MLC Investment Management

MLC MasterKey Unit Trust & MLC MasterKey Investment Service

MLC IncomeBuilder™

Quarterly distribution summary

29 February 2012

Underlying Income Distributions

For the quarter ending 29 February 2012, the MLC IncomeBuilder Fund produced an underlying income distribution of 1.71 cents per unit (cpu). This is in line with the distribution paid by the Fund in the previous year's corresponding quarter and is 48.7% above the 1.15 cpu distribution in the February quarter 2010.

It is pleasing to observe the strong recovery in quarterly distributions that has occurred since 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 29 February is 8.35 cpu, which is +10.2% higher than the previous year's equivalent distribution of 7.58 cpu (see table below). The higher distribution total suggests the Fund has successfully captured much of the dividend recovery that has emerged since the Global Financial Crisis.

Quarterly Underlying Income Distribution Comparison

	Prior Year	Current Year	% Change
Quarter 4 (May)	2.47	2.77	+12.1%
Quarter 1 (August)	1.21	1.50	+24.0%
Quarter 2 (Nov.)	2.19	2.37	+8.2%
Quarter 3 (Feb.)	1.71	1.71	-
Total	**7.58**	**8.35**	**+10.2%**

Source: MLC IncomeBuilderTM Unit Trust

A significant number of companies paid dividends to the Fund during the quarter. Key contributors to the distribution this quarter were:

ANZ Banking Group (ANZ) – ANZ 's second half dividend was 76 cents per share (fully franked), an increase of 2 cents or 2.7% on last year's corresponding dividend. This is broadly in line with the reported increase in underlying profit for the half. Total dividend for the year ending 30 September 2011 was $1.40 per share or 11.1% above last year's $1.26 per share dividend. This is consistent with the 12% rise in ANZ's latest full year underlying profit, which benefited from a lower bad and doubtful debt charge.

Westpac Banking Corporation (WBC) – Westpac's second half fully franked dividend of 80 cents per share (cps) was 8.1% higher than last year's corresponding dividend and brings the full year dividend to $1.56 per share, an increase of 12.2% over last year's. These results reflect the strong capital position of Westpac, although second half profit growth was muted.

National Australia Bank (NAB) – NAB's 88 cents second half dividend (fully franked) was +12.8% above last year's. The full year dividend totalled $1.72 per share, +13.2% higher than last year's. This pleasing result comes in a year when NAB achieved solid revenue growth and good cost control which flowed through to profits.

Metcash Limited – The 11.5 cents per share dividend (fully franked) paid by Metcash was 4.5% higher than last year's corresponding dividend. This was despite the company only reporting +1% normalised earnings per share growth on account of weak conditions experienced by the company in some of its retail markets. Earnings growth is expected to improve over the medium term. Dividends should be sustainable and are also forecast to grow, supported by Metcash's strong financial position.

CSR Limited – CSR paid a 6 cent full franked dividend versus 3 cents per share in last year's corresponding period. The company continues to experience challenging operating conditions in many of its markets and earnings have been under pressure. However, CSR has a strong balance sheet with cash reserves and dividends are expected to grow further when the home construction cycle recovers.

Transurban Group – Transurban increased their first half dividend by 11.5% to 14.5 cents per share. The dividend also included a franked portion (24.1%) for the first time. Higher toll revenues and tight cost control contributed to the increase in dividends. The increase in toll revenue was due largely to the CityLink road in Melbourne which grew revenue by 8% in the half.

Mirvac Group – Mirvac paid an interim dividend of 2.0 cents per unit during the quarter, which was unchanged from last year's equivalent distribution. Mirvac has improved earnings from their retail and office assets, offsetting development earnings which have been flat for the last twelve months. Looking ahead, both earnings and dividends growth is likely as development earnings are expected to grow significantly over the next few years.