

ITEM 15 STATEMENT OF INVESTMENT - FEBRUARY 2019

This report provides an overview of Council's investment portfolio performance for the month of February 2019.

Council's average weighted return for February 2019 was 4.20% which was above the benchmark return of 2.28%. The result was primarily due to the positive marked to market valuation of the aggregated Floating Rates Notes (FRN) 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

Council receive the Statement of Investment for February 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 - February 2019
- 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 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 22 February 2019 were \$155,064,674 (Statement of Investment attached) [26 February 2018 \$161,812,065].

Council's average weighted return for February 2019 was 4.20% which was above the benchmark return of 2.28%. The result was primarily due to the positive marked to market valuation of the aggregated Floating Rates Notes (FRN) 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 22 February 2019, year to date interest and investment revenue of \$2,990,885 was recognised compared to the year to date budget of \$2,678,465.

Council's 24 floating rate notes had a net increase in value of \$93,763 for February 2019.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$11,346 for February 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 an increase in value of \$72,168 and the Cash Fund recorded an increase in value of \$27,728 in February 2019. 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 February 2019 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 10 December 2018. 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 February 2019 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 22 February 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+	-	27,641,010	ProfFund A/c	22/02/2019	22/02/2019	1.90%
NAB General Fund	A1+	-	1,416,109	General A/c	22/02/2019	22/02/2019	
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 ST P-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%
Bwest	A1+	2,000,000	2,000,000	T/Deposit	06/11/2018	04/06/2019	2.65%
BOQ	Moodys ST P-2	1,500,000	1,500,000	T/Deposit	07/12/2018	06/06/2019	2.80%
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%
SUN	A1	3,000,000	3,000,000	T/Deposit	07/12/2018	08/07/2019	2.81%
BOQ	Moodys ST P-2	1,000,000	1,000,000	T/Deposit	04/09/2018	11/07/2019	2.75%
BOQ	Moodys ST P-2	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%
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%
BOQ	Moodys A3	2,000,000	2,000,000	T/Deposit	19/02/2018	10/02/2020	2.88%
WBC	AA-	2,000,000	2,000,000	T/Deposit	06/11/2018	29/02/2020	2.78%
IMB	BBB	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%
BOQ	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
Total			101,587,119				

