

ASX / Media Release

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Argo reports profit of \$67.4 million and a fully franked interim dividend of 14.0 cents per share

Argo Investments Limited (ASX code: ARG), one of Australia's oldest and largest listed investment companies with assets of \$5.9 billion and no debt, announces an interim profit of \$67.4 million and a fully franked interim dividend of 14.0 cents per share.

SUMMARY OF FINANCIAL RESULTS

	Half-year to 31 December 2020	Half-year to 31 December 2019	Change
Profit	\$67.4 million	\$118.8 million	-43.3%
Earnings per share	9.3 cents	16.6 cents	-44.0%
Interim dividend per share (fully franked)	14.0 cents	16.0 cents	-12.5%
Shareholders	93,389	87,855	+6.3%

In response to the ongoing coronavirus pandemic, Australian companies generally maintained a cautious approach to declaring dividends. Numerous companies in the investment portfolio substantially cut or cancelled their dividend payouts, which significantly impacted Argo's half-year profit.

Although dividend income was down sharply, Argo's Board declared a modestly lower interim dividend of 14.0 cents per share fully franked. A key benefit of Argo's listed investment company (LIC) structure is our ability to draw on reserves of retained earnings and franking credits. This enables Argo to cushion the impact of fluctuations in dividend income through the economic cycle, allowing a more sustainable dividend flow to shareholders, as distinct from index funds.

The interim dividend represents a grossed-up dividend yield of approximately 4.7%.

INVESTMENT PERFORMANCE

Argo's investment performance, measured by NTA return after all costs and tax, was +12.3% over the six months to 31 December 2020. Argo's share price has moved to a premium to NTA per share, resulting in a shareholder return of +18.6% for the half-year, ahead of the S&P/ASX 200 Accumulation Index return of +13.2% and assisted by Argo's ability to provide sustainable dividend income to our shareholders.

INVESTMENT PORTFOLIO

During the half-year, Argo purchased \$114 million of long-term investments which included adding to existing positions. Over the same period, Argo received \$122 million from sales and takeovers of long-term investments.

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The larger movements in the portfolio were:

Purchases

Aurizon Holdings*
Bega Cheese
Downer EDI
Healius
Newcrest Mining*
Sydney Airport

Sales

AMP**
Ansell**
ANZ
Aust. United Investment
Sydney Airport
Westpac

* *New portfolio position*

** *Fully exited position*

The total number of stocks in Argo's diversified investment portfolio increased from 89 to 92 with some smaller companies in the digital payments, technology and battery commodities sectors added to the portfolio.

OUTLOOK

Over recent months, the market has wrestled with contrasting developments in the worldwide coronavirus pandemic. While global infection rates and deaths have reached record levels resulting in further severe lockdowns, several vaccines have been discovered and are now being distributed in many countries. Overall, the share market has been buoyant, with sentiment also supported by the US election result and expectations of Congress agreeing to further significant fiscal stimulus.

We are generally optimistic in our outlook for the year ahead. Despite numerous and ongoing state border closures, Australia has continued to fare well both economically and in the fight against COVID-19. Economic growth has rebounded, and the outlook has improved with the economy likely to continue to benefit from ultra-low interest rates and strong commodity prices. However, we are also cognisant of potential challenges arising as unprecedented stimulus measures are unwound and the Australian and global economies transition to a new normal.

With little earnings guidance from many listed Australian corporates, we are particularly focussed on the local reporting season, which has begun to get underway. Outlook statements for the coming year will be especially important, as businesses navigate their new operating and trading environments. We are encouraged by the prospect of company dividends to shareholders beginning to recover.

With a well-diversified portfolio of quality stocks, no debt and a strong balance sheet, Argo's business model remains resilient. Argo maintains profit reserves and franking credits so we can prioritise providing sustainable and tax-effective dividend income for our shareholders.

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