

ITEM 11 STATEMENT OF INVESTMENT - AUGUST AND SEPTEMBER 2021

This report provides an overview of Council's investment portfolio performance for the months of August and September 2021.

Council's average weighted return for August 2021 was 0.07% which was above the benchmark return of 0.00%. Council had a negative return of 0.04% for September 2021 due to negative valuations of the TCorp funds and Floating Rate Notes 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.

RECOMMENDATIONS

- 1 Council receive the Statement of Investment for August and September 2021.
- 2 Council note a variation to the Investment Strategy target to increase the institutional exposure applicable to the NAB up to 40% for the period to July to December 2021.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

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

ATTACHMENTS

- 1 Statement of Investment - August and September 2021
- 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 27 August 2021 were \$176,195,398 (Statement of Investment attached) [28 August 2020 \$144,586,159], and as at 24 September 2021 were \$187,277,949 (Statement of Investment attached) [25 September 2020 \$145,776,471]. These figures include Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2021.

Council's average weighted return for August 2021 was 0.07% which was above the benchmark return of 0.00%. Council's average weighted return for September 2021 was negative 0.04% which was below the benchmark return of 0.00%. This result was primarily due to the negative marked to market valuation of the aggregated Floating Rate Notes and the NSW TCorp Hourglass facilities. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity and 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 24 September 2021, year to date interest and investment revenue of \$254,696 was recognised compared to the year to date budget of \$624,263. While there remains a high level of volatility and valuations are expected to move up and down during the year it is now considered that the budgeted returns from investments will require adjustment at the September Quarterly Review.

Council's 18 floating rate notes had a net increase in value of \$13,887 for August 2021 and a net decrease in value of \$71,459 for September 2021.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$1,089 for August 2021 and a net increase in value of \$1,355 for September 2021. 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 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 \$46,975 in August and a net decrease of \$55,818 in September. The Cash Fund recorded a net increase in value of \$195 in August 2021 and a net decrease of \$6,254 in September. 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 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 September 2021 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 August 2021, the exposure to NAB was 31.15%, 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.

It is proposed that Council operate above the targeted institutional exposure described in the current Investment Strategy for NAB to take advantage of the returns that can be achieved through the NAB savings account. The longer-term impact of the economic environment on this measure will be considered in the preparation of the Investment Strategy for January to June 2022.

