

## ITEM 21 STATEMENT OF INVESTMENT - OCTOBER 2019

This report provides an overview of Council's investment portfolio performance for the month of October 2019.

Council's average weighted return for October 2019 was 1.97% which was above the benchmark return of 1.04%. These results were primarily due to the positive marked to market valuation of the aggregated Floating Rates Notes (FRN), and NSW TCorp Hourglass facilities in Council's portfolio. The remainder of Council's portfolio continues to provide a high level of consistency in income and a high degree of credit quality and liquidity.

### RECOMMENDATION

- 1 Council receive the Statement of Investment for October 2019.

### REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer  
Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

### ATTACHMENTS

- 1 Statement of Investment - October 2019
- 2 Investment Income Compared to Budget 2019-2020

### BACKGROUND

Council is required to invest its surplus funds in accordance with the Ministerial Investment Order and Division of Local Government guidelines. The Order reflects a conservative approach and restricts the investment types available to Council. In compliance with the Order and Division of Local Government guidelines, Council adopted an Investment Policy on 10 December 2018. The Investment Policy provides a framework for the credit quality, institutional diversification and maturity constraints that Council's portfolio can be exposed to. 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's (ARIC) role of overseer provides for 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 as at 25 October 2019 were \$147,765,489 (Statement of Investment attached) [26 October 2018 \$155,664,268].

Council's average weighted return for October 2019 was 1.97% which was above the benchmark return of 1.04%. These results were primarily due to the positive marked to market valuation of the aggregated Floating Rates Notes (FRN), and NSW TCorp Hourglass facilities in Council's portfolio. The remainder of Council's portfolio continues to provide a high level of consistency in income and a high degree of credit quality and liquidity.

At 25 October 2019, year to date interest and investment revenue of \$1,145,107 was recognised compared to the year to date budget of \$970,975.

Council's 24 floating rate notes had a net increase in value of \$6,159 for October 2019.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$3,293 for October 2019. The coupon margins on these investments reflect pre-Global Financial Crisis (GFC) pricing. For example, the Emerald A is paying 45 basis points over the BBSW where a comparative investment is now paying 100 basis points over the BBSW. This is reflected in the coupon rates on both these investments. While the maturity dates are outside Council's control, the investment advisors had

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

Council has two investment holdings under the NSW TCorp Hour Glass Facility: the Long-Term Growth Facility and the NSW TCorpIM Cash Fund. The Long-Term Growth recorded a net increase in value of \$8,994 and the Cash Fund recorded a net increase in value of \$9,552 in October 2019. The fluctuation in the Long-Term Growth Facility is a reflection of the current share market volatility both domestically and internationally, whereas the Cash Fund provides relatively stable returns with low potential for capital loss while maintaining high levels of liquidity, similar to an at call account. The fund only invests in Australian cash and fixed interests.

At the October 2019 RBA meeting, the official cash rate was cut by 25 basis points down to a record low of 0.75%. This remained unchanged during the November 2019 meeting. The RBA has advised that it will continue to assess the outlook and adjust policy as needed to foster sustainable growth in demand and inflation outcomes consistent with the inflation target over time. The current inflation rate is quite low and below target.

Council’s Investment Policy includes counterparty limits to spread the institutional risk applied at the time of investment. Review of the Members Equity Bank percentages, currently at 12%, has concluded that the percentage at purchase was actually 11% and therefore marginally above Council’s Investment Policy limit of 10%. Corrective action on this operational error is in action, with updated process and increased vigilance by staff and advisor to ensure that investment limits are in compliance with Council’s Investment Policy. Council’s Responsible Accounting Officer has signed the 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.

### PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal ‘*We are a connected and engaged community*’. It specifically delivers on the following:

Community Strategic Plan	Delivery Program 2018-2021	Operational Plan 2019-20
Strategy	3 Year Action	Operational Plan Actions
4.3.2 Resources (finance, technology, assets and people) are effectively managed to ensure long term financial sustainability	4.3.2.1 Effective and transparent financial management systems are in place	<p>Monitor and review achievement of Financial Strategy</p> <p>Continuous budget management is in place, controlled and reported</p> <p>Provide accurate and timely financial reports monthly, quarterly and via the annual statement</p> <p>Manage and further develop a compliance program to promote awareness and compliance with Council’s procurement policies and procedures and other related policies</p>

