

## ITEM 11 STATEMENTS OF INVESTMENTS - JULY AND AUGUST 2017

This report provides an overview of Council's investment portfolio performance for the months of July and August 2017.

Council's average weighted return for July 2017 was 3.58% which was above the benchmark return of 1.73%. The average weighted return for August 2017 was 3.27% which was above the benchmark return of 1.67%. The result was primarily due to good returns received on the positive marked to market valuation of the NSW TCorp Hour Glass facilities and the aggregated Floating Rate Notes in Council's portfolio for July and August 2017. The remainder of Council's portfolio continues to provide a high level of consistency in income and a high degree credit quality and liquidity.

### RECOMMENDATION

Council receive the Statements of Investments for July and August 2017.

### REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

Authorised by: Renee Campbell, Director Corporate Services (Acting) - Connected and Engaged City

### ATTACHMENTS

- 1 Statements of Investments - July and August 2017
- 2 Investment Income Compared to Budget 2017-2018

### 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 provides for the review of the Council's Investment Policy and Management Investment Strategy.

Council's Responsible Accounting Officer is required to sign the complying Statements of Investments 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 28 July 2017 were \$143,060,962 (Statement of Investments attached) [29 July 2016 \$141,102,780] and as at 25 August 2017 were \$152,221,627 (Statement of Investments attached) [26 August 2016 \$152,782,811].

Council's average weighted return for July 2017 was 3.58% which was above the benchmark return of 1.73%. The average weighted return for August 2017 was 3.27% which was above the benchmark return of 1.67%. The result was primarily due to good returns received on the positive marked to market valuation of the NSW TCorp Hour Glass facilities and the aggregated Floating Rate Notes in Council's portfolio for July and August 2017. The remainder of Council's portfolio continues to provide a high level of consistency in income and a high degree credit quality and liquidity.

At 25 August 2017, year to date interest and investment revenue of \$723,594 was recognised compared to the year to date budget of \$596,515. It is anticipated there may be an adjustment made to the investment return budget in the September Quarterly Review.

Council's CBA Zero Coupon Bond experienced no change in valuation for July and an upward valuation adjustment of \$12,000 in August 2017. The valuation methodology used by Laminar (Council's

investment consultants) discounts the bond using a margin for a straight four year CBA obligation but also considers the illiquidity premium, this being a restructured deal and there being limited bids on the security. As this bond gradually nears maturity, movements in interest rates and liquidity will have less of an impact on the securities valuation. While there will be short term fluctuations along the way, the investments valuation will gradually increase to its \$4M maturity value. Council’s seventeen floating rate notes had a net increase in value of \$55,760 for July 2017 and an additional increase of \$7,370 for August 2017.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$4,898 for July 2017 and additional increase of \$12,698 for August 2017. These investments continue to pay higher than normal variable rates. 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 investments 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 decrease in value of \$11,742 in July and an increase of \$14,721 in August. The Cash Fund recorded an increase in value of \$31,450 in July and a further increase of \$7,775 for August. 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 11am, at call account. The fund only invests in Australian cash and fixed interests.

At the September 2017 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 19 October 2015. Council’s Responsible Accounting Officer has signed the complying Statements of Investments 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 2012-17	Annual Plan 2017-18
Strategy	5 Year Action	Annual Deliverables
4.4.5 Finances are managed effectively to ensure long term financial sustainability	4.4.5.1 Effective and transparent financial management systems are in place	Provide accurate and timely financial reports monthly, quarterly and via the annual financial statement Continuous Budget Management is in place, controlled and reported Manage and further develop compliance program Monitor and review achievement of Financial Strategy

