MLC Wholesale IncomeBuilder™

Quarterly distribution summary

30 June 2011

Underlying Income Distributions

The June quarter end distribution, the last for the 2010/11 financial year, showed a continued improvement in income compared to recent prior quarters and a reasonable increase in the total distribution for the year, although still below prior peaks.

Quarterly Underlying Income Distribution Comparison

	2009/10	2010/11	% Change
Quarter 1 (Sep)	1.06	1.12	5.66
Quarter 2 (Dec)	1.56	1.81	16.03
Quarter 3 (Mar)	1.10	1.48	34.55
Quarter 4 (Jun)	2.01	2.21	9.95
Total	**5.73**	**6.62**	**15.53**

Please note underlying income distributions quoted in the table above do not include capital gains.
Source: MLC Wholesale IncomeBuilder™

For the quarter ended 30 June 2011 the MLC Wholesale IncomeBuilder™ produced an underlying income distribution of 2.21 cents per unit. This is around 10% higher than the previous year's 2.01 cents per unit distribution.

Company dividends contributing most to the June distribution were:

Commonwealth Bank - Commonwealth Bank increased its first half dividend by 10% on the back of improved profits, largely flowing from a reduction in the bad debts.

Wesfarmers - Wesfarmers increased their dividend by 18% over the half as they enjoyed higher levels of profits from their key businesses such as Coles and Bunnings along with a strong recovery in the coal business from a break-even outcome during the comparative half.

Woolworths - Woolworths continued their track record of growing dividends with an 8% increase, despite facing tougher operating conditions.

Coca-cola Amatil - Coca-Cola increased its dividend 12% as operating results improved on the back of market share and gains from product mix.

On the downside we saw lower dividends being declared by a number of companies which include:

Primary Healthcare – Primary Healthcare cut its dividend sharply on the back of lower earnings flowing from a number of non-recurring expense items.

TAB Corp - Tabcorp also cut its dividend (-20%) to better reflect the likely ongoing payout ratios of the demerged businesses (which took place in June 2011). Earnings for the group were relatively flat but Tabcorp is currently incurring significant capex at Star City and has also expressed an interest in the Victorian wagering licence.

The June distribution also includes capital gains for the year as it is the final distribution. The capital gains portion of the distribution was very low at 0.01 cpu and was made up entirely of concessional capital gains. Capital gains realised during the year were a result of normal buying and selling of shares as well as cash components received from the takeovers of AXA and Crane Group. Capital gains were offset by capital losses during the period.