

Penrith City Council
Summary of Investments
March 2017

Commentary

Once again there was no change to the official cash rate when the Reserve Bank (RBA) met in early April. The RBA Board next meets on 2 May and economists are virtually unanimous that rates will not move then either, nor in fact for some time yet, even though US interest rates have risen in recent months and more increases are forecast there.

In the longer term, economists are undecided whether the next RBA move will be up or down as there are arguments for both points of view. The March quarter's CPI, released at the end of April, is being closely scrutinised, as are recent unemployment figures as there are concerns about continuing low inflation, and also around the employment market. Most data suggest rates should remain at current record low levels until the RBA is confident higher inflation and lower unemployment will eventuate, and can be sustained.

However, the housing market is under close scrutiny, with widespread discussion on ways to reign in excesses that are seen as a potential risk to financial stability and the long term health of the economy. Banks have updated their prudential measures to further reduce risk around housing and many are increasing lending rates for some types of mortgages making households more cautious about their finances. Not surprisingly, March data showed consumer confidence, retail sales and vehicle sales fell, so, although there have been suggestions that the RBA should be lifting rates to address the housing issues, overall the probability of a rate rise here before next year seems even less likely.

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

The investment returns versus the benchmark for March are:

Council portfolio current yield (including FRNs)	2.77%
90 day Bank Bill Swap rate (Benchmark)	1.79%

Penrith City Council
Historical Investment Performance

Portfolio Yield (Actual Versus Benchmark)

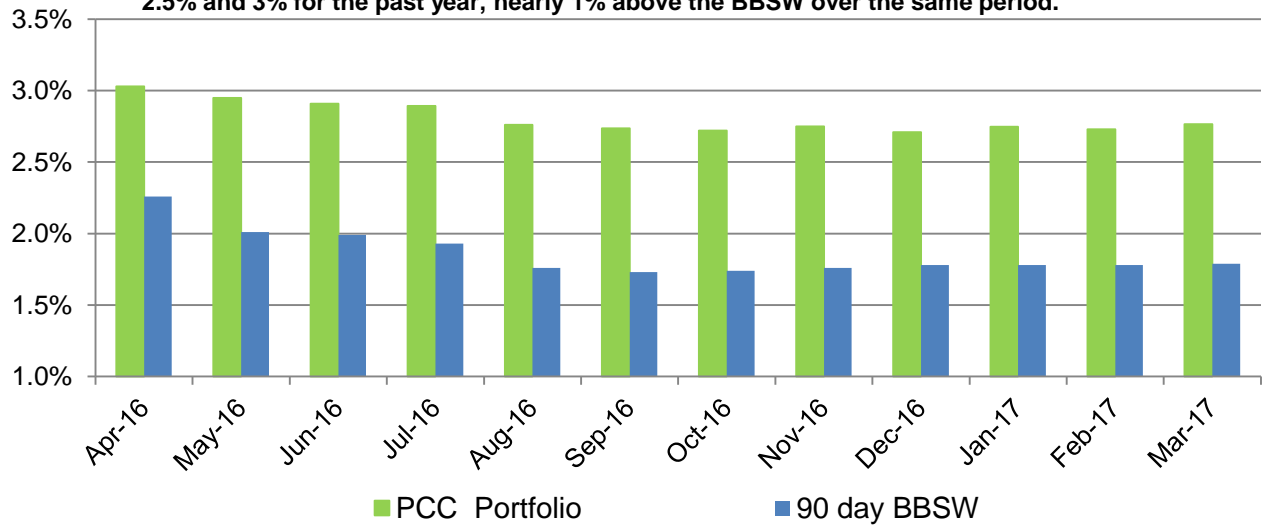
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current portfolio yield (including FRNs)	2.77%	1.79%
Past 12 month portfolio performance	2.81%	1.86%
Portfolio return for the period	0.23%	0.15%

Graph 1

Portfolio Yield (Actual Versus Benchmark)

