



MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

Background

On Sunday, 30 June 2019 the last cash distribution for the 2019 financial year (FY2019) was made to investors in the MLC Wholesale funds, including those offered in:

- MLC MasterKey Investment Service Fundamentals
- MLC Wrap
- Navigator platforms
- MLC MasterKey Investment Service¹, and
- external platforms.

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 tax components will be available late July 2019. This information will be available at nabam.nab.com.au. To assist investors in the preparation of their tax return, the final taxation components will also be reflected in financial year 2018/2019 tax statements for the Funds. We estimate the tax statements will be sent in August to those investing in MLC Wholesale directly. Investors in MLC Wholesale through a platform will receive tax information from their platform.

Appendix 1 provides the full financial year (1 July to 30 June) distributions for the last eight years.

Commentary for full year cash distributions for FY2019

Commentary on the final cents per unit (cpu) distributions, compared to FY2018 distributions, is provided in Table 1.

Table 1 – Commentary on cash distributions for FY2019

| MLC Wholesale fund (APIR code) | Cpu for June 2019 qtr | Full year cpu | | Full year cash distribution for FY2019 commentary |
|--|-----------------------|---------------|---------|---|
| | | 2018/19 | 2017/18 | |
| MLC Horizon 1 – Bond Portfolio (MLC0669AU) | 0.79 | 1.88 | 2.16 | Similar to FY2018. |

¹ The MLC Inflation Plus – Assertive Portfolio, MLC Diversified Debt Fund, MLC Global Property Fund and MLC Hedged Global Share Fund in MLC MasterKey Investment Service are accessed through the MLC Wholesale funds, so they have a June year end and are covered by this commentary.



MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

| MLC Wholesale fund (APIR code) | Cpu for June 2019 qtr | Full year cpu | | Full year cash distribution for FY2019 commentary |
|---|-----------------------|---------------|---------|--|
| | | 2018/19 | 2017/18 | |
| MLC Horizon 2 – Income Portfolio (MLC0670AU) | 2.52 | 3.71 | 3.64 | Similar to FY2018. |
| MLC Horizon 3 – Conservative Growth Portfolio (MLC0398AU) | 3.64 | 5.08 | 4.36 | Similar but higher than FY2018 due to an increase in dividends resulting from BHP's shareholder return program, explained on page 5. |
| MLC Horizon 4 – Balanced Portfolio (MLC0260AU) | 1.38 | 3.22 | 2.19 | Moderately higher than FY2018 because of an increase in dividends resulting from BHP's shareholder return program, explained on page 5. |
| MLC Horizon 5 – Growth Portfolio (MLC0265AU) | 1.41 | 3.18 | 2.09 | At the end of FY2019, these Funds still have carried forward capital losses which reduce the Funds' distributions. Please refer to page 5 'Carried forward capital losses' for information on their effect on distributions. |
| MLC Horizon 6 – Share Portfolio (MLC0397AU) | 9.00 | 9.00 | 2.00 | Significantly higher than FY2018 because of: <ul style="list-style-type: none"> • an increase in dividends resulting from BHP's shareholder return program, explained on page 5, and • an increase in realised capital gains as the Fund no longer has carried forward capital losses which had significantly reduced the distributions in previous years. Please refer to page 5 for information on 'Carried forward capital losses'. |
| MLC Horizon 7 – Accelerated Growth Portfolio (MLC0449AU) | 4.13 | 4.13 | 1.57 | Significantly higher than FY2018 because of an increase in dividends resulting from BHP's shareholder return program, explained on page 5. At the end of FY2019, the Fund still has carried forward capital losses which reduce the Fund's distributions. Please refer to page 5 'Carried forward capital losses' for information on their effect on distributions. |
| MLC Inflation Plus – Conservative Portfolio (MLC0921AU) | 3.39 | 3.92 | 2.08 | Significantly higher than FY2018 because of an increase in realised capital gains due to strong growth over most of the past few years in: <ul style="list-style-type: none"> • the defensive global shares strategy, managed by IVA, and • the multi-asset real return strategy, managed by Ruffer. |



MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

| MLC Wholesale fund (APIR code) | Cpu for June 2019 qtr | Full year cpu | | Full year cash distribution for FY2019 commentary |
|--|-----------------------|---------------|---------|--|
| | | 2018/19 | 2017/18 | |
| MLC Inflation Plus – Moderate Portfolio (MLC0920AU) | 4.00 | 4.00 | 2.98 | Moderately higher than FY2018 because of an increase in realised capital gains due to strong growth over most of the past few years in: <ul style="list-style-type: none"> the defensive global shares strategy, managed by IVA, and the multi-asset real return strategy, managed by Ruffer. |
| MLC Inflation Plus – Assertive Portfolio Class A (MLC0667AU) | 3.00 | 3.00 | 1.49 | Significantly higher than FY2018 because of an increase in realised capital gains due to strong growth over most of the past few years in: <ul style="list-style-type: none"> the defensive global shares strategy, managed by IVA, and the multi-asset real return strategy, managed by Ruffer. |
| MLC Inflation Plus – Assertive Portfolio Class B (MLC0668AU) | 1.62 | 1.62 | 0.17 | <ul style="list-style-type: none"> the multi-asset real return strategy, managed by Ruffer. |
| MLC Index Plus – Conservative Growth Portfolio (MLC7849AU) | 1.67 | 3.30 | 3.07 | Similar to FY2018. |
| MLC Index Plus – Balanced Portfolio (MLC7387AU) | 1.92 | 3.93 | 3.62 | |
| MLC Index Plus – Growth Portfolio (MLC9748AU) | 2.10 | 4.12 | 3.98 | |
| MLC IncomeBuilder (MLC0264AU) | 10.67 | 16.04 | 9.89 | Significantly higher than FY2018 due to: <ul style="list-style-type: none"> an increase in the Fund's underlying income, comprising dividend, Real Estate Investment Trust (REIT), interest and other income, and an increase in capital gains which were higher in FY2019 due to stronger returns from the industrials sector of the Australian share market than in FY2018. <p>For more information about the distribution of MLC IncomeBuilder please refer to the MLC IncomeBuilder annual distribution commentary, which will be available mid July 2019 on nabam.nab.com.au.</p> |



MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

| MLC Wholesale fund (APIR code) | Cpu for June 2019 qtr | Full year cpu | | Full year cash distribution for FY2019 commentary |
|--|-----------------------|---------------|---------|---|
| | | 2018/19 | 2017/18 | |
| MLC Australian Share Fund (MLC0262AU) | 4.42 | 8.95 | 10.03 | There are two main factors that offset to produce a similar, but lower, distribution than FY2018: <ul style="list-style-type: none"> a decrease in realised capital gains, and an increase in dividends resulting from BHP's shareholder return program, explained on page 5. |
| MLC Australian Share Index Fund (MLC0893AU) | 2.95 | 9.00 | 10.78 | There are two main factors that offset to produce a similar, but lower, distribution than FY2018: <ul style="list-style-type: none"> a decrease in realised capital gains, and an increase in dividends resulting from BHP's shareholder return program, explained on page 5. |
| MLC Property Securities Fund (MLC0263AU) | 0.73 | 2.40 | 2.73 | Similar to FY2018. At the end of FY2019, the Fund still has carried forward capital losses which reduce the Fund's distributions. Please refer to page 5 'Carried forward capital losses' for information on their effect on distributions. |
| MLC Global Property Fund Class A (MLC0786AU) | 0.01 | 0.01 | 0.04 | Similar but lower than the Fund's very small distribution in FY2018. At the end of FY2019, the Fund will have carried forward revenue losses which reduce the Fund's distributions. Please refer to page 6 'Carried forward revenue losses' for information on their effect on distributions. |
| MLC Global Property Fund Class B (MLC0784AU) | 0.01 | 0.01 | 0.05 | Similar but lower than the Fund's very small distribution in FY2018. At the end of FY2019, the Fund will have carried forward revenue losses which reduce the Fund's distributions. Please refer to page 6 'Carried forward revenue losses' for information on their effect on distributions. |
| MLC Global Share Fund (MLC0261AU) | 8.66 | 8.66 | 19.82 | Significantly lower than FY2018 due to a decrease in realised capital gains. |
| MLC Hedged Global Share Fund Class A (MLC0787AU) | - | - | - | Similar to FY2018, which was zero. At the end of FY2019, the Fund still has carried forward revenue losses which reduce the Fund's distributions. Please refer to page 6 'Carried forward revenue losses' for information on their effect on distributions. |
| MLC Hedged Global Share Fund Class B (MLC0785AU) | - | - | - | Similar to FY2018, which was zero. At the end of FY2019, the Fund still has carried forward revenue losses which reduce the Fund's distributions. Please refer to page 6 'Carried forward revenue losses' for information on their effect on distributions. |

MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

| MLC Wholesale fund (APIR code) | Cpu for June 2019 qtr | Full year cpu | | Full year cash distribution for FY2019 commentary |
|---|-----------------------|---------------|---------|--|
| | | 2018/19 | 2017/18 | |
| MLC-Platinum Global Fund (MLC0317AU) | 15.72 | 15.72 | 26.27 | Moderately lower than FY2018 due to a decrease in realised capital gains. |
| MLC Diversified Debt Fund Class A (MLC0839AU) | 1.54 | 3.25 | 3.92 | Similar but lower than FY2018. At the end of FY2019, the Fund still has carried forward capital losses which reduce the Fund's distributions. Please refer to page 5 for information on 'Carried forward capital losses'. |
| MLC Diversified Debt Fund Class B (MLC0855AU) | 1.18 | 1.97 | 2.67 | |

Key factors affecting distributions in FY2019

MLC Inflation Plus, MLC Horizon and MLC Index Plus 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 portfolios.

MLC's share funds (except for MLC IncomeBuilder), and the MLC multi-asset portfolios with high allocations to shares, are designed to provide capital growth. 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 FY2019.

BHP's shareholder return program

BHP Group Ltd undertook a return of capital to its shareholders through a combination of an off-market buyback and a special dividend during FY2019. While the special dividend was paid to all MLC Wholesale funds with holdings in BHP, the off-market buyback was optional. A buyback is where a company purchases its shares back from shareholders.

BHP undertook its shareholder return program to pay the net proceeds from the sale of its onshore US assets to shareholders. Returns of the size undertaken by BHP are unusual.

Those MLC Wholesale funds with exposure to BHP's off-market buyback received the sale proceeds as a franked dividend. As a result, the dividends and imputation credits received by these funds increased substantially in FY2019.

While imputation credits don't affect a fund's cash distribution they are attributed to the fund's investors. Imputation credits are a way of passing on the tax a company has already paid, as a credit to investors to offset against their own tax. Imputation credits are provided in tax statements, sent to investors to assist in the preparation of their tax return. Estimated tax components for the funds are available late July 2019 at nabam.nab.com.au.

Carried forward capital losses

Capital losses significantly reduce the level of distributions. During the GFC of 2008/09 and the first few years afterwards, markets were weak and volatile. Most funds suffered large capital losses when they sold investments. Capital losses are kept in the fund and are carried forward until they can be offset against future capital gains.



MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

The funds with carried forward capital losses at the end of FY2019 are:

- MLC Wholesale Horizon 4 – Balanced Portfolio
- MLC Wholesale Horizon 5 – Growth Portfolio
- MLC Wholesale Horizon 7 – Accelerated Growth Portfolio
- MLC Wholesale Property Securities Fund
- MLC Wholesale Diversified Debt Fund Class A
- MLC Wholesale Diversified Debt Fund Class B

Other income such as dividends and interest income continues 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 are kept in the fund and are carried forward until they can be offset against future revenue income and capital gains. Revenue losses reduce the level of distributions.

The funds with carried forward revenue losses at the end of FY2019 are:

- MLC Wholesale Global Property Fund Class A
- MLC Wholesale Global Property Fund Class B
- MLC Wholesale Hedged Global Share Fund Class A
- MLC Wholesale Hedged Global Share Fund Class B

Next steps

The tax components will be available late July 2019. This information will be available on nabam.nab.com.au.

The final taxation components will also be reflected in financial year 2018/19 tax statements for the Funds, which are estimated to be available in August 2018 for those investing in MLC Wholesale directly. Investors in MLC Wholesale through a platform will receive tax information from their platform.

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

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

More information on the performance of each fund is available on the MLC Investment Trust Fund Profile Tool on nabam.nab.com.au and is updated monthly.

MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

Appendix 1: Financial year distribution history

Table 2 shows the full financial year (1 July to 30 June) distributions for the last eight years.

