

ITEM 15 STATEMENT OF INVESTMENT - JANUARY 2020

This report provides an overview of Council's investment portfolio performance for the month of January 2020.

Council's average weighted return for January 2020 was 1.92% which was above the benchmark return of 0.99%. These results were primarily due to the positive marked to market valuation of the aggregated NSW TCorp Hourglass facilities and above benchmark returns received on the term deposits that are creating the positive and stable performance 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

- 1 Council receive the Statement of Investment for January 2020.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer
Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

ATTACHMENTS

- 1 Statement of Investment - January 2020
- 2 Investment Income Compared to Budget 2019-2020

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 31 January 2020 were \$147,481,644 (Statement of Investment attached) [25 January 2019 \$146,428,609].

Council's average weighted return for January 2020 was 1.92% which was above the benchmark return of 0.99%. These results were primarily due to the positive marked to market valuation of the aggregated NSW TCorp Hourglass facilities and the above benchmark returns received on the term deposits that are creating the positive and stable performance 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 January 2020, year to date interest and investment revenue of \$2,057,102 was recognised compared to the year to date budget of \$1,922,925.

Council's 25 floating rate notes had a net decrease in value of \$80,786 for January 2020.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$3,982 for January 2020. 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 a net increase in value of \$64,084 and the Cash Fund recorded a net increase in value of \$11,137 in January 2020. 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 February 2020 RBA meeting, the official cash rate remained at a record low of 0.75%. The RBA has advised that it will 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 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 2019-20
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 January 2020 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 31 January 2020							
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+	-	11,852,261	Prof Fund A/c	31/01/2020	31/01/2020	1.15%
NAB General Fund	A1+	-	1,971,010	General A/c	31/01/2020	31/01/2020	
Bank of Queensland Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
Suncorp Bank	S&P STA1	3,000,000.00	3,000,000	T/Deposit	13/09/2019	10/02/2020	1.72%
Commonwealth Bank of Australia Ltd	S&P ST A1+	3,000,000.00	3,000,000	T/Deposit	30/08/2019	25/02/2020	1.61%
Bank of Queensland Ltd	Moodys ST P-2	2,000,000.00	2,000,000	T/Deposit	04/06/2019	05/03/2020	2.15%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000.00	2,000,000	T/Deposit	06/11/2018	06/03/2020	2.78%
Suncorp Bank	S&P STA1	2,000,000.00	2,000,000	T/Deposit	28/06/2019	24/03/2020	1.85%
IMB Ltd	S&P BBB	2,000,000.00	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
Bendigo & Adelaide Bank Ltd	Moodys ST P-2	3,000,000.00	3,000,000	T/Deposit	06/09/2019	03/04/2020	1.62%
IMB Ltd	S&P STA2	3,000,000.00	3,000,000	T/Deposit	09/12/2019	09/04/2020	1.55%
Bank of Queensland Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	14/03/2019	14/05/2020	2.71%
Suncorp Bank	S&P STA1	2,000,000.00	2,000,000	T/Deposit	28/11/2019	28/05/2020	1.56%
Bank of Queensland Ltd	Moodys A3	3,000,000.00	3,000,000	T/Deposit	06/03/2019	03/06/2020	2.70%
Bank of Queensland Ltd	Moodys ST P-2	1,000,000.00	1,000,000	T/Deposit	06/09/2019	06/07/2020	1.65%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	14/03/2019	14/07/2020	2.60%
Bank of Queensland Ltd	Moodys A3	3,000,000.00	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
Commonwealth Bank of Australia Ltd	S&P ST A1+	5,000,000.00	5,000,000	T/Deposit	13/09/2019	07/09/2020	1.63%
Members Equity Bank Ltd	S&P BBB	2,000,000.00	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
IMB Ltd	S&P STA2	2,000,000.00	2,000,000	T/Deposit	25/11/2019	23/10/2020	1.50%
IMB Ltd	S&P STA2	1,000,000.00	1,000,000	T/Deposit	28/11/2019	29/10/2020	1.50%
National Australia Bank Ltd	S&P ST A1+	1,030,000.00	1,030,000	T/Deposit	19/11/2019	18/11/2020	1.46%
IMB Ltd	S&P STA2	2,000,000.00	2,000,000	T/Deposit	28/11/2019	26/11/2020	1.50%
Bank of Queensland Ltd	Moodys A3	3,000,000.00	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
IMB Ltd	S&P STA2	3,000,000.00	3,000,000	T/Deposit	20/12/2019	18/12/2020	1.50%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000.00	5,000,000	T/Deposit	23/12/2019	23/12/2020	1.48%
Bank of Queensland Ltd	Moodys A3	3,000,000.00	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	28/11/2019	24/02/2021	1.55%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000.00	2,000,000	T/Deposit	28/11/2019	25/06/2021	1.55%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000.00	2,000,000	T/Deposit	02/12/2019	02/12/2021	1.63%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000.00	2,000,000	T/Deposit	06/03/2019	06/03/2024	2.83%
Total			83,853,271				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
31 January 2020 continued

