



## MLC Wholesale funds

End of year distribution comment

20 June 2016

### Summary

On Thursday, 30 June 2016 the last distribution for the 2016 financial year will be made to investors in MLC Wholesale funds (Funds), including those available in:

- MLC MasterKey Investment Service Fundamentals
- MLC Wrap, and
- Navigator platforms

and some available in external platforms and MLC MasterKey Investment Service<sup>1</sup>.

The purpose of this note is to flag in advance of the final distributions that we are generally expecting:

- Funds with exposure to global shares to pay significantly larger final distributions than in previous years. Most of this distribution will be taxed favourably, and
- lower distributions for MLC IncomeBuilder, MLC Australian Share Index Fund and the MLC-Platinum Global Fund compared with last year.

### What is causing the large capital gains?

Our global shares strategy has had a large outflow due to:

- an investor reallocating its significant investments across a number of MLC funds, and
- changes we made to the investment managers during the year.

To fund the outflow of money, securities – most of which had grown substantially over time – were sold, resulting in the realisation of capital gains. The Funds must distribute all income, including realised capital gains, by the end of the financial year.

We anticipate most, and in some cases all, of the capital gains will be concessional capital gains which have favourable tax treatment. This is because many of the Funds have carried-forward capital losses and most of the securities sold were held for more than a year, resulting in the distribution of discounted capital gains.

Based on our estimates, the Funds most affected by large capital gains this year are:

- MLC Horizon portfolios 2 to 7 – mostly concessional capital gains
- MLC Global Share Fund – all concessional capital gains, and
- MLC Hedged Global Share Fund (Class A and Class B) – mostly concessional capital gains.

Investors can expect income in their account within two weeks after the distribution.

### Why are some funds expecting a smaller distribution?

Based on our estimates, the following Funds are expected to pay smaller distributions of income:

- MLC IncomeBuilder
- MLC Australian Share Index Fund, and
- MLC-Platinum Global Fund.

This is because there has been a reduction in capital gains received from the sale of securities compared to last year.

<sup>1</sup> 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 also have a June year end and are covered by this commentary.



### What are the distributions expected to be?

We can't provide the precise amount of the distributions at this stage, as there are a few trading days before the Funds' end of financial year.

### How is the level of distributions determined?

Distributions are made up of income from the underlying investments held by the managed fund and are paid to investors after fees are deducted. These investments may be shares, property, bonds or cash, or a combination of these. This means a distribution could include interest earned, franked and unfranked dividends, tax deferred income, rental income and any realised capital gains (after deducting any capital losses) made from selling investments (which usually occurs in the last quarter of the financial year). For global investments, currency movements resulting in changes in the value of hedging contracts can also affect income distributions.

### What do I need to do?

We are advising you of the large changes in distributions so that you can assess the impact on your portfolio.

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

In the week following the distributions, we will prepare commentary with details of the final amount and income components. This information will be available on [mlcinvestmenttrust.com.au](http://mlcinvestmenttrust.com.au).

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