

Penrith City Council
Summary of Investments
August 2016

Commentary

The cash rate was left unchanged at 1.5% at the 6 September 2016 Reserve Bank Australia (RBA) meeting. The next RBA rate cut is not fully priced into the market until August 2017 but with inflation in Australia expected to stay low, there is still the chance that the meeting on 1 November could see another drop in rates after the September CPI is released.

While US rates remain low and the Australian Dollar stays high, the pressure to lower Australian rates further will continue. The differential between the cash rate in Australia and the US has been reducing rapidly over the last few years. If the US choose to lift rates again, the differential will narrow even further and that would probably halt Australia's falling interest rate climate. Global financial markets continue to forecast two rate increases in the US before year-end unless employment figures weaken. These expectations fluctuate frequently as new economic data is released.

The Australian economy has now completed 25 years of continuous economic growth. This month's GDP data presented that growth has accelerated for four consecutive quarters, with annual growth now 3.3%, it is the strongest since 2012. Although a large proportion of this may be attributed to increased Government spending, it is still a healthy result considering the floundering growth in other advanced economies. Global economic growth picked up slightly in August mostly on signs of improving growth prospects in the United States and early indications that European growth had not been overly impacted by the Brexit vote in Britain. However in the UK itself there are already clear signs of quite substantial negative impact of Brexit on the UK economy where business earnings have slumped and hiring intentions have plummeted, but such short term reaction was to be expected.

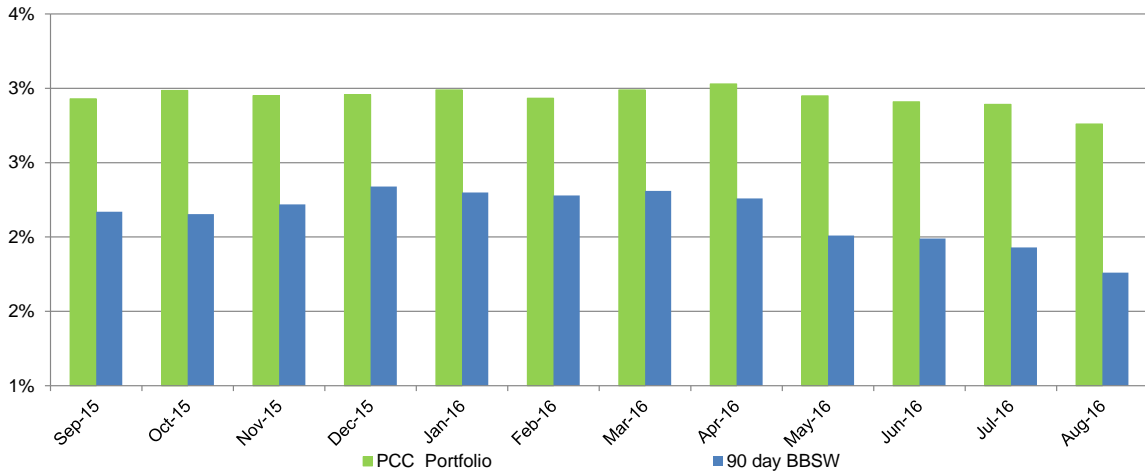
Council's portfolio once again outperformed its benchmark during August. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

Council portfolio current yield	2.76%
90 day Bank Bill Swap rate	1.76%
Floating Rate Notes	3.04%

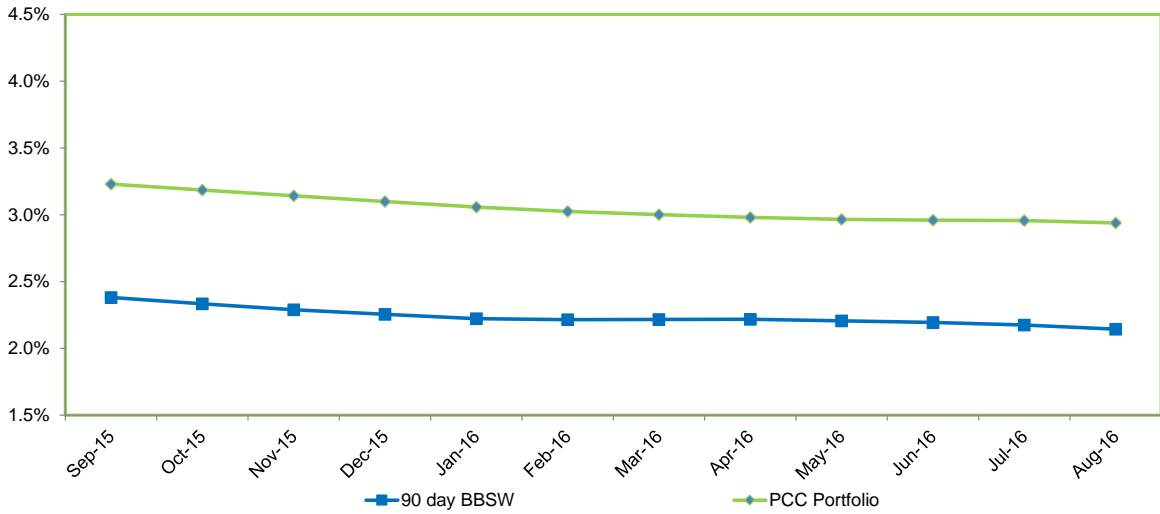
Penrith City Council
Historical Investment Performance

