



MLC MasterKey Investment Service

MLC MasterKey Unit Trust

End of year distribution commentary, 2022 financial year

2 June 2022

Background

On Tuesday, 31 May 2022 the last cash distribution for the 2022 financial year (FY2022) was made to investors in the funds that comprise the MLC MasterKey Unit Trust, including those offered in the MLC MasterKey Investment Service (MKIS)¹.

Investors can expect the unit price for the funds in Table 1 (Funds) to fall by the amount of the distribution.

If you invest through a platform, your distribution will be allocated to you by the platform. Investors who have their distributions paid into their bank account, rather than reinvested into their fund, can expect the income in their account within two weeks after the distribution.

The estimated tax components will be available mid June 2022 at mlc.com.au. Final tax components will be provided in 2021/22 MLC MasterKey tax statements, usually sent to investors in August, to assist in the preparation of their tax return.

Appendix 1 provides the full financial year (1 June to 31 May) distributions for the last 10 years.

Commentary for full year cash distributions for FY2022

Commentary on the final cents per unit (cpu) distributions, compared to recent years' distributions is provided in Table 1.

Table 1 – Commentary on cash distributions for FY2022

MLC MasterKey Unit Trust fund (APIR code)	Cpu for May 2022 qtr	Full year cpu		Full year cash distribution for FY2022 commentary
		2021/22	2020/21	
MLC Horizon 2 – Income Portfolio (MLC0021AU)	0.22	0.86	3.02	<p>The distribution is significantly lower than FY2021 due to <u>currency losses from a weaker Australian dollar relative to the US dollar</u>.</p> <p>The Fund still had <u>carried forward capital losses</u> at the end of FY2022.</p> <p>Please click on the links for more information.</p>

¹ MLC MasterKey Investment Service also offers the following MLC Wholesale funds, which have a June year end: MLC Inflation Plus – Assertive Portfolio, MLC Diversified Debt Fund, and MLC Global Property Fund. As a result, this commentary does not cover those funds.

MLC MasterKey Investment Service and MLC MasterKey Unit Trust



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MLC MasterKey Unit Trust fund (APIR code)	Cpu for May 2022 qtr	Full year cpu		Full year cash distribution for FY2022 commentary
		2021/22	2020/21	
MLC Horizon 3 – Conservative Growth Portfolio (MLC0393AU)	3.57	4.26	5.45	The distribution is moderately lower than FY2021 due to <u>currency losses from a weaker Australian dollar relative to the US dollar</u> . Please click on the link for more information.
MLC Horizon 4 – Balanced Portfolio (MLC0023AU)	9.29	10.44	9.74	The distribution is moderately higher than FY2021. <u>Currency losses from a weaker Australian dollar relative to the US dollar</u> were offset by realised capital gains and income from investments in <u>shares</u> , fixed income, and <u>real estate investment trusts</u> . Please click on the links for more information.
MLC Horizon 5 – Growth Portfolio (MLC0024AU)	8.89	9.65	9.34	The distribution is similar to FY2021. <u>Currency losses from a weaker Australian dollar relative to the US dollar</u> were offset by realised capital gains and income from investments in <u>shares</u> , fixed income, and <u>real estate investment trusts</u> . Please click on the links for more information.
MLC Horizon 6 – Share Portfolio (MLC0394AU)	9.97	9.97	8.92	The distribution is moderately higher than FY2021. <u>Currency losses from a weaker Australian dollar relative to the US dollar</u> were offset by realised capital gains and income from investments in <u>shares</u> and <u>real estate investment trusts</u> . Please click on the links for more information.
MLC Horizon 7 – Accelerated Growth Portfolio (MLC0448AU)	1.61	1.61	4.44	The distribution is significantly lower than FY2021 due to <u>currency losses from a weaker Australian dollar relative to the US dollar</u> . The Fund still had <u>carried forward capital losses</u> at the end of FY2022. Please click on the links for more information.
MLC IncomeBuilder (MLC0097AU)	13.95	17.77	11.85	The Fund's distribution is moderately higher than FY2021 due to: <ul style="list-style-type: none"> • an increase in the Fund's underlying income, comprising <u>dividends</u>, <u>real estate investment trust</u> income, interest and other income, • in particular, there was higher dividend income from the Fund's bank holdings. <p>MLC IncomeBuilder's annual distribution commentary will also be available mid June 2022 on mlc.com.au.</p> <p>Please click on the links for more information.</p>