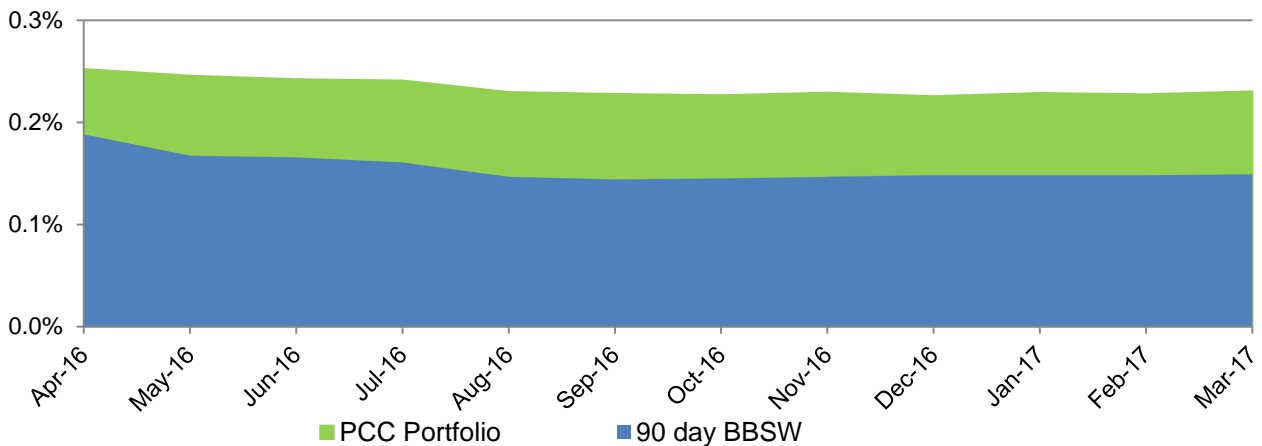
The weighted average income return on total investments for the 12 months to March 2017. This graph tracks performance over time and shows that yield has remained between 2.5% and 3% for the past year, nearly 1% above the BBSW over the same period.



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

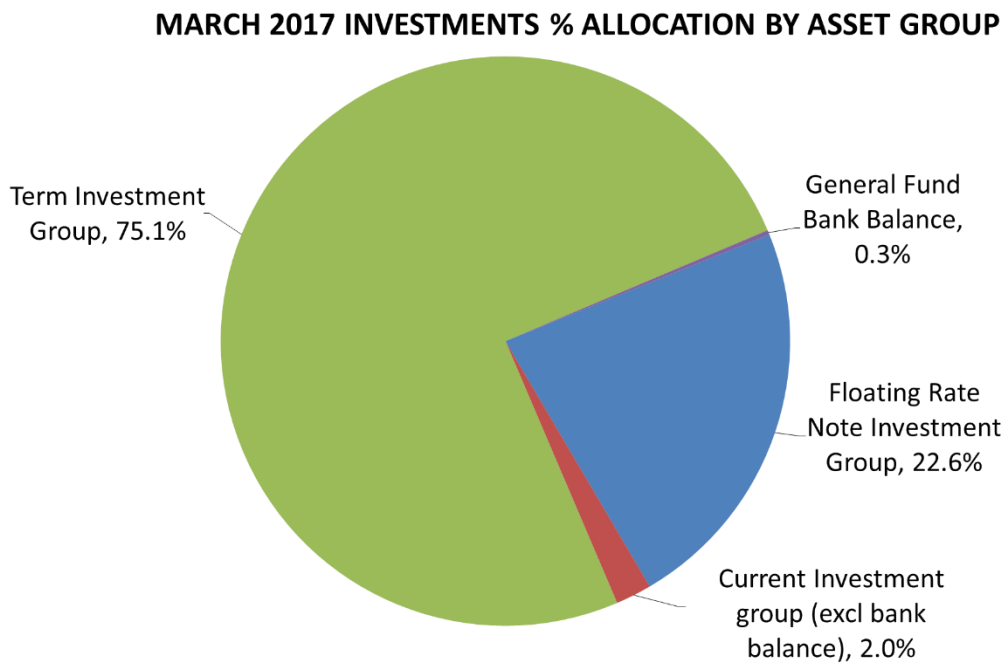


Investment Summary by Asset Group and monthly movement

Table 1.1

Asset Group	Closing Value (Face Value) 28 February 2017	Closing Value (Face Value) 31 March 2017
Floating Rate Notes	\$27,819,917	\$28,819,917
Current cash on call group (excl bank balance)	\$7,100,000	\$2,600,000
Term Deposit Group	\$93,500,000	\$95,500,000
	\$128,419,917	\$126,919,917
General Fund Bank Balance	\$3,639,662	\$325,125
Total	\$132,059,579	\$127,245,042

