BKI INVESTMENT COMPANY LIMITED

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ABN: 89 615 320 262

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CONTACT
ASSET MANAGEMENT

BKI is managed by Contact Asset Management
AFSL 494045

QUARTERLY REPORT

Defying the Gloom, August Delivers Dividends

The August 2026 reporting season provided further evidence of the resilience and quality of the companies held within the BKI Investment Company portfolio. While economic conditions remain uneven across sectors and businesses continue to navigate higher funding costs, changing consumer behaviour and a moderating growth environment the majority of our portfolio companies delivered outcomes that met or exceeded expectations.

Most pleasingly for income-focused investors, dividend outcomes were generally stronger than anticipated. Strong cash generation, disciplined capital allocation and healthy balance sheets enabled several companies to increase shareholder distributions, reinforcing the enduring value of investing in high-quality Australian businesses. Many of our portfolio companies demonstrated an ability to grow earnings despite the more challenging operating backdrop. Management teams remained focused on productivity initiatives, operational efficiency and return on capital, while continuing to invest for future growth opportunities.

Here at BKI, we delivered a strong FY26 financial result and have been encouraged by the overall reporting season outcomes. The Company recently introduced quarterly dividend payments, reflecting both confidence in our investment process and commitment to delivering shareholders a more regular stream of fully franked income.

Defensive Income Streams

Defensive sectors again demonstrated their importance within the portfolio, providing resilient earnings and dependable income despite a mixed economic backdrop.

Consumer staples holdings including Woolworths, Coles and Metcash continued to highlight the defensive characteristics of essential retail businesses. Woolworths has clearly regained market leadership in the space and reported solid sales momentum across its food operations, supported by productivity initiatives and ongoing investment in supply chain automation. Coles delivered another solid result, benefiting from supermarket sales growth against a weak liquor environment. Operating leverage came through and they continue to progress in digital channels. Early in the reporting period Metcash displayed resilience across its food and convenience business, providing an encouraging read-through for our core holdings of Woolworths and Coles.

Australia's major banks continued to provide a foundation of fully franked income for shareholders. While bank valuations appear full against a challenging macro backdrop, Commonwealth Bank once again demonstrated the strength of its franchise that was supported by a strong customer base, continued digital leadership and disciplined risk management. National Australia Bank and Westpac delivered resilient quarterly results despite competitive lending markets, with asset quality remaining sound and capital positions comfortably above regulatory requirements. While margins remain under pressure across the sector, the major banks continue to generate substantial earnings and cash flow supporting dividend distributions.

Infrastructure holdings also delivered stable and dependable outcomes. APA Group benefited from inflation-linked revenues, contracted cash flows and continued investment in energy infrastructure projects. Transurban again demonstrated the value of high-quality toll road assets, with traffic growth and contractual toll increases supporting earnings growth and distributions. Dalrymple Bay Infrastructure continued to benefit from its favourable business model with its long-term contracted asset base providing stable cash generation and a growing income stream for investors.

Together, these businesses demonstrate why defensive earnings streams remain an important component of the portfolio, providing resilience across economic cycles while generating growing income for shareholders.

Growth Supported by Structural Themes

Alongside our defensive holdings, several portfolio companies continue to benefit from long-term structural growth drivers that have the potential to support earnings growth for many years.

Resources and energy companies made a significant contribution to portfolio income during the reporting season. BHP delivered a strong result, with copper becoming an increasingly important contributor to earnings alongside its world-class iron ore operations. The company's growing exposure to copper positions it well to benefit from electrification, renewable energy investment and expanding global electricity demand. Importantly, strong cash generation supported another attractive dividend outcome for shareholders. Woodside continued to benefit from disciplined operational execution and strong energy demand, while maintaining investment across a portfolio of long-life energy assets. Origin Energy reported a solid result, with its traditional energy operations complemented by the continued growth of Octopus Energy and Kraken Technologies. While energy and resources remain cyclical, these investments provide exposure to the structural growth associated with the global energy transition while maintaining attractive income characteristics.

