

ITEM 17 STATEMENT OF INVESTMENT - AUGUST AND SEPTEMBER 2019

This report provides an overview of Council's investment portfolio performance for the months of August and September 2019.

Council's average weighted return for August 2019 was 1.59% which was above the Bloomberg Bank Bill Index Benchmark return of 1.06%. The average weighted return for September 2019 was 1.72% which was above the Bloomberg Bank Bill Index Benchmark return of 0.99%. The results were primarily due to the positive returns from the Emerald Mortgage backed securities and NSW TCorp Hourglass facilities 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 August and September 2019.

REPORT AUTHORISATIONS

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

ATTACHMENTS

- 1 Statement of Investment - August and September 2019
- 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 30 August 2019 were \$158,416,807 (Statement of Investment attached) [31 August 2018 \$171,204,856] and as at 27 September 2019 were \$157,796,872 (Statement of Investment attached) [28 September 2018 \$168,357,039].

Council's average weighted return for August 2019 was 1.59% which was above the Bloomberg Bank Bill Index Benchmark return of 1.06%. The average weighted return for September 2019 was 1.72% which was above the Bloomberg Bank Bill Index Benchmark return of 0.99%. The results were primarily due to the positive returns from the Emerald Mortgage backed securities and NSW TCorp Hourglass facilities 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 27 September 2019, year to date interest and investment revenue of \$886,506 was recognised compared to the year to date budget of \$1,028,915.

Council's floating rate notes had a net decrease in value of \$97,815 for August 2019, and a net decrease in value of \$78,430 for September 2019.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$9,247 for August 2019 and a net increase in value of \$3,293 for September 2019. 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 decrease in value of \$5,916 in August and an increase of \$25,746 in September. The fluctuation in the Long-Term Growth Facility is a reflection of the current share market volatility both domestically and internationally. The Cash Fund recorded a net increase in value of \$11 in August 2019 and a net increase of \$7,568 in September. 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 September 2019 RBA meeting, the official cash rate remained unchanged at 1.00%, however during the October 2019 meeting the cash rate was cut by 25 basis points, down to a record low 0.75%. 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.

Council’s Investment Policy includes counterparty limits to spread the institutional risk applied at the time of investment. Review of the Members Equity Bank percentages, currently at 12%, has concluded that the percentage at purchase was actually 11% and therefore marginally above Council’s Investment Policy limit of 10%. Corrective action on this operational error is in action, with updated process and increased vigilance by staff and advisor to ensure that investment limits are in compliance with Council’s Investment Policy. 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 August and September 2019 have performed unfavourably compared to the year to date budget, however the portfolio recorded an average weighted return above the annualised Bloomberg Bank Bill Index Benchmark.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 30 August 2019							
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+	-	29,615,364	Prof Fund A/c	30/08/2019	30/08/2019	1.40%
NAB General Fund	A1+	-	6,082,089	General A/c	30/08/2019	30/08/2019	
BOQ	A2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
BEN	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	07/12/2018	06/09/2019	2.75%
IMB	BBB	1,000,000	1,000,000	T/Deposit	04/09/2018	04/10/2019	2.75%
SUN	A1	5,000,000	5,000,000	T/Deposit	14/03/2019	17/10/2019	2.60%
NAB	AA-	1,030,000	1,030,000	T/Deposit	19/06/2018	19/11/2019	2.80%
ME	BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	22/11/2019	2.80%
IMB	BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	25/11/2019	2.80%
WBC	AA-	2,000,000	2,000,000	T/Deposit	01/12/2017	02/12/2019	2.68%
ME	BBB	4,000,000	4,000,000	T/Deposit	07/12/2018	09/12/2019	2.75%
IMB	BBB	3,000,000	3,000,000	T/Deposit	07/12/2018	09/12/2019	2.70%
IMB	BBB	3,000,000	3,000,000	T/Deposit	22/12/2017	20/12/2019	2.65%
WBC	AA-	5,000,000	5,000,000	T/Deposit	22/12/2017	23/12/2019	2.77%
ME	BBB	3,000,000	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
ME	A2	5,000,000	5,000,000	T/Deposit	14/03/2019	14/01/2020	2.65%
BOQ	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	24/06/2019	24/01/2020	2.10%
BOQ	Moodys A3	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
CBA	A1+	3,000,000	3,000,000	T/Deposit	30/08/2019	25/02/2020	1.61%
BOQ	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	04/06/2019	05/03/2020	2.15%
WBC	AA-	2,000,000	2,000,000	T/Deposit	06/11/2018	06/03/2020	2.78%
SUN	A1	2,000,000	2,000,000	T/Deposit	28/06/2019	24/03/2020	1.85%
IMB	BBB	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
BOQ	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/05/2020	2.71%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	06/03/2019	03/06/2020	2.70%
BEN	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/07/2020	2.60%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
ME	BBB	2,000,000	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
WBC	AA-	2,000,000	2,000,000	T/Deposit	06/03/2019	06/03/2024	2.83%
Total			110,727,453				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT

