

ITEM 9 STATEMENT OF INVESTMENT - AUGUST 2023

This report provides an overview of Council's investment portfolio performance for the reporting period August 2023.

Council had an average weighted return for August 2023 of 0.24% which was below the benchmark return of 0.37%. This result was due to the mixed results, with positive valuations of the consolidated Floating Rate Notes and negative valuations on NSW TCorp investments and Mortgage-Backed Securities. The performance was impacted by some of the long-term deposits purchased at comparatively lower rates over the previous three financial years. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity.

RECOMMENDATION

Council receive the Statement of Investment for August 2023.

REPORT AUTHORISATIONS

Report of: Daniel Pretzler, Chief Financial Officer [Acting]
Authorised by: Brian Jenkins, Director Corporate Services [Acting]

ATTACHMENTS

- 1 Statement of Investment - August 2023
- 2 Investment Income Compared to Budget 2023-2024

BACKGROUND

Council is mandated to invest 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 Council to manage investment credit quality, institutional diversification and maturity constraints. 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) provides oversight of 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 at 25 August 2023 were \$178,730,631 (Statement of Investment attached) [29 August 2022 \$151,790,940] and include Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2023.

Council had an average weighted return for August 2023 of 0.24% which was below the benchmark return of 0.37%. This result was due to the mixed results, with positive valuations of the consolidated Floating Rate Notes and the negative valuations on NSW TCorp investments and Mortgage-Backed Securities. The performance was also impacted by some of the long-term deposits being purchased at comparatively lower rates. 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 providing levels uncertainty in rates of return for the foreseeable future.

At 25 August 2023 year to date interest and investment revenue of \$1,014,886 was recognised compared to the year to date budget of \$827,232.

Council's 17 floating rate notes had a net increase in value of \$69,607 for August 2023.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$15,977 for August 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 holds two investments within the NSW TCorp Hour Glass Facility; Long-Term Growth Fund and Medium-Term Growth Fund. The Long-Term Growth recorded a net decrease in value of \$13,451 and the Medium-Term Growth Fund recorded a net increase in value of \$7,885 in August 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 September 2023 meeting, the Reserve Bank of Australia (RBA) decided to hold the official cash rate at 4.10%. The RBA remains resolute in its determination to return inflation to target of 2–3% and continues to monitor uncertainties regarding the global economy, adjust policy as determined by the RBA 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 Commonwealth Bank (CBA), savings account which holds Council's operating cash balances. Through the banking services contract with the CBA, that includes a fixed margin over the current cash rate, Council's savings account provides a higher return than alternate short- to medium-term investments available to Council. At the end of August 2023, the exposure to CBA was 26.02%, which is marginally above the 25% target set in the Investment Strategy.

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 August 2023 recorded an average weighted return that was below the AusBondBank Bill Index Benchmark and performed favourably when compared to the year-to-date budget.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 25 August 2023							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
CBA Business Online Saver	A1+	-	40,295,635	BOS A/c	25/08/2023	25/08/2023	4.35%
CBA General Fund A/c	A1+	-	2,053,084	General A/c	25/08/2023	25/08/2023	
NAB General Fund A/c	A1+	-	661,204	General A/c	25/08/2023	25/08/2023	
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	Moodys 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%
Bank of Sydney Ltd	Unrated ST UR	250,000	250,000	T/Deposit	16/03/2023	11/12/2023	4.75%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	23/12/2020	22/12/2023	0.60%
Bendigo & Adelaide Bank Ltd	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	16/03/2023	16/01/2024	4.50%
Australian Unity Bank (BPS520)	S&P ST A2	3,000,000	3,000,000	T/Deposit	16/03/2023	16/02/2024	4.50%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2019	6/03/2024	5.05%
Bendigo & Adelaide Bank Ltd	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	16/03/2023	15/03/2024	4.50%
IMB Ltd	Moodys Baa1	3,000,000	3,000,000	T/Deposit	28/03/2023	26/04/2024	4.51%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	23/05/2023	24/06/2024	5.11%
Australian Unity Bank (BPS520)	S&P ST A2	750,000	750,000	T/Deposit	10/07/2023	9/07/2024	5.75%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	16/08/2023	16/08/2024	5.05%
Judo Bank	S&P BBB-	2,000,000	2,000,000	T/Deposit	17/09/2021	17/09/2024	1.20%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	9/06/2023	11/11/2024	5.50%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	2/12/2021	2/12/2024	1.63%
Bank of Queensland Ltd	Moodys A3	4,000,000	4,000,000	T/Deposit	2/06/2023	2/12/2024	5.25%
Coastline Credit Union Ltd	Moodys Baa3	250,000	250,000	T/Deposit	5/06/2023	5/12/2024	5.25%
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%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	9/06/2023	9/05/2025	5.45%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	30/06/2023	30/06/2025	5.50%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	30/06/2023	30/06/2025	5.35%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,000,000	T/Deposit	25/11/2022	25/11/2025	4.59%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	30/06/2023	30/06/2026	5.19%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	30/06/2023	30/06/2027	5.09%
Total			119,459,923				

