MLC Investment Management

MLC MasterKey Unit Trust & MLC MasterKey Investment Service

MLC IncomeBuilder™

Quarterly distribution summary

30 November 2011

Underlying Income Distributions

For the quarter ended 30 November 2011, the MLC IncomeBuilder Fund produced an underlying income distribution of 2.37 cents per unit (cpu). This is 8.2% higher than the previous year's corresponding quarterly distribution of 2.19 cpu.

This latest distribution increase continues a trend established a number of quarters ago when distributions began to recover from those during the Global Financial Crisis as many companies owned by the Fund cut dividends to preserve capital. For instance, the Fund's November quarter distribution in 2009 was 1.85 cpu, last year's was 2.19 cpu and this year's is 2.37 cpu.

The Fund's total distribution for the year to 30 November is 8.35 cpu, which is significantly above (i.e. +18.9%) the previous year's equivalent distribution of 7.02 cpu (see table below). 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 3 (Feb.)	1.15	1.71	+48.7
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
Total	**7.02**	**8.35**	**+18.9**

Source: MLC IncomeBuilderTM Unit Trust

A significant number of companies with 30 June balance dates paid dividends to the Fund during the quarter. Key contributors to the distribution this quarter were:

Commonwealth Bank of Australia (CBA) – CBA's second half dividend was $1.88 per share (fully franked), an increase of 18 cents or 10.6% on last year's corresponding dividend. Total dividend for the year to 30 June 2011 was $3.20 per share compared to last year's $2.90 per share. The higher dividend reflects a solid year for CBA in a challenging environment with full year net profit rising by 13% over the prior year's.

Wesfarmers Ltd – Wesfarmers' second half fully franked dividend of 85 cents per share (cps) was 21.4% higher than last year's corresponding dividend and brings the full year dividend to $1.50 per share, an increase of 20%. The higher dividend caps off a strong year for Wesfarmers. Net profit after tax increased by 22.8% with strong contributions from the resources (coal) business and a better than expected result by

Coles. Overall, this is a creditable result considering the adverse impact a number of natural disasters had on some of the company's businesses.

Coca-Cola Amatil Ltd (CCL) – CCL's first half dividend was 22 cps (fully franked). This was 7.3% higher than last year's corresponding dividend. The company is an ideal investment for the Fund as it has paid consistently higher annual dividends for more than a decade. This dividend growth consistency reflects CCL's focus on shareholder value creation via sound financial management, balance sheet strength and dominant positions in a range of beverages throughout Australasia.

Suncorp Group – Suncorp's 20 cps final dividend was unchanged from last year's though it increased dividend payout policy from 50% to 70% of earnings per share. The Fund's active manager Maple-Brown Abbott believes Suncorp remains an attractive investment. Suncorp has a diversified portfolio of Australian and New Zealand financial services businesses (general insurance, wealth management and banking). A management review of Suncorp's businesses has resulted in part of the banking activities being deemed non-core. This should release capital as part of the loan book runs-off and it is likely this surplus capital will be returned to shareholders.

Selected holdings did not contribute to the Fund's distribution growth. Goodman Fielder cut its final dividend by 54.5% to 2.5 cps and Primary Health Care cut its final dividend by 50% to 5 cps, both in response to challenging operating conditions:

Goodman Fielder - Heightened competition between the retailers in Australia has led to a significant decline in baking segment earnings. A recovery in profit is expected to take some time, though early indications are positive with the company pursuing several cost reduction initiatives. Market share for branded products has increased slightly off its lows following recent price increases to part of the private label category by retailers.

Primary Health Care (PRY) – PRY's sharp decline in its full year dividend was due to the company's one-off $34.7m cost-out program, which resulted in the payout ratio for the full year being cut to 40%. While management have not provided firm guidance regarding future dividends, they do anticipate returning to closer to normal historical payout levels going forward.