### CONCLUSION

The investments for October 2019 have performed favourably compared to the year to date budget and the portfolio recorded an average weighted return above the annualised Bloomberg Bank Bill Index Benchmark.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 25 October 2019							
On Call & Term Deposits							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB Professional Maximiser	A1+	-	12,949,022	Prof Fund A/c	25/10/2019	25/10/2019	1.15%
NAB General Fund	A1+	-	1,110,938	General A/c	25/10/2019	25/10/2019	
National Bank of Australia	S&P AA-	1,030,000	1,030,000	T/Deposit	19/06/2018	19/11/2019	2.80%
Member Equity Bank	S&P BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	22/11/2019	2.80%
IMB Bank	S&P BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	25/11/2019	2.80%
Westpac Banking Corporation	S&P AA-	2,000,000	2,000,000	T/Deposit	01/12/2017	02/12/2019	2.68%
Member Equity Bank	S&P BBB	4,000,000	4,000,000	T/Deposit	07/12/2018	09/12/2019	2.75%
IMB Bank	S&P BBB	3,000,000	3,000,000	T/Deposit	07/12/2018	09/12/2019	2.70%
IMB Bank	S&P BBB	3,000,000	3,000,000	T/Deposit	22/12/2017	20/12/2019	2.65%
Westpac Banking Corporation	S&P AA-	5,000,000	5,000,000	T/Deposit	22/12/2017	23/12/2019	2.77%
Member Equity Bank	S&P BBB	3,000,000	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
Member Equity Bank	S&P ST A2	5,000,000	5,000,000	T/Deposit	14/03/2019	14/01/2020	2.65%
Bank of Queensland Limited	Moodys STP-2	2,000,000	2,000,000	T/Deposit	24/06/2019	24/01/2020	2.10%
Bank of Queensland Limited	Moodys A3	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
Suncorp Group Limited	S&P ST A1	3,000,000	3,000,000	T/Deposit	13/09/2019	10/02/2020	1.72%
Commonwealth Bank of Australia	S&P ST A1+	3,000,000	3,000,000	T/Deposit	30/08/2019	25/02/2020	1.61%
Bank of Queensland Limited	Moodys STP-2	2,000,000	2,000,000	T/Deposit	04/06/2019	05/03/2020	2.15%
Westpac Banking Corporation	S&P AA-	2,000,000	2,000,000	T/Deposit	06/11/2018	06/03/2020	2.78%
Suncorp Group Limited	S&P ST A1	2,000,000	2,000,000	T/Deposit	28/06/2019	24/03/2020	1.85%
IMB Bank	S&P BBB	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
Bendigo & Adelaide Bank Ltd.	Moodys STP-2	3,000,000	3,000,000	T/Deposit	06/09/2019	03/04/2020	1.62%
Bank of Queensland Limited	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/05/2020	2.71%
Bank of Queensland Limited	Moodys A3	3,000,000	3,000,000	T/Deposit	06/03/2019	03/06/2020	2.70%
Bank of Queensland Limited	Moodys STP-2	1,000,000	1,000,000	T/Deposit	06/09/2019	06/07/2020	1.65%
Bendigo & Adelaide Bank Ltd.	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/07/2020	2.60%
Bank of Queensland Limited	Moodys A3	3,000,000	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
Commonwealth Bank of Australia	S&P ST A1+	5,000,000	5,000,000	T/Deposit	13/09/2019	07/09/2020	1.63%
Member Equity Bank	S&P BBB	2,000,000	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
Bank of Queensland Limited	Moodys A3	3,000,000	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
Bank of Queensland Limited	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
Westpac Banking Corporation	S&P AA-	2,000,000	2,000,000	T/Deposit	06/03/2019	06/03/2024	2.83%
<b>Total</b>			<b>91,089,960</b>				

