

Media Release

5 February 2018

Argo raises interim dividend after strong half-year result

Argo Investments Limited (ASX code: ARG), a major Australian listed investment company with \$5.6 billion in assets, today announced a 6.2% increase in half-year profit to \$110.5 million. The interim dividend has also increased to 15.5 cents per share fully franked.

Summary of financial results	Half-year to 31.12.17	Half-year to 31.12.16	change
Profit	\$110.5 million	\$104.1 million	+6.2%
Earnings per share	15.9 cents	15.2 cents	+4.6%
Interim dividend per share	15.5 cents	15.0 cents	+3.3%
Net tangible asset backing (NTA) per share	\$8.06	\$7.63	+5.6%

The stronger first half profit was driven by improved dividends from a number of companies in the portfolio, led by BHP Billiton and Rio Tinto. Many companies in the resources sector had reduced their dividends this time last year, but most have rebounded as commodity prices continue to rise amid improving global growth. Overall, ordinary dividend revenue received in the portfolio increased by 8.4%. Income generated from Argo's trading activities was also higher.

Investment portfolio

During the half-year, Argo purchased \$99 million of long-term investments and received proceeds of \$49 million from long-term investment sales. The larger movements in the portfolio included:

Purchases

Aristocrat Leisure
CBL Corporation
Event Hospitality & Entertainment
Ramsay Health Care
Tabcorp Holdings
Telstra Corporation
Transurban
Westpac Banking Group

Sales

Australian United Investment Company
Milton Corporation
Programmed Maintenance (takeover)
Westfield Corporation
Woolworths

The Australian equity market has continued to rise, and compelling value buying opportunities have been hard to come by. We selectively increased our positions in a number of smaller companies, including Monash IVF Group, iSelect, Tassal Group, Speedcast, Managed Accounts and Steadfast Group, and a new holding was initiated in Novonix, a supplier of materials and services to the lithium battery industry. The number of stocks held in the portfolio reduced slightly to 96 and the cash balance at 31 December was \$235 million, representing 4.2% of the Company's total assets.

Investment performance

Argo's investment (NTA) performance returned +6.8% after all costs and tax over the half-year to 31 December 2017, underperforming the ASX200 Accumulation Index which returned +8.4% (without any allowance for costs or tax). This short-term underperformance was primarily due to the strong run of resources stocks, including many of the smaller companies in that sector. Argo generally holds lower than market weightings in these companies, as they often pay relatively low or no dividends and can be somewhat speculative. Argo's share price performance returned +8.2%.

For the full 2017 calendar year, the NTA return was +10.0%, led by a strong performance from Macquarie Bank and some recovery from Origin Energy and Santos on the back of the rising oil price. Argo's share price return was +13.4%. The index performance was +11.8% for the year.

Outlook

Global share markets have continued to march upwards, led by the US repeatedly hitting all-time highs. Positive economic indicators have firmed throughout the second half of 2017, with additional fuel provided by the Trump administration's tax cuts.

The Australian economy looks in reasonable shape, with historically reliable indicators such as the NAB business sentiment survey, government infrastructure spending and employment all producing strong readings.

Despite the positive economic outlook, we continue to be cautious of relatively high valuations in some sections of the Australian share market, as we noted at last year's Annual General Meeting in October. Since then we have seen the ASX200 Index return +7% in the December quarter and the A\$ jump by 8% since mid-December, and we feel that valuations are looking further stretched with some frothy areas of the market emerging.

The larger cap end of the Australian market outside of resources looks to be where there may be some better value, following another year of strong share price performance from smaller companies.

Argo is a long-term investor and we maintain our valuation discipline by not chasing stocks which we believe to be overvalued. However, the upcoming corporate results reporting season may throw up some opportunities for further purchases of quality companies that do not meet the short-term earnings expectations of the market.

Share Purchase Plan

Argo intends to offer a Share Purchase Plan to its shareholders in the near future. An announcement will be made to the ASX when the details are finalised.

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