

Penrith City Council  
Summary of Investments  
October 2017

## Commentary

The Reserve Bank of Australia (RBA) met on 7 November 2017 and decided to leave the Official Cash Rate unchanged at 1.5%. The RBA has not changed the Official Cash Rate since the meeting held on 3 August 2016. The lower interest rate is focused on supporting the Australian Economy, as it would be consistent with sustainable growth in the economy and achieving the inflation target over time. Employment has continued to grow slowly over recent months at a rate of 2.6%, which has resulted in the slow rate of growth for real wages and decrease on household spending. Economists expect a lift in the wage growth over time due to the stronger conditions in the labour market. The Australian economy is expected to grow 2.4% over the next 12 months, which is less than the 3% forecasted six month ago.

The Australian Dollar remains relatively strong, between US\$0.77 – US\$0.78, even with the fall in the price of iron ore. The Australian Dollar is currently being driven by the interest-rate differentials between Australia and the United States. This higher exchange rate is expected to continue to subdue price pressures in the economy.

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.

The investment returns versus the benchmark for October are:

Council portfolio current yield (including FRNs)	2.53 %
90 day Bank Bill Swap rate (Benchmark)	1.70 %

Penrith City Council  
Historical Investment Performance

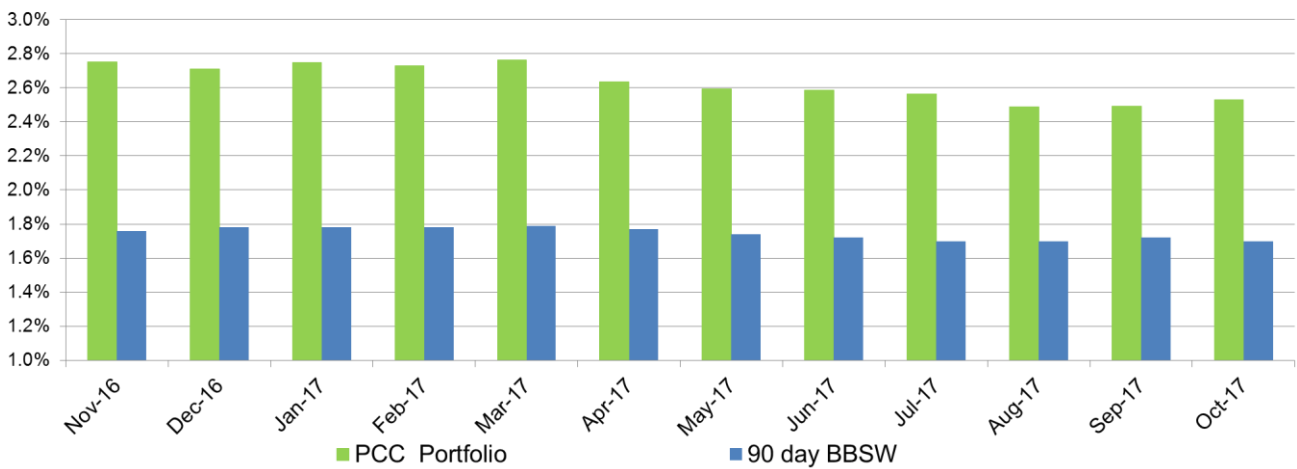
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current portfolio yield (including FRNs)	2.53%	1.70%
Past 12 month portfolio performance	2.63%	1.75%
Portfolio return for the period	0.21%	0.14%

**Portfolio Yield (Actual Versus Benchmark)**

The weighted average income return on investments for the 12 months to October 2017. This graph tracks performance over time and shows that yield has remained between 2.49% and 2.76% for the past year, nearly 1% above the BBSW over the same period.

