

Penrith City Council
Summary of Investments
October 2016

Commentary

The September quarter CPI came in again below the RBA target range, prompting further speculation within financial markets that a lower official cash rate would be announced at the RBA meeting on 1 November. However the Board opted to keep rates unchanged. Apart from low inflation, recent data has also given cause for concern over weak employment and stagnating wages growth. Annual wages growth is now below 2% for the first time since data was first collated in 1997, and this may push inflation even further behind the RBA target. The total number of people employed in Australia fell for the second straight month in September. Although some new jobs are being created, many are part time. This means that although data shows that unemployment is low, there is a substantial amount of under-employment in the Australian economy. While that is the case, inflation is unlikely to increase for some time and the RBA will almost certainly leave interest rates at current record low levels, or reduce them even further.

The US seemed to be on track for a December rate increase, as its economy grew at a 2.9% annualised pace for the September quarter, the strongest since 2014, and data shows wages growth also continuing to increase. However many economists expected the US Federal Reserve to postpone any major decisions until the uncertainty following the US presidential election had calmed. Global markets are, however, already showing definite signs of rebounding after a period of extreme volatility and now that both the US election and Britain's decision to leave the Eurozone have been determined, the Federal Reserve may choose to move ahead without delay. Markets' expectations of a US rate increase, as early as December, continue to firm.

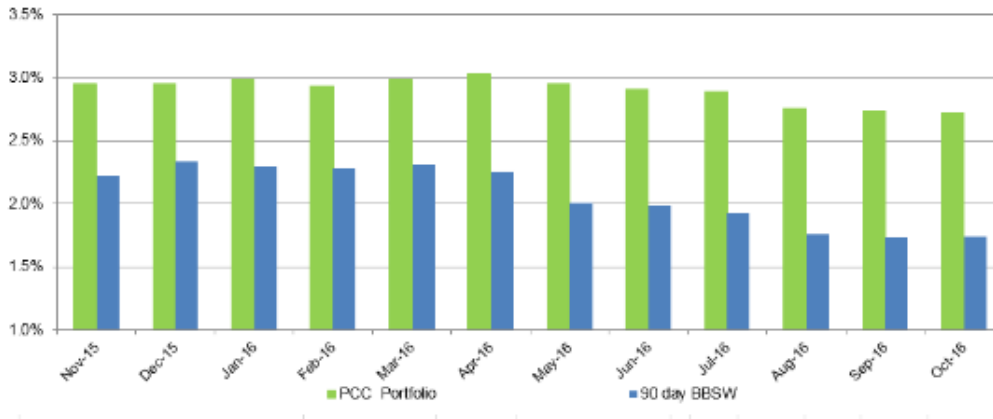
Council's portfolio once again outperformed its benchmark during October. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

Council portfolio current yield	2.72%
90 day Bank Bill Swap rate	1.74%
Floating Rate Notes	2.97%

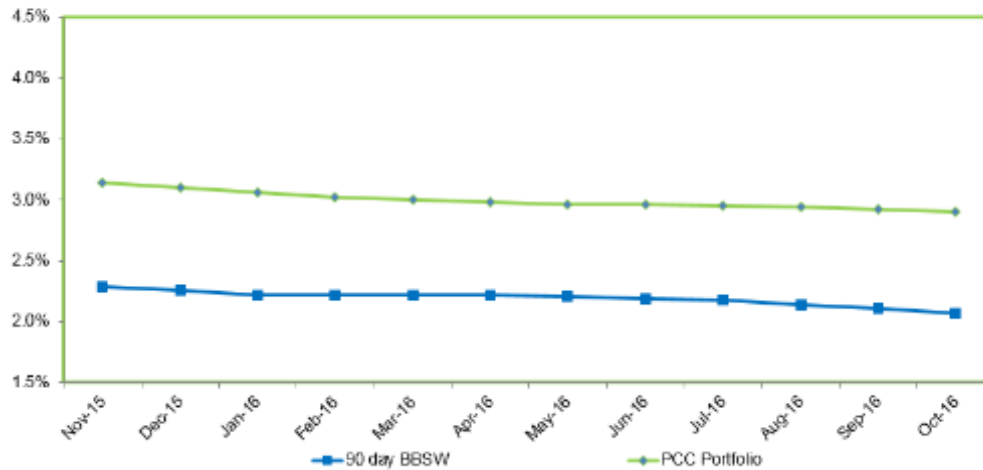
Historical Investment Performance

	Portfolio	Benchmark (BBSW)
Current portfolio yield	2.72%	1.74%
Past 12 month portfolio performance	2.90%	2.07%
Portfolio return for the period	0.23%	0.15%

