

## ITEM 12 STATEMENT OF INVESTMENTS - JANUARY 2017

This report provides an overview of Council's investment portfolio performance for the month of January 2017.

Council's average weighted return for January 2017 was 3.48% which was above the benchmark return of 1.78%. The result was primarily due to solid returns received on the term deposits and the positive marked to market valuation of the aggregated Floating Rate Notes and CBA Zero Coupon Bond 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 Statement of Investments for January 2017.

### REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

Authorised by: Kerry Hunt, Director Corporate and Community Services - Creative, Engaged and Innovative City (Acting)

### ATTACHMENTS

- 1 Statement of Investments - January 2017
- 2 Investment Income Compared to Budget 2016-2017

### 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 27 January 2017 were \$154,264,768 (Statement of Investments attached) [29 January 2016 \$157,248,038].

Council's average weighted return for January 2017 was 3.48% which was above the benchmark return of 1.78%. The result was primarily due to solid returns received on the term deposits and the positive marked to market valuation of the aggregated Floating Rate Notes and CBA Zero Coupon Bond 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 27 January 2017, year to date interest and investment revenue of \$2,802,691 was recognised compared to the year to date budget of \$2,482,090 (as revised in the December Quarterly Review). It is anticipated a further adjustment will be made to the investment return budget in March 2017.

Council's CBA Zero Coupon Bond experienced an increase in valuation for January 2017 of \$15,174. The valuation methodology used by Laminar (Council's investment consultants) discounts the bond using a margin for a straight four year CBA obligation but also considers the illiquidity premium, this being a restructured deal and there being limited bids on the security. As this bond gradually nears

maturity, movements in interest rates and liquidity will have less of an impact on the securities valuation. While there will be short term fluctuations along the way, the investments valuation will gradually increase to its \$4M maturity value.

Council’s 14 Floating Rate Notes had a net increase in value of \$67,430 for January 2017.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$4,973 for January 2017. 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.

The NSW T-Corp Long-Term Growth Facility recorded a decrease in value of \$6,336 in January 2017. The fluctuation is a reflection of the current share market volatility both domestically and internationally.

During the February 2017 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 2016-17
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 2017 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 27 January 2017							
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	A-1+	-	9,533,301	11am	27/01/2017	27/01/2017	1.90%
WBC	A1+	3,000,000	3,000,000	T/Deposit	31/07/2015	31/01/2017	2.74%
SUN	A1	2,000,000	2,000,000	T/Deposit	06/06/2016	31/01/2017	3.00%
BOQ	A2	2,000,000	2,000,000	T/Deposit	04/01/2016	03/02/2017	2.95%
IMB	A2	2,000,000	2,000,000	T/Deposit	28/08/2015	28/02/2017	2.80%
NAB	A1+	1,500,000	1,500,000	T/Deposit	31/08/2015	28/02/2017	2.79%
BEN	A2	1,000,000	1,000,000	T/Deposit	11/09/2015	13/03/2017	2.90%
BOQ	A2	2,000,000	2,000,000	T/Deposit	26/02/2016	29/03/2017	3.00%
NAB	A1+	1,000,000	1,000,000	T/Deposit	29/02/2016	30/03/2017	2.95%
CBA	A1+	1,000,000	1,000,000	T/Deposit	23/03/2016	20/04/2017	2.88%
BWest	A1+	1,000,000	1,000,000	T/Deposit	23/03/2016	21/04/2017	2.85%
STG	A1+	2,000,000	2,000,000	T/Deposit	23/03/2016	24/04/2017	2.87%
SUN	A1	1,000,000	1,000,000	T/Deposit	23/03/2016	26/04/2017	2.85%
ME	A2	2,500,000	2,500,000	T/Deposit	18/02/2016	15/05/2017	3.13%
STG	A1+	1,500,000	1,500,000	T/Deposit	27/11/2015	25/05/2017	2.81%
SUN	A1	1,500,000	1,500,000	T/Deposit	27/11/2015	26/05/2017	2.81%
ME	A2	1,000,000	1,000,000	T/Deposit	23/12/2015	15/06/2017	3.15%
SUN	A1	1,500,000	1,500,000	T/Deposit	24/05/2016	23/06/2017	2.85%
STG	A1+	2,000,000	2,000,000	T/Deposit	27/05/2016	26/06/2017	2.70%
BEN	A2	2,000,000	2,000,000	T/Deposit	31/07/2015	31/07/2017	3.00%
BOQ	A2	3,000,000	3,000,000	T/Deposit	28/08/2015	28/08/2017	2.80%
BEN	A2	1,000,000	1,000,000	T/Deposit	11/09/2015	11/09/2017	2.95%
SUN	A1	2,000,000	2,000,000	T/Deposit	24/05/2016	24/11/2017	2.85%
CBA	A1+	2,000,000	2,000,000	T/Deposit	27/05/2016	27/11/2017	2.71%
SUN	A1	2,000,000	2,000,000	T/Deposit	13/07/2016	10/03/2017	2.75%
ME	A2	2,500,000	2,500,000	T/Deposit	22/08/2016	24/07/2017	2.70%
ANZ	A1+	2,500,000	2,500,000	T/Deposit	06/08/2016	07/08/2017	2.64%
CBA	A1+	2,000,000	2,000,000	T/Deposit	09/08/2016	08/09/2017	2.61%
BOQ	A2	2,000,000	2,000,000	T/Deposit	09/09/2016	10/09/2018	2.65%
IMB	A2	2,000,000	2,000,000	T/Deposit	12/09/2016	12/09/2018	2.60%
ME	A2	1,000,000	1,000,000	T/Deposit	14/09/2016	12/04/2017	2.70%
ME	A2	1,000,000	1,000,000	T/Deposit	14/09/2016	13/10/2017	2.65%
ME	A2	1,000,000	1,000,000	T/Deposit	14/09/2016	14/03/2018	2.65%
ME	A2	2,000,000	2,000,000	T/Deposit	14/09/2016	14/09/2018	2.65%
CBA	A1+	1,000,000	1,000,000	T/Deposit	19/09/2016	16/02/2017	2.58%
STG	A1+	1,000,000	1,000,000	T/Deposit	19/09/2016	19/10/2017	2.58%
BOQ	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	28/02/2017	2.60%
BOQ	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	27/02/2017	2.70%
SUN	A1	2,000,000	2,000,000	T/Deposit	29/09/2016	28/03/2017	2.60%
SUN	A1	2,000,000	2,000,000	T/Deposit	29/09/2016	26/06/2017	2.60%
BEN	A2	1,000,000	1,000,000	T/Deposit	29/09/2016	26/07/2017	2.80%
BEN	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	26/07/2017	2.90%
ME	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	29/09/2017	2.65%
CBA	A1+	2,000,000	2,000,000	T/Deposit	29/09/2016	29/09/2017	2.59%
BOQ	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	28/12/2017	2.60%
SUN	A1	2,000,000	2,000,000	T/Deposit	29/09/2016	28/09/2018	2.60%
IMB	A2	3,000,000	3,000,000	T/Deposit	30/09/2016	30/10/2017	2.50%
CBA	A1+	2,000,000	2,000,000	T/Deposit	10/10/2016	07/02/2017	2.59%
WBC	A1+	2,000,000	2,000,000	T/Deposit	19/10/2016	19/10/2017	2.56%
NAB	A1+	2,000,000	2,000,000	T/Deposit	18/11/2016	18/05/2018	2.85%
ME	A2	1,000,000	1,000,000	T/Deposit	21/11/2016	19/05/2017	2.80%
BWest	A1+	3,000,000	3,000,000	T/Deposit	08/12/2016	08/02/2017	2.55%
BWest	A1+	1,000,000	1,000,000	T/Deposit	06/12/2016	06/03/2017	2.60%
NAB	A1+	1,000,000	1,000,000	T/Deposit	30/11/2016	31/05/2017	2.75%
BEN	A2	3,000,000	3,000,000	T/Deposit	08/12/2016	08/01/2018	2.70%
ME	A2	1,500,000	1,500,000	T/Deposit	08/12/2016	08/01/2018	2.70%
IMB	A2	3,000,000	3,000,000	T/Deposit	08/12/2016	08/03/2018	2.63%
NAB	A1+	1,030,000	1,030,000	T/Deposit	19/12/2016	19/06/2018	2.79%
BOQ	A2	1,500,000	1,500,000	T/Deposit	08/12/2016	07/12/2018	2.95%
SUN	A1+	3,000,000	3,000,000	T/Deposit	08/12/2016	07/12/2018	2.76%
ME	A2	2,000,000	2,000,000	T/Deposit	16/01/2017	16/05/2017	2.80%
<b>Total</b>			<b>118,063,301</b>				

