

## ITEM 8 STATEMENT OF INVESTMENT - NOVEMBER AND DECEMBER 2018

This report provides an overview of Council's investment portfolio performance for the months of November and December 2018.

Council's average weighted return for November 2018 was 1.73% which was below the benchmark return of 1.90%. The average weighted return for December 2018 was 1.63% which was below the benchmark return of 1.77%. The result was primarily due to the negative marked to market valuation of the aggregated Emerald Mortgaged Backed Securities (MBS), TCorp Long Term Growth Fund and the Floating Rates Notes (FRN) 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

Council receive the Statement of Investment for November and December 2018.

### REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Todd Hopwood, Director Corporate Services - Connected and Engaged City (Acting)

### ATTACHMENTS

- 1 Statement of Investment - November and December 2018
- 2 Investment Income Compared to Budget 2018-2019

### 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 30 November 2018 were \$168,026,617 (Statement of Investment attached) [24 November 2017 \$155,429,161] and as at 28 December 2018 were \$152,318,695 (Statement of Investment attached) [29 December 2017 \$170,866,516].

Council's average weighted return for November 2018 was 1.73% which was below the benchmark return of 1.90%. The average weighted return for December 2018 was 1.63% which was below the benchmark return of 1.77%. The result was primarily due to the negative marked to market valuation of the aggregated Emerald Mortgaged Backed Securities (MBS), TCorp Long Term Growth Fund and the Floating Rates Notes (FRN) 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 28 December 2018, year to date interest and investment revenue of \$1,907,255 was recognised compared to the year to date budget of \$2,101,118.

Council's 24 FRN had a net decrease in value of \$67,069 for November 2018 and a net decrease in value of \$74,092 for December 2018. During November a \$1M Bendigo FRN matured, and two new

FRN's were purchased with Westpac: three year FRN \$1.5M and five year FRN \$1.5M. In December, an additional five year \$2M FRN was purchased with ANZ.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$12,503 for November 2018 and a net increase in value of \$5,216 for December 2018. 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 decrease in value of \$21,843 in November and a further decrease in value of \$24,498 in December. The Cash Fund recorded an increase in value of \$33,526 in November and a further increase of \$26,488 in December. 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 December 2018 RBA meeting, the official cash rate remained unchanged at 1.50%. The RBA has advised that it would 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.

This report complies with Council's Investment Policy which was endorsed by Council on 10 December 2018. Council's Responsible Accounting Officer has signed 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.

