

Shareholder Update

Year ended 30 June 2024



Jason Beddow
Managing Director
BEng, GdipAppFin(SecInst)

Dear valued shareholder,

On behalf of the Board of Argo Investments Limited (Argo), I am pleased to report a solid full year profit and a fully franked final dividend of 18.0 cents per share – equal to last year’s record high.

Full year profit result

Argo’s profit for the full year was \$253.0 million, -6.9% lower than last year. Despite increased income from special dividends, profit declined as overall income received from companies in the investment portfolio was lower. Most notably, dividends paid by BHP Group, Rio Tinto and Woodside Energy were down significantly, reflecting softer commodity prices. Income generated from option writing and trading activities also fell.

In a highly inflationary environment, we are pleased that Argo’s management expense ratio declined.

Summary of financial results

	2024	2023
Profit	\$253.0 million	\$271.7 million
Earnings per share	33.3 cents	36.1 cents
Final dividend per share (fully franked)	18.0 cents	18.0 cents
LIC capital gain component per share	3.0 cents	-
Full year dividends per share (fully franked)	34.5 cents	34.5 cents
Management expense ratio	0.15%	0.16%

Record high fully franked dividend maintained

Argo’s Board declared a fully franked final dividend of 18.0 cents per share. Together with the interim dividend of 16.5 cents per share, annual fully franked dividends for the financial year totalled 34.5 cents per share. Both the interim and final dividends are equal to last year’s record highs.

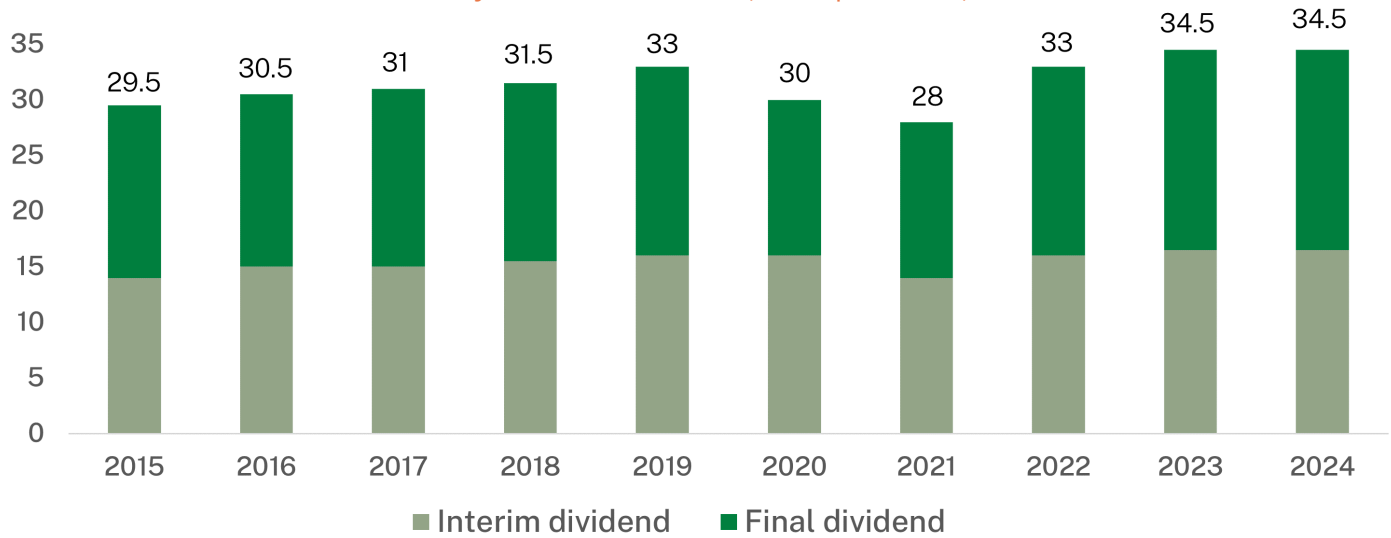
LIC capital gain tax benefit

The final dividend includes a listed investment company (LIC) capital gain component of 3.0 cents per share. This is due to capital gains in the portfolio being crystallised, including as a result of takeovers.

