

ITEM 14 STATEMENTS OF INVESTMENTS - JANUARY 2018

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

Council's average weighted return for January 2018 was 3.70% which was above the benchmark return of 1.63%. The result was primarily due to the positive marked to market valuation of the NSW TCorp Hour Glass facilities and the aggregated Floating Rate Notes in Council's portfolio. The remainder of Council's portfolio continues to provide a high level of consistency in income and a high degree credit quality and liquidity.

RECOMMENDATION

Council receive the Statements of Investments for January 2018.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

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

ATTACHMENTS

- 1 Statements of Investments - January 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 Statements of Investments 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 January 2018 were \$159,199,166 (Statement of Investments attached) [27 January 2017 \$154,264,768].

Council's average weighted return for January 2018 was 3.70% which was above the benchmark return of 1.63%. The result was primarily due to the positive marked to market valuation of the NSW TCorp Hour Glass facilities and the aggregated Floating Rate Notes in Council's portfolio. The remainder of Council's portfolio continues to provide a high level of consistency in income and a high degree credit quality and liquidity.

At 26 January 2018, year to date interest and investment revenue of \$2,786,585 was recognised compared to the year to date budget of \$2,775,059.

Council's 10 year CBA Zero Coupon Bond matured during the month and returned a \$4M maturity value after our initial purchase price of \$2M. During the month Council purchased a one year \$1M Bendigo Bank floating rate note. Council's nineteen floating rate notes had a net increase in value of \$27,765 for January 2018.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$4,658 for January 2018. These investments continue to pay higher than normal variable rates. 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 investments 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 \$18,126, and the Cash Fund recorded an increase in value of \$40,426 in January. 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 11am, at call account. The fund only invests in Australian cash and fixed interests.

At the February 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 Statements of Investments 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 January 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 INVESTMENTS
26 January 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+	-	968,126	Prof Fund A/c	26/01/2018	26/01/2018	1.90%
NAB General Fund	A1+	-	2,213,553	General A/c	26/01/2018	26/01/2018	
CBA	A1+	2,000,000	2,000,000	T/Deposit	10/03/2017	05/02/2018	2.72%
Bwest	A1+	3,000,000	3,000,000	T/Deposit	06/09/2017	05/02/2018	2.45%
BOQ	A2	2,000,000	2,000,000	T/Deposit	22/06/2017	19/02/2018	2.65%
SUN	A1	2,000,000	2,000,000	T/Deposit	06/10/2017	05/03/2018	2.50%
IMB	A+	3,000,000	3,000,000	T/Deposit	08/12/2016	08/03/2018	2.63%
ME	BBB	1,000,000	1,000,000	T/Deposit	14/09/2016	14/03/2018	2.65%
STG	AA-	1,000,000	1,000,000	T/Deposit	16/02/2017	16/03/2018	2.62%
NAB	AA-	1,500,000	1,500,000	T/Deposit	28/02/2017	28/03/2018	2.63%
IMB	BBB	2,000,000	2,000,000	T/Deposit	28/02/2017	29/03/2018	2.61%
CBA	AA-	2,000,000	2,000,000	T/Deposit	10/03/2017	10/04/2018	2.74%
IMB	A2	3,000,000	3,000,000	T/Deposit	22/06/2017	20/04/2018	2.60%
NAB	AA-	2,000,000	2,000,000	T/Deposit	18/11/2016	18/05/2018	2.85%
BOQ	Fitch A-	3,000,000	3,000,000	T/Deposit	23/02/2017	23/05/2018	2.80%
CBA	A1+	3,000,000	3,000,000	T/Deposit	06/09/2017	18/06/2018	2.56%
NAB	Fitch A-	1,030,000	1,030,000	T/Deposit	19/12/2016	19/06/2018	2.79%
WBC	A1+	2,000,000	2,000,000	T/Deposit	26/06/2017	26/06/2018	2.52%
ME	A2	1,500,000	1,500,000	T/Deposit	08/01/2018	09/07/2018	2.60%
BEN	Fitch A-	5,000,000	5,000,000	T/Deposit	22/06/2017	23/07/2018	2.75%
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%
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%
WBC	AA-	3,000,000	3,000,000	T/Deposit	31/01/2017	31/01/2019	2.90%
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%
BOQ	Moody's ST P-2	2,000,000	2,000,000	T/Deposit	22/12/2017	24/06/2019	2.65%
BEN	Moody's ST P-2	3,000,000	3,000,000	T/Deposit	08/01/2018	08/07/2019	2.65%
BOQ	A2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	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%
Total			92,711,680				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENTS
26 January 2018 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
CBA	AA-	1,000,000	1,004,370	FRN	19/10/2015	19/10/2018	2.58%
Bendigo Bank	Fitch A-	1,012,500	1,012,500	FRN	18/01/2018	14/11/2018	2.98%
CUA	BBB	3,000,000	3,030,360	FRN	01/04/2016	01/04/2019	3.39%
Westpac	AA-	3,000,000	3,042,270	FRN	11/03/2016	10/05/2019	2.71%
Greater Bank Ltd	BBB	2,000,000	2,025,060	FRN	07/06/2016	07/06/2019	3.36%
Bendigo Bank	Fitch A-	1,000,000	1,006,910	FRN	16/09/2015	17/09/2019	2.71%
Bendigo Bank	Fitch A-	2,000,000	2,023,720	FRN	21/11/2016	21/02/2020	2.82%
CUA	BBB	2,000,000	2,018,300	FRN	20/03/2017	20/03/2020	3.10%
ME Bank	BBB	2,000,000	2,009,800	FRN	06/04/2017	06/04/2020	3.06%
NAB	AA-	3,000,000	3,031,530	FRN	24/06/2015	03/06/2020	2.55%
Bendigo Bank	Fitch A-	2,000,000	2,026,020	FRN	18/08/2015	18/08/2020	2.82%
SUN Corp	A+	1,500,000	1,524,435	FRN	20/10/2015	20/10/2020	3.04%
NAB	AA-	1,000,000	1,020,250	FRN	05/11/2015	05/11/2020	2.78%
SUN	A+	2,000,000	2,043,940	FRN	12/04/2016	12/04/2021	3.18%
AMP	A	2,000,000	2,049,080	FRN	24/05/2016	24/05/2021	3.08%
Westpac	AA-	3,000,000	3,063,240	FRN	03/06/2016	03/06/2021	2.92%
ANZ	AA-	2,000,000	2,043,940	FRN	16/08/2016	16/08/2021	2.85%
AMP	A	3,000,000	3,034,560	FRN	30/03/2017	30/03/2022	2.84%
SUN	A+	1,501,530	1,517,250	FRN	30/08/2017	16/08/2022	2.69%
EMERALD A Mortgage Backed Security*	AAA	623,769	457,759	M/Bac	17/07/2006	21/08/2022	2.17%
EMERALD B Mortgage Backed Security*	Fitch AA	2,000,000	1,238,800	M/Bac	17/07/2006	21/08/2056	2.47%
Total			40,224,094				

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	24,000,000	24,199,366	1/06/2017	0.18%	1.22%
Tcorp Long Term Growth Facility Trust	N/A	1,630,253	2,064,024	13/06/2007	0.89%	7.05%
Total			26,263,390			

Investment Body	Face Value	Security
Southern Phone Company	2	shares

TOTAL INVESTMENTS \$ 159,199,166

* 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

Investment Income Compared to Budget 2017-2018

