

## ITEM 14 STATEMENT OF INVESTMENT - APRIL 2020

This report provides an overview of Council's investment portfolio performance for the month of April 2020.

Council's average weighted return for April 2020 was 1.80% which was above the benchmark return of 0.72%. This result was primarily due to positive marked to market valuation of the aggregated floating rates notes and the aggregated NSW TCorp Hourglass facilities. 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

Council receive the Statement of Investment for April 2020.

### REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

### ATTACHMENTS

- 1 Statement of Investment - April 2020
- 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 24 April 2020 were \$137,451,476 (Statement of Investment attached) [26 April 2019 \$142,128,366].

Council's average weighted return for April 2020 was 1.80% which was above the benchmark return of 0.72%. This result was primarily due to positive marked to market valuation of the aggregated floating rates notes and the aggregated NSW TCorp Hourglass facilities. 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. The global markets are still experiencing unprecedented turmoil and volatility in the wake of COVID-19 and may still provide uncertainty for the foreseeable future.

At 24 April 2020, year to date interest and investment revenue of \$2,339,902 was recognised compared to the year to date budget of \$2,620,035.

Council's 23 floating rate notes had a net increase in value of \$223,284 for April 2020, following a net decrease of \$412,687 in March. This valuation is a reflection of a point in time valuation and market volatility which has no impact on earnings over the life of an investment unless there is a default on the investment. In general, the financial markets are always forward looking and any new economic news has the potential to unsettle markets.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$3,116 for April 2020. 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 \$37,146 and the Cash Fund recorded a net increase in value of \$35,085 in April 2020. The fluctuation in the Long-Term Growth Facility is a reflection of the current share market volatility both domestically and internationally and is diversified across a number of different asset classes that have differing risk and return characteristics. The TCorp Cash Fund generally provides relatively stable returns with low potential for capital loss while maintaining high levels of liquidity, similar to an at call account, and only invests in Australian cash and fixed interests.

At their April 2020 meeting, the Reserve Bank of Australia (RBA) reaffirmed the position from March to maintain the official cash rate of 0.25% in response to the COVID-19 pandemic. The RBA 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.

In early April, Fitch Ratings downgraded Australia’s four largest banking groups from AA- to A+. As Council currently relies on the ratings from S&P and Moody’s to assess the investment portfolio, this has no impact. However, it should be noted that if the ratings from these two institutions are also downgraded, it would be difficult to operate in compliance with the existing Investment Policy and a review would need to take place from a credit risk perspective.

In response to the COVID-19 pandemic, Council will not be making any new term investments and is having all investment maturities returned to the at call accounts. This is to facilitate cash flow requirements of the organisation.

The current investment portfolio complies with Council’s Investment Policy which was endorsed by Council on 10 December 2018. 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	Monitor and review achievement of Financial Strategy
		Continuous budget management is in place, controlled and reported
		Provide accurate and timely financial reports monthly, quarterly and via the annual statement
		Manage and further develop a compliance program to promote awareness and compliance with Council’s procurement policies and procedures and other related policies

## CONCLUSION

The investments for April 2020 have performed unfavourably compared to the year to date budget, however, the portfolio recorded an average weighted return above the annualised Bloomberg Bank Bill Index Benchmark.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 24 April 2020							
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+	-	2,089,729	Prof Fund A/c	24/04/2020	24/04/2020	0.65%
NAB General Fund	A1+	-	1,029,349	General A/c	24/04/2020	24/04/2020	
Commonwealth Bank of Australia Ltd	S&P ST A1+	5,000,000	5,000,000	T/D deposit	6/03/2020	5/05/2020	1.12%
Bank of Queensland Ltd	Moody's A3	2,000,000	2,000,000	T/D deposit	14/03/2019	14/05/2020	2.71%
Suncorp Bank	S&P ST A1	2,000,000	2,000,000	T/D deposit	28/11/2019	28/05/2020	1.56%
Bank of Queensland Ltd	Moody's A3	3,000,000	3,000,000	T/D deposit	6/03/2019	3/06/2020	2.70%
Suncorp Bank	S&P ST A1	3,000,000	3,000,000	T/D deposit	10/02/2020	12/06/2020	1.50%
Bank of Queensland Ltd	Moody's ST P-2	1,000,000	1,000,000	T/D deposit	6/09/2019	6/07/2020	1.65%
IMB Ltd	Moody's ST P-2	1,000,000	1,000,000	T/D deposit	6/03/2020	6/07/2020	1.20%
Bendigo & Adelaide Bank Ltd	Moody's A3	2,000,000	2,000,000	T/D deposit	14/03/2019	14/07/2020	2.60%
Bank of Queensland Ltd	Moody's A3	3,000,000	3,000,000	T/D deposit	24/08/2018	24/08/2020	3.00%
Bank of Queensland Ltd	Moody's ST P-2	2,000,000	2,000,000	T/D deposit	28/02/2020	28/08/2020	1.60%
Members Equity Bank Ltd	S&P ST A2	4,000,000	4,000,000	T/D deposit	28/02/2020	28/08/2020	1.60%
Commonwealth Bank of Australia Ltd	S&P ST A1+	5,000,000	5,000,000	T/D deposit	13/09/2019	7/09/2020	1.63%
Members Equity Bank Ltd	S&P BBB	2,000,000	2,000,000	T/D deposit	14/09/2018	14/09/2020	2.82%
IMB Ltd	S&P ST A2	2,000,000	2,000,000	T/D deposit	25/11/2019	23/10/2020	1.50%
IMB Ltd	S&P ST A2	1,000,000	1,000,000	T/D deposit	28/11/2019	29/10/2020	1.50%
National Australia Bank Ltd	S&P ST A1+	1,030,000	1,030,000	T/D deposit	19/11/2019	18/11/2020	1.46%
IMB Ltd	S&P ST A2	2,000,000	2,000,000	T/D deposit	28/11/2019	26/11/2020	1.50%
Bank of Queensland Ltd	Moody's A3	3,000,000	3,000,000	T/D deposit	14/03/2019	14/12/2020	2.73%
IMB Ltd	S&P ST A2	3,000,000	3,000,000	T/D deposit	20/12/2019	18/12/2020	1.50%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/D deposit	23/12/2019	23/12/2020	1.48%
Members Equity Bank Ltd	S&P ST A2	3,000,000	3,000,000	T/D deposit	6/03/2020	31/12/2020	1.25%
Bank of Queensland Ltd	Moody's A3	3,000,000	3,000,000	T/D deposit	21/02/2019	19/02/2021	2.80%
Bendigo & Adelaide Bank Ltd	Moody's A3	2,000,000	2,000,000	T/D deposit	28/11/2019	24/02/2021	1.55%
Bank of Queensland Ltd	Moody's ST P-2	2,000,000	2,000,000	T/D deposit	6/03/2020	1/03/2021	1.40%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/D deposit	6/03/2020	8/03/2021	1.40%
Bendigo & Adelaide Bank Ltd	Moody's A3	2,000,000	2,000,000	T/D deposit	28/11/2019	25/06/2021	1.55%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/D deposit	2/12/2019	2/12/2021	1.38%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/D deposit	6/03/2019	6/03/2024	2.83%
<b>Total</b>			<b>73,149,078</b>				