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 August recorded an average weighted return above the annualised Bloomberg Bank Bill Index Benchmark, and in September 2021 recorded a negative return due to downward valuations reflecting the continuing volatility in the market. The portfolio performed unfavourably when compared to the year to date budget and will require adjustment at the September Quarterly Review.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 27 August 2021							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB General Fund	A1+	-	2,121,613	General A/c	27/08/2021	27/08/2021	
NAB Professional Maximiser	A1+	-	48,165,232	Prof Fund A/c	27/08/2021	27/08/2021	0.50%
Members Equity Bank Ltd	S&P ST A2	5,000,000	5,000,000	T/Deposit	25/03/2021	21/09/2021	0.45%
Members Equity Bank Ltd	S&P ST A2	3,000,000	3,000,000	T/Deposit	23/12/2020	19/10/2021	0.50%
Bank of Queensland Ltd	Moody's A3	2,000,000	2,000,000	T/Deposit	25/09/2020	25/11/2021	0.80%
Commonwealth Bank of Australia Ltd	S&P ST A1+	4,000,000	4,000,000	T/Deposit	26/11/2020	26/11/2021	0.54%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	2/12/2019	2/12/2021	0.91%
Bank of Queensland Ltd	Moody's ST P-2	5,000,000	5,000,000	T/Deposit	25/03/2021	20/12/2021	0.40%
Members Equity Bank Ltd	S&P ST A2	3,000,000	3,000,000	T/Deposit	31/12/2020	31/12/2021	0.50%
Bank of Queensland Ltd	Moody's A3	2,000,000	2,000,000	T/Deposit	25/09/2020	25/01/2022	0.80%
Commonwealth Bank of Australia Ltd	S&P AA-	4,000,000	4,000,000	T/Deposit	26/11/2020	25/01/2022	0.55%
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%
Commonwealth Bank of Australia Ltd	S&P AA-	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%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,000,000	T/Deposit	26/11/2020	25/11/2022	0.56%
Commonwealth Bank of Australia Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	23/12/2020	23/12/2022	0.52%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	23/12/2020	22/12/2023	0.60%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2019	6/03/2024	1.02%
Total			106,286,846				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
27 August 2021 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	S&P BBB	1,200,000	1,203,780	FRN	6/09/2018	6/09/2021	1.27%
AMP Bank Ltd	S&P BBB	1,500,000	1,503,795	FRN	10/09/2018	10/09/2021	1.10%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,502,730	FRN	16/11/2018	25/10/2021	0.76%
Credit Union Australia Ltd	Moody's Baa1	1,000,000	1,008,950	FRN	4/03/2019	4/03/2022	1.26%
AMP Bank Ltd	S&P BBB	3,000,000	3,007,500	FRN	30/03/2017	30/03/2022	1.08%
Suncorp Bank	S&P A+	1,500,000	1,513,290	FRN	30/08/2017	16/08/2022	0.99%
Bendigo & Adelaide Bank Ltd	Moody's A3	3,000,000	3,027,510	FRN	12/12/2019	12/09/2022	0.87%
Bank Australia Limited	S&P BBB	4,040,000	4,040,080	FRN	2/12/2019	2/12/2022	0.93%
ANZ Banking Group Ltd	S&P AA-	1,000,000	1,014,220	FRN	9/05/2018	9/05/2023	0.92%
National Australia Bank Ltd	S&P AA-	3,000,000	3,055,230	FRN	26/09/2018	26/09/2023	0.96%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,527,660	FRN	16/11/2018	16/11/2023	0.97%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,045,000	FRN	6/12/2018	6/12/2023	1.06%
National Australia Bank Ltd	S&P AA-	2,000,000	2,044,820	FRN	19/06/2019	19/06/2024	0.95%
Macquarie Bank	Moody's A2	2,000,000	2,029,320	FRN	12/02/2020	12/02/2025	0.85%
Bendigo & Adelaide Bank Ltd	Moody's A3	1,700,000	1,704,335	FRN	2/12/2020	2/12/2025	0.55%
Macquarie Bank	S&P A+	5,000,000	5,009,650	FRN	9/12/2020	9/12/2025	0.50%
Suncorp Bank	S&P A+	2,100,000	2,103,759	FRN	24/02/2021	24/02/2026	0.46%
Newcastle Permanent Building Society Ltd	S&P BBB	5,000,000	5,022,950	FRN	4/03/2021	4/03/2026	0.66%
Teachers Mutual Bank Ltd	Moody's Baa1	1,100,000	1,103,564	FRN	16/06/2021	16/06/2026	0.70%
Emerald Reverse Mortgage Trust	S&P A	500,971	400,802	MBS	17/07/2006	21/08/2051	0.46%
Emerald Reverse Mortgage Trust	S&P A	2,000,000	1,300,160	MBS	17/07/2006	21/08/2056	0.76%
Total			45,169,105				

Managed Funds & Other

MANAGED FUNDS						
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly	FYTD (Actual)
TcorpIM Cash Fund Facility	N/A	18,210,183	18,210,183	28/06/2019	0.00%	0.01%
Tcorp Long Term Growth Facility Trust	N/A	3,330,265	3,330,265	13/06/2007	1.87%	3.84%
Total			21,540,448			

Membership interest in Investment Body	Fair Value of Holding \$
CivicRisk Mutual Limited	3,199,000

