MLC Investment Management

MLC MasterKey Unit Trust & MLC MasterKey Investment Service

MLC IncomeBuilder™

Quarterly distribution summary

31 August 2011

Underlying Income Distributions

For the quarter ended 31 August 2011 the MLC IncomeBuilder Fund produced an underlying income distribution of 1.50 cents per unit (cpu). This is 24% higher than the previous year's 1.21 cpu distribution.

This latest distribution, the first for the Fund's 2011/12 financial year, continues a trend established a number of quarters ago when distributions began to recover from those during the Global Financial Crisis when many companies owned by the Fund cut dividends to preserve capital.

The Fund's total distribution for the year to 31 August is 8.17 cpu, which is significantly above (i.e. +22.3%) the previous year's equivalent distribution of 6.68 cpu. This outstanding result suggests the Fund has successfully captured much of the dividend recovery that has emerged since the GFC.

Quarterly Underlying Income Distribution Comparison

	Prior Year	Current Year	% Change
Quarter 2 (Nov)	1.85	2.19	18.38
Quarter 3 (Feb)	1.15	1.71	48.70
Quarter 4 (May)	2.47	2.77	12.15
Quarter 1 (August)	1.21	1.50	23.97
Total	**6.68**	**8.17**	**22.31**

Source: MLC IncomeBuilderTM Unit Trust

Key company dividends contributing to the August distribution were:

National Australia Bank (NAB) – NAB's first half dividend, paid early in July, was 84 cents per share (fully franked), an increase of 10 cents or 13.5% on last year's interim dividend. The higher distribution reflects a 15.9% increase in net profit for the half year due to significantly lower provisions for bad and doubtful debts, margin and cost management initiatives and market share gains.

ANZ Banking Group – ANZ's 64 cents per share fully franked interim dividend was up by 12 cents or 23% on last year's interim dividend. The bank reported a cash profit of $2.8 billion for the half assisted by a reduced bad and doubtful debt charge together with the full impact of earlier acquisitions. Company management also expressed optimism on the full year earnings outlook.

Westpac Banking Corporation – Westpac paid a fully franked interim dividend of 76 cents per share early in July. This was 11 cents or 17% higher than last year's interim dividend and is the highest interim dividend in Westpac's history. This is on the back of good cost control and, consistent with ANZ, was also driven by a lower bad and doubtful debt charge during the period.

Metcash Limited – Despite challenging conditions across its grocery, liquor and hardware businesses, Metcash increased its annual profit by 6.1%. This enabled the company to increase its final dividend by 6.7% to 16 cents per share. This represents a high 80% payout ratio and a 9%+ grossed up dividend yield. We believe this is sustainable and will grow supported by Metcash's strong financial position.

CSR - CSR paid a final dividend of 5.3 cents per share which was 71% lower than last year's final dividend (adjusted for the 3:1 share consolidation). This reflects an 80% payout ratio and is line with CSR's dividend policy. The lower dividend paid follows the sale of the sugar business and the distribution of a special dividend and a capital return in 2011. This has resulted in CSR now being a much smaller business and the dividends have been reduced accordingly.

A number of listed property trusts also paid distributions during the quarter. Many of the trusts were forced to reset distribution payouts to more sustainable levels in response to the GFC. While this has reduced income distributions paid by the sector to investors, it is pleasing to see that some trusts are now in a position to increase distributions again.

Stockland Group – Stockland paid a final dividend of 11.9 cents which was 8.2% higher than last year's corresponding payment. This was achieved despite subdued residential markets in QLD and WA. The company maintains a strong balance sheet with debt to total assets less than 25%.

Mirvac Group – Mirvac's final quarter 2.2 cents distribution was 10% higher than last year's equivalent distribution. While acknowledging that the property market outlook is challenging, Mirvac anticipates it will distribute a dividend of 8.2 cents - 8.4 cents in the 2011-2012 financial year, which is in line with the 8.2 cents per unit it paid in the year just finished.

Westfield Group – Westfield's first half distribution was 24.2 cents, which is consistent with the Group's forecast full year distribution totaling 48.4 cents. This is the first half year result since the restructure of the Group last year when Westfield Retail Trust was established.