**WOLLONGONG CITY COUNCIL  
STATEMENT OF INVESTMENT  
24 April 2020** 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
National Australia Bank Ltd	S&P AA-	3,000,000	3,009,060	FRN	24/06/2015	3/06/2020	1.39%
Bendigo & Adelaide Bank Ltd	Fitch A-	2,000,000	2,011,080	FRN	18/08/2015	18/08/2020	2.00%
Suncorp Bank	S&P A+	1,500,000	1,505,870	FRN	20/10/2015	20/10/2020	1.38%
National Australia Bank Ltd	S&P AA-	1,000,000	1,008,090	FRN	5/11/2015	5/11/2020	1.97%
Newcastle Permanent Building Society Ltd	S&P BBB	500,000	502,790	FRN	26/02/2019	26/02/2021	1.95%
Suncorp Bank	S&P A+	2,000,000	2,015,200	FRN	12/04/2016	12/04/2021	1.38%
AMP Bank Ltd	S&P BBB+	2,000,000	2,010,760	FRN	24/05/2016	24/05/2021	2.22%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,031,980	FRN	3/06/2016	3/06/2021	1.76%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,025,000	FRN	16/08/2016	16/08/2021	2.04%
Credit Union Australia Ltd	S&P BBB	1,200,000	1,208,964	FRN	6/09/2018	6/09/2021	1.80%
AMP Bank Ltd	S&P BBB+	1,500,000	1,500,240	FRN	10/09/2018	10/09/2021	1.65%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,510,350	FRN	16/11/2018	25/10/2021	1.61%
Credit Union Australia Ltd	Moody's Baa1	1,000,000	1,005,900	FRN	4/03/2019	4/03/2022	1.78%
AMP Bank Ltd	S&P BBB+	3,000,000	2,973,180	FRN	30/03/2017	30/03/2022	1.44%
Suncorp Bank	S&P A+	1,500,000	1,507,650	FRN	30/08/2017	16/08/2022	1.88%
Bendigo & Adelaide Bank Ltd	Fitch A-	3,000,000	2,996,310	FRN	12/12/2019	12/09/2022	1.42%
Bank Australia Limited	S&P BBB	4,000,000	3,974,760	FRN	2/12/2019	2/12/2022	1.47%
ANZ Banking Group Ltd	S&P AA-	1,000,000	1,009,720	FRN	9/05/2018	9/05/2023	1.81%
National Australia Bank Ltd	S&P AA-	3,000,000	3,024,120	FRN	26/09/2018	26/09/2023	1.38%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,515,825	FRN	16/11/2018	16/11/2023	1.86%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,024,520	FRN	6/12/2018	6/12/2023	1.58%
National Australia Bank Ltd	S&P AA-	2,000,000	2,012,000	FRN	19/06/2019	19/06/2024	1.57%
Macquarie Bank	Moody's A2	2,000,000	1,987,400	FRN	12/02/2020	12/02/2025	1.76%
Emerald Reverse Mortgage Trust	S&P AAA	553,935	411,208	M/Bac	17/07/2006	21/08/2051	1.35%
Emerald Reverse Mortgage Trust	Fitch AA	2,000,000	1,235,720	M/Bac	17/07/2006	21/08/2056	1.65%
<b>Total</b>			<b>47,017,497</b>				

**Managed Funds**

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	FYTD (Actual)
TcorpIM Cash Fund Facility	N/A	15,083,209	15,083,209	28/06/2019	0.23%	0.92%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,201,692	13/06/2007	1.72%	-4.32%
<b>Total</b>			<b>17,284,900</b>			

**TOTAL INVESTMENTS** **\$ 137,451,476**

\* 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.

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

