



Media Release

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Argo on track for first half profit increase of "at least 20%" - Chairman

After-tax profit growth of at least 20% has been forecast by leading Australian listed investment company, Argo Investments Limited, for the current half year to 31 December 2004.

Argo's Chairman, Mr Chris Harris, told today's annual meeting that the key driver to the positive earnings outlook was the recent reporting season for ASX-listed companies which was one of the strongest on record on a net profit after tax basis.

"Company earnings were around 1% to 2% above most analyst expectations, with net profits rising by in excess of 20% as at the June year end," he said.

"More importantly from Argo's perspective, dividend growth was strong with a number of companies announcing special dividends during the reporting season.

"With our expenses continuing to be well controlled, I am pleased to report that Argo's forecast operating profit after tax will increase by at least 20% in the current December half, which will translate into earnings per share rising at least 10% for the period due to the dilution impact of the March 2004 rights issue."

Argo's strong profit outlook follows a record \$78.6 million after-tax result for the year ended 30 June 2004, when the Company's underlying profit improved by 16.7% after allowing for the significant imbalance in special dividends and de-merger dividends received in 2003-2004 when compared with the previous financial year.

The \$77.6 million paid in dividends to shareholders out of the past year's earnings was the highest amount ever distributed in dividends by the Company.

Argo - with total assets of \$2.3 billion and investments in some 170 Australian companies - currently has cash reserves of \$265 million for opportunities identified by its in-house analytical team.

The Company's Managing Director, Mr Rob Patterson, told the AGM that since 30 June 2004, Argo had spent about \$72 million on investment purchases, including \$6.9 million on a number of new reset preference share issues and convertible notes.

"Other larger purchases since balance date have been in AMP, Commonwealth Bank of Australia, News Corporation, Telstra and Westfield Group," Mr Patterson said.

"It is pleasing to report today that our portfolio has outperformed the ASX All Ordinaries Accumulation Index for the three months to the end of September 2004."

Mr Harris told shareholders that the majority of companies remained confident on the outlook for the remainder of 2004 and heading into 2005.

Beyond that, he said the share market had the potential to run into some headwinds as interest rates continued to rise globally at a time when consumer indebtedness is at record levels.

"This is likely to inhibit profit growth among those companies with a pure domestic exposure, and - with the oil price rising strongly in local currency terms over the past 12 months - the ripple effect through the economy and on corporate profits will become more prominent in 2005 unless a significant pull-back occurs," Mr Harris said.

"Further recovery in exports, particularly mining, is expected on the back of robust Chinese demand continuing into next year, and we are aware that currency movements will also play their part in this rate of growth.

"On balance, we believe Australian listed industrial companies will find it difficult to replicate the profit growth we have recently experienced.

"At the same time, any subsequent pull-back in the market will allow the Argo team to utilise the Company's substantial cash reserves in line with our traditional astute investment philosophies."

Listed Investment Companies

Mr Harris noted that in April 2002 the Australian Stock Exchange (ASX) became more active in promoting the benefits of listed managed investments, with the objective of increasing awareness and providing information tools and education to investors and advisors about investment in the sector.

"A number of newly formed investment companies have listed on ASX since then, and we welcome this interest in the listed investment company sector of the market," he said.

"However, investors should be aware that when comparing the different companies, not all operate in the Argo style which, as I have previously mentioned, is to adopt a long-term approach with a diversified portfolio of investments in the Australian market.

"Some of the newer entrants to the sector are active traders, operating for the short-term, while others concentrate their investments in specific areas such as international markets or smaller companies.

"It is important for investors in the listed investment company sector to understand that not all investment companies are the same and that some may be more suitable to their investment criteria than others."

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