

ITEM 16 STATEMENT OF INVESTMENT - MAY 2023

This report provides an overview of Council's investment portfolio performance for the month of May 2023.

Council had an average weighted return for May 2023 of 0.19% which was below the benchmark return of 0.29%. This result was primarily due to mixed results of positive valuations of the consolidated Floating Rate Notes, the negative valuations on the Mortgage-Backed Securities and NSW TCorp investments, and the impact of some of the longer held deposits with lower rates. 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 May 2023.

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 2023
- 2 Investment Income Compared to Budget 2022-2023

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 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 12 December 2022. 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 at 26 May 2023 were \$154,535,914 (Statement of Investment attached) [29 April 2022 \$174,834,672] 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 May 2023 of 0.19% which was below the benchmark return of 0.29%. This result was primarily due to mixed results of positive valuations of the consolidated Floating Rate Notes, the negative valuations on the Mortgage-Backed Securities and NSW TCorp investments, and the impact of some of the longer held deposits with lower rates. 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 providing uncertainty for the foreseeable future.

At 26 May 2023, year to date interest and investment revenue of \$4,357,340 was recognised compared to the year to date budget of \$3,978,936.

Council's 16 floating rate notes had a net increase in value of \$25,996 for May 2023.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net decrease in value of \$14,905 for May 2023. 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 \$4,477 and the Medium-Term Growth Fund recorded a net decrease in value of \$20,607 in May 2023. 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 June 2023 meeting, the Reserve Bank of Australia (RBA) decided to increase the cash rate by 25 basis points from 3.85% to 4.10%. The Board remains resolute in its determination to return inflation to target of 2–3% and will do what is necessary to achieve that target range. The RBA will continue to monitor uncertainties regarding the global economy, developments and adjust policy as needed 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 Commonwealth Bank (CBA), savings account which holds Council's operating cash balances. Through the banking services contract with the CBA, that includes a fixed margin over the current cash rate, Council's savings account provides a higher return than alternate short- to medium-term investments available to Council. At the end of May 2023, the exposure to CBA was 28.21%, which is marginally above the 25% target set in the Investment Strategy. The CBA savings account is currently the most favourable option available for surplus operating 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 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 May 2023 recorded an average weighted return that was below the AusBondBank Bill Index Benchmark though performed favourably when compared to the year-to-date budget.

