

Penrith City Council
Summary of Investments
February 2017

Commentary

The Reserve Bank of Australia (RBA) left the cash rate unchanged in February at 1.5%, which was expected. There were few surprises in the accompanying statement, which changed only slightly from last month. This confirmed the majority view that the cash rate will probably remain on hold in 2017 despite such subdued inflation. The RBA Board remains optimistic, seeing the forward looking indicators as pointing to a continued expansion over the period ahead. However, Labour statistics show that although Australia's unemployment rate rose slightly to 5.9% last quarter, it has been steady over the past year. News for Australian households is still disappointing as wages growth remains a problem, at its lowest level in 30 years. This will be reflected in lower levels of consumer spending in the coming months.

Following its interest rate increase in February, the US Federal Reserve has indicated there will be three more rate increases within the next year, but economists argue that may not be enough as the US economy gathers momentum and inflation continues to rise. In Europe, despite the complications of the Brexit negotiations, most economic readings are pointing to relatively stable economic growth, due to a large degree to robust international trade. The Big 3 Euro-area economies, France, Germany and Italy, in particular are all recording improved data since last quarter.

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

The investment returns versus the benchmark for February are:

Council portfolio current yield	2.73%
90 day Bank Bill Swap rate	1.78%

Penrith City Council
Historical Investment Performance

Portfolio Yield (Actual Versus Benchmark)

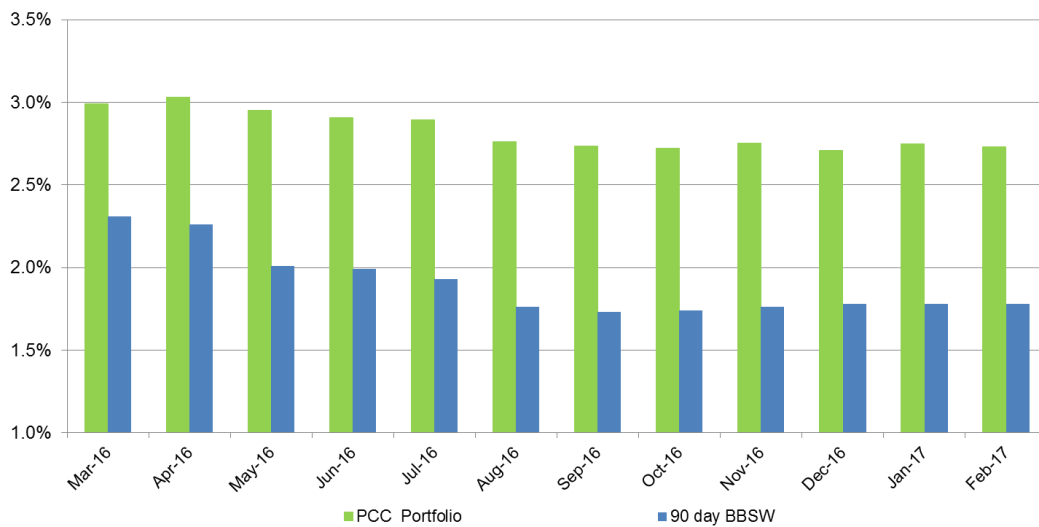
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current portfolio yield (including FRNs)	2.73%	1.78%
Past 12 month portfolio performance	2.83%	1.90%
Portfolio return for the period	0.23%	0.15%

Graph 1

Portfolio Yield (Actual Versus Benchmark)

