

ITEM 11 STATEMENT OF INVESTMENT - JANUARY 2023

This report provides an overview of Council's investment portfolio performance for the month of January 2023.

Council had an average weighted return for January 2023 of 0.37% which was above the benchmark return of 0.27%. This result was primarily due to positive valuations of the consolidated Floating Rate Notes and NSW Treasury Corp Funds. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity.

RECOMMENDATION

- 1 Council receive the Statement of Investment for January 2023.

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 2023
- 2 Investment Income Compared to Budget 2022-2023

BACKGROUND

Council is required to invest its surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative approach and restricts the 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 the credit quality, institutional diversification and maturity constraints 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 27 January 2023 were \$148,663,501 (Statement of Investment attached) [28 January 2022 \$160,925,983] and include Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2022.

Council had an average weighted return for January 2023 of 0.37% which was above the benchmark return of 0.27%. This result was primarily due to positive valuations of the consolidated Floating Rate Notes and NSW Treasury Corp Funds. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity. The global markets are still experiencing high levels of instability and the heightened volatility in interest rates driven by the persistent ongoing inflation issues is still providing uncertainty for the foreseeable future.

At 27 January 2023, year to date interest and investment revenue of \$2,425,196 was recognised compared to the year to date budget of \$2,161,869.

Council's 15 floating rate notes had a net increase in value of \$154,348 for January 2023.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$7,064 for January 2023. The market value of this security takes into account the extended term of the security along with the 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 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 Fund and the Medium-Term Growth Fund. The Long-Term Growth recorded a net increase in value of \$130,203 and the Medium-Term Growth Fund recorded a net increase in value of \$114,643 in January 2023. 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 that have differing risk and return characteristics.

At their February 2023 meeting, the Reserve Bank of Australia (RBA) decided to increase the cash rate by 25 basis points from 3.10% to 3.25%. The Board is committed to doing what is necessary to ensure that inflation in Australia returns to target over time. The increase in interest rates has been required to bring inflation back to target and to create a more sustainable balance of demand and supply in the Australian economy. The RBA will continue to assess the outlook and adjust policy as needed and will continue to monitor information and evolving balance of risks and determine the timing and extent of future interest rate increases.

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 NAB savings account that is used daily to hold cash. Through the past banking services contract with the NAB, which is still being honoured while banking arrangements are transitioned to CBA, this account pays a relatively generous fixed margin over the current cash rate. This account is providing a better return than alternate short to medium term investments available to Council. At the end of January 2023, the exposure to NAB was 25.69%, which is marginally above the 25% target set in the Investment Strategy, but still within the maximum investment policy exposure. The NAB savings account is currently the best option available for surplus cash, however this will be continually monitored to ensure best value.