## 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 2018-19
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 November and December 2018 have performed unfavourably compared to the year to date budget due to negative marked to market valuations across the aggregated Emerald Mortgaged Backed Securities (MBS), TCorp Long Term Growth Fund and Floating Rates Notes (FRN) in Council's portfolio and, as a result, the portfolio recorded an average weighted return below the annualised Bloomberg Bank Bill Index Benchmark.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 30 November 2018							
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+	-	23,293,086	Prof Fund A/c	30/11/2018	30/11/2018	1.90%
NAB General Fund	A1+	-	4,936,579	General A/c	30/11/2018	30/11/2018	
IMB	A2	2,000,000	2,000,000	T/Deposit	01/12/2017	03/12/2018	2.55%
BOQ	Fitch A-	1,500,000	1,500,000	T/Deposit	08/12/2016	07/12/2018	2.95%
SUN	A+	3,000,000	3,000,000	T/Deposit	08/12/2016	07/12/2018	2.76%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	07/01/2019	2.62%
SUN	A1	2,000,000	2,000,000	T/Deposit	04/06/2018	30/01/2019	2.75%
WBC	AA-	3,000,000	3,000,000	T/Deposit	31/01/2017	31/01/2019	2.90%
ME	A2	2,000,000	2,000,000	T/Deposit	04/09/2018	01/02/2019	2.70%
BOQ	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	24/08/2018	21/02/2019	2.75%
CBA	A1+	5,000,000	5,000,000	T/Deposit	05/03/2018	05/03/2019	2.61%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/03/2019	2.64%
BEN	Fitch A-	1,000,000	1,000,000	T/Deposit	13/03/2017	13/03/2019	2.90%
BOQ	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	04/09/2018	04/04/2019	2.75%
IMB	A2	3,000,000	3,000,000	T/Deposit	08/03/2018	08/04/2019	2.62%
CBA	A1+	3,000,000	3,000,000	T/Deposit	06/06/2018	06/05/2019	2.74%
Bwest	A1+	2,000,000	2,000,000	T/Deposit	06/11/2018	04/06/2019	2.65%
BOQ	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	22/12/2017	24/06/2019	2.65%
BEN	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	08/01/2018	08/07/2019	2.65%
BOQ	Moodys ST P-2	1,000,000	1,000,000	T/Deposit	04/09/2018	11/07/2019	2.75%
BOQ	A2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
IMB	BBB	1,000,000	1,000,000	T/Deposit	04/09/2018	04/10/2019	2.75%
NAB	AA-	1,030,000	1,030,000	T/Deposit	19/06/2018	19/11/2019	2.80%
ME	BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	22/11/2019	2.80%
IMB	BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	25/11/2019	2.80%
WBC	A1+	2,000,000	2,000,000	T/Deposit	01/12/2017	02/12/2019	2.68%
IMB	A2	3,000,000	3,000,000	T/Deposit	22/12/2017	20/12/2019	2.65%
WBC	A1+	5,000,000	5,000,000	T/Deposit	22/12/2017	23/12/2019	2.77%
ME	A2	3,000,000	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
BOQ	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
WBC	AA-	2,000,000	2,000,000	T/Deposit	06/11/2018	29/02/2020	2.78%
IMB	A2	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
ME	BBB	2,000,000	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
<b>Total</b>			<b>101,759,665</b>				

WOLLONGONG CITY COUNCIL  
STATEMENT OF INVESTMENT

30 November 2018 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
CUA	BBB	3,000,000	3,025,140	FRN	01/04/2016	01/04/2019	3.54%
Westpac	AA-	3,000,000	3,012,660	FRN	11/03/2016	10/05/2019	2.94%
Greater Bank Ltd	BBB	2,000,000	2,022,060	FRN	07/06/2016	07/06/2019	3.53%
Bendigo Bank	Fitch A-	1,000,000	1,007,640	FRN	16/09/2015	17/09/2019	2.85%
Bendigo Bank	Fitch A-	2,000,000	2,009,400	FRN	21/11/2016	21/02/2020	3.04%
CUA	BBB	2,000,000	2,020,020	FRN	20/03/2017	20/03/2020	3.22%
ME Bank	BBB	2,000,000	2,014,040	FRN	06/04/2017	06/04/2020	3.18%
NAB	AA-	3,000,000	3,030,600	FRN	24/06/2015	03/06/2020	2.75%
Bendigo Bank	Fitch A-	2,000,000	2,010,840	FRN	18/08/2015	18/08/2020	3.04%
SUN Corp	A+	1,500,000	1,520,835	FRN	20/10/2015	20/10/2020	3.18%
NAB	AA-	1,000,000	1,009,740	FRN	05/11/2015	05/11/2020	3.01%
SUN	A+	2,000,000	2,036,420	FRN	12/04/2016	12/04/2021	3.32%
AMP	A	2,000,000	2,014,040	FRN	24/05/2016	24/05/2021	3.29%
Westpac	AA-	3,000,000	3,052,320	FRN	03/06/2016	03/06/2021	3.12%
ANZ	AA-	2,000,000	2,020,580	FRN	16/08/2016	16/08/2021	3.07%
CUA	BBB	1,200,000	1,209,936	FRN	06/09/2018	06/09/2021	3.20%
AMP	A	1,500,000	1,507,710	FRN	10/09/2018	10/09/2021	3.01%
Westpac	AA-	1,500,000	1,499,235	FRN	16/11/2018	25/10/2021	2.67%
AMP	A	3,000,000	2,999,580	FRN	30/03/2017	30/03/2022	2.99%
SUN	A+	1,500,000	1,503,750	FRN	30/08/2017	16/08/2022	2.91%
EMERALD A Mortgage Backed Security *	AAA	592,763	435,505	M/Bac	17/07/2006	21/08/2022	2.39%
ANZ	AA-	1,000,000	999,150	FRN	09/05/2018	09/05/2023	2.84%
NAB	AA-	3,000,000	3,004,860	FRN	26/09/2018	26/09/2023	2.87%
Westpac	AA-	1,500,000	1,496,175	FRN	16/11/2018	16/11/2023	2.89%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,231,320	M/Bac	17/07/2006	21/08/2056	2.69%
<b>Total</b>			<b>47,693,556</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	16,000,000	16,500,938	1/06/2017	0.15%	0.94%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,072,456	13/06/2007	-1.04%	-2.00%
<b>Total</b>			<b>18,573,395</b>			

