

2019 FINANCIAL REPORT



MLC
FOUNDATION

Profit and Loss Statement

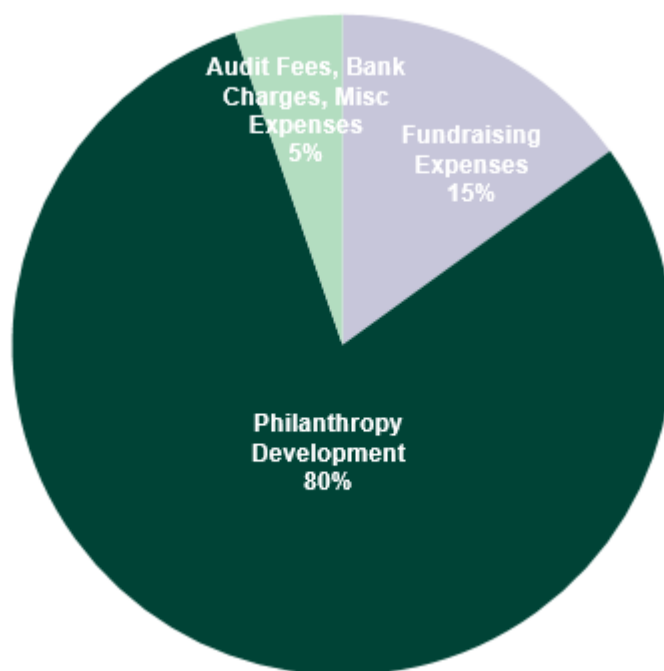
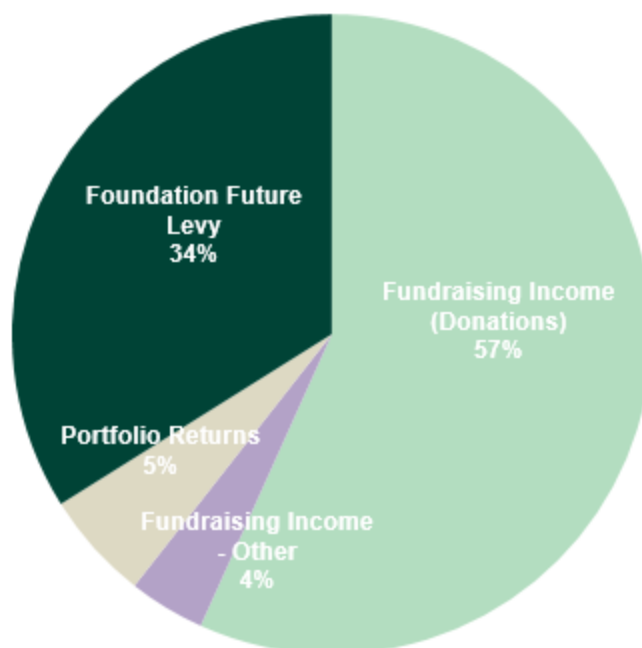
The MLC Foundation is a not-for-profit, charitable institution incorporated under the Associations Incorporation Act. The financial reporting period for the Foundation is from 1 January to 31 December 2019. The table below reflects the financial performance during that period and compares to the prior year.

	2019	2018
DISTRIBUTION TO MLC AND SUPPORT GROUPS	\$1,147,590	\$355,369
INCOME		
DONATIONS	\$588,671	\$398,552
FUNDRAISING INCOME	\$40,012	\$317,240
PORTFOLIO DISTRIBUTIONS	\$57,066	\$168,543
FOUNDATION FUTURE LEVY	\$351,925	\$325,027
TOTAL INCOME	\$1,037,674	\$1,209,362
EXPENSES		
FUNDRAISING EXPENSES	\$48,337	\$138,781
PHILANTHROPY DEVELOPMENT	\$256,417	\$237,372
AUDIT FEES, BANK AND MISCELLANEOUS CHARGES	\$17,031	\$11,569
TOTAL EXPENSES	\$321,785	\$387,672
Surplus prior to distribution to MLC	\$715,889	\$821,690
(Deficit) / Surplus after distribution to MLC and support groups	(\$431,701)	\$466,321
Portfolio Returns - Unrealised Gains/ (Reduction)	\$169,971	(\$269,590)
(Deficit) / Surplus for the year	(\$261,730)	\$196,731
NET ASSETS		
General Fund	(\$33,192)	\$68,933
Endowment Fund	\$1,457,580	\$1,373,947
Building Fund	\$132,348	\$477,092
SASRT Scholarship Investment Fund	\$543,086	\$521,695
Scholarship Fund	\$1,064,199	\$984,084
TOTAL NET ASSETS (THE CORPUS)	\$3,164,021	\$3,425,751

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Income and Expenditure

The following charts represent the categories of income and expenditure for the Foundation.