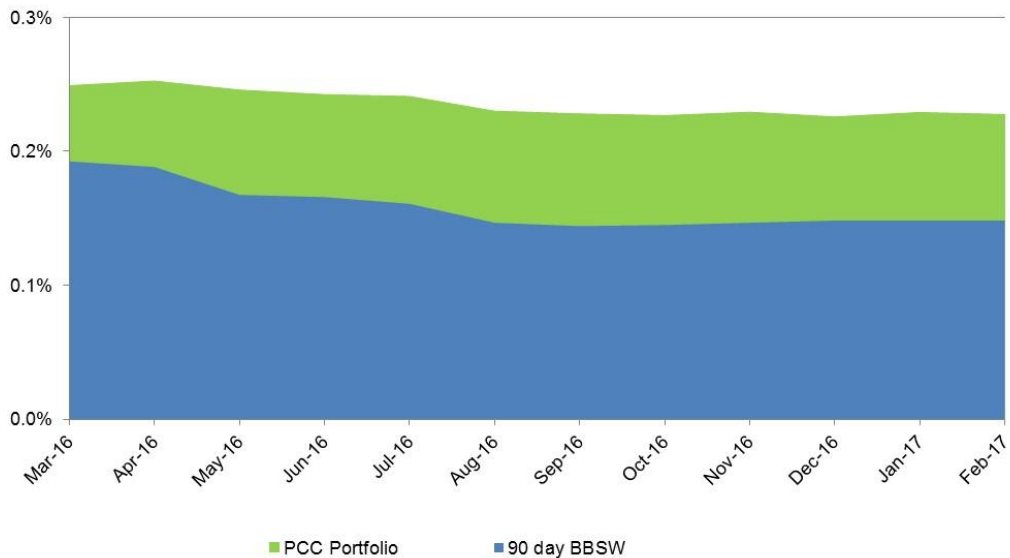
The weighted average income return on total investments for the 12 months to February 2017. This graph tracks performance over time and shows that yield has remained between 2.5% and 3% for the past year, nearly 1% above the BBSW over the same period.



Graph 1.1

Portfolio return for the Period (Actual Versus Benchmark)

The return for the period shows the current month's yield, together with the historic monthly yield for comparison purposes. The BBSW fell in both May and August when the RBA cut official rates but the portfolio return remained less affected due to long



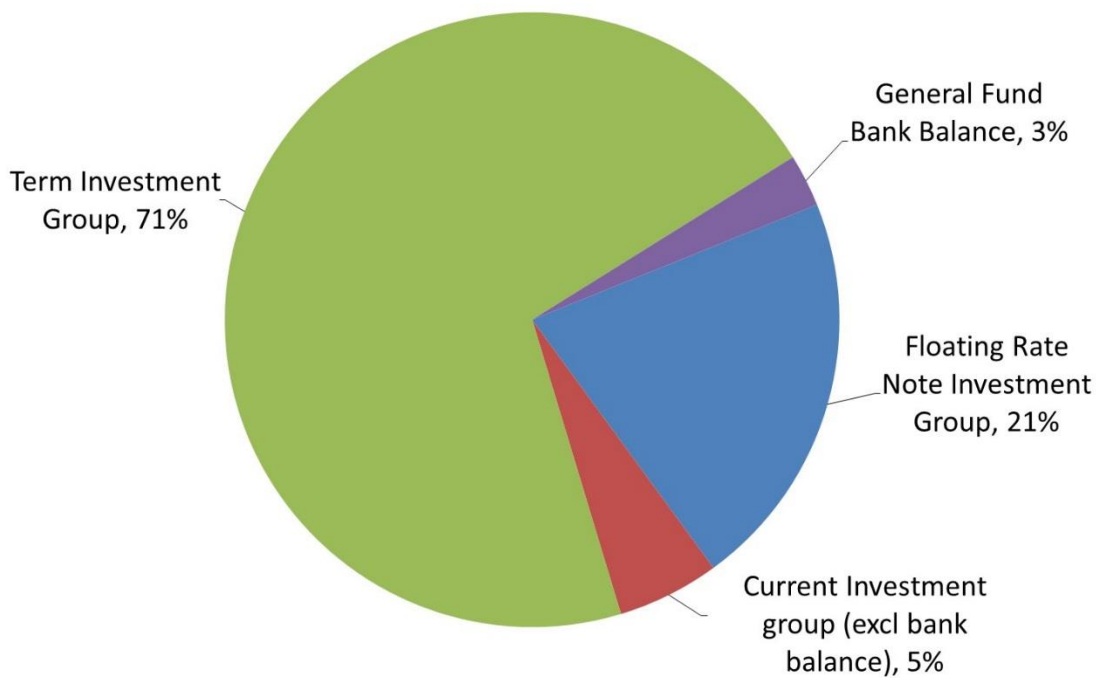
Investment Summary by Asset Group and monthly movement

