

ITEM 13 STATEMENT OF INVESTMENT - JULY 2018

This report provides an overview of Council's investment portfolio performance for the month of July 2018.

Council's average weighted return for July 2018 was 2.78% which was above the benchmark return of 2.19%. The result was primarily due to the positive marked to market valuation of the aggregated Floating Rate Notes and NSW TCorp Hour Glass 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 July 2018.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Statement of Investment - July 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 19 October 2015. 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 Governance Committee's role of overseer provides for the review of the Council's Investment Policy and 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 27 July 2018 were \$139,826,027 (Statement of Investment attached) [28 July 2017 \$143,060,962].

Council's average weighted return for July 2018 was 2.78% which was above the benchmark return of 2.19%. The result was primarily due to the positive marked to market valuation of the aggregated Floating Rate Notes and NSW TCorp Hour Glass 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 July 2018, year to date interest and investment revenue of \$363,076 was recognised compared to the year to date budget of \$290,896.

Council's 20 floating rate notes had a net increase in value of \$24,365 for July 2018.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$5,212 for July 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 an increase in value of \$29,809 and the Cash Fund recorded an increase in value of \$38,560 in July. 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 August 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 19 October 2015. 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 Strategy	Delivery Program 2018-2021 3 Year Action	Operational Plan 2018-19 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 July 2018 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 27 July 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+	-	3,284,262	Prof Fund A/c	27/07/2018	27/07/2018	1.90%
NAB General Fund	A1+	-	1,447,010	General A/c	27/07/2018	27/07/2018	
Bwest	A1+	5,000,000	5,000,000	T/Deposit	05/03/2018	02/08/2018	2.45%
BOQ	Moodys STP-2	3,000,000	3,000,000	T/Deposit	07/02/2018	07/08/2018	2.55%
BOQ	Moodys STP-2	3,000,000	3,000,000	T/Deposit	05/03/2018	07/08/2018	2.50%
BOQ	Fitch A-	2,000,000	2,000,000	T/Deposit	09/09/2016	10/09/2018	2.65%
IMB	BBB	2,000,000	2,000,000	T/Deposit	12/09/2016	12/09/2018	2.60%
ME	BBB	2,000,000	2,000,000	T/Deposit	14/09/2016	14/09/2018	2.65%
BEN	Fitch A-	2,000,000	2,000,000	T/Deposit	29/09/2016	28/09/2018	2.90%
CBA	A1+	3,000,000	3,000,000	T/Deposit	07/02/2018	05/10/2018	2.53%
ME	A2	3,000,000	3,000,000	T/Deposit	16/10/2017	16/10/2018	2.62%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/11/2018	2.60%
WBC	AA-	3,000,000	3,000,000	T/Deposit	23/02/2017	23/11/2018	2.80%
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%
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%
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%
BOQ	A1+	2,000,000	2,000,000	T/Deposit	22/12/2017	24/06/2019	2.65%
BEN	A2	3,000,000	3,000,000	T/Deposit	08/01/2018	08/07/2019	2.65%
BOQ	Moodys STP-2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
NAB	AA-	1,030,000	1,030,000	T/Deposit	19/06/2018	19/11/2019	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 STP-2	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
IMB	A2	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
Total			86,261,272				

