

ITEM 19 STATEMENT OF INVESTMENTS - SEPTEMBER 2017

This report provides an overview of Council's investment portfolio performance for the month of September 2017.

Council's average weighted return for September 2017 was 2.92% which was above the benchmark return of 1.76%. The result was primarily due to good returns received on the term deposits, the positive marked to market valuation of the CBA Zero Coupon Bond, the NSW TCorp Hour Glass facilities and the aggregated Floating Rate Notes in Council's portfolio. 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 Statement of Investments for September 2017.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Manager Finance

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

ATTACHMENTS

- 1 Statement of Investments - September 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 29 September 2017 were \$167,682,171 (Statement of Investments attached) [30 September 2016 \$171,215,422].

Council's average weighted return for September 2017 was 2.92% which was above the benchmark return of 1.76%. The result was primarily due to good returns received on the term deposits, the positive marked to market valuation of the CBA Zero Coupon Bond, the NSW TCorp Hour Glass facilities and the aggregated Floating Rate Notes in Council's portfolio. 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 29 September 2017, year to date interest and investment revenue of \$1,235,555 was recognised compared to the year to date budget of \$912,679.

Council's CBA Zero Coupon Bond experienced an increase in valuation for September 2017 of \$25,600. 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 18 floating rate notes had a net increase in value of \$16,840 for September 2017.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$11,365 for September 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 an increase in value of \$28,437 and the Cash Fund recorded an increase in value of \$29,885 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 11 am, at call account. The fund only invests in Australian cash and fixed interests.

At the October 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 September 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.

Item 19 - Attachment 1 - Statement of Investments - September 2017

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENTS 29 September 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+	-	22,487,655	11am	29/09/2017	29/09/2017	1.90%
NAB General Fund	A-1+	-	6,510,231	General A/c	29/09/2017	29/09/2017	
SUN	A1	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	A1+	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	A2	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	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	28/12/2017	2.60%
ME	A2	3,000,000	3,000,000	T/Deposit	06/09/2017	04/01/2018	2.48%
BEN	A2	3,000,000	3,000,000	T/Deposit	08/12/2016	08/01/2018	2.70%
ME	A2	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%
Bwest	A1+	3,000,000	3,000,000	T/Deposit	06/09/2017	05/02/2018	2.45%
BOQ	A2	2,000,000	2,000,000	T/Deposit	22/06/2017	19/02/2018	2.65%
IMB	A2	3,000,000	3,000,000	T/Deposit	08/12/2016	08/03/2018	2.63%
ME	A2	1,000,000	1,000,000	T/Deposit	14/09/2016	14/03/2018	2.65%
STG	A1+	1,000,000	1,000,000	T/Deposit	16/02/2017	16/03/2018	2.62%
NAB	A1+	1,500,000	1,500,000	T/Deposit	28/02/2017	28/03/2018	2.63%
IMB	A2	2,000,000	2,000,000	T/Deposit	28/02/2017	29/03/2018	2.61%
CBA	A1+	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	A1+	2,000,000	2,000,000	T/Deposit	18/11/2016	18/05/2018	2.85%
BOQ	A2	3,000,000	3,000,000	T/Deposit	23/02/2017	23/05/2018	2.80%
CBA	A1+	3,000,000	3,000,000	T/Deposit	06/09/2017	18/06/2018	2.56%
NAB	A1+	1,030,000	1,030,000	T/Deposit	19/12/2016	19/06/2018	2.79%
WBC	AA-	2,000,000	2,000,000	T/Deposit	26/06/2017	26/06/2018	2.52%
BEN	STA2	5,000,000	5,000,000	T/Deposit	22/06/2017	23/07/2018	2.75%
BOQ	A2	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	A2	2,000,000	2,000,000	T/Deposit	14/09/2016	14/09/2018	2.65%
BEN	A2	2,000,000	2,000,000	T/Deposit	29/09/2016	28/09/2018	2.90%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/11/2018	2.60%
WBC	A1+	3,000,000	3,000,000	T/Deposit	23/02/2017	23/11/2018	2.80%
BOQ	A2	1,500,000	1,500,000	T/Deposit	08/12/2016	07/12/2018	2.95%
SUN	A1+	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%
WBC	A1+	3,000,000	3,000,000	T/Deposit	31/01/2017	31/01/2019	2.90%
WBC	A1+	2,000,000	2,000,000	T/Deposit	06/09/2017	06/03/2019	2.64%
BEN	A2	1,000,000	1,000,000	T/Deposit	13/03/2017	13/03/2019	2.90%
BOQ	Fitch A-	1,000,000	1,000,000	T/Deposit	06/09/2017	06/09/2019	2.80%
Total			121,527,887				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENTS
29 September 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	3,955,200	BOND	21/01/2008	22/01/2018	
CBA	AA-	1,000,000	1,010,370	FRN	19/10/2015	19/10/2018	2.48%
CUA	BBB	3,000,000	3,042,090	FRN	01/04/2016	01/04/2019	3.31%
Westpac	AA-	3,000,000	3,041,130	FRN	11/03/2016	10/05/2019	2.69%
Greater Bank Ltd	BBB	2,000,000	2,020,620	FRN	07/06/2016	07/06/2019	3.34%
Bendigo Bank	Fitch A-	1,000,000	1,003,330	FRN	16/09/2015	17/09/2019	2.65%
Bendigo Bank	Fitch A-	2,000,000	2,014,780	FRN	21/11/2016	21/02/2020	2.79%
CUA	BBB	2,000,000	2,002,460	FRN	20/03/2017	20/03/2020	3.01%
ME Bank	BBB	2,000,000	2,014,780	FRN	06/04/2017	06/04/2020	2.96%
NAB	AA-	3,000,000	3,024,060	FRN	24/06/2015	03/06/2020	2.54%
Bendigo Bank	Fitch A-	2,000,000	2,016,420	FRN	18/08/2015	18/08/2020	2.79%
SUN Corp	A+	1,500,000	1,531,440	FRN	20/10/2015	20/10/2020	2.95%
NAB	AA-	1,000,000	1,017,340	FRN	05/11/2015	05/11/2020	2.77%
SUN	A+	2,000,000	2,052,780	FRN	12/04/2016	12/04/2021	3.08%
AMP	A	2,000,000	2,041,940	FRN	24/05/2016	24/05/2021	3.07%
Westpac	AA-	3,000,000	3,054,120	FRN	03/06/2016	03/06/2021	2.90%
ANZ	AA-	2,000,000	2,036,780	FRN	16/08/2016	16/08/2021	2.82%
AMP	A	3,000,000	3,017,460	FRN	30/03/2017	30/03/2022	2.76%
SUN	A+	1,501,530	1,507,560	FRN	30/08/2017	16/08/2022	2.66%
EMERALD A Mortgage Backed Security *	AAA	629,895	461,266	M/Bac	17/07/2006	21/08/2022	2.14%
EMERALD B Mortgage Backed Security *	Fitch AA	2,000,000	1,235,220	M/Bac	17/07/2006	21/08/2056	2.44%
Total			43,101,146				

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	1,093,690	1,093,690	1/06/2017	-0.09%	-0.94%	1.92%
Tcorp Long Term Growth Facility Trust	N/A	1,630,253	1,959,446	13/06/2007	1.47%	15.36%	5.81%
Total			3,053,137				

Investment Body	Face Value	Security
Southern Phone Company	2	shares

TOTAL INVESTMENTS **\$ 167,682,171**

* 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

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