**WOLLONGONG CITY COUNCIL**  
**STATEMENT OF INVESTMENTS**  
27 January 2017 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
Commonwealth Bank Australia zero coupon bond with a \$4M face value	A-1+	2,000,000	3,854,000	BOND	21/01/2008	22/01/2018	
CBA	AA-	1,000,000	1,003,640	FRN	19/10/2015	19/10/2018	2.56%
CUA	BBB+	3,000,000	3,016,500	FRN	01/04/2016	01/04/2019	3.40%
Westpac	AA-	3,000,000	3,035,820	FRN	11/03/2016	10/05/2019	2.76%
Greater Bank Ltd	BBB+	2,000,000	2,017,320	FRN	07/06/2016	07/06/2019	3.37%
Bendigo Bank	A-	1,000,000	1,001,020	FRN	16/09/2015	17/09/2019	2.72%
Bendigo Bank	A-	2,000,000	2,011,840	FRN	21/11/2016	21/02/2020	2.86%
NAB	AA-	3,000,000	3,005,850	FRN	24/06/2015	03/06/2020	2.57%
Bendigo Bank	A-	2,000,000	2,011,140	FRN	18/08/2015	18/08/2020	2.86%
SUN Corp	AA-	1,500,000	1,512,990	FRN	20/10/2015	20/10/2020	3.03%
NAB	AA-	1,000,000	1,012,000	FRN	05/11/2015	05/11/2020	2.84%
SUN	AA-	2,000,000	2,023,760	FRN	12/04/2016	12/04/2021	3.16%
AMP	A+	2,000,000	2,030,240	FRN	24/05/2016	24/05/2021	3.10%
Westpac	AA-	3,000,000	3,037,290	FRN	03/06/2016	03/06/2021	2.94%
ANZ	AA-	2,000,000	2,021,640	FRN	16/08/2016	16/08/2021	2.89%
EMERALD A Mortgage Backed Security *	AAA	669,818	498,379	M/Bac	17/07/2006	21/08/2022	2.20%
EMERALD B Mortgage Backed Security *	AA	2,000,000	1,259,200	M/Bac	17/07/2006	21/08/2056	2.50%
<b>Total</b>			<b>34,352,629</b>				

**Managed Funds & Other**

MANAGED FUNDS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	Annualised % p.a.	FYTD (Actual)
Tcorp Long Term Growth Facility Trust	N/A	1,131,841	1,848,836	13/06/2007	-0.34%	-4.45%	11.22%

Investment Body	Face Value	Security
Southern Phone Company	2	shares

**TOTAL INVESTMENTS**      **\$ 154,264,768**

\* 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