Investment Body	Face Value	Security
Southern Phone Company	2	shares

**TOTAL INVESTMENTS** \$ 168,026,617

\* 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

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 28 December 2018							
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+	-	5,466,086	Prof Fund A/c	28/12/2018	28/12/2018	1.90%
NAB General Fund	A1+	-	122,544	General A/c	28/12/2018	28/12/2018	
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	07/01/2019	2.62%
SUN	A1	2,000,000	2,000,000	T/Deposit	04/06/2018	30/01/2019	2.75%
WBC	AA-	3,000,000	3,000,000	T/Deposit	31/01/2017	31/01/2019	2.90%
ME	A2	2,000,000	2,000,000	T/Deposit	04/09/2018	01/02/2019	2.70%
BOQ	Moodys STP-2	3,000,000	3,000,000	T/Deposit	24/08/2018	21/02/2019	2.75%
CBA	A1+	5,000,000	5,000,000	T/Deposit	05/03/2018	05/03/2019	2.61%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/03/2019	2.64%
BEN	Fitch A-	1,000,000	1,000,000	T/Deposit	13/03/2017	13/03/2019	2.90%
BOQ	Moodys STP-2	2,000,000	2,000,000	T/Deposit	04/09/2018	04/04/2019	2.75%
IMB	A2	3,000,000	3,000,000	T/Deposit	08/03/2018	08/04/2019	2.62%
CBA	A1+	3,000,000	3,000,000	T/Deposit	06/06/2018	06/05/2019	2.74%
Bwest	A1+	2,000,000	2,000,000	T/Deposit	06/11/2018	04/06/2019	2.65%
BOQ	Moodys STP-2	1,500,000	1,500,000	T/Deposit	07/12/2018	06/06/2019	2.80%
BOQ	Moodys STP-2	2,000,000	2,000,000	T/Deposit	22/12/2017	24/06/2019	2.65%
BEN	Moodys STP-2	3,000,000	3,000,000	T/Deposit	08/01/2018	08/07/2019	2.65%
SUN	A1	3,000,000	3,000,000	T/Deposit	07/12/2018	08/07/2019	2.81%
BOQ	Moodys STP-2	1,000,000	1,000,000	T/Deposit	04/09/2018	11/07/2019	2.75%
BOQ	Moodys STP-2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
BEN	Moodys STP-2	3,000,000	3,000,000	T/Deposit	07/12/2018	06/09/2019	2.75%
IMB	BBB	1,000,000	1,000,000	T/Deposit	04/09/2018	04/10/2019	2.75%
NAB	AA-	1,030,000	1,030,000	T/Deposit	19/06/2018	19/11/2019	2.80%
ME	BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	22/11/2019	2.80%
IMB	BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	25/11/2019	2.80%
WBC	AA-	2,000,000	2,000,000	T/Deposit	01/12/2017	02/12/2019	2.68%
ME	BBB	4,000,000	4,000,000	T/Deposit	07/12/2018	09/12/2019	2.75%
IMB	BBB	3,000,000	3,000,000	T/Deposit	07/12/2018	09/12/2019	2.70%
IMB	BBB	3,000,000	3,000,000	T/Deposit	22/12/2017	20/12/2019	2.65%
WBC	AA-	5,000,000	5,000,000	T/Deposit	22/12/2017	23/12/2019	2.77%
ME	BBB	3,000,000	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
BOQ	Moodys A3	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
WBC	AA-	2,000,000	2,000,000	T/Deposit	06/11/2018	29/02/2020	2.78%
IMB	BBB	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
ME	BBB	2,000,000	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
<b>Total</b>			<b>87,118,630</b>				