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 26 May 2023							
DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
NAB General Fund A/c	A1+	-	57,144	General A/c	26/05/2023	26/05/2023	
CBA General Fund A/c	A1+	-	2,070,616	General A/c	26/05/2023	26/05/2023	
CBA Business Online Saver	A1+	-	31,737,081	BOS A/c	26/05/2023	26/05/2023	4.10%
Bank of Queensland Ltd	Moody's ST P-2	4,000,000	4,000,000	T/Deposit	2/12/2022	2/06/2023	4.30%
Coastline Credit Union Ltd	Moody's Baa3	250,000	250,000	T/Deposit	5/12/2022	5/06/2023	4.50%
Southern Cross CU	Unrated ST UR	250,000	250,000	T/Deposit	7/03/2023	6/06/2023	4.00%
Westpac Banking Corporation Ltd	S&P ST A1+	3,000,000	3,000,000	T/Deposit	16/03/2023	16/06/2023	4.21%
Australian Unity Bank	S&P ST A2	750,000	750,000	T/Deposit	5/12/2022	10/07/2023	4.25%
Bank of Queensland Ltd	Moody's ST P-2	3,000,000	3,000,000	T/Deposit	16/03/2023	16/08/2023	4.40%
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%
Bank of Sydney Ltd	Unrated ST UR	250,000	250,000	T/Deposit	16/03/2023	11/12/2023	4.75%
Westpac Banking Corporation Ltd	S&P AA-	5,000,000	5,000,000	T/Deposit	23/12/2020	22/12/2023	0.60%
Bendigo & Adelaide Bank Ltd	Moody's ST P-2	3,000,000	3,000,000	T/Deposit	16/03/2023	16/01/2024	4.50%
Australian Unity Bank	S&P ST A2	3,000,000	3,000,000	T/Deposit	16/03/2023	16/02/2024	4.50%
Westpac Banking Corporation Ltd	S&P AA-	2,000,000	2,000,000	T/Deposit	6/03/2019	6/03/2024	4.63%
Bendigo & Adelaide Bank Ltd	Moody's ST P-2	3,000,000	3,000,000	T/Deposit	16/03/2023	15/03/2024	4.50%
Bank of Queensland Ltd	Moody's A3	2,000,000	2,000,000	T/Deposit	23/05/2023	24/06/2024	5.11%
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%
Westpac Banking Corporation Ltd	S&P AA-	3,000,000	3,000,000	T/Deposit	25/11/2022	25/11/2025	4.59%
Total			98,564,841				
WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT 26 May 2023 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	3,028,260	FRN	26/09/2018	26/09/2023	4.62%
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,506,075	FRN	16/11/2018	16/11/2023	4.86%
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,027,520	FRN	6/12/2018	6/12/2023	4.66%
National Australia Bank Ltd	S&P AA-	2,000,000	2,026,620	FRN	19/06/2019	19/06/2024	4.61%
Macquarie Bank	S&P A+	2,000,000	2,005,400	FRN	12/02/2020	12/02/2025	4.72%
Bendigo & Adelaide Bank Ltd	Moody's A3	1,700,000	1,693,897	FRN	2/12/2020	2/12/2025	4.14%
Macquarie Bank	Moody's A2	6,500,000	6,500,845	FRN	11/03/2022	9/12/2025	4.12%
Suncorp-Metway Ltd	S&P A+	2,100,000	2,072,994	FRN	24/02/2021	24/02/2026	4.37%
Newcastle Greater Mutual Group Ltd	S&P BBB	5,000,000	4,934,050	FRN	4/03/2021	4/03/2026	4.26%
Teachers Mutual Bank Ltd	Moody's Baa1	1,100,000	1,080,805	FRN	16/06/2021	16/06/2026	4.34%
Suncorp-Metway Ltd	S&P A+	3,750,000	3,717,525	FRN	15/09/2021	15/09/2026	4.14%
Suncorp-Metway Ltd	S&P A+	1,500,000	1,490,460	FRN	11/03/2022	25/01/2027	4.46%
ANZ Banking Group Ltd	Moody's Aa3	3,500,000	3,520,055	FRN	12/05/2022	12/05/2027	4.85%
Cooperative Rabobank U.A Australia Branch	S&P A+	2,500,000	2,532,225	FRN	19/01/2023	19/01/2028	4.86%
ANZ Banking Group Ltd	Moody's Aa3	2,500,000	2,523,700	FRN	31/03/2023	31/03/2026	4.54%
ANZ Banking Group Ltd	Moody's Aa3	2,500,000	2,530,850	FRN	31/03/2023	31/03/2028	4.78%
Emerald Reverse Mortgage Trust	Unrated UR	424,058	339,450	MBS	17/07/2006	21/08/2051	4.37%
Emerald Reverse Mortgage Trust	Unrated UR	2,000,000	1,301,020	MBS	17/07/2006	21/08/2056	4.67%
Total			44,831,751				
Managed Funds & Other							
MANAGED FUNDS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly	FYTD (Actual)	
Icorp Long Term Growth Facility Fund	N/A		3,735,700	13/06/2007	-0.30%	8.89%	
Icorp Medium Term Growth Facility Fund	N/A		4,879,624	14/06/2007	-0.27%	5.93%	
Total			8,615,323				
Membership interest in Investment Body				Fair Value of Holding \$			
CivicRisk Mutual Limited	N/A		2,524,000				
TOTAL INVESTMENTS			\$	154,535,914			
* 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							

