PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

ASX:PIC

Dear Fellow Shareholders,

The Company announced a net profit after tax of $12.1 million for FY26 and a fully franked 2H26 dividend of 4.0 cents per share, bringing the total dividend payment for PIC shareholders in FY26 to 8.0 cents per share, consistent with the previous financial year. The full year fully franked dividend equates to an annual dividend yield of 6.8% and grossed up yield of 9.7%[1]. This compares favourably to the dividend yield of the S&P/ASX 300 Accumulation Index which was 3.1% as at 30 June 2026[3].

After the payment of the 2H26 dividend, the profit reserve for the Company sits at $63 million which provides 2.0 years dividend coverage[2].

The Australian share market was shaped by inflation concerns, uncertainty around monetary policy, geopolitical tensions and continued growth in AI-related investment. For the 12 months to 30 June 2026 the PIC portfolio returned 2.8% whereas the S&P/ASX 300 Accumulation Index (benchmark) returned 6.2%.

While PIC underperformed the benchmark during the period, the Manager remains focused on investing in high-quality, attractively valued securities that it believes will deliver strong long-term returns. The Board believes this disciplined approach will continue to deliver positive outcomes for the Company, including generating dividend income and capital growth for PIC shareholders.

Thank you for your ongoing support in PIC and I look forward to updating you in the future.

Yours sincerely,

Nancy Fox AM
Chairman

Income for our shareholders

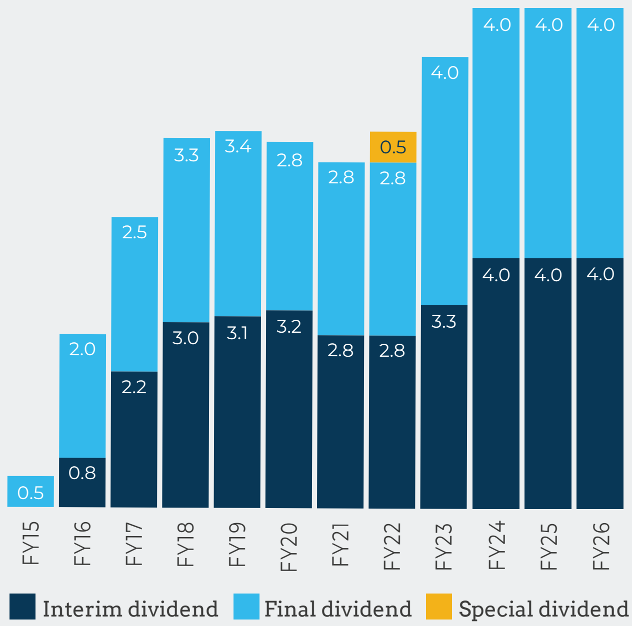
8.0 cps total FY26 fully franked dividend

6.8%[1] annual dividend yield

9.7%[1] grossed up dividend yield

$63 million profit reserve providing for 2.0 years dividend coverage[2]

Fully franked dividends since inception in cents per share (cps)



Source: Perpetual

1 Yield is calculated based on the total dividends of 8.0 cents per share and the closing share price of $1.18 as at 30 June 2026. Grossed up yield takes into account franking credits at a tax rate of 30%.

2 Profit reserve of $63 million as at 30 June 2026 after taking into account the estimated payment of the final dividend. This equates to 16.4 cents per share and represents 2.0 years dividend coverage assuming a total dividend payment of 8.0 cents per share per annum. This does not take into account any changes to share capital. No representation is made in relation to the payment of future dividends, which will be at the discretion of the Company's Board.

3 Source: FactSet

Portfolio Managers' update

The last 12 months have been characterised by a series of shifting market narratives and heightened volatility. While the Australian equity market delivered modest gains overall, investor sentiment changed frequently in response to evolving expectations for interest rates, inflation, AI and geopolitical developments.

Many of these themes were present in our key takeaways from the August reporting season. A consistent topic was a shift in AI usage, where businesses are scrutinising token and model use more closely amidst the large-scale benefits of AI remaining hard to pin down. Large capital build-out in AI across Australia and the US risks crowding out other investment, and its inflationary pull limits the RBA's ability to respond to a weaker consumer and housing market. Bank income growth is set to slow from very elevated levels, with cost pressures, government programs and the procyclicality of Basel III combining to drive a softer outlook. Over the past year we have not held CBA, Westpac or NAB, and each of these underweights has contributed positively to relative performance. Strong commodity prices have supported a booming resource sector, though this brings significant risk. With these things in mind, we continue to seek returns from stock-specific risk rather than sector or factor exposure, true to our active management style. This is reflected in our willingness to take benchmark unaware positions and in our key contributors and detractors for the 12 months to 31 August.

Flutter was the largest detractor, with the decline driven primarily by the emergence of prediction market operators that sit outside the traditional state-licensed online sports betting (OSB) framework and are therefore not subject to the same tax and regulatory structures. The unfortunate timing of a deceleration in industry turnover in December/January and weaker than expected outlooks given by FanDuel and DraftKings at their February results were read by the market as confirmation of structural issues, leading to a sharp drop in the share price.

BlueScope Steel (BSL) was a strong contributor, returning 45.1% for the portfolio. In the latter part of 2025, we increased our exposure to BlueScope in response to signs of improving market conditions in the US. With the stock trading at close to Net Tangible Assets (NTA) at the time, we felt the stock was significantly undervalued relative to its mid-cycle earnings capacity. In early January, BSL announced it had received an all-cash acquisition proposal at $30 per share which saw the stock jump more than 20% on the news. The widening of key spreads during the June quarter in both the US and Australia provided continued support to operating momentum and the share price. Since then, we have taken profits and materially scaled back our exposure.

Ramsay Health Care (RHC) was another top contributor for the 12 months to 31 August. We entered a position in RHC after recognising it as a market leader with non-discretionary earnings and property backing, whose capital had been tied up in lower quality acquisitions such as Ramsay Santé. We engaged with the Board and management to drive a turnaround, and they were receptive to our feedback. We added to our exposure in February as the turnaround strategy progressed, where a key announcement was the proposed demerger of its 52.79% stake in Ramsay Santé. A strong FY26 result confirmed the transformation program was gaining further momentum, with the share price climbing 13.7% on the day. Australian EBIT margin expanded 30 basis points (bps) to 9.4%, while return on capital employed (ROCE) rose to 14.8% in FY26, up from 13.3% the prior year, validating our thesis that return on capital could be materially improved with the right management framework.

Looking ahead, risks to the domestic and global outlook are building on several fronts. Inflation remains stickier than many central banks would like, raising the risk of pressure on growth and corporate margins. Geopolitical tension continues to add volatility to commodity markets and supply chains, prompting periodic risk-off moves across equities. Domestically, house prices are softening and a sustained economic downturn would pressure consumer spending, with flow-on effects for retail and financials. Amid this uncertainty, we remain committed stock-pickers, not macro investors, seeking out companies with strong balance sheets, recurring earnings and sound management teams.

Thank you for your ongoing support in PIC.

Yours sincerely,

Vince Pezzullo
PIC Co-Portfolio Manager
Head of Equities,
Perpetual Asset
Management Australia

Sean Roger
PIC Co-Portfolio Manager