

File: FI-914.05.001 Doc: IC18/279

ITEM 29 STATEMENT OF INVESTMENT - MAY 2018

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

Council's average weighted return for May 2018 was 2.55% which was above the benchmark return of 2.10%. The result was primarily due to the positive marked to market valuation of the 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 May 2018.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

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

ATTACHMENTS

- 1 Statement of Investment May 2018
- 2 Investment Income Compared to Budget 2017-2018

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 25 May 2018 were \$146,809,263 (Statement of Investment attached) [26 May 2017 \$162,978,925].

Council's average weighted return for May 2018 was 2.55% which was above the benchmark return of 2.10%. The result was primarily due to the positive marked to market valuation of the 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 25 May 2018, year to date interest and investment revenue of \$4,239,603 was recognised compared to the year to date budget of \$4,341,407.

During the month Council purchased a five year \$1M ANZ Bank floating rate note. Council's 20 floating rate notes had a net decrease in value of \$34,235 for May 2018.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$9,598 for May 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 \$11,742 and the Cash Fund recorded an increase in value of \$35,660 in May. 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 May 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			Delivery Program 2012-17	Annual Plan 2017-18			
Strategy			5 Year Action	Annual Deliverables			
4.4.5	Finances are managed effectively to ensure long term financial sustainability	4.4.5.1	Effective and transparent financial management systems are in place	Provide accurate and timely financial reports monthly, quarterly and via the annual financial statement			
				Continuous Budget Management is in place controlled and reported			
				Manage and further develop compliance program			
				Monitor and review achievement of Financial Strategy			

CONCLUSION

The investments for May 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.

Item 29 - Attachment 1 - Statement of Investment - May 2018



IMB

Total

A2

2,000,000

2,000,000

93,328,648

T/Deposit

29/03/2018

27/03/2020

2.85%

STATEMENT OF INVESTMENT 25 May 2018 On Call & Term Deposits Interest / Coup Purchase Investment Body Rating Purchase Price \$ Fair Value of Holding \$ **Maturity Date** Rate NAB Professional Maximiser A1+ 2,006,921 Prof Fund A/c 25/05/2018 1.90% A1+ 1,291,727 25/05/2018 25/05/2018 2,000,000 04/06/2018 2.47% T/Deposit 05/03/2018 A1 2,000,000 CBA NAB WBC ME BEN 3,000,000 1,030,000 06/09/2017 19/12/2016 A1+ 3.000.000 T/Deposit 18/06/2018 2.56% Fitch A-1,030,000 19/06/2018 2.79% T/Deposit A1+ 2.000.000 2,000,000 T/Deposit 26/06/2017 26/06/2018 2.52% 1,500,000 1,500,000 T/Deposit 08/01/2018 09/07/2018 2.60% Fitch A-5,000,000 5,000,000 T/Deposit 22/06/2017 23/07/2018 2.75% 5,000,000 05/03/2018 T/Deposit Moodys ST P-2 BOQ 3,000,000 3,000,000 T/Deposit 07/02/2018 07/08/2018 2.55% Moodys STP-2 3,000,000 3,000,000 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 RRR 2,000,000 2,000,000 T/Deposit 12/09/2016 12/09/2018 2.60% BBB 2,000,000 T/Deposit 14/09/2016 14/09/2018 2.65% 2.90% BEN Fitch A-2,000,000 2,000,000 29/09/2016 28/09/2018 T/Deposit СВА 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 2,000,000 2,000,000 06/09/2017 06/11/2018 2.60% A1+ T/Deposit WBC IMB 3,000,000 23/02/2017 23/11/2018 3,000,000 2.80% AA-T/Deposit A2 2,000,000 2,000,000 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% WBC AA-3,000,000 3,000,000 T/Deposit 31/01/2017 31/01/2019 2.90% СВА 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% A1+ BOQ 2,000,000 22/12/2017 24/06/2019 2.65% 2,000,000 T/Deposit BEN A2 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 06/09/2017 06/09/2019 2.80% WBC 2,000,000 2,000,000 T/Deposit 01/12/2017 02/12/2019 2.68% A1+ 3,000,000 22/12/2017 20/12/2019 2.65% IMB A2 3,000,000 T/Deposit WBC A1+ 5,000,000 5,000,000 T/Deposit 22/12/2017 23/12/2019 2.77% 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%