### CONCLUSION

The investments for July and August 2017 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 INVESTMENTS 28 July 2017								
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	A-1+	-	2,371,799	11am	28/07/2017	28/07/2017	1.90%	
NAB General Fund	A-1+	-	630,378	General A/c	28/07/2017	28/07/2017		
BEN	Fitch A-	2,000,000	2,000,000	T/Deposit	31/07/2015	31/07/2017	3.00%	
ANZ	A1+	2,500,000	2,500,000	T/Deposit	06/08/2016	07/08/2017	2.64%	
BWest	A1+	2,000,000	2,000,000	T/Deposit	10/03/2017	08/08/2017	2.60%	
BOQ	Fitch A-	3,000,000	3,000,000	T/Deposit	28/08/2015	28/08/2017	2.80%	
CBA	AA-	2,000,000	2,000,000	T/Deposit	09/08/2016	08/09/2017	2.61%	
IMB	A2	2,000,000	2,000,000	T/Deposit	10/03/2017	08/09/2017	2.55%	
BEN	Fitch A-	1,000,000	1,000,000	T/Deposit	11/09/2015	11/09/2017	2.95%	
BEN	A2	1,000,000	1,000,000	T/Deposit	29/09/2016	29/09/2017	2.80%	
ME	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	29/09/2017	2.65%	
SUN	A+	2,000,000	2,000,000	T/Deposit	10/03/2017	06/10/2017	2.60%	
ME	A2	1,000,000	1,000,000	T/Deposit	14/09/2016	13/10/2017	2.65%	
CBA	AA-	1,000,000	1,000,000	T/Deposit	19/09/2016	19/10/2017	2.58%	
WBC	A1+	2,000,000	2,000,000	T/Deposit	19/10/2016	19/10/2017	2.56%	
SUN	A1	2,000,000	2,000,000	T/Deposit	29/09/2016	30/10/2017	2.65%	
IMB	BBB	3,000,000	3,000,000	T/Deposit	30/09/2016	30/10/2017	2.50%	
BOQ	A2	2,000,000	2,000,000	T/Deposit	10/03/2017	10/11/2017	2.65%	
SUN	A+	2,000,000	2,000,000	T/Deposit	24/05/2016	24/11/2017	2.85%	
CBA	AA-	2,000,000	2,000,000	T/Deposit	27/05/2016	27/11/2017	2.71%	
IMB	A2	2,000,000	2,000,000	T/Deposit	31/05/2017	01/12/2017	2.65%	
CBA	A1+	1,000,000	1,000,000	T/Deposit	10/03/2017	05/12/2017	2.68%	
BOQ	Fitch A-	2,000,000	2,000,000	T/Deposit	29/09/2016	28/12/2017	2.60%	
BEN	Fitch A-	3,000,000	3,000,000	T/Deposit	08/12/2016	08/01/2018	2.70%	
ME	BBB	1,500,000	1,500,000	T/Deposit	08/12/2016	08/01/2018	2.70%	
CBA	A1+	2,000,000	2,000,000	T/Deposit	10/03/2017	05/02/2018	2.72%	
BOQ	A2	2,000,000	2,000,000	T/Deposit	22/06/2017	19/02/2018	2.65%	
IMB	A+	3,000,000	3,000,000	T/Deposit	08/12/2016	08/03/2018	2.63%	
ME	BBB	1,000,000	1,000,000	T/Deposit	14/09/2016	14/03/2018	2.65%	
STG	AA-	1,000,000	1,000,000	T/Deposit	16/02/2017	16/03/2018	2.62%	
NAB	AA-	1,500,000	1,500,000	T/Deposit	28/02/2017	28/03/2018	2.63%	
IMB	BBB	2,000,000	2,000,000	T/Deposit	28/02/2017	29/03/2018	2.61%	
CBA	AA-	2,000,000	2,000,000	T/Deposit	10/03/2017	10/04/2018	2.74%	
IMB	A2	3,000,000	3,000,000	T/Deposit	22/06/2017	20/04/2018	2.60%	
NAB	AA-	2,000,000	2,000,000	T/Deposit	18/11/2016	18/05/2018	2.85%	
BOQ	Fitch A-	3,000,000	3,000,000	T/Deposit	23/02/2017	23/05/2018	2.80%	
NAB	Fitch A-	1,030,000	1,030,000	T/Deposit	19/12/2016	19/06/2018	2.79%	
WBC	A1+	2,000,000	2,000,000	T/Deposit	26/06/2017	26/06/2018	2.52%	
BEN	Fitch A-	5,000,000	5,000,000	T/Deposit	22/06/2017	23/07/2018	2.75%	
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	A+	2,000,000	2,000,000	T/Deposit	29/09/2016	28/09/2018	2.90%	
WBC	AA-	3,000,000	3,000,000	T/Deposit	23/02/2017	23/11/2018	2.80%	
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	AA-	3,000,000	3,000,000	T/Deposit	31/01/2017	31/01/2019	2.90%	
BEN	Fitch A-	1,000,000	1,000,000	T/Deposit	13/03/2017	13/03/2019	2.90%	
<b>Total</b>			<b>97,032,177</b>					