When Argo makes a capital gain on the sale of a long-term holding in the portfolio, a capital gains tax discount can be passed on to our shareholders as though they made the gain themselves. Eligible investors can claim a tax deduction in relation to this gain, in addition to the benefit of franking credits.

Further details can be found on your dividend statement or you can refer to the ‘Dividends’ section of the Shareholder Centre on our website.

Fully franked dividends (cents per share)



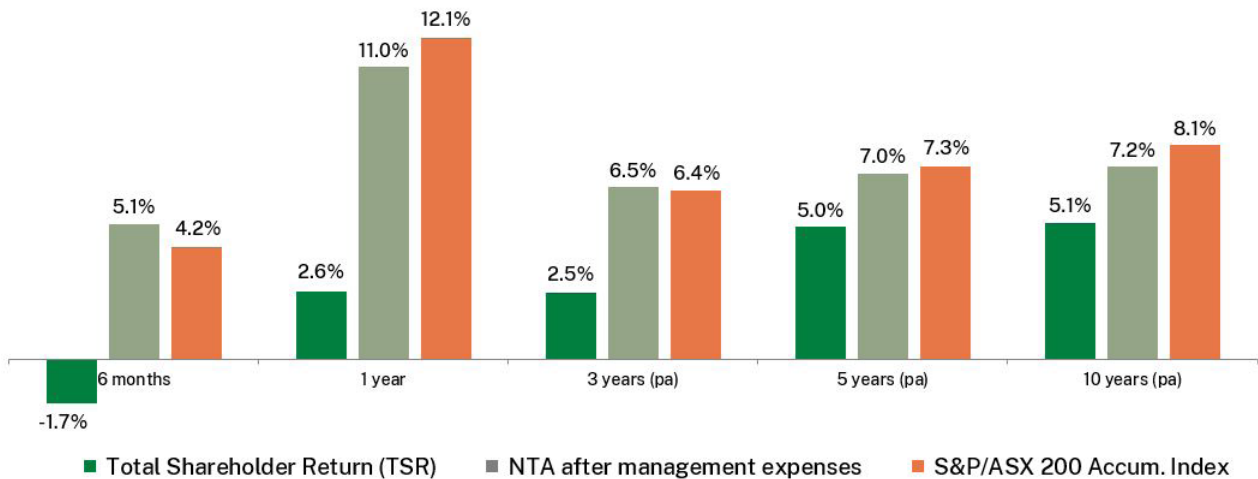
Investment performance

Over the financial year to 30 June 2024, Argo's investment performance, as measured by the net tangible asset (NTA) return after all costs and adjusted for company tax paid, was +11.0%. This compares with the S&P/ASX 200 Accumulation Index (Index) return of +12.1%, without allowance for any costs.

Our holding in Clarity Pharmaceuticals was the biggest positive contributor to performance with the company's share price gaining a remarkable +677%. However, holdings in several other Healthcare stocks and APA Group offset this to some extent. More significantly, not owning Goodman Group and our underweight exposure to the big four banks compared to the Index weighed on Argo's relative performance.

Over the last four financial years since the start of the COVID crisis, Argo has returned +11.8% per annum, outperforming the Index return of +11.4% per annum.

Total returns



Figures above are to 30 June 2024.

Our objective

Maximise long-term shareholder returns through reliable fully franked dividend income and capital growth.

Actively managing a diversified portfolio of Australian shares with a low-cost, internally managed business model, we apply a conservative long-term investment approach which has proven resilient since 1946.

Portfolio movements

Periods of short-term volatility created buying opportunities, primarily to add to our existing portfolio positions. Several holdings were removed from the portfolio due to takeovers, reflecting a broader market trend. The total number of stocks in the investment portfolio decreased from 89 to 86.