Item 29 - Attachment 1 - Statement of Investment - May 2018

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 25 May 2018 contin

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		
CBA	AA-	1,000,000	1,004,920	FRN	19/10/2015	19/10/2018	2.85%		
Bendigo Bank	Fitch A-	1,008,480	1,004,760	FRN	18/01/2018	14/11/2018	3.18%		
CUA	BBB	3,000,000	3,033,420	FRN	01/04/2016	01/04/2019	3.64%		
Westpac	AA-	3,000,000	3,021,030	FRN	11/03/2016	10/05/2019	2.94%		
Greater Bank Ltd	BBB	2,000,000	2,027,060	FRN	07/06/2016	07/06/2019	3.46%		
Bendigo Bank	Fitch A-	1,000,000	1,008,370	FRN	16/09/2015	17/09/2019	2.90%		
Bendigo Bank	Fitch A-	2,000,000	2,011,500	FRN	21/11/2016	21/02/2020	3.03%		
CUA	BBB	2,000,000	2,021,860	FRN	20/03/2017	20/03/2020	3.26%		
ME Bank	BBB	2,000,000	2,013,880	FRN	06/04/2017	06/04/2020	3.29%		
NAB	AA-	3,000,000	3,032,850	FRN	24/06/2015	03/06/2020	2.62%		
Bendigo Bank	Fitch A-	2,000,000	2,013,260	FRN	18/08/2015	18/08/2020	3.04%		
SUN Corp	A+	1,500,000	1,524,930	FRN	20/10/2015	20/10/2020	3.32%		
NAB	AA-	1,000,000	1,012,770	FRN	05/11/2015	05/11/2020	3.08%		
SUN	A+	2,000,000	2,043,200	FRN	12/04/2016	12/04/2021	3.44%		
AMP	A	2,000,000	2,025,900	FRN	24/05/2016	24/05/2021	3.29%		
Westpac	AA-	3,000,000	3,060,660	FRN	03/06/2016	03/06/2021	2.99%		
ANZ	AA-	2,000,000	2,027,740	FRN	16/08/2016	16/08/2021	3.03%		
AMP	A	3,000,000	3,019,200	FRN	30/03/2017	30/03/2022	3.08%		
SUN	A+	1,501,530	1,506,255	FRN	30/08/2017	16/08/2022	2.87%		
EMERALD A Mortgage Backed Security *	AAA	596,816	435,831	M/Bac	17/07/2006	21/08/2022	2.38%		
ANZ	AA-	1,000,000	1,002,220	FRN	09/05/2018	09/05/2023	2.86%		
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,230,580	M/Bac	17/07/2006	21/08/2056	2.68%		
Total			41,082,196						

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	10,000,000	10,305,047	1/06/2017	0.35%	2.00%		
Tcorp Long Term Growth Facility Trust	N/A	1,630,253	2,093,370	13/06/2007	0.56%	8.53%		
Total			12,398,417					

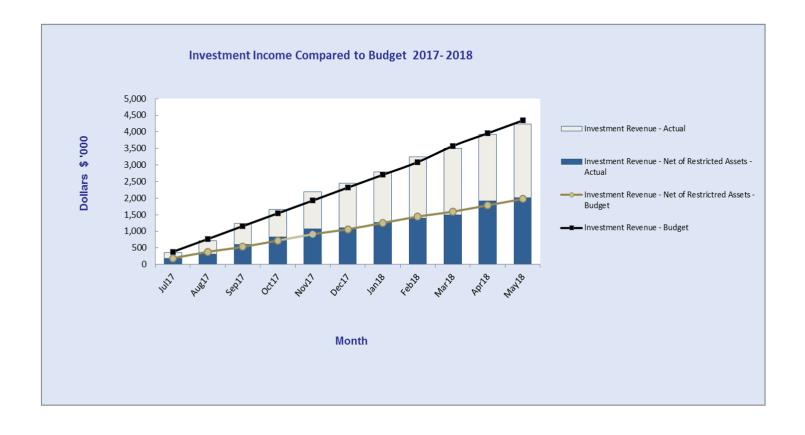
Investment Body	Face Value				Security
Southern Phone Company	N/A	2			shares
	TOTAL INVESTMENTS		\$	146,809,263	

^{*} 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 Item 29 - Attachment 2 - Investment Income Compared to Budget 2017-2018





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