1 February, 2010

Argo Investing in Australia

Dear Shareholder,

The Directors of Argo Investments Limited ('the Company"), a leading Australian listed investment company with total assets of $3.9 billion, report the Company's result for the six months ended 31 December, 2009, a summary of which follows:-

*	Operating profit after tax and before net realised gains on long-term investments	$71.6 m
*	Operating earnings per share based on above	12.2 cents
*	AIFRS accounting profit including net realised gains on long-term investments	$82.7 m
*	Interim fully franked dividend per share	12.0 cents
*	Net tangible asset backing per share at balance date	$6.56

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Financial Result

Operating profit after tax and before net realised gains on long-term investments fell 23.6% to $71.6 million, compared with the record $93.8 million in the previous corresponding half-year. This outcome is an improvement on the guidance provided on 17 September, 2009.

Income from dividends continued to fall in the period under review as some companies reduced or cancelled their dividends due to either lower earnings or to preserve cash to see them through the uncertain economic environment. Interest income also fell significantly due to lower interest rates earned on our cash during the period.

Operating earnings per share was 12.2 cents, compared with 16.3 cents in the previous corresponding half-year.

The AIFRS accounting result was a profit of $82.7 million and includes net realised gains on the sale of long-term investments after tax to 7 December, 2009 of $11.1 million. The Company adopted Accounting Standard AASB 9 as at 7 December, 2009, being the earliest allowable date for adoption. After that date, realised gains on the sale of long-term investments are accounted for through the capital profits reserve, rather than as part of profit.

The Directors are pleased that there are no impairment provisions for the Company's long-term investments in the new Accounting Standard AASB 9. Under the previous Accounting Standard AASB 139, an impairment charge was required to be booked through the Income Statement where there was objective evidence of impairment, even though no loss had been realised.

Interim Dividend

The Directors have declared a fully franked interim dividend of 12 cents per share. This is in line with the guidance provided and compares with 14 cents per share in the previous corresponding period.

The fully franked interim dividend, totalling $70.4 million, will be paid on 3 March, 2010. The shares will trade ex-dividend on 11 February, 2010 and the record date to establish shareholder dividend entitlements is 17 February, 2010.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will operate for the dividend payable on 3 March, 2010.

The Directors have resolved that the shares will be allotted at a discount of 2.5% from the market price of Argo shares, as defined by the DRP, to eligible shareholders participating in the DRP.

Eligible shareholders, being those shareholders with registered addresses in Australia or New Zealand, who wish to participate in the DRP and who have not already lodged their intention, must do so by 17 February, 2010. Any variation to an existing election must also be lodged by this date.

Net Asset Backing

Reflecting the improved performance in equity markets over the reporting period, net tangible asset backing per share was $6.56 as at 31 December, 2009 compared with $5.32 as at 30 June, 2009.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains was to be deducted, the net tangible asset backing per share would be $5.83 as at 31 December, 2009 compared with $4.95 as at 30 June, 2009.

Investment Portfolio

The Company's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio.

For the last 10 years, Argo's investment portfolio has produced a compound annual return of 10.7% as measured by the movement in net asset backing per share plus dividends paid. This return is after payment of all administration costs and tax and compares with a return of 8.8% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items. As a result of the improvement in investment values generally, the total return from the Company's portfolio in the 2009 calendar year was 39.0%. The S&P ASX All Ordinaries Accumulation Index rose 39.6% over the same period.

In view of the substantial rise in the sharemarket, very few investment purchases have been made by the Company in the half-year to 31 December, 2009. However, we have continued to support a number of capital raisings made by existing investments, including $4.9 million in Woodside Petroleum Ltd. and $4.8 million in National Australia Bank Ltd.

During the reporting period, ABB Grain Ltd was taken over and our holding in Bendigo and Adelaide Bank Ltd. was sold. We have also reduced our holdings in James Hardie Industries N.V. and Macquarie Group Ltd.

A list of the Company's principal equity investments as at 31 December, 2009 is set out below:-

	Market Value $M
BHP Billiton Ltd.	304.7
Westpac Banking Corporation	218.8
Rio Tinto Ltd.	179.3
Macquarie Group Ltd.	173.1
Wesfarmers Ltd.	144.0
Milton Corporation Ltd.	140.4
National Australia Bank Ltd.	136.5
Australian United Investment Company Ltd.	128.3
Commonwealth Bank of Australia	120.6
Australia and New Zealand Banking Group Ltd.	110.9
Telstra Corporation Ltd.	109.4
Woolworths Ltd.	107.5
Origin Energy Ltd.	90.9
QBE Insurance Group Ltd.	79.0
Woodside Petroleum Ltd.	72.0
Orica Ltd.	53.8
Westfield Group	51.0
Computershare Ltd.	50.4
AMP Ltd.	48.3
Diversified United Investment Ltd.	47.6

Outlook

The global and Australian economic data continues to support improving economic conditions, with both consumer and business confidence levels continuing to rise. However, the pace of the recovery in 2010, particularly in the US, which has an ongoing weak housing market and high unemployment, is uncertain.

The challenge for 2010 and beyond is for the global economy to return to more normal levels of activity. Following the success of the unprecedented stimulus provided by governments globally to support their economies, there are two main problems. These governments are now heavily indebted and are relying on low funding costs to service the debt. Also, as the stimulus is wound back and restocking of the global inventory chain is completed, the growth outlook for the global economy remains unclear.

The Australian economy continues to be a standout in the OECD on any number of measures. This has caused the Reserve Bank of Australia (RBA) to begin removing the emergency setting of low interest rates. The RBA has increased interest rates, with three 25 basis point rises since October 2009, taking the cash rate to 3.75% and is likely to continue to raise rates to a more neutral setting.

China has once again surprised with strong GDP growth recorded in 2009. The demand for commodities has been unprecedented as China has re-stocked or stockpiled, taking advantage of reduced prices resulting from weak demand from the Western World. Australia has benefited and experienced record export volumes of a number of commodities to China.

Due to the resilience of the Australian and Chinese economies and with some recovery in the rest of the world, we expect to see a return to growth in Australian company profits and dividends in the period ahead. Dividends may take longer to recover due to a combination of dilution from equity raisings, higher funding costs and a lower risk tolerance for high levels of debt on company balance sheets.

With cash reserves of about $160 million and no debt, Argo remains ready to take advantage of opportunities as they present themselves in the share market.

Share Purchase Plan

The terms and conditions of a Share Purchase Plan will be announced to the Australian Securities Exchange shortly and the offer documents mailed to shareholders on 3 March, 2010.

Yours faithfully,
ARGO INVESTMENTS LIMITED

C.L. Harris
Chairman

R.J. Patterson
Managing Director