

## ITEM 6 STATEMENT OF INVESTMENT - JANUARY 2022

This report provides an overview of Council's investment portfolio performance for the month of January 2022.

Council had an average weighted return for January 2022 of -0.03% which was below the benchmark return of 0.01%. This result was primarily due to negative valuations of the TCorp funds reflecting the continuing volatility in the market. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity, but historically low interest returns.

### RECOMMENDATION

Council receive the Statement of Investment for January 2022.

### REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

### ATTACHMENTS

- 1 Statement of Investment - January 2022
- 2 Investment Income Compared to Budget 2021-2022

### BACKGROUND

Council is required to invest its surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative approach and restricts the investment types available to Council. In compliance with the Order and Office 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 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 28 January 2022 were \$160,925,983 (Statement of Investment attached) [29 January 2021 \$158,080,269]. These figures include Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2021.

Council had an average weighted return for January 2022 of -0.03% which was below the benchmark return of 0.01%. This result was primarily due to negative valuations of the TCorp funds reflecting the continuing volatility in the market. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity, but historically low interest returns. 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 28 January 2022, year to date interest and investment revenue of \$376,491 was recognised compared to the year to date budget of \$607,736.

Council's 17 floating rate notes had a net decrease in value of \$3,019 for January 2022.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$1,404 for January 2022. 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 investments. While the maturity dates are outside Council's control, the investment advisors had previously indicated capital is not at risk at that stage and recommended a hold strategy due to the illiquid nature of the investment.

Council has three investment holdings under the NSW TCorp Hour Glass Facility: the Long-Term Growth Fund; the Medium-Term Growth Fund and the Cash Fund. The Long-Term Growth recorded a net decrease in value of \$70,439; the Medium-Term Growth Fund recorded a net decrease in value of \$57,068 and the Cash Fund recorded a net decrease in value of \$3 in January 2022. The fluctuations in both the Long-Term Growth and Medium-Term Growth Funds are 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 over extended time periods 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. The current environment of historically low interest rates and credit spreads mean the future returns for the funds will, as a result, be lower.

At their February 2022 meeting, the Reserve Bank of Australia (RBA) maintained the official cash rate at the 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 Policy sets a 40% maximum exposure limit to individual institutions within the AAA category. This limit is currently considered to include funds held within the NAB (Council's banker) savings account that is used daily to hold cash. Through the banking services contract with the NAB, that includes a fixed margin over the current cash rate, this account is providing a better return than alternate short to medium term investments available to Council. At the end of January 2022, the exposure to NAB was 31.60%, which was above the 25% target set in the Investment Strategy but within Investment Policy requirements. The NAB savings account is currently providing a better return than the TCorp Cash Fund and is currently the best option available for surplus cash, however this will be continually monitored to ensure best value.

To take advantage of the returns that can be achieved through the NAB savings account, it is expected that Council will operate above the targeted institutional exposure described in the current Investment Strategy for NAB while the Cash holdings exceed the targeted 15%. Transitioning from higher cash to longer term investments will take time based on appropriate opportunities in the market.

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 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 2018-2022	Operational Plan 2021-2022
Strategy	4 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

