



Company	Argo Investments
Code	ARG
Meeting	AGM
Date	22 October 2018
Venue	Adelaide Oval, Adelaide
Monitor	James Hahn

Number attendees at meeting	450
Number of holdings represented by ASA	564
Value of proxies	\$64m
Number of shares represented by ASA	8.2m (equivalent to largest holder)
Market capitalisation	\$748m
Were proxies voted?	No, show of hands
Pre AGM Meeting?	Yes, with chairman Russell Higgins

MD defends under-performance

The meeting was well attended and generally orderly. The ASA again was able to announce that we were the largest proxy shareholder for the meeting with 8.2 million shares. This, however was lower than last year's 8.7 million shares.

Chairman Russell Higgins explained the advantages to shareholders of Argo's status as fully listed investment company. He highlighted the ability of shareholders to apply the listed investment company (LIC) capital gain tax deduction. Also, the results of last year's survey were revealed, and it was disclosed that most investors saw Argo as a long-term 'buy and hold' company. He explained that Argo was an ethical company that reported its net tangible assets (NTA) after tax and fees.

Also, the chairman spoke of Argo's opposition to the ALP policy of ending franking credit cash rebates. He explained that he believed it to be inequitable and incorrect to hold that tax has not been paid. Argo has made several submissions to the relevant government bodies.

The recurring theme at Argo AGM's in the last few years has been the questioning of Argo's relative underperformance compared to the ASX accumulated index. This year was of particular note because the underperformance was three percent.

Argo Managing Director Jason Beddow explained the company's recent underperformance was due to several reasons, one permanent and some cyclic. Firstly, he explained the Argo's performance was recorded as an after tax and fees number, unlike the index which is not. This artificially lowers the figures by about one percent and under present reporting procedures is permanent.

He then went through what he believed were some cyclic issues that detracted from Argo's performance. Argo is structured to be a long term buy and hold company which focuses on paying reliable dividends and therefore is bound to purchase companies which fit this profile. In the last couple of years, the best performers have been small and midcap miners and tech stocks. It is not the current investment policy to own these styles of companies and so there is a present underperformance. This is expected to reverse when the investment cycle evolves.

The ASA position is to accept this explanation to allow the long-term cycle to evolve and reserve judgement of managements' abilities. We articulated this policy to the meeting.

Questions tended to revolve around the recent underperformance of specific stock selection issues.

ASA announced its support for all three resolutions. Two directors were elected with few against votes by proxy and no against vote by show of hands. Adoption of the remuneration report attracted a nine and a half percent against vote by proxies and a single against vote by show of hands. The meeting finished on time for a very tasty lunch with panoramic Adelaide Oval views.