

Shareholder Update

Half-year ended 31 December 2021



Jason Beddow
Managing Director
BEng, GdipAppFin(SecInst)

Dear valued shareholder,

As the Australian and global economies continue to recover from the coronavirus pandemic, Argo Investments Limited (Argo) is pleased to report a strong half-year profit and an increased interim dividend of 16 cents per share, fully franked.

Half-year profit result

Argo's profit for the half-year was \$129.0 million, an increase of +91.5%. The rebound in first half profit was driven by increased investment income, with most companies in Argo's portfolio raising or returning to paying dividends as the economy recovered from the initial impacts of the pandemic. In particular, a number of our larger holdings increased dividends by more than 100 per cent, including Macquarie Group, BHP Group, Rio Tinto and National Australia Bank.

Summary of financial results

	Half-year to 31 December 2021	Half-year to 31 December 2020	Change
Profit	\$129.0 million	\$67.4 million	+91.5%
Earnings per share	17.8 cents	9.3 cents	+91.4%
Interim dividend per share (fully franked)	16.0 cents	14.0 cents	+14.3%
Net Tangible Assets (NTA) per share	\$9.52	\$8.01	+18.9%

Increased fully franked dividend

The Board declared a fully franked interim dividend of 16 cents per share, increased from 14 cents per share in the previous corresponding period. Argo has a long history of delivering dividends to shareholders having paid dividends every year since the Company was founded in 1946.

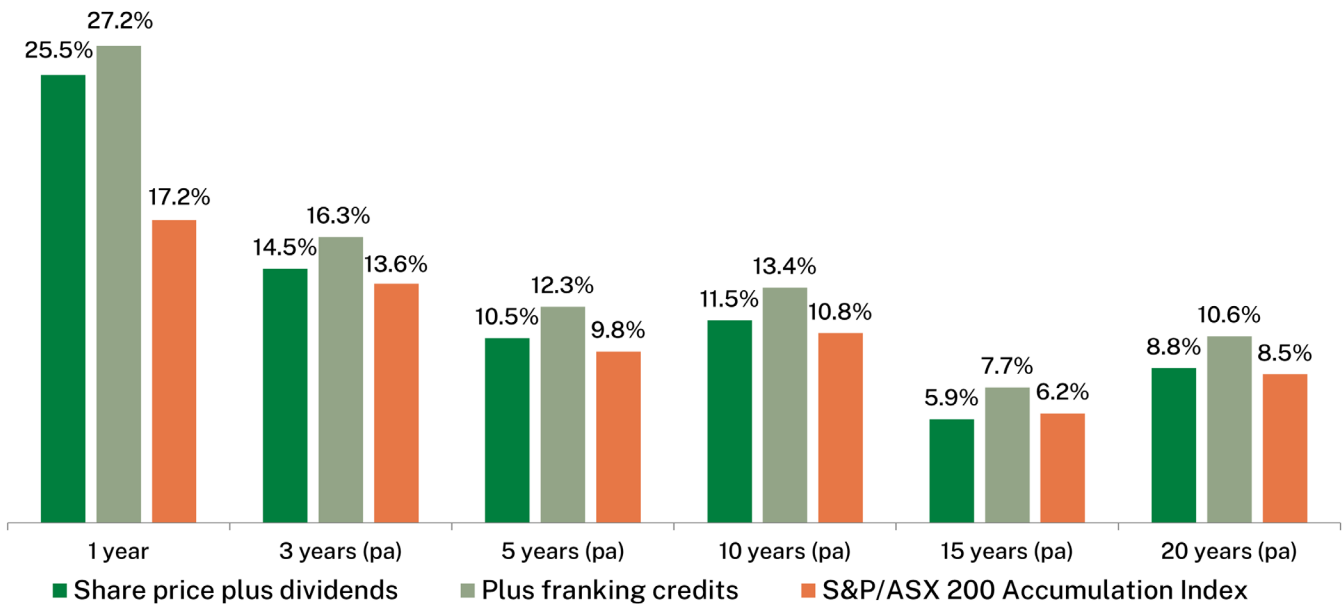
Strong portfolio performance

Argo's portfolio performance (after management expenses) over the six months to 31 December 2021 was +7.7%, compared to the S&P/ASX 200 Accumulation Index return of +3.8%. The calendar year return of +23.8% was even more impressive when compared to the Index return of +17.2%, with Macquarie Group, Sydney Airport and our exposures to battery materials through IGO, Lynas Rare Earths and Novonix providing about half of the outperformance.

The strong performance relative to the broader Australian share market reflects Argo's focus on company fundamentals to identify high quality companies with good long-term prospects. Our investment approach saw us avoid several stocks and sectors with inflated valuations, which sold off later in the year.

Argo's share price returned +15.7% for the half-year and +25.5% for the calendar year. Including dividends and franking, the 12-month total shareholder returns (TSR) were in excess of 27.0%.

Total shareholder returns



Figures above are to 31 December 2021

Investment portfolio

We continued to take advantage of periods of volatility, particularly in the latter part of the half-year, to add to existing holdings in the portfolio. We also sold down, or completely exited, positions in companies we believed had exceeded their fundamental valuations in order to invest in stocks that represented better opportunities.

A number of new stocks were added to the portfolio, while other holdings were removed due to mergers or takeovers, including Oil Search, Spark Infrastructure and Milton Corporation. Overall, the total number of stocks in the portfolio remained the same.

