



5 August 2024

ASX / Media Release

Argo reports \$253.0m profit and maintains record high fully franked final dividend

Argo Investments Limited (ASX code: ARG), one of Australia's oldest and largest listed investment companies, announces a full year profit of \$253.0 million. The Board has declared a fully franked final dividend of 18.0 cents per share.

Summary of financial results	2024	2023
Profit	\$253.0 million	\$271.7 million
Earnings per share	33.3 cents	36.1 cents
Final dividend per share (fully franked)	18.0 cents	18.0 cents
LIC capital gain component	3.0 cents	-
Full year dividends per share (fully franked)	34.5 cents	34.5 cents
Management expense ratio	0.15%	0.16%

Despite increased income from special dividends, profit declined as overall investment income received from companies in the investment portfolio was lower. Most notably, dividends paid by BHP Group, Rio Tinto and Woodside Energy were down significantly, reflecting softer commodity prices. Income generated from option writing and trading activities also fell. In a highly inflationary environment, we are pleased that Argo's overall costs (as measured by our management expense ratio) were lower.

Record fully franked dividend maintained

Argo's final dividend to shareholders has been maintained at a record high of 18.0 cents per share, fully franked.

In addition to the benefit of franking credits, the final dividend includes a LIC capital gain component of 3.0 cents per share from which most individuals and self-managed superannuation funds can claim a tax deduction. This resulted from some capital gains in the portfolio being crystallised, including via takeovers.

Dividend reliability throughout market volatility

The cash dividend paid by the constituent companies in the S&P/ASX 200 Accumulation Index (Index) fluctuates over time. Over the nearly five years since the start of the COVID crisis, it has been particularly volatile, falling as much as 45% relative to pre-pandemic levels. Furthermore, since 2019, the level of Index franking has fluctuated between 68% and 85%.

In contrast, Argo's dividend has remained largely steady throughout this volatile period and remains at record-high levels this year. Importantly, our dividend has also remained 100% franked.

The relative stability of Argo's dividends throughout a period of considerable market dislocation illustrates an important benefit of our listed investment company (LIC) structure: our ability to draw on reserves of retained earnings and franking credits. This allows us to effectively 'smooth' the dividends we pay to shareholders over time, providing a consistent income stream.

Investment portfolio

During the financial year, Argo purchased \$344 million of investments, which included new holdings and additions to existing positions. Over the same period, Argo received \$287 million from sales of investments, including numerous takeovers. The larger movements in the portfolio during the period were:

Purchases

APA Group
BHP Group
CSL
IDP Education
Resmed*
Santos
Woodside Energy Group
Woolworths Group

* New portfolio position

Sales

ADBRI (takeover)**
Australian United Investment Company
Estia Health (takeover)**
Invocare (takeover)**
Liontown Resources**
National Australia Bank
Wesfarmers

** Fully exited position

The total number of stocks in the investment portfolio decreased from 89 to 86, reflecting considerable merger and acquisition activity in the Australian share market over the period.

Investment performance

Argo's investment performance, as measured by the net tangible asset (NTA) return after all costs and adjusted for company tax paid, was +11.0%. This compares with the Index return of +12.1% for the 12 months to 30 June 2024, without allowance for any costs.

Our holding in Clarity Pharmaceuticals was the biggest positive contributor to performance with the company's share price gaining a remarkable +677%. However, holdings in several other Healthcare stocks and APA Group offset this to some extent.

More significantly, not owning Goodman Group and our underweight exposure to the big four banks weighed on Argo's relative performance over the 2024 financial year.

Over the last four financial years since the start of the COVID crisis, Argo has returned +11.8% per annum, outperforming the Index return of +11.4% per annum.

Outlook

Looking ahead, we expect the same macroeconomic factors that have shaped global equity markets over the last 12-18 months will remain dominant – namely, inflation, interest rates and the geopolitical environment, including the upcoming US election.

Despite earlier expectations, the US Federal Reserve is yet to cut official interest rates. However, US markets rallied following the Fed's latest meeting when chairman Jerome Powell stated that "a reduction in our policy rate could be on the table as soon as the next meeting in September."

Domestic inflation remains stubbornly high, although last week's Consumer Price Index figure showed that it is moderating. Following this latest inflation reading, all eyes will be on the Reserve Bank of Australia's meeting tomorrow.

The health of China's economy will continue to have a major bearing on Australia's economic outlook. Chinese fiscal indicators paint a gloomy economic picture with domestic demand remaining subdued amid a continued construction downturn. This has seen commodity prices slump in recent months, as reflected in the falling share prices of BHP Group and Rio Tinto.

Australia's corporate results reporting season is now getting underway and we may hear that some Australian businesses are facing headwinds, including higher operating costs such as freight and wages. With markets at all-time highs, some volatility is likely if companies disappoint on investor expectations.

Argo enters the new financial year well-positioned to navigate what remain uncertain times by applying our conservative, long-term approach to investing which has served us well for more than 78 years.

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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 approximately 85 ASX-listed companies. Founded in Adelaide in 1946, Argo is one of the ASX's top 100 companies and invests more than \$7 billion on behalf of 93,000 shareholders.