TOTAL INVESTMENTS \$ **176,195,398**

* 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 INVESTMENT 24 September 2021							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB General Fund	A1+	-	2,039,114	General A/c	24/09/2021	24/09/2021	
NAB Professional Maximiser	A1+	-	38,412,457	Prof Fund A/c	24/09/2021	24/09/2021	0.50%
Members Equity Bank Ltd	S&P ST A2	3,000,000	3,000,000	T/Deposit	23/12/2020	19/10/2021	0.50%
Bank of Queensland Ltd	Moody's A3	2,000,000	2,000,000	T/Deposit	25/09/2020	25/11/2021	0.80%
Commonwealth Bank of Australia Ltd	S&P ST A1+	4,000,000	4,000,000	T/Deposit	26/11/2020	26/11/2021	0.54%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	2/12/2019	2/12/2021	0.89%
Bank of Queensland Ltd	Moody's ST P-2	5,000,000	5,000,000	T/Deposit	25/03/2021	20/12/2021	0.40%
Members Equity Bank Ltd	S&P ST A2	3,000,000	3,000,000	T/Deposit	31/12/2020	31/12/2021	0.50%
Bank of Queensland Ltd	Moody's A3	2,000,000	2,000,000	T/Deposit	25/09/2020	25/01/2022	0.80%
Commonwealth Bank of Australia Ltd	S&P AA-	4,000,000	4,000,000	T/Deposit	26/11/2020	25/01/2022	0.55%
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%
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 AA-	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	27/03/2022	0.39%
Arab Bank Australia Ltd	Unrated ST UR	250,000	250,000	T/Deposit	16/09/2021	16/06/2022	0.65%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,000,000	T/Deposit	26/11/2020	25/11/2022	0.56%
Commonwealth Bank of Australia Ltd	S&P AA-	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	18/08/2023	0.95%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	23/12/2020	22/12/2023	0.60%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2019	6/03/2024	1.01%
Judo Bank	S&P BBB-	2,000,000	2,000,000	T/Deposit	17/09/2021	17/09/2024	1.20%
Total			95,951,571				

WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
24 September 2021 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
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,502,775	FRN	16/11/2018	25/10/2021	0.76%
Credit Union Australia Ltd	Moody's Baa1	1,000,000	1,005,780	FRN	4/03/2019	4/03/2022	1.24%
AMP Bank Ltd	S&P BBB	3,000,000	3,009,810	FRN	30/03/2017	30/03/2022	1.08%
Suncorp Bank	S&P A+	1,500,000	1,513,395	FRN	30/08/2017	16/08/2022	0.99%
Bendigo & Adelaide Bank Ltd	Moody's A3	3,000,000	3,021,390	FRN	12/12/2019	12/09/2022	0.86%
Bank Australia Limited	S&P BBB	4,000,000	4,029,240	FRN	2/12/2019	2/12/2022	0.91%
ANZ Banking Group Ltd	S&P AA-	1,000,000	1,013,480	FRN	9/05/2018	9/05/2023	0.92%
National Australia Bank Ltd	S&P AA-	3,000,000	3,051,900	FRN	26/09/2018	26/09/2023	0.96%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,526,205	FRN	16/11/2018	16/11/2023	0.97%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,037,340	FRN	6/12/2018	6/12/2023	1.04%
National Australia Bank Ltd	S&P AA-	2,000,000	2,036,560	FRN	19/06/2019	19/06/2024	0.93%
Macquarie Bank	Moody's A2	2,000,000	2,028,620	FRN	12/02/2020	12/02/2025	0.85%
Bendigo & Adelaide Bank Ltd	Moody's A3	1,700,000	1,701,938	FRN	2/12/2020	2/12/2025	0.53%
Macquarie Bank	S&P A+	5,000,000	5,003,050	FRN	9/12/2020	9/12/2025	0.49%
Suncorp Bank	S&P A+	2,100,000	2,101,722	FRN	24/02/2021	24/02/2026	0.46%
Newcastle Permanent Building Society Ltd	S&P BBB	5,000,000	5,014,500	FRN	4/03/2021	4/03/2026	0.64%
Teachers Mutual Bank Ltd	Moody's Baa1	1,100,000	1,102,167	FRN	16/06/2021	16/06/2026	0.69%
Suncorp Bank	Moody's A1	3,750,000	3,746,813	FRN	15/09/2021	15/09/2026	0.49%
Emerald Reverse Mortgage Trust	S&P A	500,971	400,977	MBS	17/07/2006	21/08/2051	0.46%
Emerald Reverse Mortgage Trust	S&P A	2,000,000	1,301,340	MBS	17/07/2006	21/08/2056	0.76%
Total			46,149,002				

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	38,203,929	38,203,929	28/06/2019		
Tcorp Long Term Growth Facility Trust	N/A		3,774,447	13/06/2007		
Total			41,978,377			

Membership interest in Investment Body	Fair Value of Holding \$
CivicRisk Mutual Limited	3,199,000
TOTAL INVESTMENTS	\$ 187,277,949

* 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