	Portfolio	Benchmark (BBSW)
Current portfolio yield	2.76%	1.76%
Past 12 month portfolio performance	2.94%	2.14%
Portfolio return for the period	0.23%	0.15%

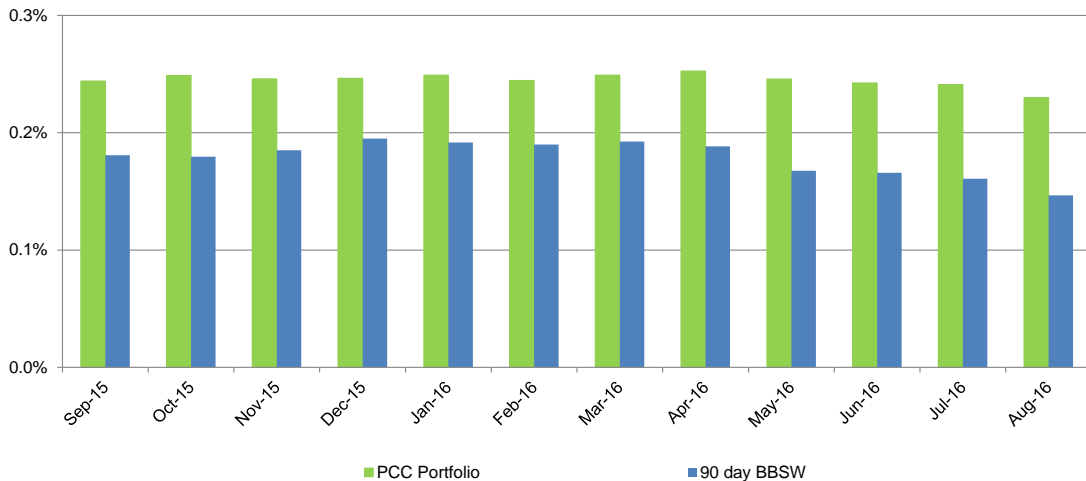
Portfolio Yield



Past 12 month Portfolio Performance



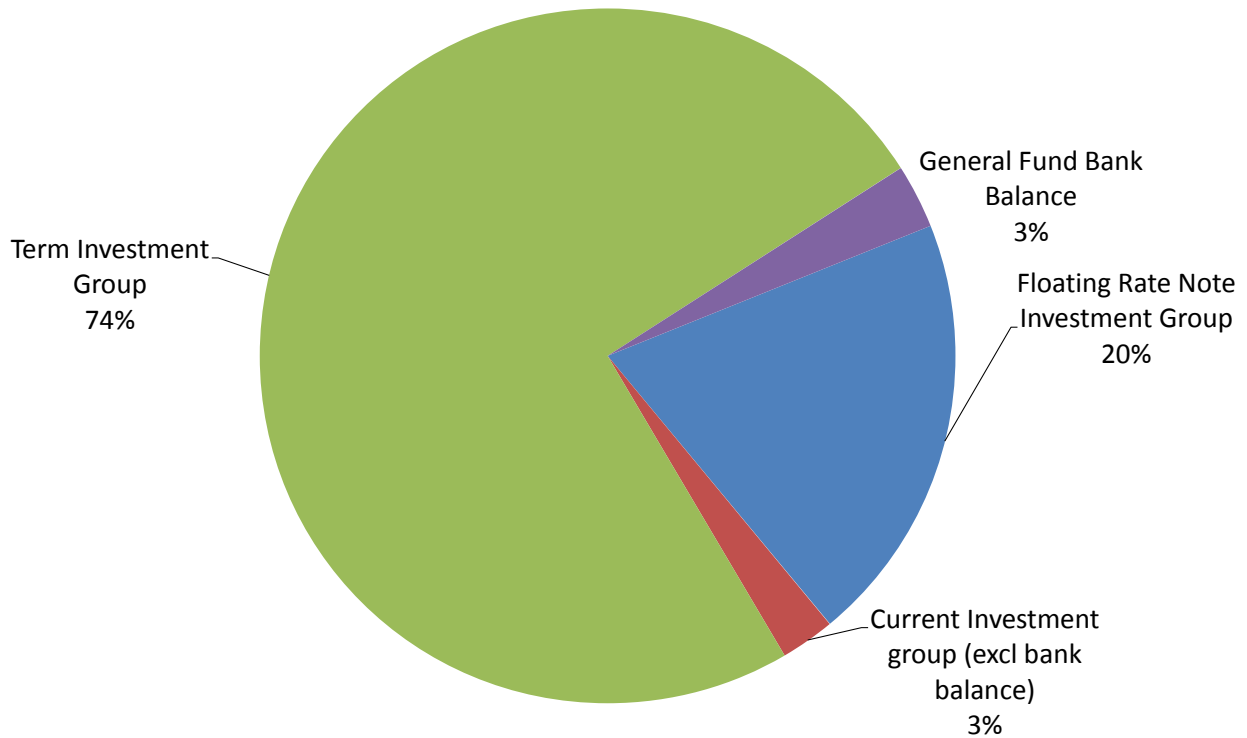
Portfolio Return for Period



Penrith City Council
Investment Summary

Asset Group	Closing Value (Face value) 31 July 2016	Closing Value (Face value) 31 August 2016
Floating Rate Note Investment Group	\$22,867,199	\$24,858,325
Current Investment Group (excl bank balance)	\$5,050,000	\$3,100,000
Term Investment Group	\$78,500,000	\$92,000,000
Total Investments	\$106,417,199	\$119,958,325
General Fund Bank Balance	\$816,620	\$3,659,346
Total	\$107,233,819	\$123,617,671