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MLC MasterKey Unit Trust fund (APIR code)	Cpu for May 2022 qtr	Full year cpu		Full year cash distribution for FY2022 commentary
		2021/22	2020/21	
MLC Australian Share Fund (MLC0015AU)	18.72	21.02	17.47	<p>The Fund's distribution is moderately higher than FY2021 due to:</p> <ul style="list-style-type: none"> an increase in the Fund's underlying income, comprising <u>dividends</u>, <u>real estate investment trust</u> income, interest and other income, in particular, there was higher dividend income from the Fund's bank holdings. <p>Please click on the links for more information.</p>
MLC Australian Share Index Fund (MLC0014AU)	19.92	23.45	7.49	<p>The Fund's distribution is significantly higher than FY2021 due to:</p> <ul style="list-style-type: none"> an increase in realised capital gains due to a number of changes in the membership of the S&P/ASX 200 index in particular, the decision by BHP to unify their structure under its existing Australian parent, BHP Group Limited meant that weighting of BHP in the index rose from 6% to 10%. Capital gains were realised to fund the 4% increase in BHP the following stocks were removed from the index due to takeovers: Afterpay, CIMIC, Oil Search, Spark Infrastructure, Sydney Airport, an increase in the Fund's underlying income, comprising <u>dividends</u>, <u>real estate investment trust</u> income, interest and other income, in particular, there was higher dividend income from the Fund's bank holdings. <p>Please click on the link for more information.</p>
MLC Property Securities Fund (MLC0013AU)	1.02	1.36	0.52	<p>The Fund's distribution is significantly higher than FY2021 due to an increase in the Fund's underlying income, comprising <u>dividends</u>, and <u>real estate investment trusts</u>.</p> <p>The Fund still had <u>carried forward capital losses</u> at the end of FY2022.</p> <p>Please click on the links for more information.</p>
MLC Global Share Fund (MLC0017AU)	0.02	0.02	-	<p>At the end of FY2022, the Fund received a small amount of income to pass through to investors.</p> <p>The Fund still had <u>carried forward capital losses</u> at the end of FY2022.</p> <p>Please click on the link for more information.</p>



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MLC MasterKey Unit Trust fund (APIR code)	Cpu for May 2022 qtr	Full year cpu		Full year cash distribution for FY2022 commentary
		2021/22	2020/21	
MLC-Platinum Global Fund (MLC0060AU)	17.78	17.78	19.27	<p>The Fund's distribution is moderately lower than FY2022 as capital losses offset dividends and gains on derivatives. Stocks the Fund received strong dividend payments from, during the year included:</p> <ul style="list-style-type: none"> • China Overseas Land and Investment, a Hong Kong based property development and commercial property management business. • Takeda Pharmaceutical, the largest pharmaceutical company in Japan and one of the global leaders in the industry. • UPM-Kymmene Oyj, a Finnish forest industry company.

The above amounts are historical cash distributions and are not indicative of future distributions.

Key factors affecting cash distributions in FY2022

The MLC Horizon portfolios are a range of multi-asset class funds tailored to meet the needs of investors with different return expectations, time frames and tolerances for volatility. The income distributions for these funds are largely based on the income from the underlying asset classes. The allocations to the asset classes are different for each of the MLC Horizon portfolios.

MLC's share funds (except for MLC IncomeBuilder), and the MLC Horizon portfolios with high allocations to shares, are designed to provide capital growth over the long term. Although many of these growth-focussed funds make frequent distributions, their main objective is to increase the value of their assets for investors, rather than to deliver a regular income stream. As a result, their income tends to fluctuate from year to year.

