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3 February, 2014

Dear Shareholder,

Result for the half-year ended 31 December, 2013
Argo Investments Limited ("Argo" or "the Company")

The Directors are pleased to report an increased profit for the half-year ended 31 December, 2013 and a lift in the interim dividend to 13.5 cents per share fully franked.

Summary of financial results	***Half-year to 31.12.13***	*Half-year to 31.12.12*	*change*
Profit	**$101.9 million**	$86.3 million	+18.1%
Earnings per share	**15.8 cents**	13.7 cents	+15.3%
Interim dividend per share	**13.5 cents**	13.0 cents	+3.8%
Net tangible asset backing (NTA) per share	**$7.31**	$6.26	+16.8%

Overview

Argo's half-year profit increased by 18.1% on the previous half-year to $101.9 million and its earnings per share rose 15.3% to 15.8 cents per share. The Company received increased dividends and distributions from the investments in its portfolio, partially offset by a slight decline in interest income on cash deposits, due to the lower interest rates available during the half-year.

The result was boosted by $6.9 million of non-cash, one-off income items, being two demerger dividends resulting from the demergers of Recall Holdings and Orora by Brambles and Amcor respectively, and a special dividend due to the in-specie distribution of Sydney Airport securities by Macquarie Group to its shareholders. This compares to a demerger dividend of $0.6 million in the previous corresponding period, when Woolworths demerged SCA Property Group.

Argo's investment portfolio outperformed the broader Australian share market over the half-year, returning 14.3% (measured by the movement in NTA per share assuming dividends paid are reinvested), compared with the S&P/ASX 200 Accumulation Index which returned 14.0% for the same period.

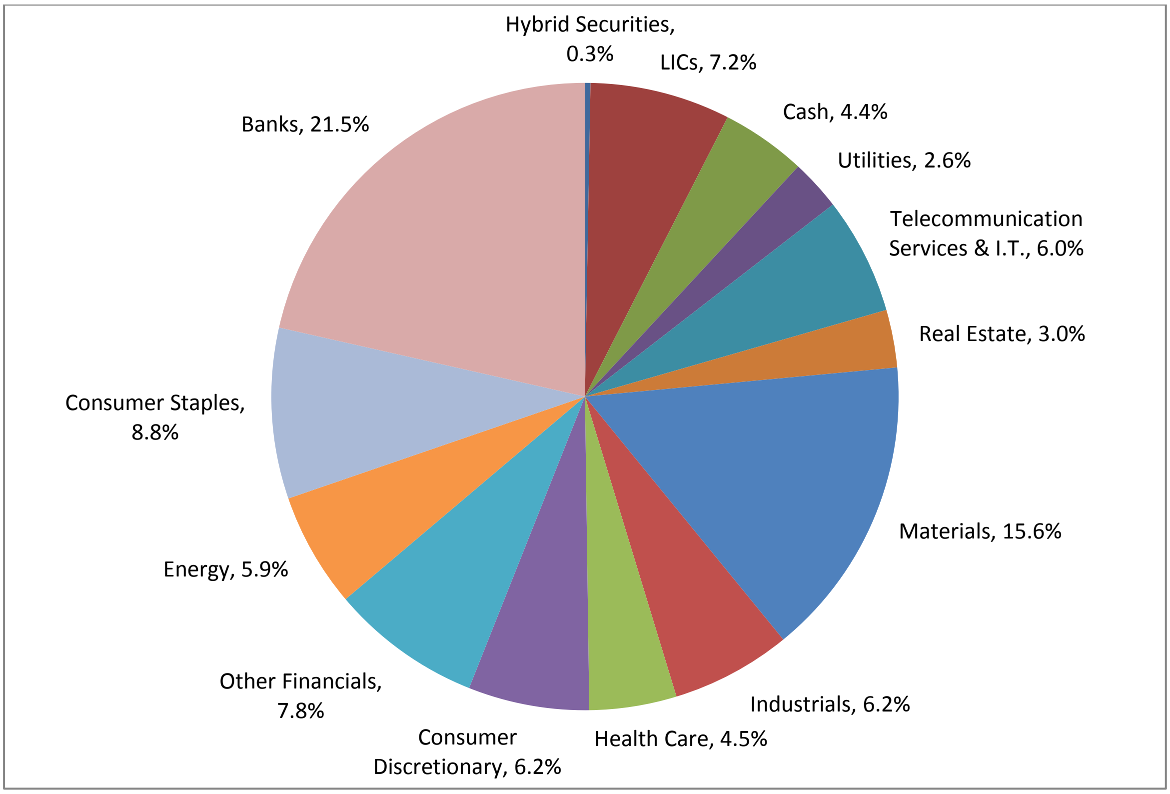
Investment Portfolio

During the half-year, $76 million was spent on long-term investment purchases, partly funded by $47 million in disposals. Larger purchases included additions to holdings in Westpac Banking Corporation, Australia and New Zealand Banking Group, Wesfarmers and DUET Group. The largest sales were reductions in the holdings of two listed investment companies, Australian United Investment Company and Diversified United Investment. The cash balance at the end of the calendar year was $207 million, representing 4.4% of the Company's total assets of $4.7 billion.