Table 1.1

Asset Group	Closing Value (Face Value) 31 January 2017	Closing Value (Face Value) 28 February 2017
Floating Rate Notes	\$28,839,636	\$27,819,917
Current cash on call group (excl bank balance)	\$2,400,000	\$7,100,000
Term Deposit Group	\$84,500,000	\$93,500,000
	\$115,739,636	\$128,419,917
General Fund Bank Balance	\$958,336	\$3,639,662
Total	\$116,697,972	\$132,059,579

Graph 1.2

February 2017 Investments % Allocation by Asset Group



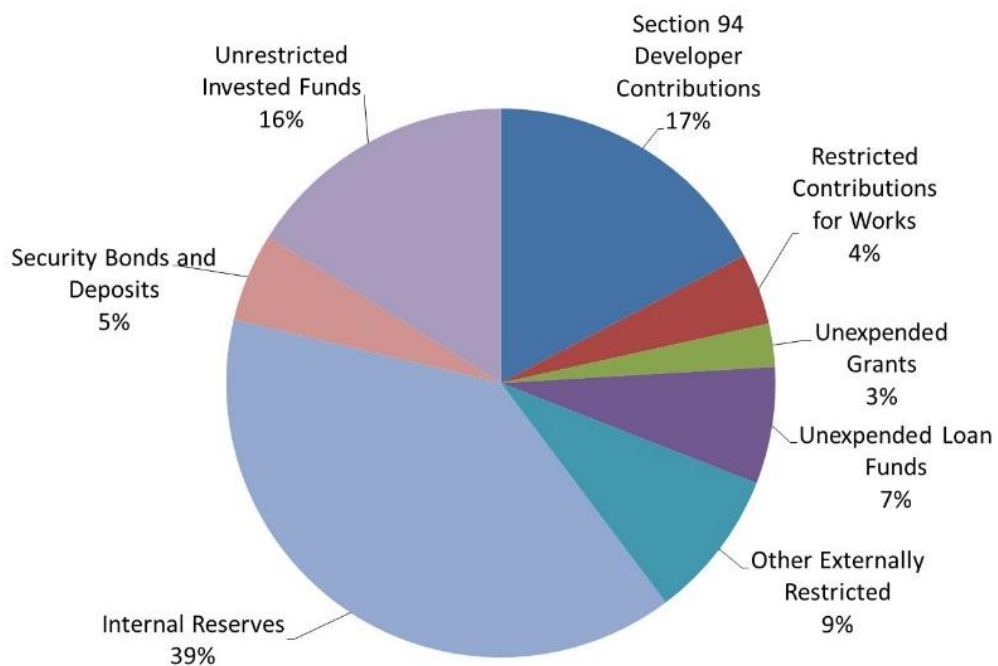
Reconciliation of Invested Funds and monthly movement

Table 1.2

	Period ending 31 January 2017	Period ending 28 February 2017
Represented by:		
Externally restricted Assets		
Section 94 Developer Contributions	\$22,486,184	\$22,861,498
Restricted Contributions for Works	\$6,565,725	\$5,561,985
Unexpended Grants	\$4,094,570	\$3,350,671
Unexpended Loan Funds	\$10,257,828	\$9,099,629
Other Externally Restricted	\$11,290,109	\$11,618,323
	\$54,694,416	\$52,492,106
Internally Restricted Assets for funding of operations		
Sinking Funds	-	-
Internal Reserves	51,472,665	51,448,956
Security Bonds and Deposits	6,695,685	6,936,530
	58,168,350	58,385,486
Restricted Assets Utilised in Operations	-	-
Unrestricted Invested Funds	3,835,206	21,181,987
Invested Funds held as at 28 February 2017	\$116,697,972	\$132,059,579