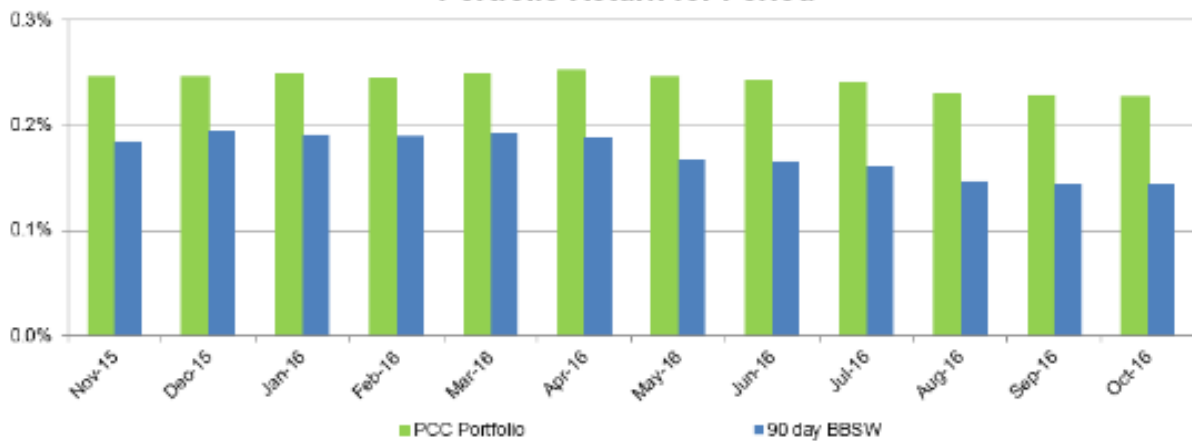
Portfolio Yield



Past 12 month Portfolio Performance

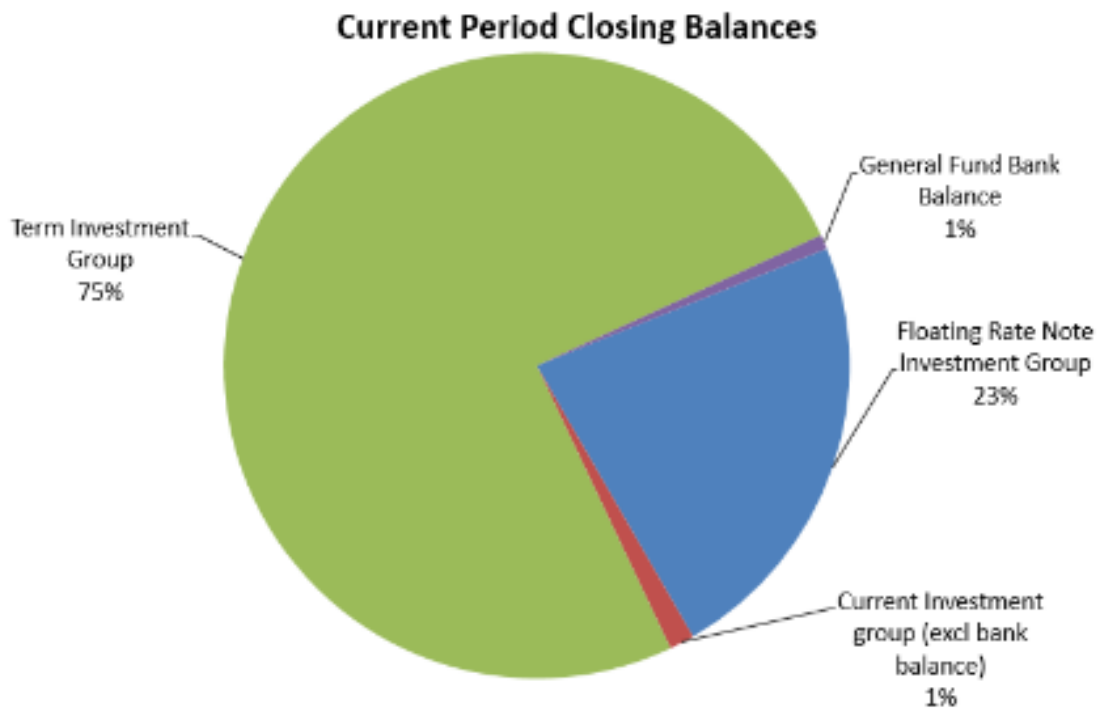


Portfolio Return for Period



Penrith City Council
Investment Summary

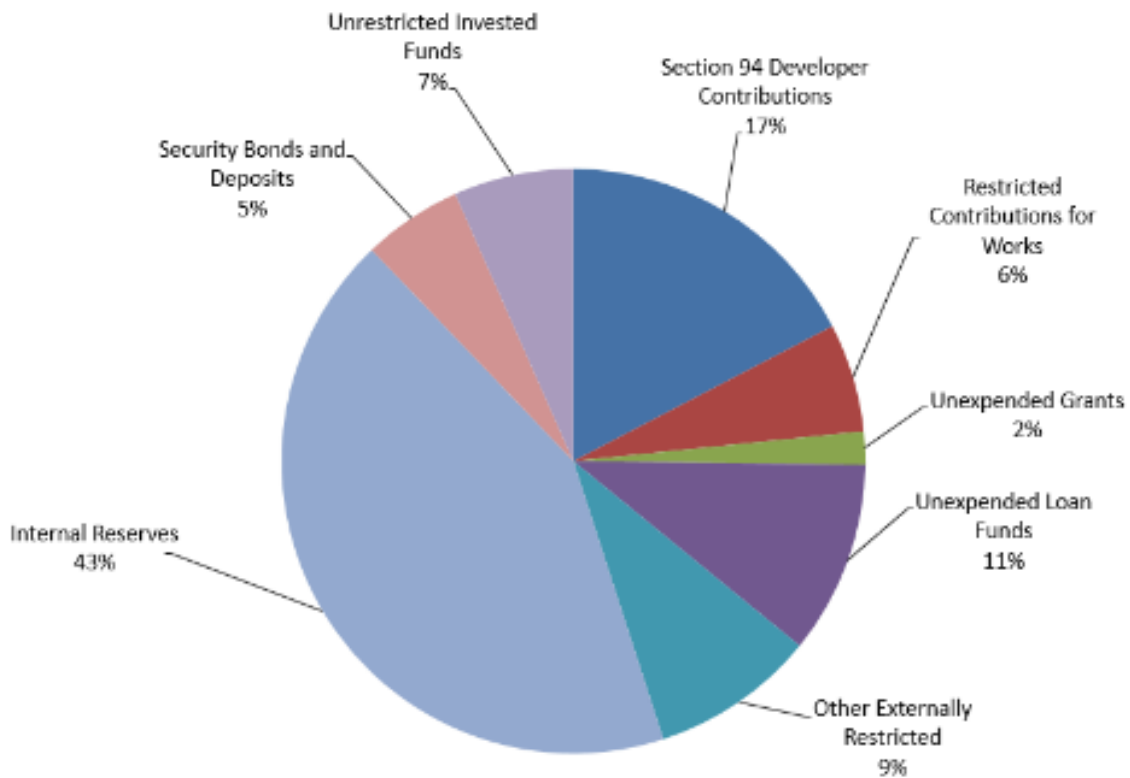
Asset Group	Closing Value (Face value) 30 September 2016	Closing Value (Face Value) 31 October 2016
Floating Rate Note Investment Group	\$24,858,325	\$26,358,325
Current Investment group (excl bank balance)	\$2,300,000	\$1,500,000
Term Investment Group	\$96,000,000	\$87,000,000
Total Investments	\$123,158,325	\$114,858,325
General Fund Bank Balance	\$1,324,260	\$857,918
Total	\$124,482,585	\$115,716,243