Here are the key factors affecting distributions in FY2022.

Currency losses from a weaker Australian dollar relative to the US dollar

MLC Horizon portfolios' investments include overseas shares and fixed income. We hedge part of these holdings to reduce the funds' exposure to movements in the Australian dollar (AUD).

Over FY2022, the AUD weakened when compared to the US dollar (USD). The AUD decreased from around USD 0.77 at the end of May 2021 to around USD 0.71 at the end of May 2022.

As a result, funds with AUD hedging generated losses, which decreased the distributions. Currency hedging losses accumulate during the year and are all paid in the May distribution. Our [Income Distributions FAQs](#), Question 8, has more information on hedging.

Dividend income has increased

FY2021 was a challenging year for investors who rely on Australian shares for income, with many companies reducing dividend payments. However in FY2022, with economic recovery and an improved outlook for corporate earnings we have seen an increase in dividend payments, in particular there were strong increases in dividend payments made by Australian banks, ANZ, NAB and Westpac. There has also been strong dividend payments generated by the resources sector, in particular from BHP and Rio Tinto.



Real Estate Investment Trusts' income has increased

Income distributions from real estate investment trusts (REITs), similarly to dividends, improved in FY2022. This was unlike FY2021, where income distributions from REITs deteriorated because of the reduction in economic activity created by COVID-19. As economies began to recover and COVID-19 disruptions eased in FY2022, REITs were able to collect rent and distribute earnings.

Carried forward capital losses

A fund's capital losses significantly reduce the level of realised capital gains distributed. Weak and volatile markets from events such as the GFC and COVID-19 results in most funds suffering large capital losses when they sell investments. Capital losses are kept in the fund and are carried forward until they can be offset against future capital gains.

The funds with carried forward capital losses at the end of FY2022 are:

- MLC Horizon 2 – Income Portfolio
- MLC Horizon 7 – Accelerated Growth Portfolio
- MLC Property Securities Fund
- MLC Global Share Fund

Other income such as dividends and interest income continue to be distributed by funds with carried forward capital losses because only capital gains are offset against capital losses.

Carried forward revenue losses

Revenue losses occur when a fund's expenses are higher than its income. Revenue income includes dividends and interest and is also impacted by foreign currency gains (and losses) and returns from certain assets. However, revenue income doesn't include capital gains. Revenue losses reduce the level of distributions and, subject to majority continuity of ownership testing, are able to be carried forward until they can be offset against future revenue income.

There were no funds with carried forward revenue losses at the end of FY2022.

Next steps

As the cash distribution was on 31 May 2022, there are a few weeks before the end of the Australian taxation year on 30 June.

The estimated tax components for the funds will be available mid June 2022 at mlc.com.au, however these can change. Final tax components are provided in investors' MLC MasterKey tax statements, usually sent in August.

If you have questions, please speak to your financial or tax adviser.

We also have frequently asked questions on income distributions available on mlc.com.au.

More information on the performance of each fund is available on the Fund Profile Tool on mlc.com.au and is updated quarterly.

Appendix 1: Financial year distribution history

Table 2 shows the cpu distributions paid for the May 2022 quarter along with the full financial year (1 June to 31 May) distributions for the last 10 years.