Healthcare finally found a friend as our holdings demonstrated positive momentum. Ramsay Health Care delivered improving earnings as hospital utilisation rates recovered and operational performance improved across its markets. Regis Healthcare benefited from increased occupancy, supportive funding reforms and favourable demographic trends. Australia's ageing population continues to represent a powerful long-term growth driver for both healthcare and aged care providers.

One of the most significant investment themes to emerge from the reporting season has been the rapid growth in digital infrastructure. Goodman Group remains well positioned for accelerating demand for data centres, cloud computing capacity and artificial intelligence infrastructure. Stockland’s forward outlook also benefits from the potential monetisation of its nascent data centre business. Demand for high-quality industrial and data centre assets continues to drive the incremental capex dollar toward this space.

The scale of investment being directed toward data centre infrastructure increasingly resembles previous major Australian investment cycles. Importantly, the opportunity extends beyond property owners and developers. Energy, Utilities, infrastructure providers, construction companies and industrial suppliers are all increasingly participating in the build-out required to support growing digital demand.

Capital Discipline Drives Long-Term Value

Results across industrial and consumer-facing companies reflected a more challenging operating environment. However, companies such as Wesfarmers and Harvey Norman continued to demonstrate the benefits of scale, strong brands and disciplined capital allocation. Their ability to generate cash flow, maintain balance sheet strength and invest for future growth highlights the quality characteristics we seek within the portfolio.

Wesfarmers again demonstrated the benefits of owning high-quality businesses with strong market positions. Bunnings and Kmart continued to perform strongly despite mixed consumer conditions, while the group's balance sheet strength provides flexibility to pursue future growth opportunities and return capital to shareholders.

Harvey Norman delivered a resilient result despite softer discretionary spending. The company's valuable property book and conservative balance sheet continue to underpin long-term shareholder value.

ARB reported a softer result as demand across the automotive and aftermarket markets remained subdued. While earnings declined, the outcome was generally better than feared by the market. The result demonstrated the strength of ARB's brand, while there were also signs that core vehicle supply constraints were easing. Management continues to invest in international growth opportunities, OEM relationships and product innovation, while the company's strong balance sheet and net cash position provide a solid foundation to support long-term growth as market conditions improve.

Telecommunications companies also delivered encouraging outcomes, supported by rational competitive behaviours. Telstra benefited from growing demand for mobile data and connectivity services while continuing to improve free cash flow generation. Ongoing cost discipline and capital management supported increasing shareholder returns. TPG similarly delivered improved cash generation and continued progress in reducing leverage, supporting a stronger outlook for shareholder distributions.

BKI Quarterly Dividend – September 2026

BKI has declared the September Quarterly Dividend for FY2027 of 1.95 cents per share (cps) fully franked at the tax rate of 30%. The Ex-Dividend date for BKI's September Quarterly Dividend is Wednesday 16 September 2026 and will be paid to shareholders on Wednesday 30 September 2026. Key dates for the Dividend are as follows:

September Quarter Dividend Timetable	Key Dates
Last trading date to be eligible for dividend	Tuesday 15 September 2026
Ex-dividend Date	**Wednesday 16 September 2026**
Record Date	Thursday 17 September 2026
Dividend Payment Date	**Wednesday 30 September 2026**

Conclusion

The August 2026 reporting season reinforced the strength of the BKI portfolio and the benefits of maintaining a disciplined focus on quality businesses capable of generating sustainable earnings, growing cash flows and attractive dividend income. Across sectors, portfolio companies demonstrated resilient operating performance, healthy balance sheets and a continued commitment to returning capital to shareholders. Encouragingly, many businesses were able to increase dividends despite a mixed economic backdrop, highlighting the quality of the underlying earnings within the portfolio.

BKI remains committed to its long-standing objective of delivering long-term capital growth together with a growing stream of fully franked dividend income. The introduction of quarterly dividend payments represents a natural extension of that objective and reflects confidence in the quality, diversity and income-generating capability of the underlying portfolio.

By continuing to invest in high-quality Australian companies with durable competitive advantages, strong balance sheets and disciplined management teams, we believe shareholders remain well positioned to benefit from both growing income and long-term wealth creation over time.