Bond and Floating Rate Note Securities

DIRECT INVESTMENTS								
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase	Maturity Date	Interest / Coupon	
Bendigo & Adelaide Bank Ltd.	Fitch A-	2,000,000	2,000,920	FRN	21/11/2016	21/02/2020	1.99%	
Credit Union Australia Limited	S&P BBB	2,000,000	2,002,680	FRN	20/03/2017	20/03/2020	2.21%	
Member Equity Bank	S&P BBB	2,000,000	2,002,740	FRN	06/04/2017	06/04/2020	2.16%	
National Bank of Australia	S&P AA-	3,000,000	3,005,340	FRN	24/06/2015	03/06/2020	1.69%	
Bendigo & Adelaide Bank Ltd.	Fitch A-	2,000,000	2,007,200	FRN	18/08/2015	18/08/2020	2.00%	
Suncorp Group Limited	S&P A+	1,500,000	1,508,955	FRN	20/10/2015	20/10/2020	2.10%	
National Bank of Australia	S&P AA-	1,000,000	1,005,640	FRN	05/11/2015	05/11/2020	2.02%	
Newcastle Permanent Building Society	S&P BBB	500,000	502,255	FRN	26/02/2019	26/02/2021	1.98%	
Suncorp Group Limited	S&P A+	2,000,000	2,021,120	FRN	12/04/2016	12/04/2021	2.28%	
AMP Limited	S&P BBB+	2,000,000	2,004,780	FRN	24/05/2016	24/05/2021	2.23%	
Westpac Banking Corporation	S&P AA-	3,000,000	3,029,640	FRN	03/06/2016	03/06/2021	2.06%	
Australia and New Zealand Banking Group	S&P AA-	2,000,000	2,021,840	FRN	16/08/2016	16/08/2021	2.03%	
Credit Union Australia Limited	S&P BBB	1,200,000	1,209,348	FRN	06/09/2018	06/09/2021	2.14%	
AMP Limited	S&P BBB+	1,500,000	1,497,990	FRN	10/09/2018	10/09/2021	1.97%	
Westpac Banking Corporation	S&P AA-	1,500,000	1,506,990	FRN	16/11/2018	25/10/2021	1.61%	
Credit Union Australia Limited	Moody's Baa1	1,000,000	1,008,500	FRN	04/03/2019	04/03/2022	2.13%	
AMP Limited	S&P BBB+	3,000,000	2,980,710	FRN	30/03/2017	30/03/2022	1.97%	
Suncorp Group Limited	S&P A+	1,500,000	1,512,465	FRN	30/08/2017	16/08/2022	1.87%	
Bendigo & Adelaide Bank Ltd	Fitch A-	3,000,000	3,002,520	FRN	12/12/2019	12/09/2022	1.74%	
Bank Australia Limited	S&P BBB	4,000,000	4,001,400	FRN	02/12/2019	02/12/2022	1.78%	
Australia and New Zealand Banking Group	S&P AA-	1,000,000	1,009,970	FRN	09/05/2018	09/05/2023	1.83%	
National Bank of Australia	S&P AA-	3,000,000	3,032,370	FRN	26/09/2018	26/09/2023	1.85%	
Westpac Banking Corporation	S&P AA-	1,500,000	1,516,680	FRN	16/11/2018	16/11/2023	1.85%	
Australia and New Zealand Banking Group	S&P AA-	2,000,000	2,029,300	FRN	06/12/2018	06/12/2023	1.92%	
National Bank of Australia	S&P AA-	2,000,000	2,019,640	FRN	19/06/2019	19/06/2024	1.81%	
EMERALD A Mortgage Backed Security *	S&P AAA	562,040	415,910	M/Bac	17/07/2006	21/08/2051	1.34%	
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,230,000	M/Bac	17/07/2006	21/08/2056	1.64%	
Total			51,086,903					

Managed Funds

MANAGED FUNDS						
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	FYTD (Actual)
Tcorp M Cash Fund Facility	N/A	10,060,861	10,060,861	28/06/2019	0.11%	0.73%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,480,609	13/06/2007	2.65%	7.68%
Total			12,541,470			

TOTAL INVESTMENTS \$ 147,481,644

* 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