INCOME 2019

- **The Foundation Future Levy:** the levy was increased by \$50 to \$350 per student in 2019.
- **Fundraising Income (Donations):** includes direct donations to the Foundation. The majority of the 2019 donations are for the new joint MLC/CCGS Aquatic Precinct (completed on time in December 2019), Circle of Success and Scholarship fundraising campaigns.
- **Fundraising Income - other:** includes fundraising from the annual Raffle (held three times a year to win a contribution of one third of the annual tuition fee). 2018 also included fundraising income from the Gala.
- **Portfolio Returns:** includes trust distributions from its investments with NWQ, imputation tax credits and interest received on cash deposits.

EXPENDITURE 2019

- **Fundraising Expenses:** includes costs associated with fundraising campaigns (including the Raffle), activities and events. 2019 includes various expenses relating to the MLC/CCGS Aquatic Precinct, Raffle and Circle of Success campaigns.
- **Philanthropy Development:** includes staffing costs and administration support costs.

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By growing the Foundation's Corpus, the aim is for the Foundation to provide funds to support significant College campus building projects and scholarship activities, which will enhance the College's financial sustainability. The corpus will predominately be built with donations of untied funds, bequests, the Foundation Future Levy and distributions from investments.

Fundraising

The College facilities and the exceptional experiences available to MLC students today were achieved through the generosity and foresight of past and present community members. MLC tuition fees only pay for educational and operational costs, so the necessity exists for additional income to support longer term capital projects.

The main sources of revenue for the Foundation are:

- Donations;
- Fundraising generated from events and initiatives;
- Distribution from Investments; and
- The Foundation Future Levy.

	2019 ACTUAL	2018 ACTUAL
TOTAL INCOME	\$1,037,674	\$1,209,362 [^]
FUNDRAISING INCOME	\$628,683	\$715,792
DONORS	877	669
CORPUS	\$3,164,021	\$3,425,751
DONATION TO MLC & SUPPORT GROUPS	\$1,147,590	\$355,369
AVERAGE AMOUNT RAISED PER STUDENT	\$583 [*]	\$625 [#]

[^] 2018 income included funds raised from the bi-annual Gala.

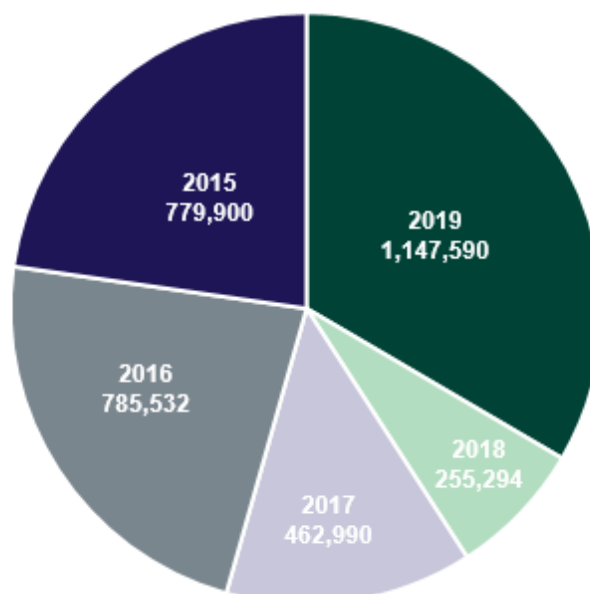
[~] Donors includes participants in The Gala (2018), Circle of Success, House Splash or Dash, Aquatic Precinct Campaign, Annual Giving, Scholarships, Foundation Raffle and general donations.

[#] Fundraising income divided by the student population of 1,145 at the conclusion of 2018.

^{*} Fundraising income divided by the student population of 1,078 at the conclusion of 2019. This value is generally larger in Gala years, such as 2018.

