



MLC MasterKey Investment Service

MLC MasterKey Unit Trust

End of year distribution commentary, 2024 financial year

6 June 2024

Background

On Friday, 31 May 2024 the last cash distribution for the 2024 financial year (FY2024) was made to investors in the funds that comprise the MLC MasterKey Unit Trust, including those offered in the MLC MasterKey Investment Service (MKIS)¹.

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 estimated tax components will be available mid June 2024 at mlc.com.au. Final tax components will be provided in 2023/24 MLC MasterKey tax statements, usually sent to investors in August, to assist in the preparation of their tax return.

Appendix 1 provides the full financial year (1 June to 31 May) distributions for the last 10 years.

Commentary for full year cash distributions for FY2024

Commentary on the final cents per unit (CPU) distributions, compared to FY2023 distributions is provided in Table 1.

Table 1 – Commentary on cash distributions for FY2024

MLC MasterKey Unit Trust fund	CPU for	Full year CPU		Full year cash distribution for
(APIR code)	May 2024 qtr	2023/24	2022/23	FY2024 commentary
MLC Horizon 2 – Income Portfolio (MLC0021AU)	1.09	2.18	0.47	The distribution is significantly higher than FY2023 due to an increase in income received from fixed income securities. The Fund still had <u>carried forward capital losses</u> at the end of FY2024. Please click on the link for more information.
MLC Horizon 3 – Conservative Growth Portfolio (MLC0393AU)	6.56	7.25	0.53	The distribution is significantly higher than FY2023 due to an <u>increase in capital gains income</u> . Please click on the link for more information.

¹ MLC MasterKey Investment Service also offers the following MLC Wholesale funds, which have a June year end: MLC Real Return Assertive, MLC Diversified Debt Fund, and MLC Global Property Fund. As a result, this commentary does not cover those funds.

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MLC MasterKey Unit Trust fund	CPU for	Full year CPU		Full year cash distribution for
(APIR code)	May 2024 qtr	2023/24	2022/23	FY2024 commentary
MLC Horizon 4 – Balanced Portfolio (MLC0023AU)	11.82	12.36	3.18	The distribution is significantly higher than FY2023 due to an <u>increase in capital gains income</u> . Please click on the link for more information.
MLC Horizon 5 – Growth Portfolio (MLC0024AU)	12.03	12.50	3.93	The distribution is significantly higher than FY2023 due to an <u>increase in capital gains income</u> . Please click on the link for more information.
MLC Horizon 6 – Share Portfolio (MLC0394AU)	10.18	10.18	6.43	The distribution is moderately higher than FY2023 due an <u>increase in capital gains income</u> . Please click on the link for more information.
MLC Horizon 7 – Accelerated Growth Portfolio (MLC0448AU)	0.05	0.05	1.89	The distribution is significantly lower than FY2023. The Fund still had <u>carried forward capital losses</u> at the end of FY2024. The Fund had <u>carried forward revenue losses</u> at the end of FY2024. Please click on the links for more information.
MLC IncomeBuilder (MLC0097AU)	13.56	18.36	13.96	The Fund’s distribution is moderately higher than FY2023 mainly due to an <u>increase in capital gains income</u> . MLC IncomeBuilder’s annual distribution commentary will also be available late June 2024 on mlc.com.au . Please click on the link for more information.
MLC Australian Share Fund (MLC0015AU)	3.79	5.76	16.17	The Fund’s distribution is significantly lower than FY2023 mainly due to a reduction in <u>capital gains income</u> . Please click on the link for more information.
MLC Australian Share Index Fund (MLC0014AU)	6.67	9.78	18.91	The Fund’s distribution is significantly lower than FY2023 mainly due to a <u>reduction in capital gains income</u> . Please click on the link for more information.
MLC Property Securities Fund (MLC0013AU)	1.38	1.92	1.71	The Fund’s distribution is similar to FY2023. The Fund still had <u>carried forward capital losses</u> at the end of FY2024. Please click on the link for more information.

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MLC MasterKey Unit Trust fund	CPU for	Full year CPU		Full year cash distribution for
(APIR code)	May 2024 qtr	2023/24	2022/23	FY2024 commentary
MLC Global Share Fund (MLC0017AU)	7.84	7.84	3.05	The distribution is significantly higher than FY2023 due to enhancements that were made within the fund that led to a <u>return of capital</u> . The Fund still had <u>carried forward capital losses</u> at the end of FY2024. Please click on the links for more information.
MLC-Platinum Global Fund (MLC0060AU)	10.63	10.63	10.27	The Fund's distribution is similar to FY2023.

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

Key factors affecting cash distributions in FY2024

The MLC Horizon 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 MLC Horizon portfolios.

MLC's share funds (except for MLC IncomeBuilder), and the MLC Horizon portfolios with high allocations to shares, are designed to provide capital growth over the long term. 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 FY2024.

Capital gains income

When we sell securities in our funds (such as shares and property securities) we 'realise' a capital gain or loss. The capital gain (or loss) is the difference between the price we sell the security for and the cost of the security, and any costs associated with buying or selling the security.

In FY2024, enhancements were made to the global shares and fixed income strategies within the MLC Global Share Fund and the Horizon portfolios. As a result of these enhancements there was an increase in trading activity in FY2024, which contributed to more capital gains income being generated when compared to FY2023.

Capital losses

A fund's capital losses significantly reduce the level of realised capital gains distributed. Weak and volatile markets from events such as the GFC and COVID-19 results in most funds suffering large capital losses when they sell investments.

Capital losses must remain in the fund and are carried forward until they can be offset against future capital gains.