**WOLLONGONG CITY COUNCIL**  
**STATEMENT OF INVESTMENT**  
28 December 2018 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
CUA	BBB	3,000,000	3,031,470	FRN	01/04/2016	01/04/2019	3.54%
Westpac	AA-	3,000,000	3,017,100	FRN	11/03/2016	10/05/2019	2.94%
Greater Bank Ltd	BBB	2,000,000	2,008,280	FRN	07/06/2016	07/06/2019	3.59%
Bendigo Bank	Fitch A-	1,000,000	1,002,230	FRN	16/09/2015	17/09/2019	2.95%
Bendigo Bank	Fitch A-	2,000,000	2,012,980	FRN	21/11/2016	21/02/2020	3.04%
CUA	BBB	2,008,300	2,008,300	FRN	20/03/2017	20/03/2020	3.36%
ME Bank	BBB	2,000,000	2,017,620	FRN	06/04/2017	06/04/2020	3.18%
NAB	AA-	3,000,000	3,012,960	FRN	24/06/2015	03/06/2020	2.76%
Bendigo Bank	Fitch A-	2,000,000	2,013,480	FRN	18/08/2015	18/08/2020	3.04%
SUN Corp	A+	1,500,000	1,522,725	FRN	20/10/2015	20/10/2020	3.18%
NAB	AA-	1,000,000	1,010,910	FRN	05/11/2015	05/11/2020	3.01%
SUN	A+	2,000,000	2,039,260	FRN	12/04/2016	12/04/2021	3.32%
AMP	A	2,000,000	2,016,460	FRN	24/05/2016	24/05/2021	3.29%
Westpac	AA-	3,000,000	3,031,050	FRN	03/06/2016	03/06/2021	3.12%
ANZ	AA-	2,000,000	2,021,920	FRN	16/08/2016	16/08/2021	3.07%
CUA	BBB	1,200,000	1,202,724	FRN	06/09/2018	06/09/2021	3.23%
AMP	A	1,500,000	1,498,485	FRN	10/09/2018	10/09/2021	3.07%
Westpac	AA-	1,500,000	1,499,580	FRN	16/11/2018	25/10/2021	2.67%
AMP	A	3,000,000	3,003,030	FRN	30/03/2017	30/03/2022	2.99%
SUN	A+	1,500,000	1,503,720	FRN	30/08/2017	16/08/2022	2.91%
EMERALD A Mortgage Backed Security *	AAA	592,763	436,581	M/Bac	17/07/2006	21/08/2022	2.39%
ANZ	AA-	1,000,000	999,180	FRN	09/05/2018	09/05/2023	2.84%
NAB	AA-	3,000,000	2,983,170	FRN	26/09/2018	26/09/2023	3.02%
Westpac	AA-	1,500,000	1,497,285	FRN	16/11/2018	16/11/2023	2.89%
ANZ	AA-	2,000,000	1,998,720	FRN	06/12/2018	06/12/2023	3.01%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,235,460	M/Bac	17/07/2006	21/08/2056	2.69%
<b>Total</b>			<b>49,624,680</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	13,000,000	13,527,426	1/06/2017	0.15%	1.10%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,047,958	13/06/2007	-1.18%	-3.15%
<b>Total</b>			<b>15,575,383</b>			

Investment Body	Face Value	Security
Southern Phone Company	2	shares

**TOTAL INVESTMENTS**  
**\$ 152,318,695**

\* 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

