Perpetual Investment Funds

PERPETUAL INCOME SHARE FUND

October 2026

FUND FACTS

Investment objective: To provide investors with exposure to a diversified portfolio of tax-effective, high income yielding Australian securities that are also expected to produce some long-term capital growth. To provide above market dividend yield as measured by the S&P/ASX 200 Accumulation Index.

FUND BENEFITS

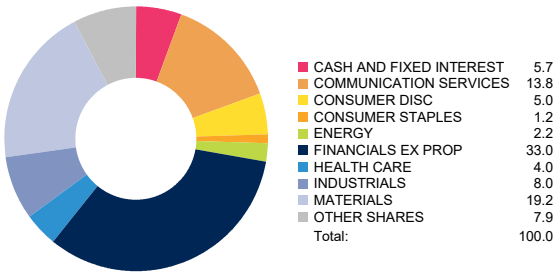
To provide investors with regular income through investment in quality securities.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

Benchmark: S&P/ASX 200 Accum. Index
Inception Date: December 1995
Size of Portfolio: $5.54 million as at 30 Sep 2026
APIR: PTC0002AU
Management Fee: 0.89%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	8.3%
EVT Limited	6.7%
Commonwealth Bank of Australia	6.2%
GWA Group Limited	5.2%
GPT Group	5.0%
Deterra Royalties Ltd	4.9%
oOh media Ltd	4.6%
Suncorp Group Limited	4.3%
National Australia Bank Limited	4.3%
ANZ Group Holdings Limited	4.0%

NET PERFORMANCE - periods ending 31 October 2026

	Fund	Benchmark	Excess
1 month	1.85	1.38	+0.47
3 months	4.54	0.45	+4.09
1 year	14.49	3.69	+10.79
2 year p.a.	15.64	7.99	+7.65
3 year p.a.	17.29	13.35	+3.94
4 year p.a.	13.95	10.66	+3.29
5 year p.a.	11.41	8.00	+3.41
7 year p.a.	10.15	8.12	+2.04
10 year p.a.	9.32	9.43	-0.11
Since incep. p.a.	9.35	9.03	+0.32

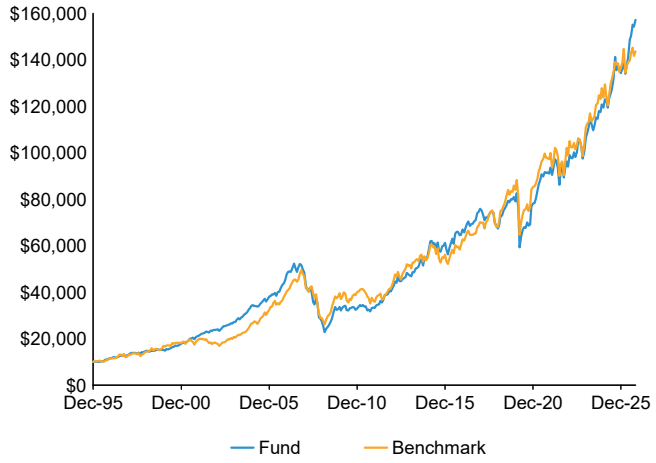
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	16.7	17.6
Dividend Yield*	4.3%	3.6%
Price / Book	2.1	2.4
Debt / Equity	43.5%	38.9%
Return on Equity*	12.4%	13.7%

^ Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating the Fund's investment style in action. These figures are forecast estimates, calculated based on consensus broker estimates where available, and should not be relied upon. Dividend Yield is a dividend forecast of underlying securities for the portfolio and does not reflect the distributions to be determined for the fund.
* Forward looking 12-month estimate.

GROWTH OF $10,000 SINCE INCEPTION



*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

The Australian equity market made modest progress in October, with the S &P/ASX 300 Accumulation Index returning 1.1% in a choppy month shaped by AGM trading updates, guidance revisions and quarterly production reports from miners against a backdrop of falling metals prices. Takeover activity was also a feature, including proposals for Cleanaway and Challenger, while the scrapping of Firmus's planned IPO weighed on data centre and AI infrastructure-linked names. Utilities (+9.3%) led sector gains, followed by Financials (+6.9%), as the major banks rebounded despite housing market weakness, supported by rotation out of Resources. Health Care (+5. 6%) and Consumer Discretionary (+3.6%) also outperformed. Materials (–8.1%) was the clear laggard, entering bear market territory more than 20% below the August peak. Lithium stocks were among the weakest, with Vulcan Energy, Liontown, Pilbara Minerals, Elevra and IGO each falling more than 20%.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include EVT Limited, Deterra Royalties and GWA Group. Conversely, the portfolio 's largest relative underweight positions include CAL and Wesfarmers, which were not held, in addition to CBA.