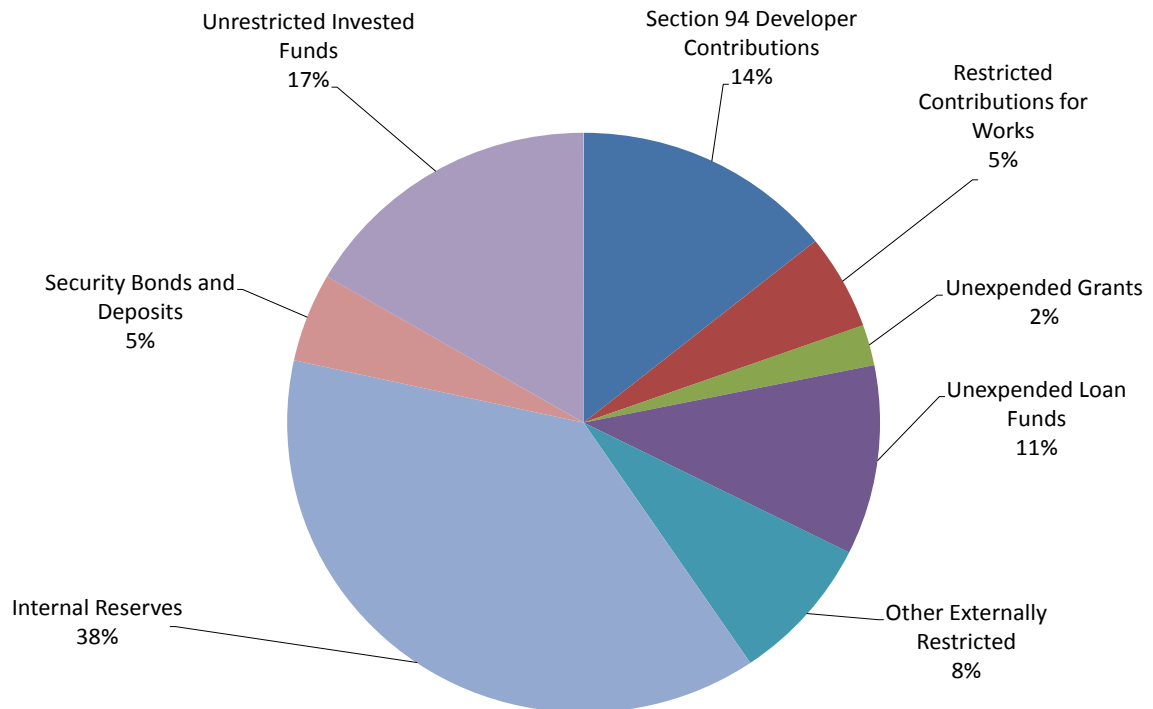
Current Period Closing Balances



Penrith City Council
Reconciliation of Invested Funds

	Period ending 31 July 2016	Period ending 31 August 2016
Externally Restricted Assets	\$	\$
Section 94 Developer Contributions	17,454,224	17,608,431
Restricted Contributions for Works	6,346,345	6,554,675
Unexpended Grants	2,328,446	2,814,962
Unexpended Loan Funds	13,284,103	13,045,996
Other Externally Restricted	9,536,887	10,040,936
	48,950,005	50,065,000
Internally Restricted Assets for Funding of Operations		
Internal Reserves	45,674,575	46,916,575
Security Bonds and Deposits	5,981,996	6,101,411
	51,656,571	53,017,986
Restricted Assets Utilised in Operations	-	-
Unrestricted Invested Funds	6,627,243	20,534,685
Invested Funds	\$107,233,819	\$123,617,671

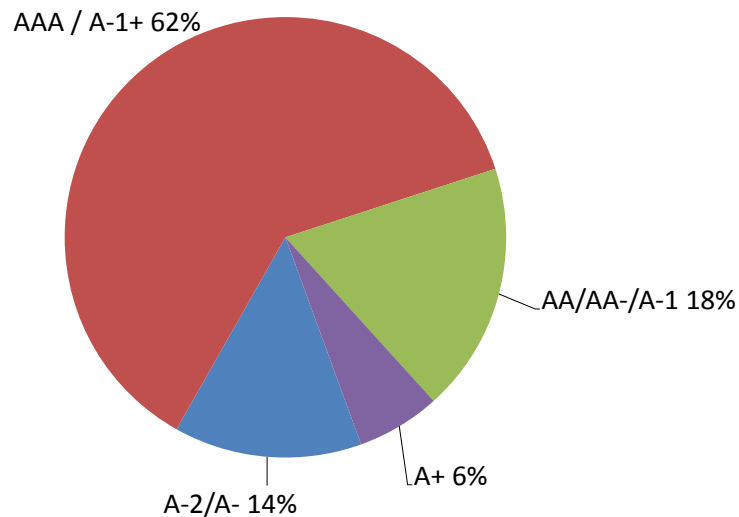
Current Period Closing Balances



Penrith City Council
Investment Summary
(graphed to reflect fund ratings as % of portfolio)

Global Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
A-1+	CBA, NAB, BankWest, St George, Westpac	72,100,000	60.10%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	12,000,000	10.00%	20% (when the investment was first made)
A-2	Bendigo & Adelaide Bank	11,000,000	9.17%	20% (when the investment was first made)
Long Term				
A+	Floating Rate Note (Barclays Capital)	1,358,325	1.13%	100% (20% per institution)
