

ITEM 23 STATEMENT OF INVESTMENT - MAY 2020

This report provides an overview of Council's investment portfolio performance for the month of May 2020.

Council's average weighted return for May 2020 was 2.94% which was above the benchmark return of 0.13%. This result was primarily due to positive marked to market valuation of the aggregated floating rates notes and the aggregated NSW TCorp Hourglass facilities. 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 May 2020.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Statement of Investment - May 2020
- 2 Investment Income Compared to Budget 2019-2020

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 29 May 2020 were \$163,691,806 (Statement of Investment attached) [31 May 2019 \$154,847,056].

Council's average weighted return for May 2020 was 2.94% which was above the benchmark return of 0.13%. This result was primarily due to positive marked to market valuation of the aggregated floating rates notes and the aggregated NSW TCorp Hourglass facilities. 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. 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 29 May 2020, year to date interest and investment revenue of \$2,758,751 was recognised compared to the year to date budget of \$2,910,498.

Council's 23 floating rate notes had a net increase in value of \$101,510 for May 2020.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$611 for May 2020. 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 a net increase in value of \$95,010 and the Cash Fund recorded a net increase in value of \$4,284 in May 2020. The fluctuation in the Long-Term Growth Facility is 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 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.

At their June 2020 meeting, the Reserve Bank of Australia (RBA) maintained the official cash rate at the record low of 0.25%. 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.

In response to the COVID-19 pandemic, Council will not be making any new investments and is having all investment maturities returned to the at call accounts. This is to facilitate cash flow requirements of the organisation.

