

## ITEM 19 STATEMENT OF INVESTMENT - OCTOBER 2020

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

Council's average weighted return for October 2020 was 1.44% which was above the benchmark return of 0.12%. This result was primarily due to positive marked to market valuation of the aggregated Floating Rate Notes. 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

Council receive the Statement of Investment for October 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 - October 2020
- 2 Investment Income Compared to Budget 2020-2021

### 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 October 2020 were \$159,604,319 (Statement of Investment attached) [25 October 2019 \$147,765,489].

Council's average weighted return for October 2020 was 1.44% which was above the benchmark return of 0.12%. This result was primarily due to positive marked to market valuation of the aggregated Floating Rate Notes. 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. The global markets are still experiencing unprecedented turmoil and volatility in the wake of COVID-19 and may still provide uncertainty for the foreseeable future.

At 30 October 2020, year to date interest and investment revenue of \$854,223 was recognised compared to the year to date budget of \$664,644. This significant variation is the result of a conservative COVID-19 cash flow scenario. The inflow of funds from rates was higher than initially anticipated resulting in additional interest income above the budget.

Council's 21 floating rate notes had a net increase in value of \$78,174 for October 2020.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$1,909 for October 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 decrease in value of \$3,121 and the Cash Fund recorded a net increase in value of \$3,483 in October 2020. The fluctuation in the Long-Term Growth Facility is 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. The TCorp Cash Fund generally provides relatively stable returns with low potential for capital loss while maintaining high levels of liquidity, similar to an at call account, and only invests in Australian cash and fixed interests.

At their November 2020 meeting, the Reserve Bank of Australia (RBA) reduced the official cash rate from 0.25% to a record low of 0.10%. The RBA 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 investment portfolio 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 4 ‘*We are a connected and engaged community*’. It specifically delivers on the following:

Community Strategic Plan Strategy	Delivery Program 2018-2022 4 Year Action	Operational Plan 2020-2021 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 October 2020 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 30 October 2020							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB Professional Maximiser	A1+	-	44,996,686	Prof Fund A/c	30/10/2020	30/10/2020	0.65%
NAB General Fund	A1+	-	1,689,295	General A/c	30/10/2020	30/10/2020	
National Australia Bank Ltd	S&P ST A1+	1,030,000	1,030,000	T/Deposit	19/11/2019	18/11/2020	1.46%
IMB Ltd	S&P ST A2	2,000,000	2,000,000	T/Deposit	28/11/2019	26/11/2020	1.50%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
IMB Ltd	S&P ST A2	3,000,000	3,000,000	T/Deposit	20/12/2019	18/12/2020	1.50%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	23/12/2019	23/12/2020	1.48%
Members Equity Bank Ltd	S&P ST A2	3,000,000	3,000,000	T/Deposit	6/03/2020	31/12/2020	1.25%
Members Equity Bank Ltd	S&P ST A2	2,000,000	2,000,000	T/Deposit	25/09/2020	25/01/2021	0.65%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	28/11/2019	24/02/2021	1.55%
Bank of Queensland Ltd	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	6/03/2020	1/03/2021	1.40%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2020	8/03/2021	0.99%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	28/11/2019	25/06/2021	1.55%
Commonwealth Bank of Australia Ltd	S&P ST A1+	4,000,000	4,000,000	T/Deposit	25/09/2020	22/07/2021	0.66%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	25/09/2020	25/11/2021	0.80%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	2/12/2019	2/12/2021	0.97%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	25/09/2020	25/01/2022	0.80%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2019	6/03/2024	2.83%
<b>Total</b>			<b>88,715,981</b>				

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 30 October 2020 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-	1,000,000	1,002,950	FRN	5/11/2015	5/11/2020	1.18%
Newcastle Permanent Building Society Ltd	S&P BBB	500,000	502,390	FRN	26/02/2019	26/02/2021	1.20%
Suncorp Bank	S&P A+	2,000,000	2,012,860	FRN	12/04/2016	12/04/2021	1.46%
AMP Bank Ltd	S&P BBB	2,000,000	2,011,240	FRN	24/05/2016	24/05/2021	1.46%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,025,410	FRN	3/06/2016	3/06/2021	1.26%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,021,720	FRN	16/08/2016	16/08/2021	1.23%
Credit Union Australia Ltd	S&P BBB	1,200,000	1,211,904	FRN	6/09/2018	6/09/2021	1.34%
AMP Bank Ltd	S&P BBB	1,500,000	1,504,440	FRN	10/09/2018	10/09/2021	1.17%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,509,630	FRN	16/11/2018	25/10/2021	0.79%
Credit Union Australia Ltd	Moodys Ba1	1,000,000	1,013,340	FRN	4/03/2019	4/03/2022	1.32%
AMP Bank Ltd	S&P BBB	3,000,000	3,000,120	FRN	30/03/2017	30/03/2022	1.14%
Suncorp Bank	S&P A+	1,500,000	1,522,080	FRN	30/08/2017	16/08/2022	1.07%
Bendigo & Adelaide Bank Ltd	Fitch A-	3,000,000	3,033,390	FRN	12/12/2019	12/09/2022	0.94%
Bank Australia Limited	S&P BBB	4,000,000	3,995,800	FRN	2/12/2019	2/12/2022	0.99%
ANZ Banking Group Ltd	S&P AA-	1,000,000	1,020,360	FRN	9/05/2018	9/05/2023	1.00%
National Australia Bank Ltd	S&P AA-	3,000,000	3,065,460	FRN	26/09/2018	26/09/2023	1.01%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,536,405	FRN	16/11/2018	16/11/2023	1.05%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,053,360	FRN	6/12/2018	6/12/2023	1.12%
National Australia Bank Ltd	S&P AA-	2,000,000	2,048,520	FRN	19/06/2019	19/06/2024	1.01%
Macquarie Bank	Moodys A2	2,000,000	2,030,240	FRN	12/02/2020	12/02/2025	0.94%
Emerald Reverse Mortgage Trust	S&P AAA	516,521	413,759	MBS	17/07/2006	21/08/2051	0.55%
Emerald Reverse Mortgage Trust	Fitch AA	2,000,000	1,303,260	MBS	17/07/2006	21/08/2056	0.85%
<b>Total</b>			<b>40,838,638</b>				

### Managed Funds

MANAGED FUNDS						
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly	FYTD (Actual)
TcorpIM Cash Fund Facility	N/A	27,683,191	27,683,191	28/06/2019	0.07%	0.23%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,366,509	13/06/2007	-0.08%	3.26%
<b>Total</b>			<b>30,049,700</b>			

TOTAL INVESTMENTS \$ 159,604,319

\* 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

