

ITEM 11 STATEMENT OF INVESTMENT - OCTOBER 2022

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

Council had an average weighted return for October 2022 of 0.31% which was above the benchmark return of 0.24%. This result was primarily due to positive valuations of the consolidated Floating Rate Notes and NSW Treasury Corp Funds. 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 October 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 – October 2022
- 2 Investment Income Compared to Budget 2022-2023

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 October 2022 were \$137,572,818 (Statement of Investment attached) [29 October 2021 \$173,531,743] and include Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2022.

Council had an average weighted return for October 2022 of 0.31% which was above the benchmark return of 0.24%. This result was primarily due to positive valuations of the consolidated Floating Rate Notes and NSW Treasury Corp Funds. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity. The global markets are still experiencing high levels of instability and the heightened volatility in interest rates driven by the persistent ongoing inflation issues is still providing uncertainty for the foreseeable future.

At 28 October 2022, year to date interest and investment revenue of \$1,190,036 was recognised compared to the year to date budget of \$639,876.

Council's 15 floating rate notes had a net increase in value of \$31,436 for October 2022.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$5,769 for October 2022. 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 Fund and the Medium-Term Growth Fund. The Long-Term Growth recorded a net increase in value of \$132,665 and the Medium-Term Growth Fund recorded a net increase in value of \$96,700 in October 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.

At their November 2022 meeting, the Reserve Bank of Australia (RBA) decided to increase the cash rate by 25 basis points from 2.60% to 2.85%. The Board is committed to doing what is necessary to ensure that inflation in Australia returns to target over time. The increase in interest rates has been required to bring inflation back to target and to create a more sustainable balance of demand and supply in the Australian economy. The RBA will continue to assess the outlook and adjust policy as needed and will continue to monitor information and evolving balance of risks and determine the timing and extent of future interest rate increases.

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 October 2022, the exposure to NAB was 17.55%, which is below the 25% target set in the Investment Strategy. The NAB savings account is currently the best option available for surplus cash, however this will be continually monitored to ensure best value.

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 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 October 2022 recorded an average weighted return above the annualised Bloomberg Bank Bill Index Benchmark and performed favourably when compared to the year-to-date budget.

**WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
28 October 2022**

DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB General Fund	A1+	-	1,624,354	General A/c	28/10/2022	28/10/2022	
NAB Professional Maximiser	A1+	-	18,386,170	Prof Fund A/c	28/10/2022	28/10/2022	3.00%
Westpac Banking Corporation Ltd	S&P ST A1+	2,000,000	2,000,000	T/Deposit	16/05/2022	16/11/2022	2.14%
Westpac Banking Corporation Ltd	S&P AA-	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	2/12/2021	2/12/2022	0.70%
Australian Unity Bank	S&P ST A2	750,000	750,000	T/Deposit	7/06/2022	5/12/2022	2.65%
Coastline Credit Union Ltd	Unrated ST UR	250,000	250,000	T/Deposit	5/09/2022	5/12/2022	3.25%
Southern Cross CU	Unrated ST UR	250,000	250,000	T/Deposit	5/09/2022	5/12/2022	3.27%
Members Equity Bank Ltd	Moody's ST P-2	2,000,000	2,000,000	T/Deposit	16/05/2022	12/12/2022	2.35%
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 ST A1+	2,000,000	2,000,000	T/Deposit	25/02/2022	25/01/2023	0.82%
Commonwealth Bank of Australia Ltd	S&P ST A1+	5,000,000	5,000,000	T/Deposit	18/02/2022	13/02/2023	0.80%
Illawarra Credit Union Ltd	Unrated ST UR	250,000	250,000	T/Deposit	23/08/2022	23/02/2023	3.55%
Westpac Banking Corporation Ltd	S&P ST A1+	2,000,000	2,000,000	T/Deposit	16/05/2022	13/04/2023	2.65%
Bank of Queensland Ltd	Moody's ST P-2	2,000,000	2,000,000	T/Deposit	16/05/2022	16/05/2023	3.00%
Westpac Banking Corporation Ltd	S&P ST A1+	2,000,000	2,000,000	T/Deposit	16/09/2022	15/09/2023	4.30%
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 AA-	5,000,000	5,000,000	T/Deposit	20/10/2021	20/10/2023	0.87%
Commonwealth Bank of Australia Ltd	S&P AA-	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 AA-	5,000,000	5,000,000	T/Deposit	2/12/2021	4/12/2023	1.21%
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	3.55%
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 AA-	2,000,000	2,000,000	T/Deposit	2/12/2021	2/12/2024	1.63%
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%
Total			84,710,524				

**WOLLONGONG CITY COUNCIL
STATEMENT OF INVESTMENT
28 October 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
Bank Australia Limited	S&P BBB	4,000,000	4,020,880	FRN	2/12/2019	2/12/2022	3.39%
ANZ Banking Group Ltd	S&P AA-	1,000,000	1,009,340	FRN	9/05/2018	9/05/2023	3.16%
National Australia Bank Ltd	S&P AA-	3,000,000	3,022,320	FRN	26/09/2018	26/09/2023	3.91%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,516,305	FRN	16/11/2018	16/11/2023	3.25%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,020,660	FRN	6/12/2018	6/12/2023	3.58%
National Australia Bank Ltd	S&P AA-	2,000,000	2,016,240	FRN	19/06/2019	19/06/2024	3.76%
Macquarie Bank	S&P A+	2,000,000	2,008,040	FRN	12/02/2020	12/02/2025	3.14%
Bendigo & Adelaide Bank Ltd	Moody's A3	1,700,000	1,674,772	FRN	2/12/2020	2/12/2025	3.01%
Macquarie Bank	Moody's A2	6,500,000	6,410,885	FRN	11/03/2022	9/12/2025	3.09%
Suncorp-Metway Ltd	S&P A+	2,100,000	2,072,826	FRN	24/02/2021	24/02/2026	2.84%
Newcastle Permanent Building Society Ltd	S&P BBB	5,000,000	4,879,550	FRN	4/03/2021	4/03/2026	3.17%
Teachers Mutual Bank Ltd	Moody's Baa1	1,100,000	1,068,628	FRN	16/06/2021	16/06/2026	3.48%
Suncorp-Metway Ltd	S&P A+	3,750,000	3,684,563	FRN	15/09/2021	15/09/2026	3.23%
Suncorp-Metway Ltd	S&P A+	1,500,000	1,478,730	FRN	11/03/2022	25/01/2027	3.81%
ANZ Banking Group Ltd	Moody's Aa3	3,500,000	3,509,275	FRN	12/05/2022	12/05/2027	3.27%
Emerald Reverse Mortgage Trust	S&P A	469,517	378,027	MBS	17/07/2006	21/08/2051	2.80%
Emerald Reverse Mortgage Trust	S&P A	2,000,000	1,311,380	MBS	17/07/2006	21/08/2056	3.10%
Total			42,082,421				

Managed Funds & Other

MANAGED FUNDS						
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly	FYTD (Actual)
Tcorp Long Term Growth Facility Fund	N/A		3,545,022	13/06/2007	3.89%	3.77%
Tcorp Medium Term Growth Facility Fund	N/A		4,710,851	14/06/2007	2.10%	2.11%
Total			8,255,873			

Membership interest in Investment Body	Fair Value of Holding \$
CivicRisk Mutual Limited	2,524,000

TOTAL INVESTMENTS \$ 137,572,818

* 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

