

ITEM 9 STATEMENT OF INVESTMENT - FEBRUARY 2025

This report provides an overview of Council's investment portfolio performance for the reporting period February 2025.

Council had an average weighted return for February 2025 of 0.39% which was above the benchmark return of 0.34%. The result was primarily due to the positive valuations on the consolidated NSW TCorp investments and positive valuations of the consolidated Floating Rate Notes. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity.

RECOMMENDATION

Council receive the Statement of Investment for February 2025.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Statement of Investment – February 2025
- 2 Investment Income Compared to Budget 2024-2025

BACKGROUND

Council staff monitor Council's cash flow on a daily basis and mandated to invest surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative investment approach and restricts investment types available to Council. In compliance with the Order and Office of Local Government guidelines Council adopted an Investment Policy on 12 December 2022. The Investment Policy provides a framework for Council to manage investment credit quality, institutional diversification and maturity constraints. Council's investment portfolio was controlled by Council's Finance Division during the period and has remained in compliance with the Investment Policy. Council's Audit, Risk and Improvement Committee (ARIC) provide oversight of Council's Investment Policy and Management Investment Strategy.

Council's Responsible Accounting Officer, the Chief Financial 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 at 28 February 2025 were \$199,392,007 (Statement of Investment attached) [23 February 2024 \$173,718,073] and includes Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2024.

Council had an average weighted return for February 2025 of 0.39% which was above the benchmark return of 0.34%. The result was primarily due to the positive valuations on the consolidated NSW TCorp investments and positive valuations of the consolidated Floating Rate Notes. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity. The global markets are still experiencing levels of volatility in interest rates, driven by the persistent inflation issues. Australia's inflation has fallen substantially since the peak in 2022 and longer-term inflation expectations remain on target, however the medium-term predictions have been revised upward slightly as the Board remains cautious about the outlook, with underlying factors easing. Rates available to Council on purchased investments are assessed regularly and across credit and maturity spread to maximise returns on committed capital.

At 28 February 2025, year to date interest and investment revenue of \$6,456,494 was recognised compared to the year to date proposed budget of \$5,804,385.

Council's 20 floating rate notes had a net increase in value of \$143,712 for February 2025.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$20,633 for February 2025. The market value of this security considers the extended term of the security with limited liquidity, and the coupon margin reflects pre-Global Financial Crisis (GFC) pricing. While the

maturity dates are outside Council's control, the investment advisors had previously indicated capital is not at risk at this stage and recommended a hold strategy due to the illiquid nature of the investment.

Council holds two investments within the NSW TCorpIM Funds; Long-Term Growth Fund and Medium-Term Growth Fund. The Long-Term Growth Fund recorded a net decrease in value of \$15,096 and the Medium-Term Growth Fund recorded a net increase in value of \$21,132 in February 2025. The fluctuations in both the Long-Term Growth and Medium-Term Growth Funds are a reflection of the current share market volatility both domestically and internationally and is diversified across a number of different asset classes with differing risk and return characteristics.

The Reserve Bank of Australia (RBA) Board will meet eight times each year effective from February 2024, in order to spread monetary policy decisions across fewer meetings and allow the board to gather more information. At their February 2025 meeting, the Reserve Bank of Australia (RBA) decided to reduce the official cash rate by 0.25% to 4.10%. The RBA will continue to monitor uncertainties regarding the global economy, trends in demand, developments and adjust policy as needed as based on the data and evolving assessment of risks to return inflation to target of 2%–3%.

The current Investment Policy sets a 40% maximum exposure limit to individual institutions within the AAA category. This limit is currently considered to include funds held within the Commonwealth Bank (CBA), savings account which holds Council's operating cash balances. At the end of February 2025, the exposure to CBA was 24.04%, which is below the investment strategy target of 25%.

The current investment portfolio complies with Council's Investment Policy which was endorsed by Council on 12 December 2022. Council's Responsible Accounting Officer has signed the Statement of Investment contained within the report, certifying 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 Our Wollongong Our Future 2032 Goal 4 "We are a connected and engaged community". It specifically delivers on the following:

Community Strategic Plan 2032		Delivery Program 2022-2026	
Strategy		Service	
4.8	Council's resources are managed effectively to ensure long term financial sustainability.	Financial Services	

CONCLUSION

The investments for February 2025 recorded an average weighted return that was above the AusBondBank Bill Index Benchmark and performed favourably when compared to the year-to-date budget.

RESPONSIBLE ACCOUNTING OFFICER _____

