ARGO INVESTMENTS LIMITED ACN 007 519 520

ASX / Media Release

14 August 2017

Argo raises dividend for fifth successive year

Argo Investments Limited (ASX code: ARG), a major Australian listed investment company with $5.4 billion in assets, today announced a full year profit of $211.5 million and an increased final dividend of 16 cents per share fully franked.

Argo's Managing Director, Jason Beddow, said that the Company was pleased to advise that for the fifth year in a row Argo's annual dividend has been raised, and that the 31 cents per share achieved this year is a record high.

Summary of financial results	***2017***	*2016*	*change*
Profit	**$211.5 million**	$216.3 million	-2.2%
Earnings per share	**30.7 cents**	32.0 cents	-4.1%
Final dividend per share	**16.0 cents**	15.5 cents	+3.2%
Full year dividends per share	**31.0 cents**	30.5 cents	+1.6%
Net tangible asset backing (NTA) per share	**$7.71**	$7.11	+8.4%

Mr. Beddow said "The full year result and increased dividend was a good outcome, especially considering the reduced dividends we received from a number of the larger companies in the investment portfolio during the first half of the year. In addition, 5 cents of Argo's dividend resulted from taxable capital gains in the portfolio, which enables the Company to pass on the benefit of the long-term capital gains tax discount as a tax deduction to shareholders. "

"In the second half, we saw improved business and consumer confidence as concerns of fallout from further political upheaval did not eventuate. Global share markets have continued to march upwards, particularly in the US, driven by the rapidly growing technology sector which is pushing stock market indices to record highs. This optimism has spread to Europe and Japan where economic growth is at last recovering," he said.

"The recent strength in our market was led by the return to favour of the larger cap companies. However, some of the best individual share price performers were mid-size companies, especially in the resources sector. Healthy gains were recorded by most industry sectors and in our view this has led to some stretched market valuations."

Investment performance

For the past year to 30 June 2017, Argo's net tangible asset backing performance returned +12.9% after deducting all costs and tax, compared with the ASX200 Accumulation Index which returned +14.1% without allowing for any costs or tax.

The Argo share price return, including the benefit of franking credits on the dividends paid to shareholders, was +10.3%.

At a sector level, Argo's underweight position in the materials sector, and more particularly the smaller and mid-size resource companies, hampered our performance relative to the broader market. Although this portfolio positioning is not unusual due to Argo's preference for companies that can generate growing dividend income, it does occasionally result in underperformance when mining stocks are in favour.

Investment portfolio

During the financial year, Argo purchased $159 million of long-term investments. Proceeds of $218 million were received from long-term investment sales, which included $135 million from the takeovers of Asciano and DUET Group. The capital profits resulting from these takeovers allowed Argo to include a LIC capital gain component in the dividend. The larger movements in the portfolio during the year included:

Purchases	*Sales*
Boral	Asciano (takeover) *
CBL Corporation	ASX *
CSL	Australian United Investment Co.
Estia Health	Downer EDI
QANTM Intellectual Property	DUET Group (takeover) *
Rural Funds Group	Milton Corporation
Tabcorp Holdings	Rio Tinto
Tassal Group	
Vocus Group	

* Sale of complete position. Other stocks exited during the year were Sims Metal Management, Reliance Worldwide Corporation, Surfstitch Group and Macquarie Group income securities.

New investments were made in QANTM Intellectual Property, oOh!media, Speedcast International, Murray River Organics Group and Motorcycle Holdings. In addition, we added to 26 existing holdings. Overall, the number of stocks held in the portfolio decreased slightly over the year to 98.

Outlook

We expect that global macroeconomic and geopolitical influences will continue to have a significant impact on the Australian stock market, as will the prospect of higher interest rates in the US and the potential unwinding of stimulus across a number of developed economies. While ongoing economic growth in China will be vital to the performance of the Australian resources industry, global growth has improved and this has contributed to robust demand for commodities and maintained commodity prices at levels above what may have been expected 12 months ago.

Domestically, the banks face some well-publicised headwinds, and the recent A$ strength following commodity price increases and speculation that interest rates will start to rise again, may hamper companies with substantial offshore earnings.

The corporate results reporting season, which has just begun, will be an invaluable opportunity to meet with the senior management teams of our investee companies. Apart from analysing their financial results, it will be particularly interesting to hear how these companies are thinking strategically for the longer term, at a time when many traditional business models are being challenged.

Our cash balances are currently higher than in recent years, reflecting our cautious approach when we perceive market valuations to be relatively high. We do not intend to offer a share purchase plan to shareholders in the immediate future as we have sufficient cash to take advantage of any volatility through the reporting season.