

ITEM 7 STATEMENT OF INVESTMENT - NOVEMBER AND DECEMBER 2019

This report provides an overview of Council's investment portfolio performance for the months of November and December 2019.

Council's average weighted return for November 2019 was 2.69% which was above the benchmark return of 0.96%. The average weighted return for December 2019 was 2.07% which was above the benchmark return of 0.81%. These results were primarily due to the positive marked to market valuation of the 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

Council receive the Statement of Investment for November and December 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 - November and December 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 29 November 2019 were \$163,268,151 [30 November 2019 \$168,026,617] and as at 27 December 2019 were \$156,763,145 [28 December 2018 \$152,318,695]. Please refer to attachment 1 for Statement of Investments.

Council's average weighted return for November 2019 was 2.69% which was above the benchmark return of 0.96%. The average weighted return for December 2019 was 2.07% which was above the benchmark return of 0.81%. These results were primarily due to the positive marked to market valuation of the 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 27 December 2019, year to date interest and investment revenue of \$1,852,431 was recognised compared to the year to date budget of \$1,493,808. This result has been positively impacted by the final dividend received from the Southern Phone shares during December 2019.

Council's 25 floating rate notes (FRNs) had a net increase in value of \$487 for November 2019 and a net decrease in value of \$32,734 for December 2019. During December, an additional two FRNs were

purchased: a three year \$4M FRN with Bank Australia Limited and a three year \$3M FRN with Bendigo Bank.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$3,285 for November 2019 and a net increase in value of \$3,099 for December 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 was 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 \$52,533 in November and a decrease in value of \$6,957 in December. The Cash Fund recorded a net increase in value of \$10,106 in November and a further increase of \$8,025 in December. The fluctuation in the Long-Term Growth Facility reflects 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.

During December 2019, Council’s shareholding of one ordinary and one preference share in Southern Phone Company Limited was sold for \$785,714. A final dividend of \$138,654 was also received as a result of the sale.

At the December 2019 RBA meeting, the official cash rate remained at a record low of 0.75%. 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.

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 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	4.3.2.1.1 Monitor and review achievement of Financial Strategy
		4.3.2.1.2 Continuous budget management is in place, controlled and reported
		4.3.2.1.3 Provide accurate and timely financial reports monthly, quarterly and via the annual statement
		4.3.2.1.4 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 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 29 November 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+	-	18,136,191	Prof Fund A/c	29/11/2019	29/11/2019	1.15%
NAB General Fund	A1+	-	4,379,972	General A/c	29/11/2019	29/11/2019	
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	01/12/2017	02/12/2019	2.68%
Members Equity Bank Ltd	S&P BBB	4,000,000	4,000,000	T/Deposit	07/12/2018	09/12/2019	2.75%
IMB Ltd	S&P BBB	3,000,000	3,000,000	T/Deposit	07/12/2018	09/12/2019	2.70%
IMB Ltd	S&P BBB	3,000,000	3,000,000	T/Deposit	22/12/2017	20/12/2019	2.65%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	22/12/2017	23/12/2019	2.77%
Members Equity Bank Ltd	S&P BBB	3,000,000	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
Members Equity Bank Ltd	S&P ST A2	5,000,000	5,000,000	T/Deposit	14/03/2019	14/01/2020	2.65%
Bank of Queensland Ltd	Moodys STP-2	2,000,000	2,000,000	T/Deposit	24/06/2019	24/01/2020	2.10%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
Suncorp Bank	S&P ST A1	3,000,000	3,000,000	T/Deposit	13/09/2019	10/02/2020	1.72%
Commonwealth Bank of Australia Ltd	S&P ST A1+	3,000,000	3,000,000	T/Deposit	30/08/2019	25/02/2020	1.61%
Bank of Queensland Ltd	Moodys STP-2	2,000,000	2,000,000	T/Deposit	04/06/2019	05/03/2020	2.15%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	06/11/2018	06/03/2020	2.78%
Suncorp Bank	S&P ST A1	2,000,000	2,000,000	T/Deposit	28/06/2019	24/03/2020	1.85%
IMB Ltd	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 Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/05/2020	2.71%
Suncorp Bank	S&P ST A1	2,000,000	2,000,000	T/Deposit	28/11/2019	28/05/2020	1.56%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	06/03/2019	03/06/2020	2.70%
Bank of Queensland Ltd	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 Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
Commonwealth Bank of Australia Ltd	S&P ST A1+	5,000,000	5,000,000	T/Deposit	13/09/2019	07/09/2020	1.63%
Members Equity Bank Ltd	S&P BBB	2,000,000	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
IMB Ltd	S&P ST A2	2,000,000	2,000,000	T/Deposit	25/11/2019	23/10/2020	1.50%
IMB Ltd	S&P ST A2	1,000,000	1,000,000	T/Deposit	28/11/2019	29/10/2020	1.50%
National Australia Bank Ltd	S&P ST A1+	1,030,000	1,030,000	T/Deposit	19/11/2019	18/11/2020	1.46%
IMB Ltd	S&P ST A2	2,000,000	2,000,000	T/Deposit	28/11/2019	26/11/2020	1.50%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	28/11/2019	24/02/2021	1.55%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	28/11/2019	25/06/2021	1.55%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	06/03/2019	06/03/2024	2.83%
Total			106,546,163				

