

ITEM 21 STATEMENT OF INVESTMENT - AUGUST AND SEPTEMBER 2018

This report provides an overview of Council's investment portfolio performance for the months of August and September 2018.

Council's average weighted return for August 2018 was 2.98 per cent which was above the benchmark return of 1.98 per cent. The average weighted return for September 2018 was 2.95 per cent which was above the benchmark return of 2.06 per cent. The result was due to a combination of positive marked to market valuation of the aggregated Emerald Mortgaged Backed Securities (MBS) and the term deposits in September and the positive marked to market valuation of the NSW TCorp Hour Glass facilities and the aggregated Floating Rate Notes (FRN) in Council's portfolio for August. 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 August and September 2018.

REPORT AUTHORISATIONS

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

ATTACHMENTS

- 1 Statement of Investment - August and September 2018
- 2 Investment Income Compared to Budget 2018-2019

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 provided for the review of the Council's Investment Policy and Management Investment Strategy. This role will now be undertaken by the Audit, Risk and Improvement Committee.

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 31 August 2018 were \$171,204,856 (Statement of Investment attached) [26 August 2017 \$152,221,627] and as at 28 September 2018 were \$168,357,039 (Statement of Investment attached) [29 September 2017 \$167,682,171].

Council's average weighted return for August 2018 was 2.98 per cent which was above the benchmark return of 1.98 per cent. The average weighted return for September 2018 was 2.95 per cent which was above the benchmark return of 2.06 per cent. The result was due to a combination of positive marked to market valuation of the aggregated Emerald Mortgaged Backed Securities (MBS) and the term deposits in September and the positive marked to market valuation of the NSW TCorp Hour Glass facilities and the aggregated Floating Rate Notes in Council's portfolio for August. 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 28 September 2018, year to date interest and investment revenue of \$1,064,062 was recognised compared to the year to date budget of \$969,657.

Council's 23 floating rate notes had a net increase in value of \$1,965 for August 2018 and net decrease in value of \$25,421 for September 2018. During the month of September, Council purchased three new FRNs: CUA 3yr \$1.2M; AMP 3yr \$1.5M; and NAB 5yr \$3M.

Council holds two Mortgaged Backed Securities that recorded a net decrease in value of \$3,581 for August 2018 and a net increase in value of \$8,266 for September 2018. 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 an increase in value of \$34,414 in August and a decrease in value of \$2,344 in September. The Cash Fund recorded an increase in value of \$19,461 in August and a further increase of \$50,918 in September. The fluctuation in the Long-Term Growth Facility is a reflection of the current share market volatility both domestically and internationally, whereas 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 October 2018 RBA meeting, the official cash rate remained unchanged at 1.50 per cent. 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 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 2018-19
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 2018 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 INVESTMENT 31 August 2018							
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+	-	27,586,370	ProfFund A/c	31/08/2018	31/08/2018	1.90%
NAB General Fund	A1+	-	9,475,524	General A/c	31/08/2018	31/08/2018	
BOQ	Fitch A-	2,000,000	2,000,000	T/Deposit	09/09/2016	10/09/2018	2.65%
IMB	BBB	2,000,000	2,000,000	T/Deposit	12/09/2016	12/09/2018	2.60%
ME	BBB	2,000,000	2,000,000	T/Deposit	14/09/2016	14/09/2018	2.65%
BEN	Fitch A-	2,000,000	2,000,000	T/Deposit	29/09/2016	28/09/2018	2.90%
CBA	A1+	3,000,000	3,000,000	T/Deposit	07/02/2018	05/10/2018	2.53%
ME	A2	3,000,000	3,000,000	T/Deposit	16/10/2017	16/10/2018	2.62%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/11/2018	2.60%
WBC	AA-	3,000,000	3,000,000	T/Deposit	23/02/2017	23/11/2018	2.80%
IMB	A2	2,000,000	2,000,000	T/Deposit	01/12/2017	03/12/2018	2.55%
BOQ	Fitch A-	1,500,000	1,500,000	T/Deposit	08/12/2016	07/12/2018	2.95%
SUN	A+	3,000,000	3,000,000	T/Deposit	08/12/2016	07/12/2018	2.76%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	07/01/2019	2.62%
SUN	A1	2,000,000	2,000,000	T/Deposit	04/06/2018	30/01/2019	2.75%
WBC	AA-	3,000,000	3,000,000	T/Deposit	31/01/2017	31/01/2019	2.90%
BOQ	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	24/08/2018	21/02/2019	2.75%
CBA	A1+	5,000,000	5,000,000	T/Deposit	05/03/2018	05/03/2019	2.61%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/03/2019	2.64%
BEN	Fitch A-	1,000,000	1,000,000	T/Deposit	13/03/2017	13/03/2019	2.90%
IMB	A2	3,000,000	3,000,000	T/Deposit	08/03/2018	08/04/2019	2.62%
CBA	A1+	3,000,000	3,000,000	T/Deposit	06/06/2018	06/05/2019	2.74%
BOQ	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	22/12/2017	24/06/2019	2.65%
BEN	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	08/01/2018	08/07/2019	2.65%
BOQ	A2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
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	A1+	2,000,000	2,000,000	T/Deposit	01/12/2017	02/12/2019	2.68%
IMB	A2	3,000,000	3,000,000	T/Deposit	22/12/2017	20/12/2019	2.65%
WBC	A1+	5,000,000	5,000,000	T/Deposit	22/12/2017	23/12/2019	2.77%
ME	A2	3,000,000	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
BOQ	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
IMB	A2	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
BOQ	Moodys ST P-3	3,000,000	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
Total			117,591,894				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT

