franked dividends

Argo's Board declared a fully franked final dividend of 14 cents per share. Together with the 14 cents per share interim dividend, annual fully franked dividends this year totalled 28 cents per share, down -6.7% on the previous year.

Although the dividend income received by Argo declined this year, our final dividend to shareholders of 14 cents per share is unchanged from last year. This reflects a key benefit of Argo's listed investment company (LIC) structure which provides the ability to draw on reserves of retained earnings and franking credits from prior years to effectively 'smooth' dividends to our shareholders.

The final dividend includes a LIC capital gain component of 8 cents per share from which most individuals and self-managed superannuation fund shareholders can claim a tax deduction, in addition to the benefit of franking credits. Further details are provided on your dividend statement.

The full year dividend represents a grossed-up yield including franking credits of approximately 4.2%.

Providing sustainable and tax-effective dividend income remains a priority for Argo, particularly in the current environment of ultra-low interest rates.

Investment portfolio

Periods of volatility during the year provided opportunities to selectively acquire new holdings and add to existing portfolio positions. Conversely, we trimmed our exposure to various companies where we believed valuations had become stretched.

Argo has added a number of holdings to the portfolio with exposure to renewable energy and decarbonisation themes. In particular, there are several new stocks exposed to the rapidly growing demand for electric vehicles (EVs) globally, including Novonix, IGO, Carbon Revolution and Lynas Rare Earths. These growing companies sit alongside our largest holding, Macquarie Group, which is now one of the world's largest infrastructure managers and the owner of Green Investment Group, a leading provider of finance, development and advisory services in the renewable energy sector.

Novonix, which experienced a share price jump of 75% in August alone, produces anode material for battery manufacturers. IGO mines for lithium and nickel, both important elements in battery manufacture. Carbon Revolution manufactures carbon fibre wheels, which are light and ideal for EVs. Lynas Rare Earths is the largest producer and processor of separated rare earths outside China, making it an important strategic supplier to many high tech and low carbon industries, including magnets for wind turbines, solar cells and EVs.



This growing area is not without risk, as share prices will be volatile and dividends relatively low for some time. However in the longer term we see these new technologies as an important part of achieving future capital growth for Argo shareholders, while we continue to provide reliable dividend income, driven by our more traditional blue-chip holdings such as banks, healthcare and diversified resources giants Rio Tinto and BHP Group.

Portfolio movements

Over the course of the financial year, Argo purchased \$350 million of investments and received \$358 million from portfolio sales and takeovers. Details of larger movements in the portfolio during the year are shown below:

Purchases	Sales
Aurizon Holdings*	ANZ Banking Group
Downer EDI	Boral [^]
EML Payments*	Commonwealth Bank of Australia
IGO*	James Hardie Industries
Newcrest Mining*	Vocus Group (takeover)**
Suncorp Group	Washington H. Soul Pattinson
Sydney Airport	
The Star Entertainment Group	

* New portfolio position

** Fully exited position.

[^] Argo has since fully exited its position in Boral.

