Argo Investing in Australia

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Dear Shareholder,

Result for the half-year ended 31 December 2017

The Directors of Argo Investments Limited (Argo) are pleased to announce an increased half-year profit and a lift in the interim dividend to 15.5 cents per share fully franked.

Overview	***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, fully franked	**15.5 cents**	15.0 cents	+3.3%
Net tangible asset backing (NTA) per share	**$8.06**	$7.63	+5.6%

Argo's half-year profit increased by 6.2% on the previous corresponding period to $110.5 million and its earnings per share rose 4.6% to 15.9 cents per share. 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. This time last year, many companies in the resources sector had reduced their dividends, but most have since 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, as was interest income on cash deposits due to higher cash balances on hand during the half-year. Administration expenses were unchanged.

Investment portfolio

During the half-year to 31 December 2017, 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	*Sales*
Aristocrat Leisure	Australian United Investment Company
CBL Corporation	Milton Corporation
Event Hospitality & Entertainment	Programmed Maintenance (takeover)
Ramsay Health Care	Westfield Corporation
Tabcorp Holdings	Woolworths
Telstra Corporation	
Transurban	
Westpac Banking Group	

The Australian equity market continued to rise during the half-year, and compelling value buying opportunities were 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 total assets.

Investment performance

The following table provides annual return statistics for various periods ended 31 December 2017:

Accumulated performance - per annum	*6 months*	*1 year*	*3 years*	*5 years*	*10 years*	*15 years*
Argo portfolio return (after costs & tax)	+6.8%	+10.0%	+7.4%	+9.5%	+4.2%	+9.1%
Argo share price return	+8.2%	+13.4%	+5.7%	+9.9%	+4.2%	+8.6%
S&P/ASX 200 Accumulation Index	+8.4%	+11.8%	+8.6%	+10.2%	+4.1%	+9.5%

Recent returns have benefited from the strong outperformance of Macquarie Group and some recovery from Origin Energy and Santos on the back of the rising oil price. However the strong run of resources stocks, and in particular many of the smaller companies in that sector, hampered relative performance, due to Argo generally holding lower than market weightings in these companies as they pay relatively low (or no) dividends and can be somewhat speculative.

Outlook

Despite some recent volatility, during which we were able to make some opportunistic purchases, global share markets have generally continued to march upwards, led by the US repeatedly hitting all-time highs. Positive economic indicators 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.

Although the economic outlook is positive, we continue to be cautious of relatively high valuations in some sections of the Australian equity market. The larger capitalisation companies, outside of resources, look to be where there may be some better value, following another year of strong share price performance from smaller companies.

The 2018 Share Purchase Plan offer opened on 9 March 2018 and will close on 28 March 2018. An application form for eligible shareholders to apply for up to $15,000 worth of shares without paying brokerage accompanies this letter.

Yours faithfully,
ARGO INVESTMENTS LIMITED

Jason Beddow
Managing Director