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 25 August 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
National Australia Bank Ltd	S&P AA-	3,000,000	3,028,110	FRN	26/09/2018	26/09/2023	5.25%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,504,095	FRN	16/11/2018	16/11/2023	5.10%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,026,180	FRN	6/12/2018	6/12/2023	5.08%
National Australia Bank Ltd	S&P AA-	2,000,000	2,027,820	FRN	19/06/2019	19/06/2024	5.24%
Auswide Bank Limited	Moodys Baa2	3,000,000	3,001,320	FRN	22/08/2023	23/08/2024	5.09%
Macquarie Bank	S&P A+	2,000,000	2,007,700	FRN	12/02/2020	12/02/2025	5.01%
Bendigo & Adelaide Bank Ltd	Moodys A3	1,700,000	1,701,020	FRN	2/12/2020	2/12/2025	4.54%
Macquarie Bank	Moodys A2	6,500,000	6,523,855	FRN	11/03/2022	9/12/2025	4.69%
Suncorp-Metway Ltd	S&P A+	2,100,000	2,079,672	FRN	24/02/2021	24/02/2026	4.59%
Newcastle Greater Mutual Group Ltd	S&P BBB	5,000,000	4,965,350	FRN	4/03/2021	4/03/2026	4.70%
ANZ Banking Group Ltd	Moodys Aa3	2,500,000	2,529,575	FRN	31/03/2023	31/03/2026	5.18%
Teachers Mutual Bank Ltd	Moodys Baa1	1,100,000	1,088,714	FRN	16/06/2021	16/06/2026	4.98%
Suncorp-Metway Ltd	S&P A+	3,750,000	3,736,088	FRN	15/09/2021	15/09/2026	4.72%
Suncorp-Metway Ltd	S&P A+	1,500,000	1,497,795	FRN	11/03/2022	25/01/2027	5.13%
ANZ Banking Group Ltd	Moodys Aa3	3,500,000	3,525,830	FRN	12/05/2022	12/05/2027	5.14%
Cooperative Rabobank U.A Australia Branch	S&P A+	2,500,000	2,537,000	FRN	19/01/2023	19/01/2028	5.46%
ANZ Banking Group Ltd	Moodys Aa3	2,500,000	2,540,700	FRN	31/03/2023	31/03/2028	5.41%
Emerald Reverse Mortgage Trust	S&P A	407,654	326,327	MBS	17/07/2006	21/08/2051	4.59%
Emerald Reverse Mortgage Trust	Unrated UR	2,000,000	1,301,080	MBS	17/07/2006	21/08/2056	4.89%
Total			47,948,231				

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		3,844,556	13/06/2007	-0.28%	1.48%
Tcorp Medium Term Growth Facility Fund	N/A		4,947,922	14/06/2007	0.32%	1.26%
Total			8,792,477			

Membership interest in Investment Body			Fair Value of Holding \$
CivicRisk Mutual Limited	N/A		2,530,000
TOTAL INVESTMENTS			\$ 178,730,631

* 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