Graph 1.3

February 2017 Investments % Allocation by Cash Reserve Type



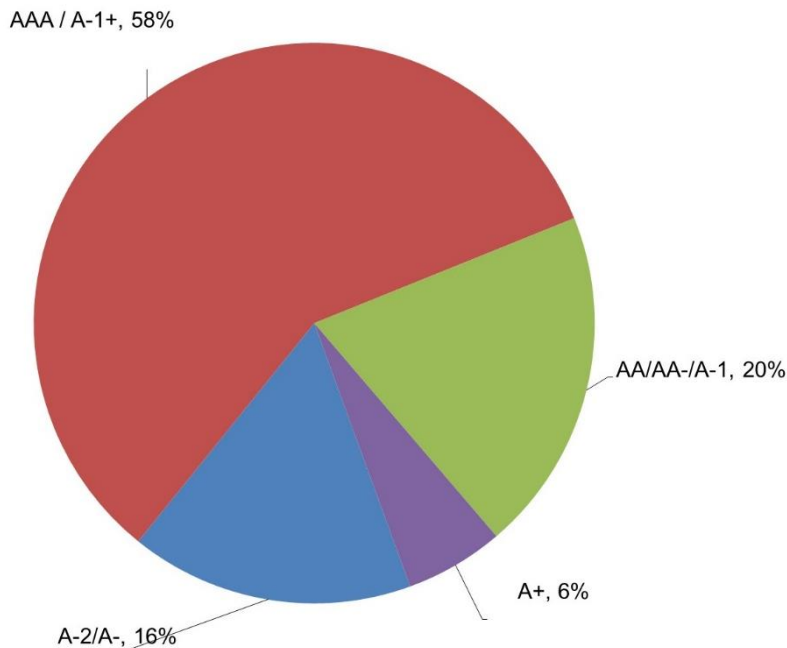
Penrith City Council
Investment Summary
(Graphed to reflect fund ratings as % of portfolio)

Table 1.3

Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
A-1+	CBA, NAB, BankWest, Westpac	74,600,000	58.09%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	12,000,000	9.34%	100% (20% per institution)
A-2	Bendigo & Adelaide Bank	14,000,000	10.90%	100% (20% per institution)
Long Term				
A+	Floating Rate Note (Barclays Capital)	1,319,917	1.03%	100% (20% per institution)
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.89%	100% (25% per institution)
AA-	Fixed rate note (Westpac)	2,500,000	1.95%	100% (25% per institution)
A+	Floating Rate Note (Barclays Capital)	1,000,000	0.78%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	3.89%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.78%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	3.89%	100% (20% per institution)
A-	Floating Rate Note (Bank of Queensland)	3,500,000	2.73%	100% (20% per institution)
A-	Floating Rate Note (Bendigo & Adelaide Bank)	3,500,000	2.73%	100% (20% per institution)
Total Portfolio		128,419,917	100%	

Graph 1.4

Reflects S & P fund ratings as % of the portfolio to show compliance with Council's Investment Policy objectives of minimising risk.



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

Table 1.4

Dealing Bank	Short Term	Long Term	Investment
BankWest	A-1+	AA-	\$23,000,000
Barclays Bank	A-1	A+	\$2,319,917
Bendigo & Adelaide Bank	A-2	A-	\$17,500,000
National Australia Bank	A-1+	AA-	\$23,000,000
Westpac Banking Corporation	A-1+	AA-	\$21,000,000
Commonwealth Bank of Australia	A-1+	AA-	\$21,100,000
Macquarie Bank	A-1	A	\$1,000,000
Bank of Queensland	A-2	A-	\$3,500,000
Suncorp Metway	A-1	A+	\$16,000,000
Total Investment			\$128,419,917

Graph 1.5

Graphed to reflect the spread of investments amongst various Financial Institutions to show portfolio diversification in accordance with Council's Policy of risk aversion.