## CONCLUSION

The investments for January 2022 recorded an average weighted return below the annualised Bloomberg Bank Bill Index Benchmark and performed unfavourably when compared to the year-to-date budget.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 28 January 2022							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB General Fund	A1+	-	737,083	General A/c	28/01/2022	28/01/2022	
NAB Professional Maximiser	A1+	-	44,583,812	Prof Fund A/c	28/01/2022	28/01/2022	0.50%
Commonwealth Bank of Australia Ltd	S&P ST A1+	5,000,000	5,000,000	T/Deposit	25/03/2021	18/02/2022	0.40%
Commonwealth Bank of Australia Ltd	S&P ST A1+	2,000,000	2,000,000	T/Deposit	28/05/2021	22/02/2022	0.36%
Illawarra Credit Union Ltd	Unrated ST UR	250,000	250,000	T/Deposit	26/11/2021	24/02/2022	0.70%
Coastline Credit Union Ltd	Unrated ST UR	250,000	250,000	T/Deposit	8/11/2021	8/03/2022	0.90%
BNK Banking Corporation Ltd t/as Goldfields Money	Unrated ST UR	250,000	250,000	T/Deposit	16/09/2021	16/03/2022	0.75%
Commonwealth Bank of Australia Ltd	S&P AAA	2,000,000	2,000,000	T/Deposit	23/12/2020	22/04/2022	0.50%
IMB Ltd	Moody's ST P-2	2,000,000	2,000,000	T/Deposit	28/04/2021	28/04/2022	0.35%
Commonwealth Bank of Australia Ltd	S&P ST A1+	3,000,000	3,000,000	T/Deposit	28/05/2021	27/05/2022	0.39%
Arab Bank Australia Ltd	Unrated ST UR	250,000	250,000	T/Deposit	16/09/2021	16/06/2022	0.65%
Members Equity Bank Ltd	Moody's ST P-2	4,000,000	4,000,000	T/Deposit	2/12/2020	30/06/2022	0.50%
Westpac Banking Corporation Ltd	S&P AAA	3,000,000	3,000,000	T/Deposit	26/11/2020	25/11/2022	0.56%
Members Equity Bank Ltd	Moody's ST P-2	4,000,000	4,000,000	T/Deposit	2/12/2020	2/12/2022	0.70%
Commonwealth Bank of Australia Ltd	S&P AAA	2,000,000	2,000,000	T/Deposit	23/12/2020	23/12/2022	0.52%
Judo Bank	S&P BBB-	2,000,000	2,000,000	T/Deposit	17/09/2021	18/09/2023	0.95%
Westpac Banking Corporation Ltd	S&P AAA	5,000,000	5,000,000	T/Deposit	20/10/2021	20/10/2023	0.87%
Commonwealth Bank of Australia Ltd	S&P AAA	5,000,000	5,000,000	T/Deposit	20/10/2021	20/10/2023	0.84%
Bank of Queensland Ltd	Moody's A3	2,000,000	2,000,000	T/Deposit	25/11/2021	27/11/2023	1.15%
Westpac Banking Corporation Ltd	S&P AAA	5,000,000	5,000,000	T/Deposit	2/12/2021	4/12/2023	1.21%
Westpac Banking Corporation Ltd	S&P AAA	5,000,000	5,000,000	T/Deposit	23/12/2020	22/12/2023	0.60%
Westpac Banking Corporation Ltd	S&P AAA	2,000,000	2,000,000	T/Deposit	6/03/2019	6/03/2024	1.06%
Judo Bank	S&P BBB-	2,000,000	2,000,000	T/Deposit	17/09/2021	17/09/2024	1.20%
Westpac Banking Corporation Ltd	S&P AAA	2,000,000	2,000,000	T/Deposit	2/12/2021	2/12/2024	1.63%
<b>Total</b>			<b>109,320,895</b>				
WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 28 January 2022 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
Credit Union Australia Ltd	Moody's Baa1	1,000,000	1,002,960	FRN	4/03/2019	4/03/2022	1.28%
AMP Bank Ltd	S&P BBB	3,000,000	3,004,050	FRN	30/03/2017	30/03/2022	1.12%
Suncorp Bank	S&P A+	1,500,000	1,509,750	FRN	30/08/2017	16/08/2022	1.01%
Bendigo & Adelaide Bank Ltd	Moody's A3	3,000,000	3,016,350	FRN	12/12/2019	12/09/2022	0.91%
Bank Australia Limited	S&P BBB	4,000,000	4,023,560	FRN	2/12/2019	2/12/2022	0.96%
ANZ Banking Group Ltd	S&P AA-	1,000,000	1,010,860	FRN	9/05/2018	9/05/2023	0.95%
National Australia Bank Ltd	S&P AAA	3,000,000	3,035,130	FRN	26/09/2018	26/09/2023	0.99%
Westpac Banking Corporation Ltd	S&P AAA	1,500,000	1,520,865	FRN	16/11/2018	16/11/2023	0.99%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,030,660	FRN	6/12/2018	6/12/2023	1.08%
National Australia Bank Ltd	S&P AAA	2,000,000	2,027,040	FRN	19/06/2019	19/06/2024	0.99%
Macquarie Bank	Moody's A2	2,000,000	2,019,620	FRN	12/02/2020	12/02/2025	0.88%
Bendigo & Adelaide Bank Ltd	Moody's A3	1,700,000	1,691,041	FRN	2/12/2020	2/12/2025	0.58%
Macquarie Bank	S&P A+	5,000,000	4,974,500	FRN	9/12/2020	9/12/2025	0.54%
Suncorp Bank	S&P A+	2,100,000	2,084,838	FRN	24/02/2021	24/02/2026	0.50%
Newcastle Permanent Building Society Ltd	S&P BBB	5,000,000	4,972,200	FRN	4/03/2021	4/03/2026	0.68%
Teachers Mutual Bank Ltd	Moody's Baa1	1,100,000	1,090,155	FRN	16/06/2021	16/06/2026	0.75%
Suncorp Bank	Moody's A1	3,750,000	3,711,825	FRN	15/09/2021	15/09/2026	0.54%
Emerald Reverse Mortgage Trust	S&P A	485,452	388,803	MBS	17/07/2006	21/08/2051	0.50%
Emerald Reverse Mortgage Trust	S&P A	2,000,000	1,302,920	MBS	17/07/2006	21/08/2056	0.80%
<b>Total</b>			<b>44,417,127</b>				
Managed Funds & Other							
MANAGED FUNDS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly	FYTD (Actual)	
TcorpM Cash Fund Facility	N/A		1,196,545	28/06/2019	0.00%	-0.01%	
Tcorp Long Term Growth Facility Fund	N/A		3,792,711	13/06/2007	-1.82%	2.31%	
Tcorp Medium Term Growth Facility Fund	N/A		4,999,706	14/06/2007	-1.13%	-0.01%	
<b>Total</b>			<b>9,988,961</b>				
Membership interest in Investment Body			Fair Value of Holding \$				
CivicRisk Mutual Limited	N/A		3,199,000				
<b>TOTAL INVESTMENTS</b>			<b>\$ 160,925,983</b>				
<p>* 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.</p>							
<p>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.</p>							
<p>Brian Jenkins RESPONSIBLE ACCOUNTING OFFICER</p>							