Table 2 – Cash distribution history

| MLC Wholesale funds (APIR code) | Full year cpu (distribution yield) ² | | | | | | | |
|---|---|----------------|----------------|------------------|----------------|-------------------|----------------|----------------|
| | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
| MLC Horizon 1 – Bond Portfolio (MLC0669AU) | 1.88 (1.9%) | 2.16 (2.1%) | 3.15 (3.1%) | 2.59 (2.5%) | 2.14 (2.1%) | 2.51 (2.5%) | 3.14 (3.1%) | 2.89 (2.9%) |
| MLC Horizon 2 – Income Portfolio (MLC0670AU) | 3.71 (3.6%) | 3.64 (3.5%) | 3.55 (3.5%) | 6.83 (6.4%) | 3.13 (3.0%) | 2.45 (2.5%) | 3.51 (3.8%) | 3.39 (3.7%) |
| MLC Horizon 3 – Conservative Growth Portfolio (MLC0398AU) | 5.08 (4.5%) | 4.36 (4.0%) | 3.43 (3.3%) | 6.71 (6.0%) | 3.65 (3.5%) | 2.46 (2.5%) | 2.83 (3.2%) | 2.75 (3.1%) |
| MLC Horizon 4 – Balanced Portfolio (MLC0260AU) | 3.22 (2.7%) | 2.19 (2.0%) | 3.88 (3.7%) | 7.56 (6.8%) | 4.69 (4.5%) | 2.73 (2.9%) | 2.71 (3.2%) | 2.62 (3.1%) |
| MLC Horizon 5 – Growth Portfolio (MLC0265AU) | 3.18 (2.6%) | 2.09 (1.9%) | 4.02 (3.9%) | 8.94 (7.9%) | 4.58 (4.4%) | 2.72 (2.9%) | 2.36 (3.0%) | 2.85 (3.4%) |
| MLC Horizon 6 – Share Portfolio (MLC0397AU) | 9.00 (7.4%) | 2.00 (1.8%) | 4.55 (4.6%) | 9.71 (8.8%) | 4.35 (4.3%) | 2.54 (2.9%) | 1.56 (2.2%) | 1.78 (2.3%) |
| MLC Horizon 7 – Accelerated Growth Portfolio (MLC0449AU) | 4.13 (2.6%) | 1.57 (1.1%) | 5.45 (4.6%) | 14.14 (10.4%) | 4.67 (3.9%) | 2.21 (2.2%) | 0.91 (1.2%) | 1.03 (1.2%) |
| MLC Inflation Plus – Conservative Portfolio (MLC0921AU) | 3.92 (3.7%) | 2.08 (2.0%) | 2.21 (2.1%) | 2.99 (2.8%) | 5.06 (5.0%) | 2.11 ³ | n/a | n/a |
| MLC Inflation Plus – Moderate Portfolio (MLC0920AU) | 4.00 (3.7%) | 2.98 (2.8%) | 2.94 (2.8%) | 3.75 (3.5%) | 6.31 (6.2%) | 3.17 ³ | n/a | n/a |

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 nabam.nab.com.au

³ Partial year, as the fund was launched in October 2013.



MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

| MLC Wholesale funds (APIR code) | Full year cpu (distribution yield) ² | | | | | | | |
|--|---|------------------|------------------|------------------|------------------|-----------------|-----------------|--------------------------|
| | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
| MLC Inflation Plus – Assertive Portfolio Class A (MLC0667AU) | 3.00 (3.2%) | 1.49 (1.7%) | 4.71 (5.3%) | 8.12 (8.4%) | 11.68 (12.5%) | 2.05 (2.4%) | 0.95 (1.3%) | 3.00 (4.0%) |
| MLC Inflation Plus – Assertive Portfolio Class B (MLC0668AU) | 1.62 (1.7%) | 0.17 (0.2%) | 3.49 (3.9%) | 6.84 (7.0%) | 10.18 (10.9%) | 1.44 (1.6%) | 0.18 (0.2%) | 1.84 (2.4%) |
| MLC Index Plus – Conservative Growth Portfolio (MLC7849AU) | 3.30 (3.2%) | 3.07 (3.1%) | n/a | n/a | n/a | n/a | n/a | n/a |
| MLC Index Plus – Balanced Portfolio (MLC7387AU) | 3.93 (3.8%) | 3.62 (3.6%) | n/a | n/a | n/a | n/a | n/a | n/a |
| MLC Index Plus – Growth Portfolio (MLC9748AU) | 4.12 (3.9%) | 3.98 (4.0%) | n/a | n/a | n/a | n/a | n/a | n/a |
| MLC Australian Share Fund (MLC0262AU) | 8.95 (8.9%) | 10.03 (10.4%) | 11.57 (12.2%) | 6.14 (6.2%) | 5.90 (6.0%) | 4.78 (5.4%) | 2.96 (3.9%) | 3.41 (3.9%) |
| MLC IncomeBuilder (MLC0264AU) | 16.04 (9.5%) | 9.89 (5.7%) | 13.43 (8.2%) | 11.80 (6.4%) | 18.98 (10.4%) | 10.99 (6.7%) | 10.60 (7.8%) | 6.87 (4.8%) |
| MLC Australian Share Index Fund (MLC0893AU) | 9.00 (6.6%) | 10.78 (8.2%) | 9.19 (7.4%) | 5.00 (3.9%) | 5.29 (4.2%) | 5.81 (5.2%) | 5.11 (5.2%) | 1.77 ⁴ (-) |
| MLC Global Share Fund (MLC0261AU) | 8.66 (8.8%) | 19.82 (19.3%) | 3.85 (4.3%) | 15.99 (14.8%) | 2.15 (2.4%) | 1.45 (1.9%) | 0.46 (0.8%) | 0.69 (1.1%) |
| MLC Hedged Global Share Fund Class A (MLC0787AU) | - (0.0%) | - (0.0%) | 1.73 (2.2%) | 5.15 (6.0%) | 0.89 (1.1%) | 0.6 (0.9%) | 0.06 (0.1%) | 0.01 (0.0%) |
| MLC Hedged Global Share Fund Class B (MLC0785AU) | - (0.0%) | - (0.0%) | 1.61 (2.2%) | 4.84 (5.9%) | 0.85 (1.1%) | 0.57 (0.9%) | 0.06 (0.1%) | 0.01 (0.0%) |

⁴ Partial year, as the fund was launched in November 2011.



MLC Wholesale funds

End of year distribution commentary, 2019 financial year
2 July 2019

| MLC Wholesale funds (APIR code) | Full year cpu (distribution yield) ² | | | | | | | |
|---|---|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
| MLC-Platinum Global Fund (MLC0317AU) | 15.72 (14.4%) | 26.27 (22.0%) | 6.47 (6.2%) | 7.55 (6.3%) | 7.41 (7.0%) | - | - | 0.84 (1.2%) |
| MLC Property Securities Fund (MLC0263AU) | 2.40 (3.5%) | 2.73 (4.2%) | 3.23 (4.5%) | 3.13 (5.2%) | 2.83 (5.4%) | 2.13 (4.3%) | 1.65 (3.9%) | 2.09 (5.3%) |
| MLC Global Property Fund Class A (MLC0786AU) | 0.01 (0.0%) | 0.04 (0.1%) | - (0.0%) | 5.85 (8.7%) | 2.07 (3.3%) | 0.75 (1.4%) | 0.75 (1.7%) | 0.11 (0.2%) |
| MLC Global Property Fund Class B (MLC0784AU) | 0.01 (0.0%) | 0.05 (0.1%) | - (0.0%) | 6.64 (8.6%) | 2.38 (3.3%) | 0.87 (1.4%) | 0.09 (0.2%) | 0.13 (0.2%) |
| MLC Diversified Debt Fund Class A (MLC0839AU) | 3.25 (3.3%) | 3.92 (3.9%) | 4.33 (4.2%) | 4.81 (4.7%) | 4.27 (4.1%) | 2.72 (2.7%) | 4.54 (4.5%) | 4.66 (4.9%) |
| MLC Diversified Debt Fund Class B (MLC0855AU) | 1.97 (2.0%) | 2.67 (2.7%) | 2.99 (2.9%) | 3.55 (3.5%) | 3.00 (2.9%) | 1.42 (1.4%) | 3.37 (3.4%) | 3.72 (3.9%) |

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

Important information

MLC Investments Limited (ABN 30 002 641 661, AFSL 230705), a member of the National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686) (NAB) group of companies (NAB Group), 105–153 Miller Street, North Sydney 2060.

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