The larger movements in the portfolio during the financial year were:

Purchases

APA Group

BHP Group

CSL

IDP Education

Resmed*

Santos

Woodside Energy Group

Woolworths Group

Sales

ADBRI (takeover)**

Australian United Investment Company

Estia Health (takeover)**

Invocare (takeover)**

Liontown Resources**

National Australia Bank

Wesfarmers

** Fully exited position.

* New portfolio position.

Dividend reliability throughout market volatility

The cash dividend paid by the constituent companies in the Index fluctuates over time. In the years since the start of the COVID crisis, it has been particularly volatile, falling as much as 45% relative to pre-pandemic levels. Furthermore, since 2019, the level of Index franking has fluctuated between 68% and 85%.

In contrast, Argo's dividend has remained largely steady throughout this volatile period and has been maintained at record-high levels this year. Importantly, our dividend continues to be 100% franked, as it has been since 1994.

The relative stability of Argo's dividends throughout a period of considerable market dislocation illustrates an important benefit of our listed investment company (LIC) structure: our ability to draw on reserves of retained earnings and franking credits. This allows us to effectively 'smooth' our dividends over time, providing our shareholders with a reliable income stream.

Market outlook

Looking ahead, we expect the same macroeconomic factors that have shaped global equity markets over the last 12-18 months will remain dominant — namely, inflation, interest rates and the geopolitical environment, including the upcoming US election.

In the US, softening employment data and moderating inflation, along with recent 'dovish' comments by Federal Reserve Chairman Jerome Powell, now have markets betting on a rate cut when the Fed next meets in mid-September.

The Australian economy continues to be in good shape, with a strong labour market and robust household spending, however, inflation remains stubbornly high. This reduces the prospect of imminent rate cuts with the Reserve Bank of Australia Board effectively ruling out easing monetary policy in the short term.

The health of China's economy will continue to have a major bearing on Australia's economic outlook. Chinese fiscal indicators paint a gloomy economic picture with domestic demand subdued amid a prolonged construction downturn.

The recent corporate earnings season reflected generally buoyant economic conditions and strong company balance sheets, with higher-than-expected dividends and around \$3 billion in share buy-backs announced. Despite predictions of softer earnings ahead, Australia's share market remains near record highs.

Argo has entered the new financial year well-positioned to navigate current conditions by applying our conservative, long-term approach to investing which has served us well for more than 78 years.

Annual General Meeting

Argo's Annual General Meeting (AGM) will be held on Monday 21 October 2024 in Adelaide. The AGM will be held in-person or can be viewed via a livestream on Argo's website. A recording will be available via our website in the week after the AGM.

Full details of the AGM will follow in your Notice of Meeting.

Information meetings

On the back of another successful roadshow earlier this year, we will again be holding in-person presentations in various capital cities in May 2025. These presentations are an opportunity to meet with Argo's team and hear about our investment approach, the portfolio, current investment trends and our outlook for Australian shares and the economy. Further details will be provided closer to the time.

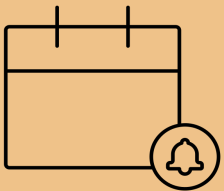
Cheques to be discontinued for dividend payments

Like most ASX-listed companies, Argo will discontinue using cheques for dividend payments. Effective from 2025, dividend payments will only be made via direct credit to a nominated financial institution account. Shareholders who have not yet provided their direct credit details will be sent a personalised Request for Direct Crediting of Payments form to be returned to our share registry provider, BoardRoom, via fax, email or reply paid envelope.

Receive communications electronically

Email is the fastest and most reliable way to receive communications from us. You can elect to receive your Argo communications via email by contacting BoardRoom on 1300 350 716 or simply change your communication preferences via their secure and user-friendly shareholder portal at investorserve.com.au.

Save the date
Argo AGM



In-person and livestream
21 October 2024
10am Adelaide time

If you have any questions or comments about Argo, please don't hesitate to contact us by telephone on (08) 8210 9500 or by email to invest@argoinvestments.com.au.

On behalf of the Board, I thank you for your ongoing and loyal support of Argo.

Yours faithfully,



Jason Beddow
Managing Director