

ITEM 14 STATEMENT OF INVESTMENT - APRIL 2024

This report provides an overview of Council's investment portfolio performance for the reporting period March 2024.

Council had an average weighted return for March 2024 of 0.55% which was above the benchmark return of 0.37%. The result was primarily driven by positive valuations of the Mortgage-Backed Securities and NSW TCorp investments. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity.

RECOMMENDATION

Council receive the Statement of Investment for April 2024.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Jeff Reilly, Director Corporate Services - Connected + Engaged City (Acting)

ATTACHMENTS

- 1 Statement of Investment – April 2024
- 2 Investment Income Compared to Budget 2023-2024

BACKGROUND

Council is mandated to invest surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative investment approach and restricts investment types available to Council. In compliance with the Order and Office of Local Government guidelines Council adopted an Investment Policy on 12 December 2022. The Investment Policy provides a framework for Council to manage investment credit quality, institutional diversification and maturity constraints. Council's investment portfolio was controlled by Council's Finance Division during the period to ensure compliance with the Investment Policy. Council's Audit, Risk and Improvement Committee (ARIC) provides oversight of the review of Council's Investment Policy and the Management Investment Strategy.

Council's Responsible Accounting Officer is required to sign the complying Statement of Investment contained within the report, certifying that all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

Council's investment holdings at 29 March 2024 were \$178,890,565 (Statement of Investment attached) [31 March 2023 \$167,784,126] which includes Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2023.

Council had an average weighted return for March 2024 of 0.55% which was above the benchmark return of 0.37%. The result was primarily driven by positive valuations of the Mortgage-Backed Securities and NSW TCorp investments. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity. The global markets are still experiencing levels of instability and volatility in interest rates, driven by the persistent inflation issues. Australia's inflation remains relatively higher than international comparisons however medium-term predictions indicate contractions in inflation and interest rates. Rates available to Council on purchased investments are assessed regularly and across credit and maturity spread to maximise return on committed capital.

At 29 March 2024, year to date interest and investment revenue of \$6,965,892 was recognised compared to the year to date budget of \$4,922,250.

Council's 23 floating rate notes had a net decrease in value of \$162,133 for March 2024.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$11,084 for March 2024. The market value of this security takes into account the extended term of the security along with the limited liquidity and the coupon margin reflects pre-Global Financial Crisis (GFC) pricing. While the maturity dates are outside Council's control, the investment advisors had previously indicated

capital is not at risk at that stage and recommended a hold strategy due to the illiquid nature of the investment.

Council holds two investments within the NSW TCorp Hour Glass Facility; Long-Term Growth Fund and Medium-Term Growth Fund. The Long-Term Growth recorded a net increase in value of \$110,927 and the Medium-Term Growth Fund recorded a net increase in value of \$83,175 in March 2024. The fluctuations in both the Long-Term Growth and Medium-Term Growth Funds are a reflection of the current share market volatility both domestically and internationally and is diversified across a number of different asset classes with differing risk and return characteristics.

The Reserve Bank of Australia (RBA) Board will meet eight times each year from February 2024. At their March 2024 meeting the Reserve Bank of Australia (RBA) decided to hold the official cash rate at 4.35%. The RBA will continue to monitor uncertainties regarding the global economy, trends in demand, developments and adjust policy as needed as based on the data and evolving assessment of risks to return inflation to target of 2%–3%.

The current Investment Policy sets a 40% maximum exposure limit to individual institutions within the AAA category. This limit is currently considered to include funds held within the Commonwealth Bank (CBA), savings account which holds Council's operating cash balances. At the end of March 2024, the exposure to CBA was 19.87%, which is below the 25% target set in the Investment Strategy.

The current investment portfolio complies with Council's Investment Policy which was endorsed by Council on 12 December 2022. Council's Responsible Accounting Officer has signed the Statement of Investment contained within the report, certifying all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong Our Future 2032 Goal 4 "We are a connected and engaged community". It specifically delivers on the following:

Community Strategic Plan 2032	Delivery Program 2022-2026
Strategy	Service
4.8 Council's resources are managed effectively to ensure long term financial sustainability.	Financial Services

CONCLUSION

The investments for March 2024 recorded an average weighted return that was above the AusBondBank Bill Index Benchmark and performed favourably when compared to the year-to-date budget.

Brian Jenkins
RESPONSIBLE ACCOUNTING OFFICER