Reconciliation of Invested Funds

	30 September 2016	31 October 2016
Externally restricted Assets	\$	\$
Section 94 Developer Contributions	19,640,548	20,089,309
Restricted Contributions for Works	6,560,410	6,953,300
Unexpended Grants	2,134,374	2,113,749
Unexpended Loan Funds	12,796,739	12,364,730
Other Externally Restricted	10,277,098	10,560,934
	51,409,169	52,082,022
		Sinking Funds
Internal Reserves	49,223,297	49,585,439
Security Bonds and Deposits	6,264,507	6,375,537
Restricted Assets Utilised in Operations	55,487,804	55,960,976
Unrestricted Invested Funds	17,585,612	7,673,245
Invested Funds	\$124,482,585	\$115,716,243

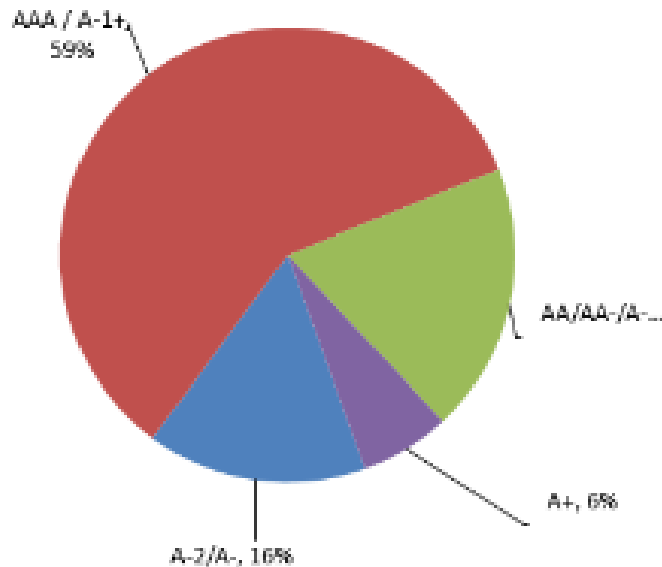
Current Period Closing Balances



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	65,500,000	57.03%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	12,000,000	10.45%	100% (20% per institution)
A-2	Bendigo & Adelaide Bank	11,000,000	9.58%	100% (20% per institution)
Long Term				
A+	Floating Rate Note (Barclays Capital)	1,358,325	1.18%	100% (20% per institution)
AAA	Floating Rate Covered Bonds (CBA)	2,000,000	1.74%	100% (25% per institution)
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	4.35%	100% (25% per institution)
A+	Floating Rate Note (Barclays Capital)	1,000,000	0.87%	100% (20% per institution)
AA-	Floating Rate Bonds (CBA)	3,000,000	2.61%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	2,000,000	1.74%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	4.35%	100% (20% per institution)
A-	Floating Rate Note (Bank of Queensland)	3,500,000	3.05%	100% (20% per institution)
A-	Floating Rate Note (Bendigo & Adelaide Bank)	3,500,000	3.05%	100% (20% per institution)
Total Portfolio		114,858,325	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-	20,000,000	17%
Barclays Bank	A-1	A+	2,358,325	2%
Bendigo & Adelaide Bank	A-2	A-	14,500,000	13%
National Australia Bank	A-1+	AA-	22,000,000	19%
Westpac Banking Corporation	A-1+	AA-	20,000,000	17%
Commonwealth Bank of Australia	A-1+	AA-	15,500,000	13%
Macquarie Bank	A-1	A	1,000,000	1%
Bank of Queensland	A-2	A-	3,500,000	3%
Suncorp Metway	A-1	A+	16,000,000	14%
Total Investment			114,858,325	100%

Diversification of Portfolio by Financial Institution