The funds with carried forward capital losses at the end of FY2024 are:

- MLC Horizon 2 – Income Portfolio
- MLC Horizon 7 – Accelerated Growth Portfolio
- MLC Property Securities Fund
- MLC Global Share Fund

Other income such as dividends and interest income continue to be distributed by funds with carried forward capital losses because only capital gains are offset against capital losses.

Importantly, while carried forward losses dampen income distributions, they don't affect a fund's total returns.

Return of capital

The return of capital is not assessed as part of your income on your income tax return. All returns of capital are included in your AMIT cost base net increase/decrease amount.

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 reduce the level of distributions and, subject to majority continuity of ownership testing, are able to be carried forward until they can be offset against future revenue income.

The MLC Horizon 7 – Accelerated Growth Portfolio had carried forward revenue losses at the end of FY2024.

Next steps

As the cash distribution was on 31 May 2024, there are a few weeks before the end of the Australian taxation year on 30 June.

The estimated tax components for the funds will be available mid June 2024 at mlc.com.au, however these can change. Final tax components are provided in investors' MLC MasterKey tax statements, usually sent in August.

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

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

More information on the performance of each fund is available on the Fund Profile Tool on mlc.com.au.

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Appendix 1: Financial year distribution history

Table 2 shows the CPU distributions paid for the May 2024 quarter along with the full financial year (1 June to 31 May) distributions for the last 10 years.

Table 2 – Cash distribution history

MLC MasterKey Unit Trust fund (APIR code)	31 May 2024 qtr CPU	Full year CPU (yield) ²	Full year CPU (yield) ²								
			2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
MLC Horizon 2 – Income Portfolio (MLC0021AU)	1.09	2.18 (1.9%)	0.47 (0.4%)	0.86 (0.7%)	3.02 (2.7%)	0.92 (0.8%)	1.37 (1.2%)	1.08 (0.9%)	2.35 (2.1%)	3.29 (2.8%)	2.36 (2.2%)
MLC Horizon 3 – Conservative Growth Portfolio (MLC0393AU)	6.56	7.25 (7.1%)	0.53 (0.5%)	4.26 (4.0%)	5.45 (5.5%)	3.13 (3.0%)	3.80 (3.7%)	4.70 (4.5%)	2.33 (2.3%)	5.38 (5.1%)	2.53 (2.6%)
MLC Horizon 4 – Balanced Portfolio (MLC0023AU)	11.82	12.36 (8.3%)	3.18 (2.1%)	10.44 (6.4%)	9.74 (6.7%)	6.55 (4.2%)	6.19 (4.0%)	1.41 (1.0%)	3.76 (2.7%)	9.52 (6.4%)	4.86 (3.5%)
MLC Horizon 5 – Growth Portfolio (MLC0024AU)	12.03	12.50 (8.9%)	3.93 (2.8%)	9.65 (6.4%)	9.34 (7.1%)	6.59 (4.7%)	3.93 (2.9%)	1.15 (0.9%)	3.55 (2.9%)	9.33 (7.0%)	4.10 (3.4%)
MLC Horizon 6 – Share Portfolio (MLC0394AU)	10.18	10.18 (9.8%)	6.43 (6.1%)	9.97 (8.6%)	8.92 (9.0%)	6.87 (6.3%)	7.19 (6.6%)	4.59 (4.4%)	3.29 (3.4%)	8.78 (8.2%)	3.10 (3.2%)
MLC Horizon 7 – Accelerated Growth Portfolio (MLC0448AU)	0.05	0.05 (0.0%)	1.89 (1.1%)	1.61 (0.9%)	4.44 (3.5%)	0.30 (0.2%)	2.13 (1.7%)	0.22 (0.2%)	3.64 (3.5%)	10.60 (9.0%)	2.62 (2.6%)
MLC IncomeBuilder (MLC0097AU)	13.56	18.36 (8.6%)	13.96 (6.3%)	17.77 (8.1%)	11.85 (6.7%)	16.10 (6.9%)	22.84 (9.7%)	12.46 (4.9%)	17.19 (6.9%)	16.54 (5.9%)	23.25 (8.6%)
MLC Australian Share Fund (MLC0015AU)	3.79	5.76 (3.1%)	16.17 (8.2%)	21.02 (10.0%)	17.47 (9.8%)	3.88 (2.0%)	9.36 (5.0%)	3.63 (2.1%)	11.43 (6.6%)	8.58 (4.7%)	7.92 (4.5%)
MLC Australian Share Index Fund* (MLC0014AU)	6.67	9.78 (5.3%)	18.91 (9.5%)	23.45 (11.0%)	7.49 (4.2%)	11.65 (5.7%)	11.34 (5.8%)	15.22 (7.8%)	55.48 (24.0%)	9.94 (4.0%)	13.23 (5.4%)
MLC Property Securities Fund (MLC0013AU)	1.38	1.92 (1.8%)	1.71 (1.6%)	1.36 (1.3%)	0.52 (0.6%)	1.30 (1.2%)	2.27 (2.4%)	2.66 (2.8%)	3.30 (3.4%)	3.11 (3.6%)	3.00 (4.2%)
MLC Global Share Fund (MLC0017AU)	7.84	7.84 (2.7%)	3.05 (1.2%)	0.02 (0%)	-	0.16 (0.1%)	0.47 (0.2%)	-	4.83 (3.0%)	24.45 (13.1%)	2.01 (1.3%)
MLC-Platinum Global Fund (MLC0060AU)	10.63	10.63 (5.9%)	10.27 (6.0%)	17.78 (8.7%)	19.27 (11.0%)	6.81 (3.8%)	14.37 (7.0%)	24.66 (12.1%)	10.41 (5.7%)	20.73 (9.5%)	30.52 (15.3%)

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

* Formerly known as MLC-Vanguard Australian Share Index Fund.

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 mlc.com.au



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