31 August 2018 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
CBA	AA-	1,000,000	1,004,050	FRN	19/10/2015	19/10/2018	2.78%
Bendigo Bank	Fitch A-	1,000,000	1,003,250	FRN	18/01/2018	14/11/2018	3.23%
CUA	BBB	3,000,000	3,032,070	FRN	01/04/2016	01/04/2019	3.70%
Westpac	AA-	3,000,000	3,018,570	FRN	11/03/2016	10/05/2019	2.96%
Greater Bank Ltd	BBB	2,000,000	2,025,600	FRN	07/06/2016	07/06/2019	3.65%
Bendigo Bank	Fitch A-	1,000,000	1,008,550	FRN	16/09/2015	17/09/2019	2.99%
Bendigo Bank	Fitch A-	2,000,000	2,010,680	FRN	21/11/2016	21/02/2020	3.06%
CUA	BBB	2,000,000	2,022,460	FRN	20/03/2017	20/03/2020	3.39%
ME Bank	BBB	2,000,000	2,015,820	FRN	06/04/2017	06/04/2020	3.31%
NAB	AA-	3,000,000	3,034,200	FRN	24/06/2015	03/06/2020	2.80%
Bendigo Bank	Fitch A-	2,000,000	2,012,600	FRN	18/08/2015	18/08/2020	3.06%
SUN Corp	A+	1,500,000	1,524,135	FRN	20/10/2015	20/10/2020	3.24%
NAB	AA-	1,000,000	1,012,430	FRN	05/11/2015	05/11/2020	3.05%
SUN	A+	2,000,000	2,041,800	FRN	12/04/2016	12/04/2021	3.40%
AMP	A	2,000,000	2,021,220	FRN	24/05/2016	24/05/2021	3.30%
Westpac	AA-	3,000,000	3,061,920	FRN	03/06/2016	03/06/2021	3.16%
ANZ	AA-	2,000,000	2,027,560	FRN	16/08/2016	16/08/2021	3.08%
AMP	A	3,000,000	3,013,890	FRN	30/03/2017	30/03/2022	3.16%
SUN	A+	1,500,000	1,506,870	FRN	30/08/2017	16/08/2022	2.92%
EMERALD A Mortgage Backed Security *	AAA	592,763	439,036	M/Bac	17/07/2006	21/08/2022	2.41%
ANZ	AA-	1,000,000	1,002,670	FRN	09/05/2018	09/05/2023	2.87%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,231,480	M/Bac	17/07/2006	21/08/2056	2.71%
Total			41,070,861				

Managed Funds & Other

MANAGED FUNDS

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	FYTD (Actual)
TcorpM Cash Fund Facility	N/A	10,000,000	10,363,227	1/06/2017	0.19%	0.41%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,178,872	13/06/2007	1.60%	3.04%
Total			12,542,099			