**WOLLONGONG CITY COUNCIL**  
**STATEMENT OF INVESTMENTS**  
28 July 2017 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
Commonwealth Bank Australia zero coupon bond with a \$4M face value	AA-	2,000,000	3,917,600	BOND	21/01/2008	22/01/2018	
CBA	AA-	1,000,000	1,006,830	FRN	19/10/2015	19/10/2018	2.48%
CUA	BBB	3,000,000	3,026,190	FRN	01/04/2016	01/04/2019	3.31%
Westpac	AA-	3,000,000	3,049,890	FRN	11/03/2016	10/05/2019	2.74%
Greater Bank Ltd	BBB	2,000,000	2,023,280	FRN	07/06/2016	07/06/2019	3.34%
Bendigo Bank	Fitch A-	1,000,000	1,003,990	FRN	16/09/2015	17/09/2019	2.65%
Bendigo Bank	Fitch A-	2,000,000	2,016,500	FRN	21/11/2016	21/02/2020	2.84%
CUA	BBB	2,000,000	2,002,480	FRN	20/03/2017	20/03/2020	3.02%
ME Bank	BBB	2,000,000	2,001,660	FRN	06/04/2017	06/04/2020	2.96%
NAB	AA-	3,000,000	3,030,330	FRN	24/06/2015	03/06/2020	2.53%
Bendigo Bank	Fitch A-	2,000,000	2,017,020	FRN	18/08/2015	18/08/2020	2.84%
SUN Corp	A+	1,500,000	1,522,260	FRN	20/10/2015	20/10/2020	2.95%
NAB	AA-	1,000,000	1,020,600	FRN	05/11/2015	05/11/2020	2.82%
SUN	A+	2,000,000	2,040,580	FRN	12/04/2016	12/04/2021	3.08%
AMP	A	2,000,000	2,041,340	FRN	24/05/2016	24/05/2021	3.08%
Westpac	AA-	3,000,000	3,063,090	FRN	03/06/2016	03/06/2021	2.90%
ANZ	AA-	2,000,000	2,042,020	FRN	16/08/2016	16/08/2021	2.86%
AMP	A	3,000,000	3,015,660	FRN	30/03/2017	30/03/2022	2.76%
EMERALD A Mortgage Backed Security *	AAA	653,644	479,781	M/Bac	17/07/2006	21/08/2022	2.18%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,239,120	M/Bac	17/07/2006	21/08/2056	2.49%
<b>Total</b>			<b>41,560,221</b>				

**Managed Funds & Other**

MANAGED FUNDS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	Annualised % p.a.	FYTD (Actual)
TcorpIM Cash Fund Facility	N/A	2,500,000	2,552,273	1/06/2017	0.21%	2.73%	2.73%
Tcorp Long Term Growth Facility Trust	N/A	1,630,253	1,916,288	13/06/2007	-0.61%	-7.94%	-7.94%
<b>Total</b>			<b>4,468,562</b>				