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 27 December 2019							
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DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB Professional Maximiser	A1+	-	9,763,191	Prof Fund A/c	27/12/2019	27/12/2019	1.15%
NAB General Fund	A1+	-	3,332,034	General A/c	27/12/2019	27/12/2019	
Members Equity Bank Ltd	S&P BBB	3,000,000.00	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
Members Equity Bank Ltd	S&P STA2	5,000,000.00	5,000,000	T/Deposit	14/03/2019	14/01/2020	2.65%
Bank of Queensland Ltd	Moodys ST P-2	2,000,000.00	2,000,000	T/Deposit	24/06/2019	24/01/2020	2.10%
Bank of Queensland Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
Suncorp Bank	S&P STA1	3,000,000.00	3,000,000	T/Deposit	13/09/2019	10/02/2020	1.72%
Commonwealth Bank of Australia Ltd	S&P STA1+	3,000,000.00	3,000,000	T/Deposit	30/08/2019	25/02/2020	1.61%
Bank of Queensland Ltd	Moodys ST P-2	2,000,000.00	2,000,000	T/Deposit	04/06/2019	05/03/2020	2.15%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000.00	2,000,000	T/Deposit	06/11/2018	06/03/2020	2.78%
Suncorp Bank	S&P STA1	2,000,000.00	2,000,000	T/Deposit	28/06/2019	24/03/2020	1.85%
IMB Ltd	S&P BBB	2,000,000.00	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
Bendigo & Adelaide Bank Ltd	Moodys ST P-2	3,000,000.00	3,000,000	T/Deposit	06/09/2019	03/04/2020	1.62%
IMB Ltd	S&P STA2	3,000,000.00	3,000,000	T/Deposit	09/12/2019	09/04/2020	1.55%
Bank of Queensland Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	14/03/2019	14/05/2020	2.71%
Suncorp Bank	S&P STA1	2,000,000.00	2,000,000	T/Deposit	28/11/2019	28/05/2020	1.56%
Bank of Queensland Ltd	Moodys A3	3,000,000.00	3,000,000	T/Deposit	06/03/2019	03/06/2020	2.70%
Bank of Queensland Ltd	Moodys ST P-2	1,000,000.00	1,000,000	T/Deposit	06/09/2019	06/07/2020	1.65%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	14/03/2019	14/07/2020	2.60%
Bank of Queensland Ltd	Moodys A3	3,000,000.00	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
Commonwealth Bank of Australia Ltd	S&P STA1+	5,000,000.00	5,000,000	T/Deposit	13/09/2019	07/09/2020	1.63%
Members Equity Bank Ltd	S&P BBB	2,000,000.00	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
IMB Ltd	S&P STA2	2,000,000.00	2,000,000	T/Deposit	25/11/2019	23/10/2020	1.50%
IMB Ltd	S&P STA2	1,000,000.00	1,000,000	T/Deposit	28/11/2019	29/10/2020	1.50%
National Australia Bank Ltd	S&P STA1+	1,030,000.00	1,030,000	T/Deposit	19/11/2019	18/11/2020	1.46%
IMB Ltd	S&P STA2	2,000,000.00	2,000,000	T/Deposit	28/11/2019	26/11/2020	1.50%
Bank of Queensland Ltd	Moodys A3	3,000,000.00	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
IMB Ltd	S&P STA2	3,000,000.00	3,000,000	T/Deposit	20/12/2019	18/12/2020	1.50%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000.00	5,000,000	T/Deposit	23/12/2019	23/12/2020	1.48%
Bank of Queensland Ltd	Moodys A3	3,000,000.00	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	28/11/2019	24/02/2021	1.55%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	28/11/2019	25/06/2021	1.55%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000.00	2,000,000	T/Deposit	02/12/2019	02/12/2021	1.63%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000.00	2,000,000	T/Deposit	06/03/2019	06/03/2024	2.83%
Total			93,125,225				