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 January 2023 recorded an average weighted return above the annualised Bloomberg Bank Bill Index Benchmark and performed favourably when compared to the year-to-date budget.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 27 January 2023							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB General Fund A/c	A1+	-	178,560	General A/c	27/01/2023	27/01/2023	
NAB Professional Maximiser	A1+	-	30,510,796	Prof Fund A/c	27/01/2023	27/01/2023	3.50%
CBA General Fund A/c	A1+	-	7,563,631	General A/c	27/01/2023	27/01/2023	3.35%
Commonwealth Bank of Australia Ltd	S&P ST A1+	5,000,000	5,000,000	T/Deposit	18/02/2022	13/02/2023	0.80%
Illawarra Credit Union Ltd	S&P ST A3	250,000	250,000	T/Deposit	23/08/2022	23/02/2023	3.55%
Southern Cross CU	Unrated ST UR	250,000	250,000	T/Deposit	5/12/2022	7/03/2023	3.80%
Westpac Banking Corporation Ltd	S&P ST A1+	2,000,000	2,000,000	T/Deposit	16/05/2022	13/04/2023	2.65%
Bank of Queensland Ltd	Moody's ST P-2	2,000,000	2,000,000	T/Deposit	16/05/2022	16/05/2023	3.00%
Bank of Queensland Ltd	Moody's ST P-2	2,000,000	2,000,000	T/Deposit	23/12/2022	23/05/2023	4.15%
Bank of Queensland Ltd	Moody's ST P-2	4,000,000	4,000,000	T/Deposit	2/12/2022	2/06/2023	4.30%
Coastline Credit Union Ltd	Moody's Baa3	250,000	250,000	T/Deposit	5/12/2022	5/06/2023	4.50%
Australian Unity Bank	S&P ST A2	750,000	750,000	T/Deposit	5/12/2022	10/07/2023	4.25%
Westpac Banking Corporation Ltd	S&P ST A1+	2,000,000	2,000,000	T/Deposit	16/09/2022	15/09/2023	4.30%
Judo Bank	S&P BBB-	2,000,000	2,000,000	T/Deposit	17/09/2021	18/09/2023	0.95%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	20/10/2021	20/10/2023	0.87%
Commonwealth Bank of Australia Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	20/10/2021	20/10/2023	0.84%
Bank of Queensland Ltd	Moody's A3	2,000,000	2,000,000	T/Deposit	25/11/2021	27/11/2023	1.15%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	2/12/2021	4/12/2023	1.21%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	23/12/2020	22/12/2023	0.60%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2019	6/03/2024	4.07%
Judo Bank	S&P BBB-	2,000,000	2,000,000	T/Deposit	17/09/2021	17/09/2024	1.20%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	2/12/2021	2/12/2024	1.63%
Judo Bank	S&P BBB-	2,200,000	2,200,000	T/Deposit	7/03/2022	11/03/2025	2.30%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	7/03/2022	13/03/2025	2.03%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,000,000	T/Deposit	25/11/2022	25/11/2025	4.55%
Total			96,952,987				
WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 27 January 2023 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
ANZ Banking Group Ltd	S&P AA-	1,000,000	1,010,000	FRN	9/05/2018	9/05/2023	3.96%
National Australia Bank Ltd	S&P AA-	3,000,000	3,020,220	FRN	26/09/2018	26/09/2023	4.18%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,517,880	FRN	16/11/2018	16/11/2023	4.00%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,021,240	FRN	6/12/2018	6/12/2023	4.10%
National Australia Bank Ltd	S&P AA-	2,000,000	2,018,580	FRN	19/06/2019	19/06/2024	4.12%
Macquarie Bank	S&P A+	2,000,000	2,014,800	FRN	12/02/2020	12/02/2025	3.87%
Bendigo & Adelaide Bank Ltd	Moody's A3	1,700,000	1,683,017	FRN	2/12/2020	2/12/2025	3.58%
Macquarie Bank	Moody's A2	6,500,000	6,447,545	FRN	11/03/2022	9/12/2025	3.61%
Suncorp-Metway Ltd	S&P A+	2,100,000	2,082,360	FRN	24/02/2021	24/02/2026	3.55%
Newcastle Permanent Building Society Ltd	S&P BBB	5,000,000	4,906,200	FRN	4/03/2021	4/03/2026	3.70%
Teachers Mutual Bank Ltd	Moody's Baa1	1,100,000	1,074,645	FRN	16/06/2021	16/06/2026	3.87%
Suncorp-Metway Ltd	S&P A+	3,750,000	3,703,500	FRN	15/09/2021	15/09/2026	3.65%
Suncorp-Metway Ltd	S&P A+	1,500,000	1,485,255	FRN	11/03/2022	25/01/2027	4.04%
ANZ Banking Group Ltd	Moody's Aa3	3,500,000	3,528,175	FRN	12/05/2022	12/05/2027	4.00%
Cooperative Rabobank U.A Australia Branch	S&P A+	2,500,000	2,512,025	FRN	19/01/2023	19/01/2028	4.45%
Emerald Reverse Mortgage Trust	S&P A	446,084	359,749	MBS	17/07/2006	21/08/2051	3.52%
Emerald Reverse Mortgage Trust	S&P A	2,000,000	1,314,020	MBS	17/07/2006	21/08/2056	3.82%
Total			40,699,211				
Managed Funds & Other							
MANAGED FUNDS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly	FYTD (Actual)	
Tcorp Long Term Growth Facility Fund	N/A		3,663,920	13/06/2007	3.68%	7.25%	
Tcorp Medium Term Growth Facility Fund	N/A		4,823,383	14/06/2007	2.43%	4.55%	
Total			8,487,303				
Membership interest in Investment Body				Fair Value of Holding \$			
CivicRisk Mutual Limited	N/A		2,524,000				
TOTAL INVESTMENTS			\$ 148,663,501				
* 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							

