

ITEM 18 STATEMENT OF INVESTMENT - JUNE 2024

This report provides an overview of Council's investment portfolio performance for the reporting period June 2024.

Council had an average weighted return for June 2024 of 0.41% which was above the benchmark return of 0.35%. The result was primarily due to the positive valuations on the Mortgage-Backed Securities and NSW TCorp investments. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity.

RECOMMENDATION

Council receive the Statement of Investment for June 2024.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Statement of Investment - June 2024
- 2 Investment Income Compared to Budget 2023-2024

BACKGROUND

Council is mandated to invest surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative investment approach and restricts investment types available to Council. In compliance with the Order and Office of Local Government guidelines Council adopted an Investment Policy on 12 December 2022. The Investment Policy provides a framework for Council to manage investment credit quality, institutional diversification, and maturity constraints. 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 (ARIC) provides oversight of 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 at 30 June 2024 were \$178,708,484 (Statement of Investment attached) [30 June 2023 \$176,465,119] which includes Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2023. An actuary report on the fair value of Council's interest in CivicRisk at 30 June 2024 will be made available to us early August and any material movements recorded within the 2024 Audited Financial Statements.

Council had an average weighted return for June 2024 of 0.41% which was above the benchmark return of 0.35%. The result was primarily due to the positive valuations on the Mortgage-Backed Securities and NSW TCorp investments. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity. The global markets are still experiencing levels of instability and volatility in interest rates, driven by the persistent inflation issues. Australia's inflation remains relatively higher than international comparisons, however medium-term predictions indicate contractions in inflation and interest rates. Rates available to Council on purchased investments are assessed regularly and across credit and maturity spread to maximise return on committed capital.

At 30 June 2024, year to date interest and investment revenue of \$8,764,940 was recognised compared to the year-to-date budget of \$8,994,352.

Council's 22 floating rate notes had a net decrease in value of \$264,397 for June 2024.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$12,428 for June 2024. The market value of this security takes into account the extended term of the security along with the limited liquidity and the coupon margin reflects pre-Global Financial Crisis (GFC) pricing.

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 holds two investments within the NSW TCorp Hour Glass Facility; Long-Term Growth Fund and Medium-Term Growth Fund. The Long-Term Growth recorded a net increase in value of \$41,461 and the Medium-Term Growth Fund recorded a net increase in value of \$16,928 in June 2024. 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 with differing risk and return characteristics.

The Reserve Bank of Australia (RBA) Board will meet eight times each year from February 2024. At their June 2024 meeting, the Reserve Bank of Australia (RBA) decided to hold the official cash rate at 4.35%. The RBA will continue to monitor uncertainties regarding the global economy, trends in demand, developments and adjust policy as needed as based on the data and evolving assessment of risks to return inflation to target of 2%–3%.

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 Commonwealth Bank (CBA), savings account which holds Council’s operating cash balances. At the end of June 2024, the exposure to CBA was 15.05%, which is below the 25% target set in the Investment Strategy.

The current investment portfolio complies with Council’s Investment Policy which was endorsed by Council on 12 December 2022. 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 Our Wollongong Our Future 2032 Goal 4 “We are a connected and engaged community”. It specifically delivers on the following:

Community Strategic Plan 2032		Delivery Program 2022-2026
Strategy		Service
4.8	Council’s resources are managed effectively to ensure long term financial sustainability.	Financial Services

