



MLC Wholesale funds

2017 financial year pre-distribution estimates comment

Updated on 22 June 2017

On Friday, 30 June 2017 the last distribution for the 2017 financial year (FY2017) will be made to investors in MLC Wholesale funds (Funds¹), including those that are offered through:

- MLC MasterKey Investment Service Fundamentals
- MLC Wrap
- Navigator platforms
- MLC MasterKey Investment Service², and
- external platforms.

The purpose of this note is to assist investors and advisers to understand the potential distribution and tax outcomes for the following funds so that they can take them into consideration in their end of the financial year planning. The following funds are expected to have potentially large changes in distributions compared to last year. This commentary is based on current estimates of distributable income and is subject to change³:

- The MLC Wholesale Global Property Fund is estimated to pay no distribution this year. This financial year the Fund is expected to have no taxable income or concessional capital gains to distribute.
- The MLC Wholesale Australian Share Fund is estimated to pay a significantly higher distribution than FY2016, due to an increase in realised capital gains. More than half of the realised capital gains are expected to be concessional capital gains and are therefore not tax-assessable for individuals and superannuation fund investors. The realised capital gains are estimated to be much higher than previous years because:
 - The MLC Wholesale Australian Share Fund is expecting to distribute assessable capital gains for the first time since the GFC period of 2008-9. Carried forward capital losses incurred during the GFC period have now been offset against capital gains generated by strong returns post the GFC. As a result the Fund is expected to return to a net tax-assessable capital gain position.
 - The MLC Wholesale Australian Share Fund is managed by four high quality active investment managers: Alphinity, Antares, Bennelong and Northcape. Where the managers believe share values have reached their full potential, we expect the managers to sell those shares and seek better long-term risk and return opportunities in other Australian shares. In this way our managers seek to grow investor's capital over the long term. However, these portfolio changes can result in the realisation of capital gains. These gains typically feature in the Fund's distribution after periods of very strong market performance - the Fund has generated a strong return of 13% pa (before fees) over the past 5 years to 31 May 2017⁴.

¹ MLC Wholesale funds are listed in the Important Information section.

² 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.

³ Our expectations are based on distributable income currently in the Funds and our estimates of income the Funds may receive before the final distribution to investors on 30 June 2017. These estimates are subject to change as they may be materially affected by factors including:

- investment and currency market movements
- manager trading activity
- differences in the treatment of these figures for tax purposes, and
- realisation of gains and losses between now and 30 June 2017.

⁴ Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market.



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- The MLC Wholesale Inflation Plus portfolios are estimated to pay lower distributions than FY2016 because:
 - MLC Wholesale Inflation Plus Conservative and Moderate portfolios didn't distribute in their half-yearly distribution as the portfolios' expenses at December 2016 were higher than the distributable income. While the June 2017 distribution is expected to be lower than June 2016, the portfolios are expected to distribute income and capital gains.
 - MLC Wholesale Inflation Plus Assertive Portfolio's annual distribution tends to fluctuate from year to year largely as a result of changes in realised capital gains and losses.
- The MLC Wholesale Horizon 2 to 7, MLC Wholesale Global Share Fund and MLC Wholesale Hedged Global Share Fund are estimated to pay significantly lower distributions than their unusually high distributions in FY2016. The decrease is largely due to lower realised capital gains. Distributions are expected to be closer to FY2015 amounts.
- Important information on the estimated distribution for investors in the MLC Wholesale Australian Share Index Fund is available on mlc.com.au.

Distributions for FY2015 and FY2016 are available in the [MLC Wholesale funds - Annual distribution commentary, 30 June 2016](#)⁵.

Why does the unit price drop after a distribution?

Immediately after any of the Funds pay a distribution of income its unit price drops because the price no longer includes the distribution; similarly to when a listed company's share price trades as 'ex-dividend'. However, investors in a platform may not receive the distribution for a few weeks while the platform calculates and allocates investors their share of the distribution.

Significant unit price falls may cause complications for investors that gear their investment in the Funds.

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 are the potential implications of redeeming just prior to a financial year end distribution?

Investors and advisers need to be aware that if investors redeem from a fund prior to the year end distribution, they may be realising a capital gain which will need to be included in the investor's assessable income in the year they redeem. Redeeming may bring forward the tax an investor pays on their investment in the fund.

What do I need to do?

We are informing you of potentially large changes in the distributions compared to last year so that you can assess the impact on your portfolio. As the distribution is at the end of June, there is more than a week before the end of the Australian taxation year.

As always, we encourage you to speak to your financial or tax adviser about what these distributions may mean for you.

⁵ Past distributions are not indicative of future distributions.



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We anticipate that the final taxation components and commentary for the distribution will be available in the week commencing Monday, 3 July 2017 and will be reflected in financial year 2016/2017 tax statements for the Funds and MLC MasterKey Investment Service Fundamentals. This information will be available on mlc.com.au and mlcinvestmenttrust.com.au.

If you have any questions please call us on 132 652 between 8am and 7pm (AEST), Monday to Friday.

Important information

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MLC Wholesale funds include: MLC Wholesale Inflation Plus - Conservative Portfolio, MLC Wholesale Inflation Plus - Moderate Portfolio, MLC Wholesale Inflation Plus - Assertive Portfolio, MLC Wholesale Horizon 7 Accelerated Growth Portfolio, MLC Wholesale Horizon 6 Share Portfolio, MLC Wholesale Horizon 5 Growth Portfolio, MLC Wholesale Horizon 4 Balanced Portfolio, MLC Wholesale Horizon 3 Conservative Growth Portfolio, MLC Wholesale Horizon 2 Income Portfolio, MLC Wholesale Horizon 1 Bond Portfolio, MLC Wholesale Diversified Debt Fund, MLC Wholesale Hedged Global Share Fund, MLC Wholesale Global Property Fund, MLC Wholesale Global Share Fund, MLC Wholesale IncomeBuilder, MLC Wholesale Australian Share Fund, MLC Wholesale Australian Share Index Fund, MLC Wholesale Property Securities Fund, MLC-Platinum Global Fund.

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