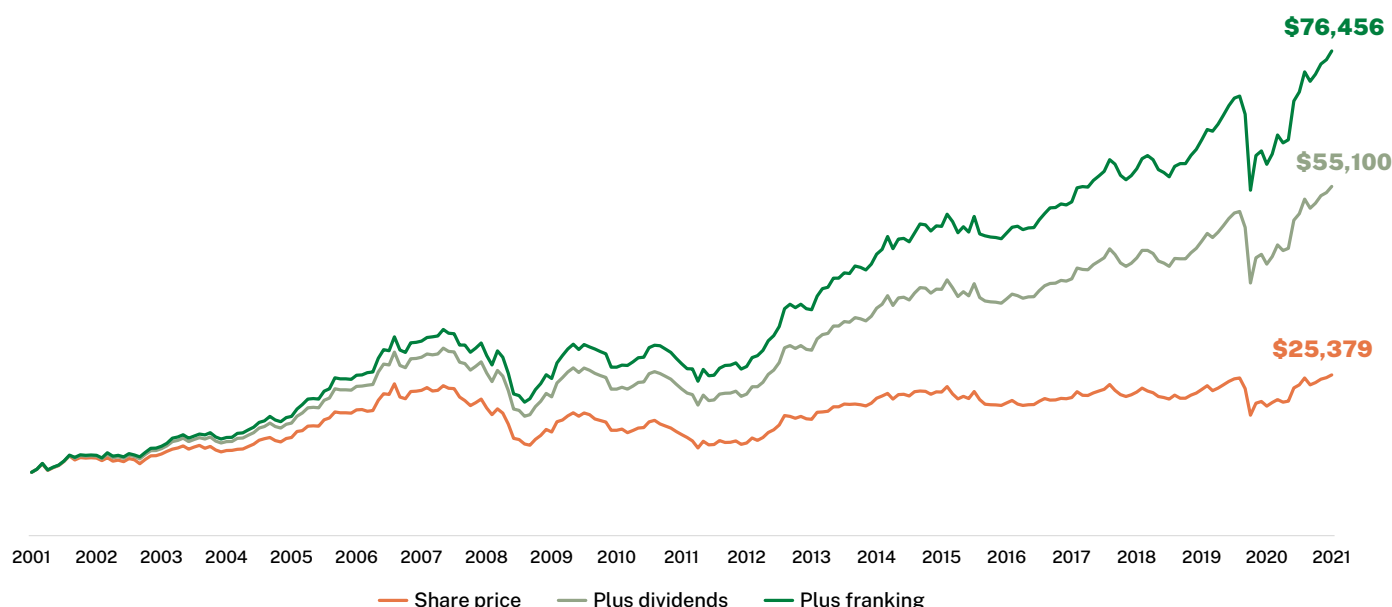
Investment performance

With the economy recovering considerably faster than expected, Australia's share market delivered one of its strongest financial year performances in decades. Investor optimism was supported by a combination of factors including record high commodity prices and the government's continued commitment to fiscal stimulus which has led to extraordinary levels of excess liquidity. Meanwhile interest rates remain at all-time lows, enhancing the appeal of equities relative to other asset classes.

In this environment, we are pleased that Argo outperformed the broader share market. Benefiting from the rotation into 'value' stocks, Argo's investment performance, measured by NTA return after all costs and tax, was +28.5%, compared to the S&P/ASX 200 Accumulation Index return of +27.8% over the year.

Argo's share price also provided a strong return, rising +28.6% to end the financial year at \$8.93. Since then markets have continued to climb, with Argo shares achieving a new record high of \$9.85 last month.

Shareholder returns - \$10,000 invested over 20 years



A \$10,000 investment in Argo shares on 1 July 2001 would have grown to a value of \$55,100 (+8.9% per annum) at 30 June 2021. The tax effective value taking into account franking credits is \$76,456 (+10.7% per annum).

Market outlook

Despite the continued spread of the Delta strain of the coronavirus and the resulting lockdowns across various states and cities, the share market has continued to march higher. Sentiment has waned at times in response to surging case numbers and lockdown extensions, particularly in the nation's two largest economies. However, when volatility has occurred, it has generally given way to renewed optimism with investors tending to 'look through' COVID-19 concerns, instead focusing on growing vaccination rates and the experience of economies in the northern hemisphere as they open up.

Due to the combination of the market trading at record highs and the ramifications of ongoing COVID-19 restrictions hampering a considerable portion of Australia's economy, we are cautious in our immediate outlook.

However, over the medium to long-term, our view is more positive with the nation's vaccine roll-out gathering considerable pace. Furthermore, the federal and state governments have continued to demonstrate a willingness to provide targeted economic assistance to cushion the impact of lockdowns and the Reserve Bank of Australia maintains its supportive stance on monetary policy.

Company balance sheets are robust, as demonstrated during the latest corporate earnings reporting season which included better than expected dividends and several share buy-backs announced. This financial strength is also contributing to increased merger and acquisition activity.

With a well diversified portfolio of quality stocks, a strong balance sheet and no debt, Argo's business model remains resilient. We continue to take a consistent and conservative approach to managing the portfolio, remaining faithful to our investment philosophy which has served us well for 75 years. We are focused on delivering both capital growth and reliable dividend income to our shareholders.



Virtual Annual General Meeting

Unfortunately, the health risks and travel restrictions associated with the COVID-19 pandemic continue to impact our ability to hold Argo's Annual General Meeting (AGM) in Adelaide. Therefore, the Board has decided to again hold a virtual AGM this year. No physical venue will be nominated for the AGM.

You will be able to watch and participate in the AGM live via your computer or mobile device, with the opportunity to vote, comment and ask questions during the meeting. You will find full details about how to participate in the virtual AGM, including how to submit questions in advance, in the Notice of Meeting distributed to shareholders.

I encourage you to attend Argo's virtual AGM, particularly as we will be unable to meet our shareholders in person at information meetings this year.

Save the date
Virtual AGM



25 October 2021
10.00am Adelaide time

Full details to follow in
your Notice of Meeting

75 years of investing on behalf of our shareholders

This year marks Argo's 75th anniversary. Over this time, Argo has navigated through various market cycles and weathered many disruptive events by consistently and carefully applying our conservative and long-term approach to investing.

To mark the occasion, we have refreshed Argo's visual identity, including our logo. We have also launched a new website with a range of user-friendly features, including the shareholder centre with latest results, current and historical dividend details and key dates. Our new website can be found at the same web address, argoinvestments.com.au.

Included on the new website, you can also find detailed information about Argo's history, including a timeline, video and booklet, in the 'Our history' section under the 'About us' tab.

If you have any questions or comments about Argo, please don't hesitate to contact us by telephone on (08) 8210 9500 or by email to invest@argoinvestments.com.au.

To receive Company news and financial results on the day they are announced, I encourage you to join our email distribution list by completing the 'subscribe' form found at the bottom of each page on our website at argoinvestments.com.au.

On behalf of the Board, I thank you for your ongoing and loyal support of Argo. We hope you and your families are staying safe and well during these challenging times.

Yours faithfully,

Jason Beddow
Managing Director