Our underweight position in BHP was a top contributor for the second consecutive month, as the stock returned -5.4% in October (versus +1.1% for the benchmark) due to weakness in Iron ore and weakening sentiment towards the Copper outlook. We have been underweight BHP on valuation grounds. After trading at 5–6x EV/EBITDA for several years, the stock broke out of this range at the start of 2026 and peaked at ~8.5x in late August. Similarly, BHP's dividend yield fell to 3%, its lowest level in over 10 years. We believe this rerating was primarily driven by the market's focus on BHP's copper exposure. Whilst the outlook for copper pricing remains favourable given solid demand and ongoing supply disruptions, with the commodity price at record highs and BHPs valuation also at very elevated levels, we maintain an underweight position.

McMillan Shakespeare (MMS) returned 9.9% in October and was one of the top contributors to relative performance over the past six months. The company delivered a very strong 1QFY27 update during the month. The highlight for us was a 14% increase in novated lease sales compared with the prior corresponding period. We see two structural tailwinds supporting this momentum. First, the current FBT exemption for EVs will remain largely unchanged for the next three years, giving the industry regulatory clarity. Second, the spike in oil prices following the Middle East conflict appears to have triggered a step-change in EV purchases. This matters for MMS because EVs have historically been novated at a rate of around 50 %, compared with just 5–10% for ICE vehicles. As EVs take a larger share of new car sales, novated lease providers are positioned to benefit disproportionately. Valuation also remains undemanding. MMS trades at ~12x NTM PE and its discount to peer Smartgroup (SIQ) has widened to around 30%, compared with a medium-term average discount of around 20%.

An underweight to CBA detracted, with the stock returning 10.4% as the market rotated out of resources (XJR -6.85%) and into financials (XXJ +6.91%). This followed declines of -8.4% in August and -5.6% in September, when this underweight contributed. We continue to believe CBA is significantly overvalued. Through 2026, the stock has traded 1–2 standard deviations above its 10-year average P/E, both on an absolute basis and relative to the market. This premium has persisted even as indicators for CBA have mostly deteriorated since the federal budget in early May: credit growth has slowed, house prices are falling and unemployment has risen to its highest level since Covid, according to the latest ABS labour force survey. Pressures were already showing in CBA's FY26 result, where the 2H26 bad debt charge of $469m was 47% higher than in 1H26 and we see further challenges ahead. The portfolio therefore remains most underweight CBA and Westpac as the banks most exposed to housing.

Nick Scali (NCK) declined 10.2% for the month after a weak trading update and downgraded 1H FY27 profit guidance, with the stock falling more than 15% on the day of the announcement. Management indicated that trading conditions in Australia and New Zealand remained challenging in Q 1, with written sales orders (WSO) 15% below the prior corresponding period (pcp) and store traffic down ~10%. As previously disclosed, a cyber security incident left the company's ERP system unavailable for three weeks in August, during which orders were processed manually. Management did not quantify the impact on WSO, so it is unclear how much of the decline reflects the outage rather than underlying demand. By contrast, the UK business continues to perform well, with Q1 WSO up 29% on pcp and like-for-like WSO up 14%. Based on the sales per store being achieved by incumbent retailers, we believe there is significant upside to store productivity in the UK. We continue to view NCK as a high-quality retailer led by a founder-operator with a long track record of navigating periods of economic stress relatively effectively, often emerging in a stronger competitive position and driving meaningful earnings growth in subsequent years. The stock's strong balance sheet, with $29m of net cash, supports this resilience and provides optionality in a tough macro environment. In the first trading week of November, the share price recovered to pre-downgrade levels.

OUTLOOK

Investors continue to weigh several local and global pressure points. The RBA lifted the cash rate 25bps to 4.85% on 3 November – its fifth hike this year and an 18-year high – but Governor Bullock removed the explicit tightening bias, signalling a wait-and-see pause that many economists read as the peak. Even so, trimmed mean inflation is now forecast to hold at 3.6% through December 2026, with growth of just 1.6% and unemployment forecast to reach 5.1%, and the AUD has weakened as markets weigh the risk of a policy error. Against this backdrop, data points and company updates continue to point to a deteriorating Australian consumer. Outside of a resolution in the Middle East or a significant slowdown in the AI build-out, it is hard to envisage significant relief in rates and am improvement in domestic economic conditions. Further, the emerging volatility in globally markets relating to AI funding concerns will likely remain a key driver of local markets. Portfolio positioning continues to favour companies with strong balance sheets and an ability to take market share in all environments.

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Total returns shown for the Fund have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. All investing involves risk including the possible loss of principal.

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