Investment Body	Face Value	Security
Southern Phone Company	2	shares

TOTAL INVESTMENTS \$ 171,204,856

* 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

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 28 September 2018							
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+	-	8,673,084	Prof Fund A/c	28/09/2018	28/09/2018	1.90%
NAB General Fund	A1+	-	809,574	General A/c	28/09/2018	28/09/2018	
CBA	A1+	2,000,000	2,000,000	T/Deposit	04/09/2018	04/10/2018	2.25%
CBA	A1+	3,000,000	3,000,000	T/Deposit	07/02/2018	05/10/2018	2.53%
ME	A2	3,000,000	3,000,000	T/Deposit	16/10/2017	16/10/2018	2.62%
Bwest	A1+	2,000,000	2,000,000	T/Deposit	04/09/2018	05/11/2018	2.50%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/11/2018	2.60%
WBC	AA-	3,000,000	3,000,000	T/Deposit	23/02/2017	23/11/2018	2.80%
IMB	A2	2,000,000	2,000,000	T/Deposit	01/12/2017	03/12/2018	2.55%
BOQ	Fitch A-	1,500,000	1,500,000	T/Deposit	08/12/2016	07/12/2018	2.95%
SUN	A+	3,000,000	3,000,000	T/Deposit	08/12/2016	07/12/2018	2.76%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	07/01/2019	2.62%
SUN	A1	2,000,000	2,000,000	T/Deposit	04/06/2018	30/01/2019	2.75%
WBC	AA-	3,000,000	3,000,000	T/Deposit	31/01/2017	31/01/2019	2.90%
ME	A2	2,000,000	2,000,000	T/Deposit	04/09/2018	01/02/2019	2.70%
BOQ	Moodys STP-2	3,000,000	3,000,000	T/Deposit	24/08/2018	21/02/2019	2.75%
CBA	A1+	5,000,000	5,000,000	T/Deposit	05/03/2018	05/03/2019	2.61%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/03/2019	2.64%
BEN	Fitch A-	1,000,000	1,000,000	T/Deposit	13/03/2017	13/03/2019	2.90%
BOQ	Moodys STP-2	2,000,000	2,000,000	T/Deposit	04/09/2018	04/04/2019	2.75%
IMB	A2	3,000,000	3,000,000	T/Deposit	08/03/2018	08/04/2019	2.62%
CBA	A1+	3,000,000	3,000,000	T/Deposit	06/06/2018	06/05/2019	2.74%
BOQ	Moodys STP-2	2,000,000	2,000,000	T/Deposit	22/12/2017	24/06/2019	2.65%
BEN	Moodys STP-2	3,000,000	3,000,000	T/Deposit	08/01/2018	08/07/2019	2.65%
BOQ	Moodys STP-2	1,000,000	1,000,000	T/Deposit	04/09/2018	11/07/2019	2.75%
BOQ	A2	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
IMB	BBB	1,000,000	1,000,000	T/Deposit	04/09/2018	04/10/2019	2.75%
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	A1+	2,000,000	2,000,000	T/Deposit	01/12/2017	02/12/2019	2.68%
IMB	A2	3,000,000	3,000,000	T/Deposit	22/12/2017	20/12/2019	2.65%
WBC	A1+	5,000,000	5,000,000	T/Deposit	22/12/2017	23/12/2019	2.77%
ME	A2	3,000,000	3,000,000	T/Deposit	04/01/2018	06/01/2020	2.75%
BOQ	Moodys STP-2	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
IMB	A2	2,000,000	2,000,000	T/Deposit	29/03/2018	27/03/2020	2.85%
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%
Total			94,012,657				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
28 September 2018 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
CBA	AA-	1,000,000	1,005,780	FRN	19/10/2015	19/10/2018	2.78%
Bendigo Bank	Fitch A-	1,000,000	1,005,100	FRN	18/01/2018	14/11/2018	3.23%
CUA	BBB	3,000,000	3,038,730	FRN	01/04/2016	01/04/2019	3.70%
Westpac	AA-	3,000,000	3,023,940	FRN	11/03/2016	10/05/2019	2.96%
Greater Bank Ltd	BBB	2,000,000	2,011,800	FRN	07/06/2016	07/06/2019	3.53%
Bendigo Bank	Fitch A-	1,000,000	1,003,110	FRN	16/09/2015	17/09/2019	2.85%
Bendigo Bank	Fitch A-	2,000,000	2,015,200	FRN	21/11/2016	21/02/2020	3.06%
CUA	BBB	2,000,000	2,009,680	FRN	20/03/2017	20/03/2020	3.22%
ME Bank	BBB	2,000,000	2,021,340	FRN	06/04/2017	06/04/2020	3.31%
NAB	AA-	3,000,000	3,018,990	FRN	24/06/2015	03/06/2020	2.75%
Bendigo Bank	Fitch A-	2,000,000	2,016,900	FRN	18/08/2015	18/08/2020	3.06%
SUN Corp	A+	1,500,000	1,527,180	FRN	20/10/2015	20/10/2020	3.24%
NAB	AA-	1,000,000	1,014,200	FRN	05/11/2015	05/11/2020	3.05%
SUN	A+	2,000,000	2,045,940	FRN	12/04/2016	12/04/2021	3.40%
AMP	A	2,000,000	2,024,720	FRN	24/05/2016	24/05/2021	3.30%
Westpac	AA-	3,000,000	3,043,530	FRN	03/06/2016	03/06/2021	3.12%
ANZ	AA-	2,000,000	2,031,100	FRN	16/08/2016	16/08/2021	3.08%
CUA	BBB	1,200,000	1,202,664	FRN	06/09/2018	06/09/2021	3.20%
AMP	A	1,500,000	1,501,785	FRN	10/09/2018	10/09/2021	3.01%
AMP	A	3,000,000	2,994,030	FRN	30/03/2017	30/03/2022	2.99%
SUN	A+	1,500,000	1,510,695	FRN	30/08/2017	16/08/2022	2.92%
EMERALD A Mortgage Backed Security *	AAA	592,763	443,142	M/Bac	17/07/2006	21/08/2022	2.41%
ANZ	AA-	1,000,000	1,005,270	FRN	09/05/2018	09/05/2023	2.87%
NAB	AA-	3,000,000	3,003,240	FRN	26/09/2018	26/09/2023	2.87%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,235,640	M/Bac	17/07/2006	21/08/2056	2.71%
Total			46,753,706				

Managed Funds & Other

MANAGED FUNDS

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	FYTD (Actual)
TcorpM Cash Fund Facility	N/A	25,000,000	25,414,145	1/06/2017	0.17%	0.58%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,176,528	13/06/2007	-0.11%	2.93%
Total			27,590,674			

Investment Body	Face Value	Security
Southern Phone Company	N/A	2 shares

TOTAL INVESTMENTS \$ **168,357,039**

* 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