30 August 2019 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
Bendigo Bank	Fitch A-	1,000,000	1,004,910	FRN	16/09/2015	17/09/2019	2.23%
Bendigo Bank	Fitch A-	2,000,000	2,007,480	FRN	21/11/2016	21/02/2020	2.08%
CUA	BBB	2,000,000	2,020,100	FRN	20/03/2017	20/03/2020	2.54%
ME Bank	BBB	2,000,000	2,014,580	FRN	06/04/2017	06/04/2020	2.38%
NAB	AA-	3,000,000	3,027,600	FRN	24/06/2015	03/06/2020	2.20%
Bendigo Bank	Fitch A-	2,000,000	2,012,880	FRN	18/08/2015	18/08/2020	2.07%
SUN Corp	A+	1,500,000	1,517,730	FRN	20/10/2015	20/10/2020	2.36%
NAB	AA-	1,000,000	1,009,920	FRN	05/11/2015	05/11/2020	2.07%
Newcastle Permanent Building Society	BBB	500,000	502,450	FRN	26/02/2019	26/02/2021	2.06%
SUN	A+	2,000,000	2,034,860	FRN	12/04/2016	12/04/2021	2.51%
AMP	A-	2,000,000	2,006,580	FRN	24/05/2016	24/05/2021	2.31%
Westpac	AA-	3,000,000	3,057,360	FRN	03/06/2016	03/06/2021	2.57%
ANZ	AA-	2,000,000	2,027,140	FRN	16/08/2016	16/08/2021	2.09%
CUA	BBB	1,200,000	1,218,372	FRN	06/09/2018	06/09/2021	2.63%
AMP	A-	1,500,000	1,505,205	FRN	10/09/2018	10/09/2021	2.45%
Westpac	AA-	1,500,000	1,510,650	FRN	16/11/2018	25/10/2021	1.78%
CUA	Moody's Baa1	1,000,000	1,015,400	FRN	04/03/2019	04/03/2022	2.62%
AMP	A-	3,000,000	2,989,440	FRN	30/03/2017	30/03/2022	2.25%
SUN	A+	1,500,000	1,513,650	FRN	30/08/2017	16/08/2022	1.94%
EMERALD A Mortgage Backed Security *	AAA	575,423	426,014	M/Bac	17/07/2006	21/08/2022	1.43%
ANZ	AA-	1,000,000	1,009,640	FRN	09/05/2018	09/05/2023	1.87%
NAB	AA-	3,000,000	3,039,990	FRN	26/09/2018	26/09/2023	2.11%
Westpac	AA-	1,500,000	1,516,320	FRN	16/11/2018	16/11/2023	1.92%
ANZ	AA-	2,000,000	2,038,580	FRN	06/12/2018	06/12/2023	2.41%
NAB	AA-	2,000,000	2,025,460	FRN	12/06/2019	19/06/2024	2.18%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,230,860	M/Bac	17/07/2006	21/08/2056	1.73%
Total			45,283,171				

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	14,473	14,473	28/06/2019	0.07%	0.26%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,336,209	13/06/2007	-0.25%	1.41%
Total			2,350,682			

Investment Body	Purchase Price \$	Face Value	Purchase Date	Security
Southern Phone Company- Ordinary share **	1	55,500	22/10/2002	unlisted shares
Southern Phone Company- Preference share **	1	1	22/10/2002	unlisted shares
Total		55,501		

TOTAL INVESTMENTS \$ 158,416,807

* 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.

