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ASX / Media Release

### Argo reports \$271.7m profit and declares record fully franked final dividend

Argo Investments Limited (ASX code: ARG), one of Australia's oldest and largest listed investment companies, announces a full year profit of \$271.7 million. The Board declared a fully franked final dividend of 18.0 cents per share, an increase of +5.9%.

Summary of financial results	2023	2022	Change
Profit*	\$271.7 million	\$312.9 million	-13.2%
Profit excl. one-off, non-cash income	\$271.7 million	\$251.2 million	+8.2%
Earnings per share excl. one-off, non-cash income	36.1 cents	34.3 cents	+5.2%
Final dividend per share (fully franked)	18.0 cents	17.0 cents	+5.9%
Full year dividends per share (fully franked)	34.5 cents	33.0 cents	+4.5%
Shareholders	95,434	96,064	
Management Expense Ratio	0.155%	0.141%	

\* Prior year figure was bolstered by one-off, non-cash income of \$61.7 million due to the merger of BHP's oil and gas assets with Woodside Energy and Tabcorp's demerger of The Lottery Corporation.

### Investment performance

Over the financial year ended 30 June 2023, Australia's share market defied expectations to perform strongly in the face of persistent inflation, a sombre global economic outlook and the steepest interest rate increases in recent history. Although a range of economic headwinds fuelled periods of volatility, particularly in the first quarter, investors tended to 'look through' these challenges. All industry sectors generated positive returns, although Technology was the standout performer, surging more than +30%. Companies leveraged to lithium and other battery minerals also generated particularly strong returns. Meanwhile, sectors with more defensive attributes, such as Utilities and Health Care, lagged the broader market.

Argo's investment performance, measured by net tangible assets (NTA) after all costs and adjusted for company tax paid, was +11.4%. This compares with the S&P/ASX 200 Accumulation Index which returned +14.8%, without allowance for any costs.

The relative underperformance of the portfolio this year reflects investor sentiment pivoting back to growth-style investments, whereas Argo's investment process favours more mature businesses that can maintain and grow their dividends. On the same basis however, looking back over the three financial years since the COVID crisis arrived, Argo has returned +12.0% per annum, compared to the Index return of +11.1%.

### Record fully franked dividend

The fully franked final dividend of 18.0 cents per share, together with the interim dividend of 16.5 cents per share, brings full year dividends to 34.5 cents per share, an increase of +4.5%. Notably, both the interim and final fully franked dividends represent record highs for Argo.

### Investment portfolio

Short-term market volatility during the year created buying opportunities, primarily to add to existing portfolio positions. However, the total value of transactions (both sales and acquisitions) was modest relative to prior periods. The larger movements in the portfolio during the period were:

#### Purchases

Allkem\*  
BHP Group  
CSL  
GUD Holdings  
IDP Education  
Macquarie Group  
Santos  
Stanmore Resources  
Viva Energy

\* New portfolio position

#### Sales

Australian United Investment Co.  
Diversified United Investments  
Insurance Australia Group  
Pact Group\*\*  
Tabcorp Holdings\*\*  
Tassal Group (takeover)\*\*

\*\* Fully exited position

The total number of stocks in the investment portfolio decreased from 93 to 89.

### Outlook

Only a short time ago, the prospect of global recession seemed likely as central banks aggressively raised interest rates to control rampant inflation. However, indicators are now increasingly pointing to an economic 'soft landing' as most central banks, including the US Federal Reserve, seem to be successfully navigating the narrow path of lowering inflation without causing a recession.

Like many other developed economies, Australia has remained surprisingly robust despite high inflation and a raft of other, mainly macroeconomic, challenges. The economy's resilience has been largely underpinned by fiscal stimulus and historically low unemployment. In addition, many Australians are benefiting from higher deposit rates and asset prices.

Although domestic economic indicators are holding up well at this stage, for a growing cohort of the population, sharp interest rate increases and still elevated inflation levels are increasingly weighing on sentiment and negatively impacting spending.

As the current corporate reporting season gets underway, we are particularly focused on commentary from companies that provides insights into the health of the consumer and the effects of higher interest rates on business operations and outlook statements. So far, we are seeing evidence that as cost of living pressures grow, spending is moderating. Interestingly however, the nation's largest bank, Commonwealth Bank of Australia, noted that arrears and impairments remained "below long-term averages" when it announced its full year result last week.

While current investor sentiment indicates that Australia and the global economies should be able to avoid recession, in our view further share market volatility is likely and growth will be muted over the medium-to-longer-term.

With no debt, cash available and a diversified portfolio of quality stocks, Argo is well-positioned to navigate these conditions applying our conservative, long-term investment approach to identify quality companies.

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### About Argo

Argo Investments (ASX code: ARG) is one of Australia's oldest and largest listed investment companies (LICs). We offer investors low-cost, conservative and diversified exposure to approximately 90 Australian listed companies. Founded in Adelaide in 1946, Argo is one of the ASX's top 100 companies and invests more than \$6 billion on behalf of approximately 95,000 shareholders.