During the half year, Argo purchased \$301 million of investments and received \$191 million from portfolio sales and takeovers. Details of larger movements in the portfolio during the half-year are shown below:

Purchases

EML Payments
Aurizon Holdings
Lendlease Group
CSL
Macquarie Group
RAM Essential Services Property Fund*

Sales

Washington H. Soul Pattinson
Boral**
Crown Resorts**
AGL Energy**

** Fully exited position

* New portfolio position

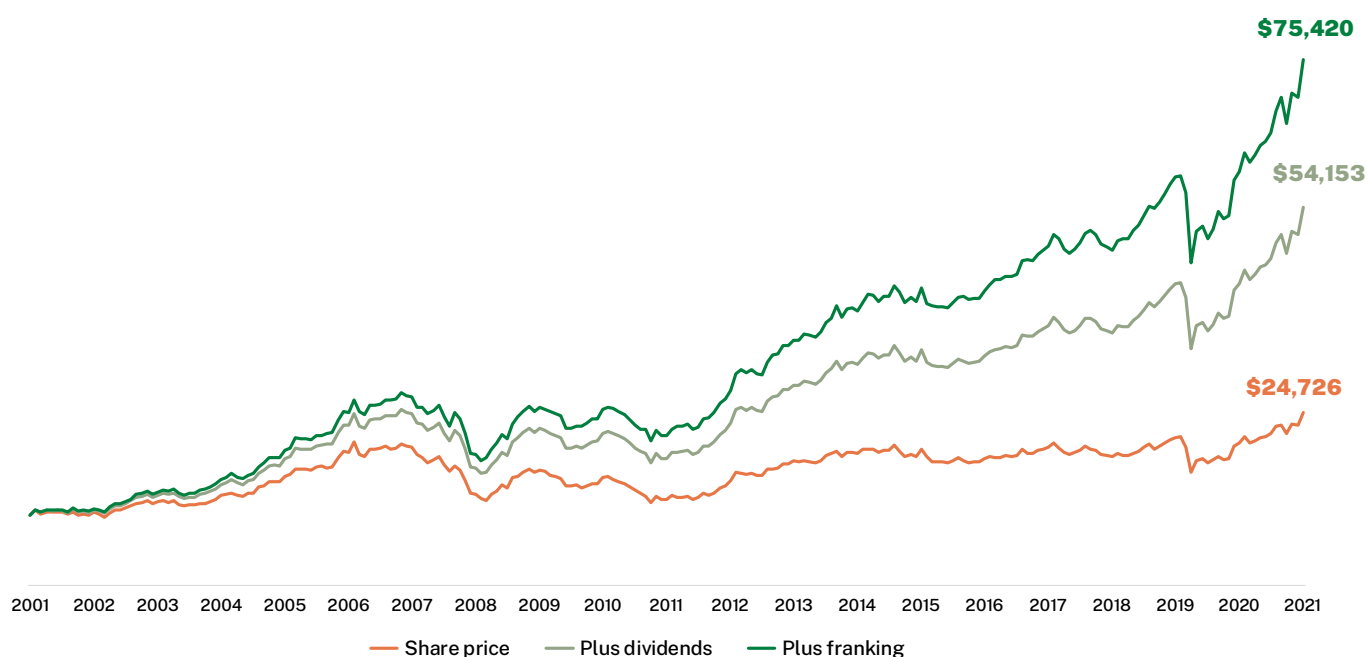
Investing for our shareholders
since 1946

Investing for the long term

Argo is focused on providing shareholders with both capital growth and fully franked dividend income. This is measured by Argo's share price and dividends received over time, with most shareholders also receiving the benefit of franking credits.

The chart below illustrates Argo's track record of delivering on our investment objective and demonstrates the benefits to shareholders of investing over the long term. For example, a \$10,000 investment in Argo shares on 1 January 2002 would have grown to a value of \$54,153 (+8.8% per annum) at 31 December 2021. The tax effective value taking into account franking credits is \$75,420 (+10.6% per annum).

\$10,000 invested over 20 years



Market outlook

After staging a dramatic rebound following the initial impacts of the COVID-19 pandemic, the share market was generally more subdued in the six months to 31 December as markets globally reached all-time highs. However, the S&P/ASX 200 Index retreated approximately 10% at the start of the new year before recovering some of those losses.

The share market continues to be characterised by high levels of volatility, particularly among technology stocks, in response to expectations of higher interest rates and rising inflation. More recently, Russia's invasion of Ukraine has also driven sharp share price movements on markets globally.

In the immediate term, we expect conditions to remain challenging as markets assess the economic ramifications of the Ukrainian conflict and continue to digest the effects of rising inflation and the likelihood that interest rate rises are imminent. In this environment, we remain committed to Argo's established investment approach which concentrates on identifying high quality companies with solid fundamentals that represent long-term value.

Looking further ahead, we remain confident in Australia's underlying economic recovery, whilst cognisant that the share market's strong returns over the last 18 to 24 months have been supported by unprecedented stimulus and are not likely to be repeated.

Argo has a strong balance sheet and no debt. With cash on hand, we are well positioned to capitalise on opportunities generated by any market volatility in the short term.



Receive communications electronically

We would like to take this opportunity to encourage you to receive all communications from Argo electronically. With postal delays increasingly common, communication by email is the fastest and most reliable way to receive information from us. This is particularly important for time-sensitive offers, such as Share Purchase Plans.

You can elect to receive your Argo communications via email by contacting our share registry provider Boardroom Pty Limited on 1300 350 716 or simply change your communication preferences via their secure and user-friendly online shareholder portal at investorserve.com.au.

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.

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 what remain challenging times.

Yours faithfully,

Jason Beddow
Managing Director