Graph 1.2



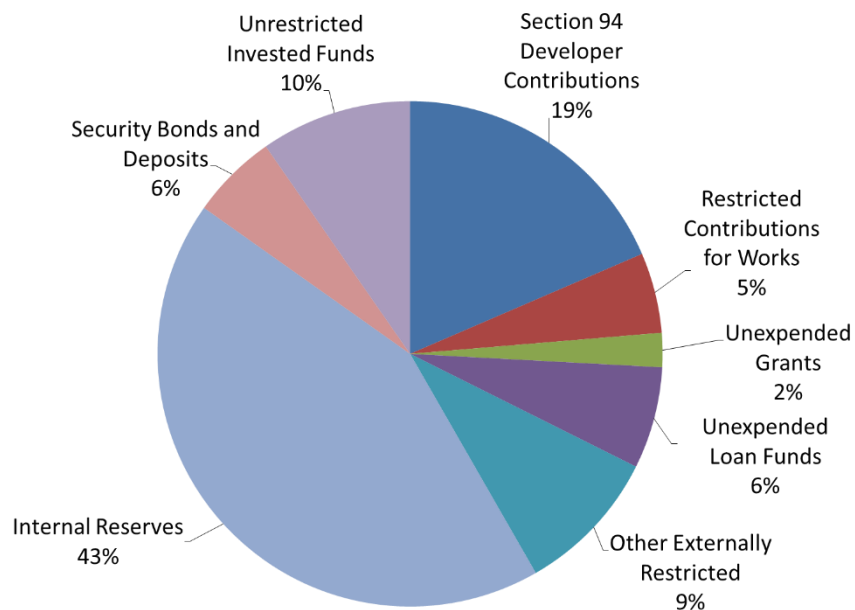
Reconciliation of Invested Funds and monthly movement

Table 1.2

	Period ending 28 February 2017	Period ending 31 March 2017
Represented by:		
Externally restricted Assets		
Section 94 Developer Contributions	\$22,861,498	\$23,576,520
Restricted Contributions for Works	\$5,561,985	\$6,540,968
Unexpended Grants	\$3,350,671	\$2,777,063
Unexpended Loan Funds	\$9,099,629	\$8,292,472
Other Externally Restricted	\$11,618,323	\$11,884,057
	\$52,492,106	\$53,071,080
Internally Restricted Assets for funding of operations		
Sinking Funds	-	-
Internal Reserves	51,448,956	\$54,839,704
Security Bonds and Deposits	6,936,530	\$7,020,772
	58,385,486	\$61,860,476
Restricted Assets Utilised in Operations	-	-
Unrestricted Invested Funds	21,181,987	\$12,313,486
Invested Funds held as at 28 February 2017	\$132,059,579	\$127,245,042

Graph 1.3

MARCH 2017 INVESTMENTS % ALLOCATION BY CASH RESERVE TYPE



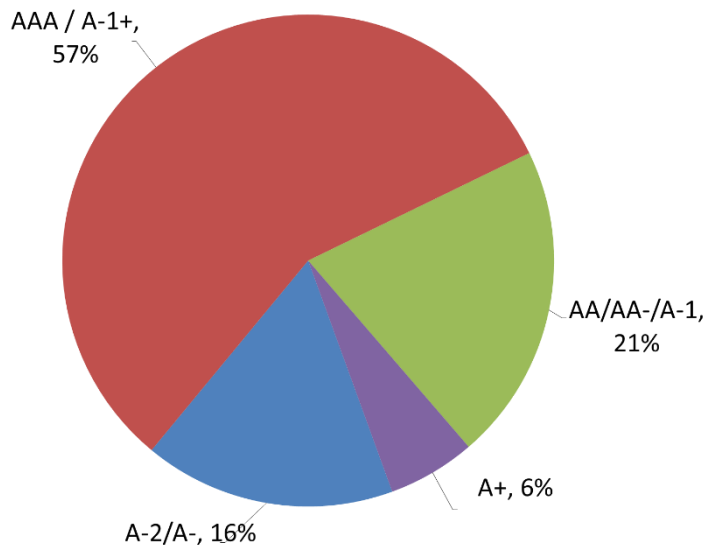
Penrith City Council
Investment Summary
(Graphed to reflect fund ratings as % of portfolio)

Table 1.3

Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
A-1+	CBA, NAB, BankWest, Westpac	\$72,100,000	56.81%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	\$12,000,000	9.45%	100% (20% per institution)
A-2	Bendigo & Adelaide Bank	\$14,000,000	11.03%	100% (20% per institution)
Long Term				
A+	Floating Rate Note (Barclays Capital)	\$1,319,917	1.04%	100% (20% per institution)
AA-	Deposit Plus Flexible Security (CBA)	\$5,000,000	3.94%	100% (25% per institution)
AA-	Fixed rate note (Westpac)	\$2,500,000	1.97%	100% (25% per institution)
A+	Floating Rate Note (Barclays Capital)	\$1,000,000	0.79%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	\$5,000,000	3.94%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	\$1,000,000	0.79%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	\$1,000,000	0.79%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	\$5,000,000	3.94%	100% (20% per institution)
A-	Floating Rate Note (Bank of Queensland)	\$3,500,000	2.76%	100% (20% per institution)
A-	Floating Rate Note (Bendigo & Adelaide Bank)	\$3,500,000	2.76%	100% (20% per institution)
Total Portfolio		\$126,919,917	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-	\$21,000,000
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
ANZ	A-1+	AA-	\$1,000,000
Westpac Banking Corporation	A-1+	AA-	\$21,000,000
Commonwealth Bank of Australia	A-1+	AA-	\$20,600,000
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			\$126,919,917

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.

