

ITEM 13 STATEMENT OF INVESTMENT - APRIL AND MAY 2019

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

Council's average weighted return for April 2019 was 2.85% which was above the benchmark return of 1.91%. The average weighted return for May 2019 was 2.35% which was above the benchmark return of 1.75%. These results were primarily due to the positive marked to market valuation of the aggregated Floating Rates Notes (FRN), the positive returns from the term deposits, 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

Council receive the Statement of Investment for April and May 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 - April and May 2019
- 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 26 April 2019 were \$142,128,366 (Statement of Investment attached) [27 April 2018 \$150,115,029] and as at 31 May 2019 were \$154,847,056 (Statement of Investment attached) [25 May 2018 \$146,809,263].

Council's average weighted return for April 2019 was 2.85% which was above the benchmark return of 1.91%. The average weighted return for May 2019 was 2.35% which was above the benchmark return of 1.75%. The result was primarily due to the positive marked to market valuation of the aggregated Floating Rates Notes (FRN), the positive returns from the term deposits, 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 31 May 2019, year to date interest and investment revenue of \$4,054,600 was recognised compared to the year to date budget of \$3,942,100.

Council's floating rate notes had a net increase in value of \$72,155 for April 2019 and a net decrease in value of \$14,353 for May 2019.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$5,140 for April 2019 and a net decrease in value of \$7,571 for May 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 an increase in value of \$51,113 in April and a decrease of \$27,465 in May. The fluctuation in the Long-Term Growth Facility is a reflection of the current share market volatility both domestically and internationally. The Cash Fund recorded an increase in value of \$401 in April 2019 before being withdrawn to meet operational cash requirements.

At the May 2019 RBA meeting, the official cash rate remained unchanged at 1.50%, however during the June meeting the cash rate was cut by 25 basis points, down to a record low 1.25%. 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 April and May 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 26 April 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+	-	6,190,526	Prof Fund A/c	26/04/2019	26/04/2019	1.90%
NAB General Fund	A1+	-	817,759	General A/c	26/04/2019	26/04/2019	
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	1,500,000	1,500,000	T/Deposit	07/12/2018	06/06/2019	2.80%
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%
SUN	A1	3,000,000	3,000,000	T/Deposit	07/12/2018	08/07/2019	2.81%
BOQ	Moodys ST P-2	1,000,000	1,000,000	T/Deposit	04/09/2018	11/07/2019	2.75%
IMB	A2	3,000,000	3,000,000	T/Deposit	14/03/2019	09/08/2019	2.65%
BOQ	A2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
BEN	Moodys ST P-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%
SUN	A1	5,000,000	5,000,000	T/Deposit	14/03/2019	17/10/2019	2.60%
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%
ME	A2	5,000,000	5,000,000	T/Deposit	14/03/2019	14/01/2020	2.65%
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	06/03/2020	2.78%
IMB	BBB	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
BOQ	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/05/2020	2.71%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	06/03/2019	03/06/2020	2.70%
BEN	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/07/2020	2.60%
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%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
WBC	AA-	2,000,000	2,000,000	T/Deposit	06/03/2019	06/03/2024	2.83%
Total			91,538,285				