CONCLUSION

The investments for June 2024 recorded an average weighted return that was above the AusBondBank Bill Index Benchmark and performed unfavourably when compared to the year-to-date budget.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 30 June 2024							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
CBA Business Online Saver	A1+	-	23,468,545	BOS A/c	30/06/2024	30/06/2024	4.60%
CBA General Fund A/c	A1+	-	20,889,359	General A/c	30/06/2024	30/06/2024	4.60%
NAB General Fund A/c	A1+	-	31,406	General A/c	30/06/2024	30/06/2024	
Australian Unity Bank (BPSS20)	S&P ST A2	750,000	750,000	T/Deposit	10/07/2023	9/07/2024	5.75%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	16/08/2023	16/08/2024	5.05%
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 ST A1+	1,000,000	1,000,000	T/Deposit	4/12/2023	4/10/2024	5.24%
Auswide Bank Limited	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	9/11/2023	8/11/2024	5.50%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	9/06/2023	11/11/2024	5.50%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	2/12/2021	2/12/2024	1.63%
Bank of Queensland Ltd	Moodys A3	4,000,000	4,000,000	T/Deposit	2/06/2023	2/12/2024	5.25%
Coastline Credit Union Ltd	Moodys Baa3	250,000	250,000	T/Deposit	5/06/2023	5/12/2024	5.25%
Bank of Sydney Ltd	Unrated UR	250,000	250,000	T/Deposit	11/12/2023	11/12/2024	5.40%
Bendigo & Adelaide Bank Ltd	Moodys ST P-2	3,000,000	3,000,000	T/Deposit	16/01/2024	20/12/2024	5.06%
ING Bank Australia Limited	S&P ST A1	3,000,000	3,000,000	T/Deposit	21/02/2024	21/01/2025	5.11%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	27/11/2023	28/01/2025	5.40%
Judo Bank	S&P BBB-	2,200,000	2,200,000	T/Deposit	7/03/2022	11/03/2025	2.30%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	7/03/2022	13/03/2025	2.03%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	4/12/2023	4/04/2025	5.32%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	9/06/2023	9/05/2025	5.45%
Summerland Financial Services Limited t/as Sumr	Unrated ST UR	250,000	250,000	T/Deposit	6/06/2024	6/06/2025	5.36%
Bank of Queensland Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	30/06/2023	30/06/2025	5.50%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	30/06/2023	30/06/2025	5.35%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,000,000	T/Deposit	25/11/2022	25/11/2025	4.59%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	30/06/2023	30/06/2026	5.19%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	30/06/2023	30/06/2027	5.09%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	22/12/2023	22/12/2028	4.90%
ING Bank Australia Limited	S&P A	3,000,000	3,000,000	T/Deposit	21/02/2024	21/02/2029	5.19%
Total			100,089,310				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
30 June 2024 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
Auswide Bank Limited	Moodys Baa2	3,000,000	3,016,950	FRN	22/08/2023	23/08/2024	5.28%
Macquarie Bank Ltd	S&P A+	2,000,000	2,018,900	FRN	12/02/2020	12/02/2025	5.21%
Bendigo & Adelaide Bank Ltd	S&P A-	1,700,612	1,700,612	FRN	2/12/2020	2/12/2025	4.87%
Macquarie Bank Ltd	S&P A+	6,500,000	6,507,475	FRN	11/03/2022	9/12/2025	4.84%
Suncorp-Metway Ltd	S&P A+	2,100,000	2,105,355	FRN	24/02/2021	24/02/2026	4.79%
Newcastle Greater Mutual Group Ltd	S&P BBB+	5,000,000	4,977,350	FRN	4/03/2021	4/03/2026	4.98%
ANZ Banking Group Ltd	Moodys Aa2	2,500,000	2,514,450	FRN	31/03/2023	31/03/2026	5.28%
Teachers Mutual Bank Ltd	Moodys Baa1	1,100,000	1,092,883	FRN	16/06/2021	16/06/2026	5.05%
ANZ Banking Group Ltd	S&P AA-	2,500,000	2,514,625	FRN	11/09/2023	11/09/2026	5.11%
Macquarie Bank Ltd	S&P A+	4,000,000	4,021,920	FRN	14/09/2023	14/09/2026	5.22%
Suncorp-Metway Ltd	S&P A+	3,750,000	3,741,150	FRN	15/09/2021	15/09/2026	4.85%
QPCU LTD t/a QBANK	S&P BBB-	2,000,000	2,020,280	FRN	18/09/2023	18/09/2026	6.02%
Illawarra Credit Union Ltd	S&P BBB-	2,500,000	2,503,525	FRN	20/09/2023	21/09/2026	6.11%
Suncorp-Metway Ltd	S&P A+	1,500,000	1,515,720	FRN	11/03/2022	25/01/2027	5.19%
ANZ Banking Group Ltd	Moodys Aa2	3,500,000	3,552,500	FRN	12/05/2022	12/05/2027	5.34%
Suncorp-Metway Ltd	S&P A+	3,000,000	3,042,870	FRN	24/11/2023	24/05/2027	5.44%
Cooperative Rabobank U.A Australia Branch	S&P A+	2,500,000	2,556,400	FRN	19/01/2023	19/01/2028	5.54%
ANZ Banking Group Ltd	Moodys Aa2	2,500,000	2,526,175	FRN	31/03/2023	31/03/2028	5.51%
ANZ Banking Group Ltd	S&P AA-	2,100,000	2,116,548	FRN	11/09/2023	11/09/2028	5.29%
Westpac Banking Corporation Ltd	S&P AA-	3,500,000	3,524,955	FRN	19/09/2023	19/09/2028	5.31%
National Australia Bank Ltd	S&P AA-	4,000,000	4,093,760	FRN	16/11/2023	16/11/2028	5.40%
Cooperative Rabobank U.A Australia Branch	S&P A+	3,000,000	3,090,630	FRN	21/11/2023	21/11/2028	5.71%
Emerald Reverse Mortgage Trust	Unrated UR	360,586	290,719	MBS	17/07/2006	21/08/2051	5.69%
Emerald Reverse Mortgage Trust	Unrated UR	2,000,000	1,311,160	MBS	17/07/2006	21/08/2056	5.09%
Total			66,356,912				

Managed Funds & Other

MANAGED FUNDS						
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	FYTD (Actual)
Tcorp Long Term Growth Facility Fund	N/A		4,194,180	13/06/2007	0.33%	6.37%
Tcorp Medium Term Growth Facility Fund	N/A		5,206,083	26/10/2021	1.00%	10.63%
Total			9,400,262			

Membership interest in Investment Body	Fair Value of Holding \$
CivicRisk Mutual Limited	2,862,000
TOTAL INVESTMENTS	\$ 178,708,484

* 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