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

**TOTAL INVESTMENTS**      \$ **143,060,962**

\* 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 INVESTMENTS 25 August 2017								
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	A-1+	-	6,382,311	11am	25/08/2017	25/08/2017	1.90%	
NAB General Fund	A-1+	-	1,745,958	General A/c	25/08/2017	25/08/2017		
BOQ	Fitch A-	3,000,000	3,000,000	T/Deposit	28/08/2015	28/08/2017	2.80%	
CBA	AA-	2,000,000	2,000,000	T/Deposit	09/08/2016	08/09/2017	2.61%	
IMB	A2	2,000,000	2,000,000	T/Deposit	10/03/2017	08/09/2017	2.55%	
BEN	Fitch A-	1,000,000	1,000,000	T/Deposit	11/09/2015	11/09/2017	2.95%	
BEN	A2	1,000,000	1,000,000	T/Deposit	29/09/2016	29/09/2017	2.80%	
ME	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	29/09/2017	2.65%	
SUN	A1	2,000,000	2,000,000	T/Deposit	10/03/2017	06/10/2017	2.60%	
ME	BBB	1,000,000	1,000,000	T/Deposit	14/09/2016	13/10/2017	2.65%	
CBA	AA-	1,000,000	1,000,000	T/Deposit	19/09/2016	19/10/2017	2.58%	
WBC	A1+	2,000,000	2,000,000	T/Deposit	19/10/2016	19/10/2017	2.56%	
SUN	A+	2,000,000	2,000,000	T/Deposit	29/09/2016	30/10/2017	2.65%	
IMB	BBB	3,000,000	3,000,000	T/Deposit	30/09/2016	30/10/2017	2.50%	
BOQ	A2	2,000,000	2,000,000	T/Deposit	10/03/2017	10/11/2017	2.65%	
SUN	A+	2,000,000	2,000,000	T/Deposit	24/05/2016	24/11/2017	2.85%	
CBA	AA-	2,000,000	2,000,000	T/Deposit	27/05/2016	27/11/2017	2.71%	
IMB	A2	2,000,000	2,000,000	T/Deposit	31/05/2017	01/12/2017	2.65%	
CBA	A1+	1,000,000	1,000,000	T/Deposit	10/03/2017	05/12/2017	2.68%	
BOQ	Fitch A-	2,000,000	2,000,000	T/Deposit	29/09/2016	28/12/2017	2.60%	
BEN	Fitch A-	3,000,000	3,000,000	T/Deposit	08/12/2016	08/01/2018	2.70%	
ME	BBB	1,500,000	1,500,000	T/Deposit	08/12/2016	08/01/2018	2.70%	
CBA	A1+	2,000,000	2,000,000	T/Deposit	10/03/2017	05/02/2018	2.72%	
BOQ	A2	2,000,000	2,000,000	T/Deposit	22/06/2017	19/02/2018	2.65%	
IMB	A+	3,000,000	3,000,000	T/Deposit	08/12/2016	08/03/2018	2.63%	
ME	BBB	1,000,000	1,000,000	T/Deposit	14/09/2016	14/03/2018	2.65%	
STG	AA-	1,000,000	1,000,000	T/Deposit	16/02/2017	16/03/2018	2.62%	
NAB	AA-	1,500,000	1,500,000	T/Deposit	28/02/2017	28/03/2018	2.63%	
IMB	BBB	2,000,000	2,000,000	T/Deposit	28/02/2017	29/03/2018	2.61%	
CBA	AA-	2,000,000	2,000,000	T/Deposit	10/03/2017	10/04/2018	2.74%	
IMB	A2	3,000,000	3,000,000	T/Deposit	22/06/2017	20/04/2018	2.60%	
NAB	AA-	2,000,000	2,000,000	T/Deposit	18/11/2016	18/05/2018	2.85%	
BOQ	Fitch A-	3,000,000	3,000,000	T/Deposit	23/02/2017	23/05/2018	2.80%	
NAB	Fitch A-	1,030,000	1,030,000	T/Deposit	19/12/2016	19/06/2018	2.79%	
WBC	A1+	2,000,000	2,000,000	T/Deposit	26/06/2017	26/06/2018	2.52%	
BEN	Fitch A-	5,000,000	5,000,000	T/Deposit	22/06/2017	23/07/2018	2.75%	
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%	
WBC	AA-	3,000,000	3,000,000	T/Deposit	23/02/2017	23/11/2018	2.80%	
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	AA-	3,000,000	3,000,000	T/Deposit	31/01/2017	31/01/2019	2.90%	
BEN	Fitch A-	1,000,000	1,000,000	T/Deposit	13/03/2017	13/03/2019	2.90%	
<b>Total</b>			<b>95,658,270</b>					

**WOLLONGONG CITY COUNCIL**  
**STATEMENT OF INVESTMENTS**  
25 August 2017 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
Commonwealth Bank Australia zero coupon bond with a \$4M face value	AA-	2,000,000	3,929,600	BOND	21/01/2008	22/01/2018	
CBA	AA-	1,000,000	1,008,610	FRN	19/10/2015	19/10/2018	2.48%
CUA	BBB	3,000,000	3,032,970	FRN	01/04/2016	01/04/2019	3.31%
Westpac	AA-	3,000,000	3,035,010	FRN	11/03/2016	10/05/2019	2.69%
Greater Bank Ltd	BBB	2,000,000	2,030,480	FRN	07/06/2016	07/06/2019	3.34%
Bendigo Bank	Fitch A-	1,000,000	1,006,550	FRN	16/09/2015	17/09/2019	2.65%
Bendigo Bank	Fitch A-	2,000,000	2,007,260	FRN	21/11/2016	21/02/2020	2.79%
CUA	BBB	2,000,000	2,009,620	FRN	20/03/2017	20/03/2020	3.02%
ME Bank	BBB	2,000,000	2,007,780	FRN	06/04/2017	06/04/2020	2.96%
NAB	AA-	3,000,000	3,036,210	FRN	24/06/2015	03/06/2020	2.53%
Bendigo Bank	Fitch A-	2,000,000	2,008,420	FRN	18/08/2015	18/08/2020	2.79%
SUN Corp	A+	1,500,000	1,526,580	FRN	20/10/2015	20/10/2020	2.95%
NAB	AA-	1,000,000	1,015,070	FRN	05/11/2015	05/11/2020	2.77%
SUN	A+	2,000,000	2,045,980	FRN	12/04/2016	12/04/2021	3.08%
AMP	A	2,000,000	2,034,800	FRN	24/05/2016	24/05/2021	3.07%
Westpac	AA-	3,000,000	3,067,500	FRN	03/06/2016	03/06/2021	2.90%
ANZ	AA-	2,000,000	2,031,280	FRN	16/08/2016	16/08/2021	2.82%
AMP	A	3,000,000	3,026,970	FRN	30/03/2017	30/03/2022	2.76%
EMERALD A Mortgage Backed Security *	AAA	629,895	477,310	M/Bac	17/07/2006	21/08/2022	2.14%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,230,540	M/Bac	17/07/2006	21/08/2056	2.44%
<b>Total</b>			<b>41,568,540</b>				