The number of stocks held in the portfolio increased to 103 during the half-year. Contributing to this was a sharp increase in initial public offering (IPO) activity. The December quarter was the second highest quarter of IPO issuance in Australia since the global financial crisis and Argo's investment team analysed a large number of opportunities. Although we only participated in a small number of IPOs as most were considered to be fully priced, long-term positions have been added to the portfolio in Affinity Education Group, Pact Group and Steadfast Group. In addition, two holdings were gained when Brambles demerged Recall Holdings and Amcor demerged Orora.

The only holding exited during the half-year was Seven West Media.

At 31 December, 2013 Argo's portfolio was diversified across the following sectors:



Investment performance

The following table provides annual return statistics for Argo's portfolio and the relevant share market index for various periods ended 31 December, 2013. It should be noted that Argo's 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.

	1 year	*3 years*	*5 years*	*10 years*	*15 years*
Argo portfolio performance	+21.4%	+9.8%	+12.9%	+9.4%	+9.8%
S&P/ASX 200 Accumulation Index	+20.2%	+8.9%	+12.5%	+9.6%	+9.5%

The best performing stocks in the portfolio during the half-year were Arrium, Challenger, Programmed Maintenance Services, Crown Resorts, Perpetual and Downer EDI, all of which increased in price by more than 40%. This was somewhat offset by poor performances from QBE Insurance Group, OZ Minerals and Newcrest Mining, which all fell by over 20%.

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, 2013, this valuation resulted in a NTA per share of $7.31. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share at 31 December, 2013 would be $6.41.

Both NTA figures are updated monthly and announced to the Australian Securities Exchange (ASX).

It was pleasing to note the continued contraction in the share price discount to NTA over the course of the half-year, with the Argo share price closing on 31 December, 2013 at parity (nil discount) to the NTA valuation of $7.31.

Interim Dividend and Dividend Reinvestment Plan

The Directors have announced an increased interim dividend of 13.5 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 on the ASX between 12 February and 17 February, 2014 inclusive. The following dates apply to the interim dividend and DRP:

- Ex-dividend date for trading in Argo shares on the ASX	11 February, 2014
- Record date for dividend entitlement	17 February, 2014
- Last day for amendment of DRP participation instructions	17 February, 2014
- Dividend payment date	5 March, 2014

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 also allows you to elect to receive communications from Argo electronically rather than by post.

Share Purchase Plan

The Directors intend to offer a Share Purchase Plan in the near term and the details will be announced to the ASX when finalised. It is expected that the offer documents will be mailed to eligible shareholders on 5 March, 2014.

Managing Director

The Directors announced that Argo's Chief Executive Officer, Mr Jason Beddow, has been appointed to the Board as Managing Director. Jason joined Argo 13 years ago and has been Chief Executive Officer since 2010.

Outlook

The global economic outlook is showing signs of improvement, particularly in the U.S. where recent economic data has encouraged the Federal Reserve to begin tapering their monetary expansion program. However, while this occurs, investment markets are likely to remain nervous and volatile.

In contrast, the Australian economy appears fragile, with unemployment edging upwards as the economy shifts from the resources boom to a more balanced growth profile. Over time, the stimulatory effects of lower interest rates and a more competitive exchange rate should kick in, but economic growth is likely to remain sluggish through this transition phase.

With the average dividend payout ratio of companies in the S&P/ASX 200 Index approaching the higher end of its historic range, at around 75%, we believe earnings growth will be required in order to drive further dividend growth. Within this framework, we expect only limited earnings and dividend growth from Australian companies in the coming year. However, we believe the overall yield available in the Australian equity market remains relatively attractive.

We expect IPO activity to continue into 2014, and although demand for better quality businesses remains, the pricing of prospective IPOs will be very closely assessed following the disappointing initial market performance of some of the listings in late 2013.

Argo has no debt and with cash reserves of $195 million remains of the view that for a long-term investor, the Australian equity market is fair value. We look forward to meeting our investee companies over the upcoming corporate results reporting season to review how their businesses are adapting to the current economic conditions. We will continue to selectively invest funds into quality, well managed companies with solid cash flows and dividend streams.

Yours faithfully,
ARGO INVESTMENTS LIMITED

Ian Martin AM
Chairman

Jason Beddow
Managing Director