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 31 May 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+	-	21,558,541	ProfFund A/c	31/05/2019	31/05/2019	1.90%
NAB General Fund	A1+	-	4,227,813	General A/c	31/05/2019	31/05/2019	
Bwest	A1+	2,000,000	2,000,000	T/Deposit	06/11/2018	06/06/2019	2.65%
BOQ	Moodys ST P-2	1,500,000	1,500,000	T/Deposit	07/12/2018	06/06/2019	2.80%
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%
SUN	A1	3,000,000	3,000,000	T/Deposit	07/12/2018	08/07/2019	2.81%
BOQ	Moodys ST P-2	1,000,000	1,000,000	T/Deposit	04/09/2018	11/07/2019	2.75%
IMB	A2	3,000,000	3,000,000	T/Deposit	14/03/2019	09/08/2019	2.65%
BOQ	A2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
BEN	Moodys ST P-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%
SUN	A1	5,000,000	5,000,000	T/Deposit	14/03/2019	17/10/2019	2.60%
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	A2	5,000,000	5,000,000	T/Deposit	14/03/2019	14/01/2020	2.65%
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	06/03/2020	2.78%
IMB	BBB	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
BOQ	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/05/2020	2.71%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	06/03/2019	03/06/2020	2.70%
BEN	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/07/2020	2.60%
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%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
WBC	AA-	2,000,000	2,000,000	T/Deposit	06/03/2019	06/03/2024	2.83%
Total			107,316,354				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
31 May 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
Greater Bank Ltd	BBB	2,000,000	2,016,560	FRN	07/06/2016	07/06/2019	3.46%
Bendigo Bank	Fitch A-	1,000,000	1,007,060	FRN	16/09/2015	17/09/2019	2.76%
Bendigo Bank	Fitch A-	2,000,000	2,010,120	FRN	21/11/2016	21/02/2020	2.66%
CUA	BBB	2,000,000	2,023,560	FRN	20/03/2017	20/03/2020	3.12%
ME Bank	BBB	2,000,000	2,016,520	FRN	06/04/2017	06/04/2020	2.97%
NAB	AA-	3,000,000	3,033,570	FRN	24/06/2015	03/06/2020	2.68%
Bendigo Bank	Fitch A-	2,000,000	2,014,200	FRN	18/08/2015	18/08/2020	2.65%
SUN Corp	A+	1,500,000	1,520,805	FRN	20/10/2015	20/10/2020	2.94%
NAB	AA-	1,000,000	1,011,800	FRN	05/11/2015	05/11/2020	2.63%
Newcastle Permanent Building Society	BBB	500,000	501,775	FRN	26/02/2019	26/02/2021	2.53%
SUN	A+	2,000,000	2,038,520	FRN	12/04/2016	12/04/2021	3.07%
AMP	A-	2,000,000	2,011,660	FRN	24/05/2016	24/05/2021	2.79%
Westpac	AA-	3,000,000	3,061,770	FRN	03/06/2016	03/06/2021	3.05%
ANZ	AA-	2,000,000	2,029,100	FRN	16/08/2016	16/08/2021	2.76%
CUA	BBB	1,200,000	1,217,676	FRN	06/09/2018	06/09/2021	3.13%
AMP	A-	1,500,000	1,508,970	FRN	10/09/2018	10/09/2021	2.94%
Westpac	AA-	1,500,000	1,509,585	FRN	16/11/2018	25/10/2021	2.29%
CUA	Moody's Baa1	1,000,000	1,014,490	FRN	04/03/2019	04/03/2022	3.11%
AMP	A-	3,000,000	3,000,690	FRN	30/03/2017	30/03/2022	2.82%
SUN	A+	1,500,000	1,512,960	FRN	30/08/2017	16/08/2022	2.60%
EMERALD A Mortgage Backed Security *	AAA	575,894	426,478	M/Bac	17/07/2006	21/08/2022	2.01%
ANZ	AA-	1,000,000	1,007,640	FRN	09/05/2018	09/05/2023	2.55%
NAB	AA-	3,000,000	3,030,450	FRN	26/09/2018	26/09/2023	2.74%
Westpac	AA-	1,500,000	1,510,515	FRN	16/11/2018	16/11/2023	2.58%
ANZ	AA-	2,000,000	2,031,860	FRN	06/12/2018	06/12/2023	2.91%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,231,260	M/Bac	17/07/2006	21/08/2056	2.31%
Total			45,299,594				

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	-	-	1/06/2017	0.00%	0.00%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,231,105	13/06/2007	-1.22%	5.51%
Total			2,231,105			

Investment Body	Face Value	Security
Southern Phone Company	2	shares

TOTAL INVESTMENTS \$ **154,847,056**

* 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