Table 2 – Cash distribution history

Fund (APIR code)	31 May 2022 qtr cpu	Full year cpu (yield) ²	Full year cpu (yield) ²								
			2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
MLC Horizon 2 – Income Portfolio (MLC0021AU)	0.22	0.86 (0.7%)	3.02 (2.7%)	0.92 (0.8%)	1.37 (1.2%)	1.08 (0.9%)	2.35 (2.1%)	3.29 (2.8%)	2.36 (2.2%)	1.77 (1.7%)	2.98 (3.0%)
MLC Horizon 3 – Conservative Growth Portfolio (MLC0393AU)	3.57	4.26 (4.0%)	5.45 (5.5%)	3.13 (3.0%)	3.80 (3.7%)	4.70 (4.5%)	2.33 (2.3%)	5.38 (5.1%)	2.53 (2.6%)	1.50 (1.6%)	1.95 (2.3%)
MLC Horizon 4 – Balanced Portfolio (MLC0023AU)	9.29	10.44 (6.4%)	9.74 (6.7%)	6.55 (4.2%)	6.19 (4.0%)	1.41 (1.0%)	3.76 (2.7%)	9.52 (6.4%)	4.86 (3.5%)	2.36 (1.9%)	2.49 (2.3%)
MLC Horizon 5 – Growth Portfolio (MLC0024AU)	8.89	9.65 (6.4%)	9.34 (7.1%)	6.59 (4.7%)	3.93 (2.9%)	1.15 (0.9%)	3.55 (2.9%)	9.33 (7.0%)	4.10 (3.4%)	2.04 (1.9%)	1.75 (1.9%)
MLC Horizon 6 – Share Portfolio (MLC0394AU)	9.97	9.97 (8.6%)	8.92 (9.0%)	6.87 (6.3%)	7.19 (6.6%)	4.59 (4.4%)	3.29 (3.4%)	8.78 (8.2%)	3.10 (3.2%)	1.55 (1.8%)	0.76 (1.1%)
MLC Horizon 7 – Accelerated Growth Portfolio (MLC0448AU)	1.61	1.61 (0.9%)	4.44 (3.5%)	0.30 (0.2%)	2.13 (1.7%)	0.22 (0.2%)	3.64 (3.5%)	10.60 (9.0%)	2.62 (2.6%)	1.28 (1.5%)	0.13 (0.2%)
MLC IncomeBuilder (MLC0097AU)	13.95	17.77 (8.1%)	11.85 (6.7%)	16.10 (6.9%)	22.84 (9.7%)	12.46 (4.9%)	17.19 (6.9%)	16.54 (5.9%)	23.25 (8.6%)	13.80 (5.6%)	19.48 (9.8%)
MLC Australian Share Fund (MLC0015AU)	18.72	21.02 (10.0%)	17.47 (9.8%)	3.88 (2.0%)	9.36 (5.0%)	3.63 (2.1%)	11.43 (6.6%)	8.58 (4.7%)	7.92 (4.5%)	6.12 (3.8%)	3.58 (2.7%)
MLC Australian Share Index Fund* (MLC0014AU)	19.92	23.45 (11.0%)	7.49 (4.2%)	11.65 (5.7%)	11.34 (5.8%)	15.22 (7.8%)	55.48 (24.0%)	9.94 (4.0%)	13.23 (5.4%)	12.62 (5.6%)	8.88 (4.8%)
MLC Property Securities Fund (MLC0013AU)	1.02	1.36 (1.3%)	0.52 (0.6%)	1.30 (1.2%)	2.27 (2.4%)	2.66 (2.8%)	3.30 (3.4%)	3.11 (3.6%)	3.00 (4.2%)	2.29 (3.2%)	1.54 (2.7%)
MLC Global Share Fund (MLC0017AU)	0.02	0.02 (0%)	-	0.16 (0.1%)	0.47 (0.2%)	-	4.83 (3.0%)	24.45 (13.1%)	2.01 (1.3%)	1.16 (0.9%)	0.13 (0.1%)
MLC-Platinum Global Fund (MLC0060AU)	17.78	17.78 (8.7%)	19.27 (11.0%)	6.81 (3.8%)	14.37 (7.0%)	24.66 (12.1%)	10.41 (5.7%)	20.73 (9.5%)	30.52 (15.3%)	-	-

The above amounts are historical cash distributions and are not indicative of future distributions.

* Formerly known as MLC-Vanguard Australian Share Index Fund.

² The distribution yield for a fund is the annual cpu divided by the unit price released the day after the final distribution for the previous financial year. A fund's total return includes unit price movements (ie capital growth) and its income distribution. Total returns are available at mlc.com.au



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