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 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 2019-20
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 May 2020 recorded an average weighted return above the annualised Bloomberg Bank Bill Index Benchmark, although annual return on investments remains slightly below the year to date budget.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 29 May 2020							
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+	-	36,767,481	Prof Fund A/c	29/05/2020	29/05/2020	0.65%
NAB General Fund	A1+	-	3,904,962	General A/c	29/05/2020	29/05/2020	
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	6/03/2019	3/06/2020	2.70%
Suncorp Bank	S&P ST A1	3,000,000	3,000,000	T/Deposit	10/02/2020	12/06/2020	1.50%
Bank of Queensland Ltd	Moodys ST P-2	1,000,000	1,000,000	T/Deposit	6/09/2019	6/07/2020	1.65%
IMB Ltd	Moodys ST P-2	1,000,000	1,000,000	T/Deposit	6/03/2020	6/07/2020	1.20%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	14/03/2019	14/07/2020	2.60%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	24/08/2018	24/08/2020	3.00%
Bank of Queensland Ltd	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	28/02/2020	28/08/2020	1.60%
Members Equity Bank Ltd	S&P ST A2	4,000,000	4,000,000	T/Deposit	28/02/2020	28/08/2020	1.60%
Commonwealth Bank of Australia Ltd	S&P ST A1+	5,000,000	5,000,000	T/Deposit	13/09/2019	7/09/2020	1.63%
Members Equity Bank Ltd	S&P BBB	2,000,000	2,000,000	T/Deposit	14/09/2018	14/09/2020	2.82%
IMB Ltd	S&P ST A2	2,000,000	2,000,000	T/Deposit	25/11/2019	23/10/2020	1.50%
IMB Ltd	S&P ST A2	1,000,000	1,000,000	T/Deposit	28/11/2019	29/10/2020	1.50%
National Australia Bank Ltd	S&P ST A1+	1,030,000	1,030,000	T/Deposit	19/11/2019	18/11/2020	1.46%
IMB Ltd	S&P ST A2	2,000,000	2,000,000	T/Deposit	28/11/2019	26/11/2020	1.50%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	14/03/2019	14/12/2020	2.73%
IMB Ltd	S&P ST A2	3,000,000	3,000,000	T/Deposit	20/12/2019	18/12/2020	1.50%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	23/12/2019	23/12/2020	1.48%
Members Equity Bank Ltd	S&P ST A2	3,000,000	3,000,000	T/Deposit	6/03/2020	31/12/2020	1.25%
Bank of Queensland Ltd	Moodys A3	3,000,000	3,000,000	T/Deposit	21/02/2019	19/02/2021	2.80%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	28/11/2019	24/02/2021	1.55%
Bank of Queensland Ltd	Moodys ST P-2	2,000,000	2,000,000	T/Deposit	6/03/2020	1/03/2021	1.40%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2020	8/03/2021	1.40%
Bendigo & Adelaide Bank Ltd	Moodys A3	2,000,000	2,000,000	T/Deposit	28/11/2019	25/06/2021	1.55%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	2/12/2019	2/12/2021	1.38%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2019	6/03/2024	2.83%
Total			101,702,443				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
29 May 2020 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
National Australia Bank Ltd	S&P AA-	3,000,000	3,010,380	FRN	24/06/2015	3/06/2020	1.39%
Bendigo & Adelaide Bank Ltd	Fitch A-	2,000,000	2,003,440	FRN	18/08/2015	18/08/2020	1.20%
Suncorp Bank	S&P A+	1,500,000	1,507,275	FRN	20/10/2015	20/10/2020	1.38%
National Australia Bank Ltd	S&P AA-	1,000,000	1,004,410	FRN	5/11/2015	5/11/2020	1.18%
Newcastle Permanent Building Society Ltd	S&P BBB	500,000	501,270	FRN	26/02/2019	26/02/2021	1.20%
Suncorp Bank	S&P A+	2,000,000	2,020,060	FRN	12/04/2016	12/04/2021	1.38%
AMP Bank Ltd	S&P BBB+	2,000,000	2,005,840	FRN	24/05/2016	24/05/2021	1.45%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,039,150	FRN	3/06/2016	3/06/2021	1.76%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,020,440	FRN	16/08/2016	16/08/2021	1.23%
Credit Union Australia Ltd	S&P BBB	1,200,000	1,211,844	FRN	6/09/2018	6/09/2021	1.80%
AMP Bank Ltd	S&P BBB+	1,500,000	1,504,095	FRN	10/09/2018	10/09/2021	1.65%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,509,180	FRN	16/11/2018	25/10/2021	0.84%
Credit Union Australia Ltd	Moodys Baa1	1,000,000	1,009,130	FRN	4/03/2019	4/03/2022	1.78%
AMP Bank Ltd	S&P BBB+	3,000,000	2,988,390	FRN	30/03/2017	30/03/2022	1.44%
Suncorp Bank	S&P A+	1,500,000	1,509,720	FRN	30/08/2017	16/08/2022	1.07%
Bendigo & Adelaide Bank Ltd	Fitch A-	3,000,000	3,006,900	FRN	12/12/2019	12/09/2022	1.42%
Bank Australia Limited	S&P BBB	4,000,000	3,983,800	FRN	2/12/2019	2/12/2022	1.47%
ANZ Banking Group Ltd	S&P AA-	1,000,000	1,010,990	FRN	9/05/2018	9/05/2023	1.00%
National Australia Bank Ltd	S&P AA-	3,000,000	3,044,400	FRN	26/09/2018	26/09/2023	1.38%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,519,425	FRN	16/11/2018	16/11/2023	1.05%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,037,380	FRN	6/12/2018	6/12/2023	1.58%
National Australia Bank Ltd	S&P AA-	2,000,000	2,027,360	FRN	19/06/2019	19/06/2024	1.57%
Macquarie Bank	Moodys A2	2,000,000	1,997,200	FRN	12/02/2020	12/02/2025	0.93%
Emerald Reverse Mortgage Trust	S&P AAA	526,228	389,472	M/Bac	17/07/2006	21/08/2051	0.54%
Emerald Reverse Mortgage Trust	Fitch AA	2,000,000	1,230,360	M/Bac	17/07/2006	21/08/2056	0.84%
Total			47,091,911				

Managed Funds

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly	FYTD (Actual)
TcorpIM Cash Fund Facility	N/A	12,600,751	12,600,751	28/06/2019	0.11%	1.06%
Tcorp Long Term Growth Facility Trust	N/A	1,773,197	2,296,701	13/06/2007	2.80%	-0.30%
Total			14,897,452			

TOTAL INVESTMENTS \$ 163,691,806

* 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