WOLLONGONG CITY COUNCIL  
STATEMENT OF INVESTMENT  
25 October 2019 continued

**Bond and Floating Rate Note Securities**

DIRECT INVESTMENTS

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
Bendigo & Adelaide Bank Ltd.	Fitch A-	2,000,000	2,011,940	FRN	21/11/2016	21/02/2020	2.08%
Credit Union Australia Limited	S&P BBB	2,000,000	2,011,580	FRN	20/03/2017	20/03/2020	2.22%
Member Equity Bank	S&P BBB	2,000,000	2,007,500	FRN	06/04/2017	06/04/2020	2.09%
National Bank of Australia	S&P AA-	3,000,000	3,016,980	FRN	24/06/2015	03/06/2020	1.76%
Bendigo & Adelaide Bank Ltd.	Fitch A-	2,000,000	2,017,740	FRN	18/08/2015	18/08/2020	2.07%
Suncorp Group Limited	S&P A+	1,500,000	1,512,615	FRN	20/10/2015	20/10/2020	2.14%
National Bank of Australia	S&P AA-	1,000,000	1,012,160	FRN	05/11/2015	05/11/2020	2.07%
Newcastle Permanent Building Society	S&P BBB	500,000	503,905	FRN	26/02/2019	26/02/2021	2.06%
Suncorp Group Limited	S&P A+	2,000,000	2,026,500	FRN	12/04/2016	12/04/2021	2.24%
AMP Limited	S&P BBB+	2,000,000	2,011,740	FRN	24/05/2016	24/05/2021	2.31%
Westpac Banking Corporation	S&P AA-	3,000,000	3,043,620	FRN	03/06/2016	03/06/2021	2.13%
Australia and New Zealand Banking Group	S&P AA-	2,000,000	2,031,800	FRN	16/08/2016	16/08/2021	2.09%
Credit Union Australia Limited	S&P BBB	1,200,000	1,213,896	FRN	06/09/2018	06/09/2021	2.25%
AMP Limited	S&P BBB+	1,500,000	1,500,510	FRN	10/09/2018	10/09/2021	2.09%
Westpac Banking Corporation	S&P AA-	1,500,000	1,507,125	FRN	16/11/2018	25/10/2021	1.61%
Credit Union Australia Limited	Moody's Baa1	1,000,000	1,011,950	FRN	04/03/2019	04/03/2022	2.21%
AMP Limited	S&P BBB+	3,000,000	2,981,040	FRN	30/03/2017	30/03/2022	2.00%
Suncorp Group Limited	S&P A+	1,500,000	1,517,610	FRN	30/08/2017	16/08/2022	1.94%
Australia and New Zealand Banking Group	S&P AA-	1,000,000	1,011,900	FRN	09/05/2018	09/05/2023	1.87%
National Bank of Australia	S&P AA-	3,000,000	3,030,990	FRN	26/09/2018	26/09/2023	1.88%
Westpac Banking Corporation	S&P AA-	1,500,000	1,519,725	FRN	16/11/2018	16/11/2023	1.92%
Australia and New Zealand Banking Group	S&P AA-	2,000,000	2,031,140	FRN	06/12/2018	06/12/2023	2.03%
National Bank of Australia	S&P AA-	2,000,000	2,020,060	FRN	12/06/2019	19/06/2024	1.89%
EMERALD A Mortgage Backed Security *	S&P AAA	575,423	427,280	M/Bac	17/07/2006	21/08/2051	1.43%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,236,180	M/Bac	17/07/2006	21/08/2056	1.73%
<b>Total</b>			<b>44,217,486</b>				

**Managed Funds & Other**

MANAGED FUNDS

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	FYTD (Actual)
TcorpIM Cash Fund Facility	N/A	10,031,593	10,031,593	28/06/2019	0.10%	0.44%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,370,949	13/06/2007	0.38%	2.92%
<b>Total</b>			<b>12,402,542</b>			

Investment Body	Purchase Price \$	Fair Value	Purchase Date	Security
Southern Phone Company- Ordinary share **	1	55,500	22/10/2002	unlisted shares
Southern Phone Company- Preference share **	1	1	22/10/2002	unlisted shares
<b>Total</b>		<b>55,501</b>		

**TOTAL INVESTMENTS** \$ **147,765,489**

\* The maturity date provided is the weighted-average life of the security. This is the average amount of time that will elapse from the date of security's issuance until each dollar is repaid based on an actuarial assessment. Assessments are carried out on a regular basis which can potentially extend the life of the investment. Current assessments anticipate an extension of life of the investment.

\*\* Southern Phone Company ordinary and preference shares are valued annually.

This is to certify that all of the above investments have been placed in accordance with the Act, the regulations and Council's Investment Policies.

Brian Jenkins  
RESPONSIBLE ACCOUNTING OFFICER