**Managed Funds & Other**

MANAGED FUNDS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	Annualised % p.a.	FYTD (Actual)
TcorpIM Cash Fund Facility	N/A	2,500,000	13,063,805	1/06/2017	0.30%	3.97%	3.35%
Tcorp Long Term Growth Facility Trust	N/A	1,630,253	1,931,010	13/06/2007	0.77%	10.01%	1.04%
<b>Total</b>			<b>14,994,815</b>				

Investment Body	Face Value	Security
Southern Phone Company	2	shares

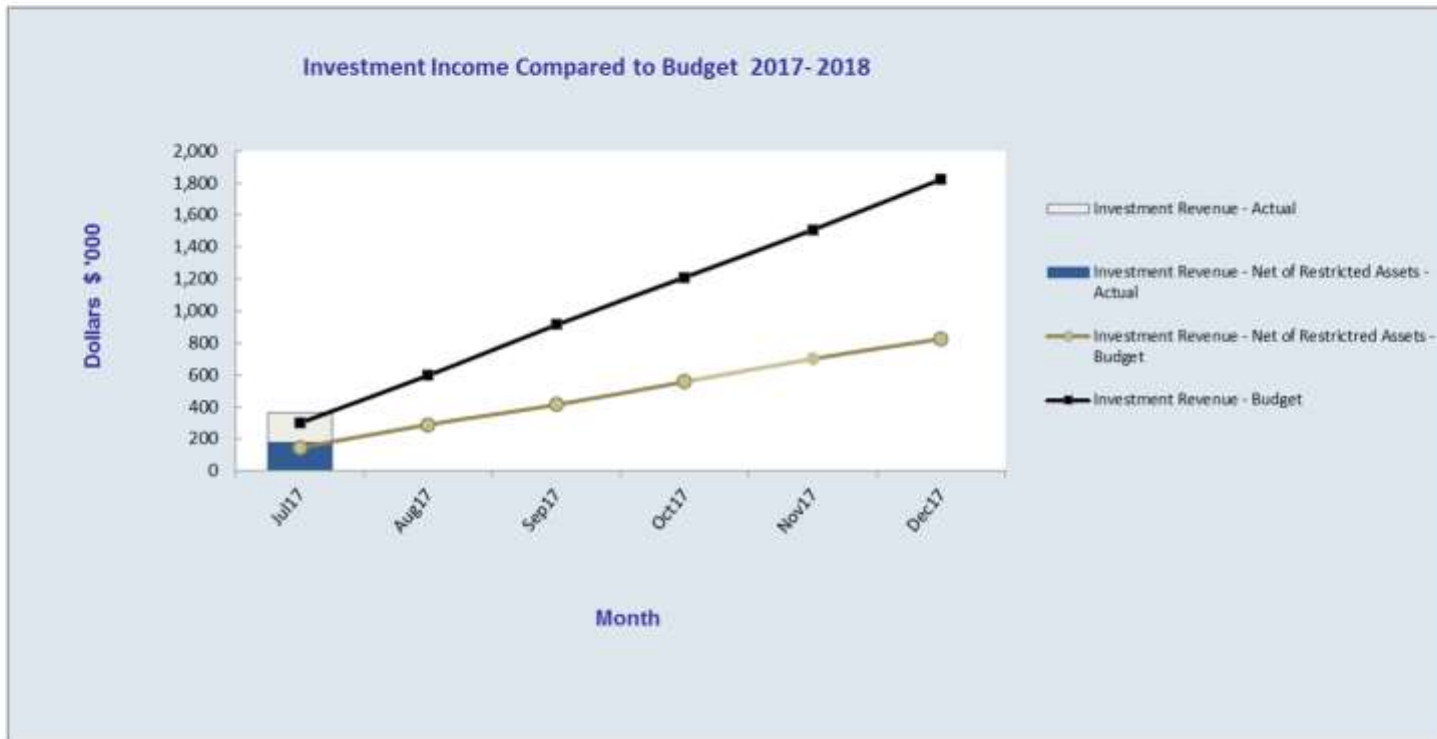
**TOTAL INVESTMENTS**      \$ 152,221,627

\* 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 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

July 2017



### August 2017

