



MLC IncomeBuilder

MLC MasterKey Unit Trust &

MLC MasterKey Investment Service

Quarterly distribution commentary, 30 November 2014

Underlying income distributions

For the quarter to 30 November 2014, MLC IncomeBuilder produced an underlying income distribution of 2.33 cents per unit (cpu). This is 23.3% above the 1.89 cpu distribution paid by the fund in the November 2013 quarter.

The total distribution for the six months to 30 November 2014 is 3.73 cpu, which is 1.1% higher than the 3.69 cpu distribution paid in the equivalent period in 2013.

The increase in the November quarter distribution compared with last quarter (and last year's equivalent period) reflects both higher dividends paid by a number of companies this quarter and increased holdings of some of those companies. Around 60% of the fund's investments (by value) paid dividends this quarter, compared to approximately 56% in 2013.

The fund's managers are always searching for companies they expect will help achieve its primary objective, which is to provide a growing, tax-effective income stream. The managers continually assess stock valuation, earnings growth, dividend sustainability, dividend yield and franking considerations. In some circumstances, this leads to changes to the fund's holdings. This can impact the timing of the receipt of dividends compared to the previous year, as we have seen both this quarter and last.

Companies in which the fund's managers have increased their holdings in the last year include BHP Billiton, Woodside Petroleum, Recall, Suncorp Group, Coca-Cola Amatil, Insurance Australia Group and Sydney Airport. This is because the managers believe these companies can grow their dividends. The increases in these holdings were funded by sales of companies with less attractive valuations, such as National Australia Bank and Westpac.

All of these companies, except Sydney Airport, paid dividends to the fund this quarter and all except Coca-Cola Amatil paid a higher dividend than last year.

Contributors to performance

Standout contributors to this quarter's distribution include **Wesfarmers**. The company has declared a higher final dividend (\$1.05 per share versus \$1.03 per share last year) and a special dividend of 10 cents per share (cps) (nil last year). In addition, Wesfarmers will make a capital return of 25 cpu in December (next quarter) after completing the sale of its insurance division.

Another important contributor to the distribution this quarter is **Suncorp Group**. It is paying a much higher final dividend (40 cps versus last year's 30 cps) and a special dividend of 30 cps which is 50% higher than the 20 cps special for the same quarter last year.

The interim dividend of 20 cps paid by **Coca-Cola Amatil** this year is 16.7% below last year's. The company hasn't repeated the 2.5 cps special dividend it paid last year. While this detracted slightly from the fund's distribution this quarter, the size of the fund's holding in Coca-Cola Amatil is significantly less than in companies that paid higher dividends to the fund this quarter (like Wesfarmers, Suncorp, Telstra, Commonwealth Bank, AMP, Toll Holdings, Woodside Petroleum and Woolworths).

Underlying distribution for FY2014/15

We continue to have strong conviction in the active investment processes of Antares and Maple-Brown Abbott, which aim to deliver a growing distribution with high franking to fund investors. At this stage, we believe their stock selection and the dividend policies of most of the companies in the fund are consistent with the fund delivering a higher underlying distribution in the FY2014/15 year than the 8.16 cpu underlying distribution in FY2013/14. However, the end of the fund's financial year is still six months away (31 May 2015).

**Quarterly underlying income distribution* comparison
for MLC MasterKey Unit Trust - IncomeBuilder**

Quarter	FY 2013/14	FY 2014/15	Change from FY 2013/14
Quarter 1 (Aug)	1.80	1.40	-22.2%
Quarter 2 (Nov)	1.89	2.33	23.3%
Quarter 3 (Feb)	2.05		
Quarter 4 (May)	2.42		
Total	8.16		

*Underlying distribution consists of dividend and other income and excludes capital gains.

Source: MLC

Important information

This information has been provided by MLC Investments Limited (ABN 30 002 641 661) a member of the National Australia Bank group of companies, 105–153 Miller Street, North Sydney 2060.

All data quoted is for the MLC MasterKey Unit Trust - IncomeBuilder as at 30 November 2014.

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