** Southern Phone Company ordinary and preference shares are valued annually.

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

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 27 September 2019							
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+	-	17,116,364	Prof Fund A/c	27/09/2019	27/09/2019	1.40%
NAB General Fund	A1+	-	1,002,976	General A/c	27/09/2019	27/09/2019	
IMB Bank	S&P BBB	1,000,000	1,000,000	T/Deposit	04/09/2018	04/10/2019	2.75%
Suncorp Group Limited	S&P ST A1	5,000,000	5,000,000	T/Deposit	14/03/2019	17/10/2019	2.60%
National Bank of Australia	S&P AA-	1,030,000	1,030,000	T/Deposit	19/06/2018	19/11/2019	2.80%
Member Equity Bank	S&P BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	22/11/2019	2.80%
IMB Bank	S&P BBB	2,000,000	2,000,000	T/Deposit	24/08/2018	25/11/2019	2.80%
Westpac Banking Corporation	S&P AA-	2,000,000	2,000,000	T/Deposit	01/12/2017	02/12/2019	2.68%
Member Equity Bank	S&P BBB	4,000,000	4,000,000	T/Deposit	07/12/2018	09/12/2019	2.75%
IMB Bank	S&P BBB	3,000,000	3,000,000	T/Deposit	07/12/2018	09/12/2019	2.70%
IMB Bank	S&P BBB	3,000,000	3,000,000	T/Deposit	22/12/2017	20/12/2019	2.65%
Westpac Banking Corporation	S&P AA-	5,000,000	5,000,000	T/Deposit	22/12/2017	23/12/2019	2.77%
Member Equity Bank	S&P BBB	3,000,000	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
Member Equity Bank	S&P ST A2	5,000,000	5,000,000	T/Deposit	14/03/2019	14/01/2020	2.65%
Bank of Queensland Limited	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	24/06/2019	24/01/2020	2.10%
Bank of Queensland Limited	Moodys A3	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
Suncorp Group Limited	S&P ST A1	3,000,000	3,000,000	T/Deposit	13/09/2019	10/02/2020	1.72%
Commonwealth Bank of Australia	S&P ST A1+	3,000,000	3,000,000	T/Deposit	30/08/2019	25/02/2020	1.61%
Bank of Queensland Limited	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	04/06/2019	05/03/2020	2.15%
Westpac Banking Corporation	S&P AA-	2,000,000	2,000,000	T/Deposit	06/11/2018	06/03/2020	2.78%
Suncorp Group Limited	S&P ST A1	2,000,000	2,000,000	T/Deposit	28/06/2019	24/03/2020	1.85%
IMB Bank	S&P BBB	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
Bendigo & Adelaide Bank Ltd.	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	06/09/2019	03/04/2020	1.62%
Bank of Queensland Limited	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/05/2020	2.71%
Bank of Queensland Limited	Moodys A3	3,000,000	3,000,000	T/Deposit	06/03/2019	03/06/2020	2.70%
Bank of Queensland Limited	Moodys ST P-2	1,000,000	1,000,000	T/Deposit	06/09/2019	06/07/2020	1.65%
Bendigo & Adelaide Bank Ltd.	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/07/2020	2.60%
Bank of Queensland Limited	Moodys A3	3,000,000	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
Commonwealth Bank of Australia	S&P ST A1+	5,000,000	5,000,000	T/Deposit	13/09/2019	07/09/2020	1.63%
Member Equity Bank	S&P BBB	2,000,000	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
Bank of Queensland Limited	Moodys A3	3,000,000	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
Bank of Queensland Limited	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
Westpac Banking Corporation	S&P AA-	2,000,000	2,000,000	T/Deposit	06/03/2019	06/03/2024	2.83%
Total			101,149,340				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT

27 September 2019 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
Bendigo & Adelaide Bank Ltd.	Fitch A-	2,000,000	2,009,500	FRN	21/11/2016	21/02/2020	2.08%
Credit Union Australia Limited	S&P BBB	2,000,000	2,009,260	FRN	20/03/2017	20/03/2020	2.22%
Member Equity Bank	S&P BBB	2,000,000	2,017,160	FRN	06/04/2017	06/04/2020	2.38%
National Bank of Australia	S&P AA-	3,000,000	3,013,740	FRN	24/06/2015	03/06/2020	1.76%
Bendigo & Adelaide Bank Ltd.	Fitch A-	2,000,000	2,015,120	FRN	18/08/2015	18/08/2020	2.07%
Suncorp Group Limited	S&P A+	1,500,000	1,519,440	FRN	20/10/2015	20/10/2020	2.36%
National Bank of Australia	S&P AA-	1,000,000	1,010,840	FRN	05/11/2015	05/11/2020	2.07%
Newcastle Permanent Building Society	S&P BBB	500,000	503,110	FRN	26/02/2019	26/02/2021	2.06%
Suncorp Group Limited	S&P A+	2,000,000	2,036,960	FRN	12/04/2016	12/04/2021	2.51%
AMP Limited	S&P BBB+	2,000,000	2,007,860	FRN	24/05/2016	24/05/2021	2.31%
Westpac Banking Corporation	S&P AA-	3,000,000	3,040,500	FRN	03/06/2016	03/06/2021	2.13%
Australia and New Zealand Banking Group	S&P AA-	2,000,000	2,029,360	FRN	16/08/2016	16/08/2021	2.09%
Credit Union Australia Limited	S&P BBB	1,200,000	1,212,132	FRN	06/09/2018	06/09/2021	2.25%
AMP Limited	S&P BBB+	1,500,000	1,497,555	FRN	10/09/2018	10/09/2021	2.09%
Westpac Banking Corporation	S&P AA-	1,500,000	1,512,075	FRN	16/11/2018	25/10/2021	1.78%
Credit Union Australia Limited	Moody's Baa1	1,000,000	1,010,190	FRN	04/03/2019	04/03/2022	2.21%
AMP Limited	S&P BBB+	3,000,000	2,992,080	FRN	30/03/2017	30/03/2022	2.25%
Suncorp Group Limited	S&P A+	1,500,000	1,515,120	FRN	30/08/2017	16/08/2022	1.94%
EMERALD A Mortgage Backed Security *	S&P AAA	575,423	426,647	M/Bac	17/07/2006	21/08/2022	1.43%
Australia and New Zealand Banking Group	S&P AA-	1,000,000	1,009,840	FRN	09/05/2018	09/05/2023	1.87%
National Bank of Australia	S&P AA-	3,000,000	3,025,680	FRN	26/09/2018	26/09/2023	1.88%
Westpac Banking Corporation	S&P AA-	1,500,000	1,516,425	FRN	16/11/2018	16/11/2023	1.92%
Australia and New Zealand Banking Group	S&P AA-	2,000,000	2,026,700	FRN	06/12/2018	06/12/2023	2.03%
National Bank of Australia	S&P AA-	2,000,000	2,017,220	FRN	12/06/2019	19/06/2024	1.89%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,233,520	M/Bac	17/07/2006	21/08/2056	1.73%
Total			44,208,034				

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	10,022,041	10,022,041	28/06/2019	0.09%	0.35%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,361,955	13/06/2007	1.10%	2.53%
Total			12,383,997			

Investment Body	Purchase Price \$	Face Value	Purchase Date	Security
Southern Phone Company- Ordinary share **	1	55,500	22/10/2002	unlisted shares
Southern Phone Company- Preference share **	1	1	22/10/2002	unlisted shares
Total		55,501		

TOTAL INVESTMENTS \$ 157,796,872

* 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.

** Southern Phone Company ordinary and preference shares are valued annually.

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