Donations to MLC 2015-2019 = \$3,431,306

The 2019 distribution to the College was \$1,147,590 and included the MLC / CCGS Aquatic Precinct, Circle of Success and Scholarships.



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Investment Performance

Growth in the Foundation's funds is achieved as a result of voluntary donations (including Annual Giving, Bequests and Sponsorships), the Foundation Future Levy and growth through returns generated from the strategic investment of surplus funds. in accordance with its Investment Policy Statement. This ensures the long-term sustainability of the Foundation for the benefit of the College.

Funds under management net returns

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Full year return	S&P/ ASX200 Index
2019	0.39%	1.64%	-0.62%	0.11%	-0.75%	-0.07%	3.18%	0.81%	0.03%	0.53%	0.35%	1.75%	7.54%	23.40%
2018	0.38%	0.43%	0.35%	0.61%	1.22%	-0.22%	-0.62%	0.77%	-0.51%	-3.48%	-2.26%	-0.52%	-3.89%	-2.84%
2017	0.98%	-0.39%	0.17%	0.21%	0.76%	0.84%	-0.21%	-0.18%	2.53%	2.44%	1.64%	2.90%	12.27%	11.80%
2016	-1.65%	-2.56%	-1.51%	0.23%	2.82%	-0.48%	1.84%	-1.58%	0.12%	-2.30%	-1.61%	-0.90%	-7.46%	11.80%
2015	1.06%	1.83%	1.54%	0.06%	-0.23%	0.01%	4.34%	-0.12%	3.09%	1.85%	0.64%	2.30%	17.54%	2.56%

Note, the above returns relate to the NWQ Fiduciary Fund Wholesale A investor which may be net of a performance fee, which does not apply to a Wholesale investor B, such as the MLC Foundation.

Full year returns: comparison to S&P/ AS200 Index and Target Return of CPI + 5%

	Full year return	S&P/ASX200 Index	Target Return: CPI+5%
2019	7.54%	23.40%	6.81%
2018	-3.89%	-2.84%	6.30%
2017	12.27%	11.80%	6.90%
2016	-7.46%	11.80%	6.50%
2015	17.54%	2.56%	6.70%

The year began against a backdrop of numerous known geopolitical risks and deteriorating economic fundamentals. The geopolitical risks included uncertainty around Brexit, potential for escalation in the trade war between the US and China and simmering tensions in the Middle East. At the time it was thought by the Federal Reserve Board that the deterioration in economic fundamentals, which had been underway for some months, was in fact transitory and that the medium-term outlook for the global economy remained solid.

These same geopolitical risks and a deteriorating global economic outlook at the beginning of 2019 were also present in the previous year.

The Foundation aims to reduce exposure to downward fluctuations in the value of investments by reducing exposure to high risk investments.

Net Investment Income = Capital Gains + Dividends + Interest Income - Administrative Fees.

Absolute return funds aim to deliver returns in both rising and falling markets. To do this, they invest in a wide range of asset classes and employ various investment strategies.

In 2019 NWQ Capital Management, the Foundation's investment managers, achieved a return of 7.54% for the Foundation's funds under management, compared to a 23.4% return for the ASX200 Total Return index for the same period. The diversifying nature of the funds under management is such that it complements a traditional portfolio comprised of stocks and bonds by having the potential to deliver positive returns when other asset classes are down.

The Foundation continually reviews the management and diversification of its portfolio to ensure it meets its long- term objectives of achieving positive and low-risk returns.

2018 was a negative year for global equities generally (-7.58%) and for both the US (-4.38%) and Australian (-2.84%) equity markets. However, despite the similarities between 2018 and 2019 in terms of the risk environment the difference in outcome was stark; 2019 was the best for global equities in some time. It was the best year for US equities since 2013 and for Australian equities since 2009. Further, it was also a strong year for Australian bonds (+7.26%) as they posted their best return since 2014

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Investment Goal and Objectives

The overall investment objective of the Foundation is to generate net growth of the total Foundation portfolio over the long-term. It is guided by the following key principles:

- There is a primary preference to achieve reasonable real growth of the Funds;
- The Foundation values capital preservation and places a strong emphasis on mitigating downside investment volatility;
- Assets should be allocated and managed in a way that provides sensible diversification across asset classes and by investment process;
- Net investment outcome is a priority; and
- The investment process should emphasise the absolute return or “cash plus”/“Inflation plus” outcomes.