AAA	Floating Rate Covered Bonds (CBA)	2,000,000	1.67%	100% (25% per institution)
AA-	Deposit Plus Flexible Security (CBA)	7,000,000	5.84%	100% (25% per institution)
A+	Floating Rate Note (Barclays Capital)	1,000,000	0.83%	100% (20% per institution)
AA-	Floating Rate Bonds (CBA)	1,000,000	0.83%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	2,000,000	1.67%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	4.17%	100% (20% per institution)
A-	Floating Rate Note (Bank of Queensland)	2,000,000	1.67%	100% (20% per institution)
A-	Floating Rate Note (Bendigo & Adelaide Bank)	3,500,000	2.92%	100% (20% per institution)
Total Portfolio		\$119,958,325	100%	

Portfolio shown as rated by Moodys/S & P



Penrith City Council
Diversification of Portfolio
(graphed to reflect fund ratings as % of portfolio)

Dealing Bank	Short Term	Long Term	Investment \$	%
BankWest	A-1+	AA-	22,000,000	18%
Barclays Bank	A-1	A+	2,358,325	2%
Bendigo & Adelaide Bank	A-2	A-	14,500,000	12%
National Australia Bank	A-1+	AA-	21,000,000	18%
Westpac Banking Corporation	A-1+	AA-	20,000,000	16%
Commonwealth Bank of Australia	A-1+	AA-	21,100,000	18%
Macquarie Bank	A-1	A	1,000,000	1%
Bank of Queensland	A-2	A-	2,000,000	2%
Suncorp Metway	A-1	A+	16,000,000	13%
Total Investment			\$119,958,325	100%

Diversification of Portfolio by Financial Institution