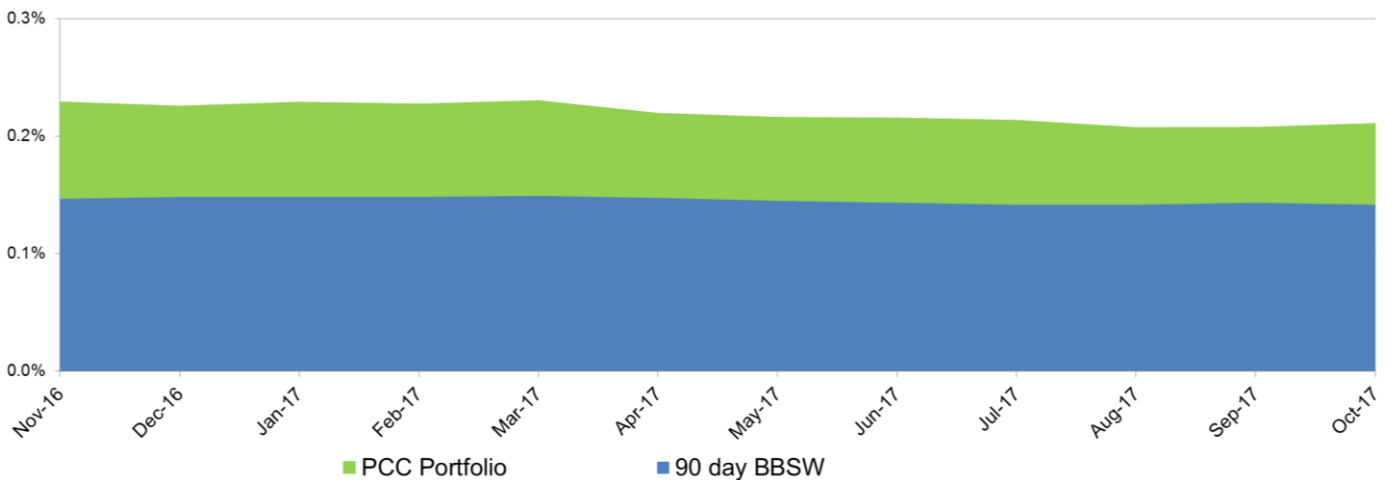
Graph 1



**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 longer term bank deposits and Floating Rate Notes.

Graph 1.1



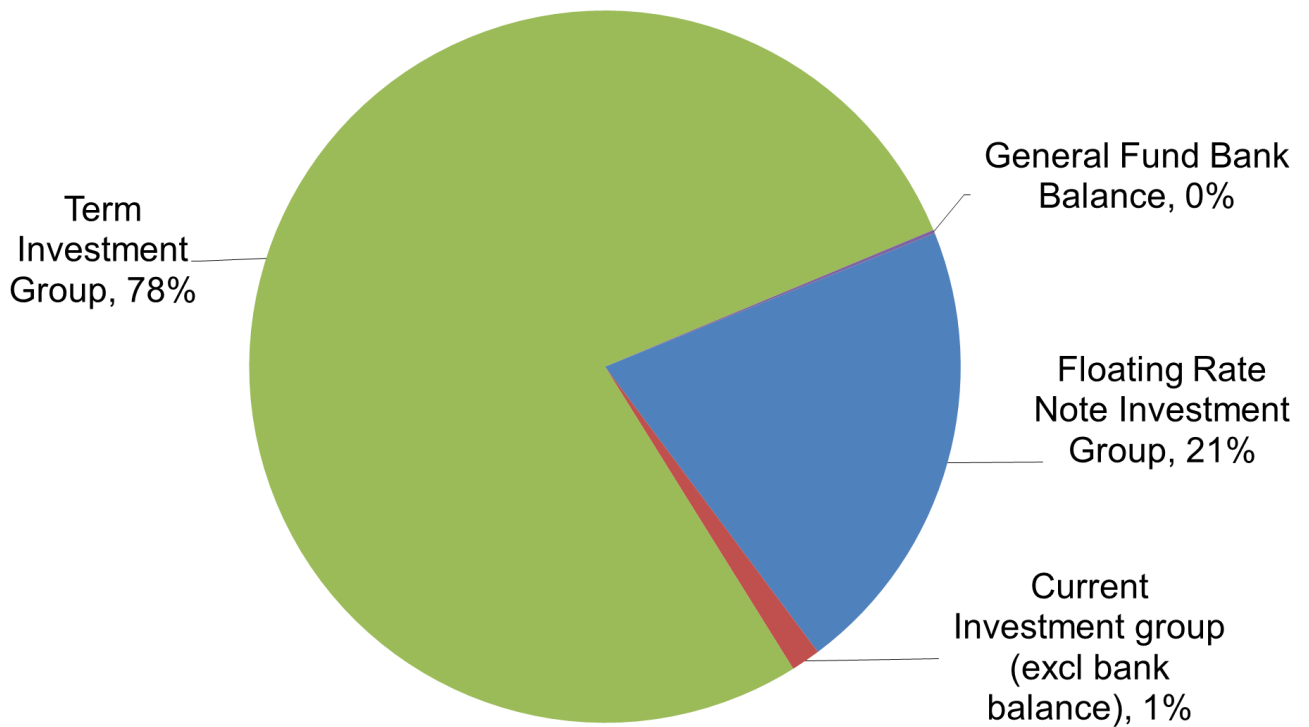
## Investment Summary by Asset Group and monthly movement

Table 1.1

Asset Group	Closing Value (Face Value) 30 September 2017	Closing Value (Face Value) 31 October 2017
Floating Rate Notes	\$29,759,791	\$29,759,791
Current cash on call group (excl bank balance)	\$3,650,000	\$1,900,000
Term Deposit Group	\$116,000,000	\$110,500,000
	<b>\$149,409,791</b>	<b>\$142,159,791</b>
General Fund Bank Balance	\$2,367,737	\$228,042
<b>Total</b>	<b>\$151,777,528</b>	<b>\$142,387,833</b>

### OCTOBER 2017 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



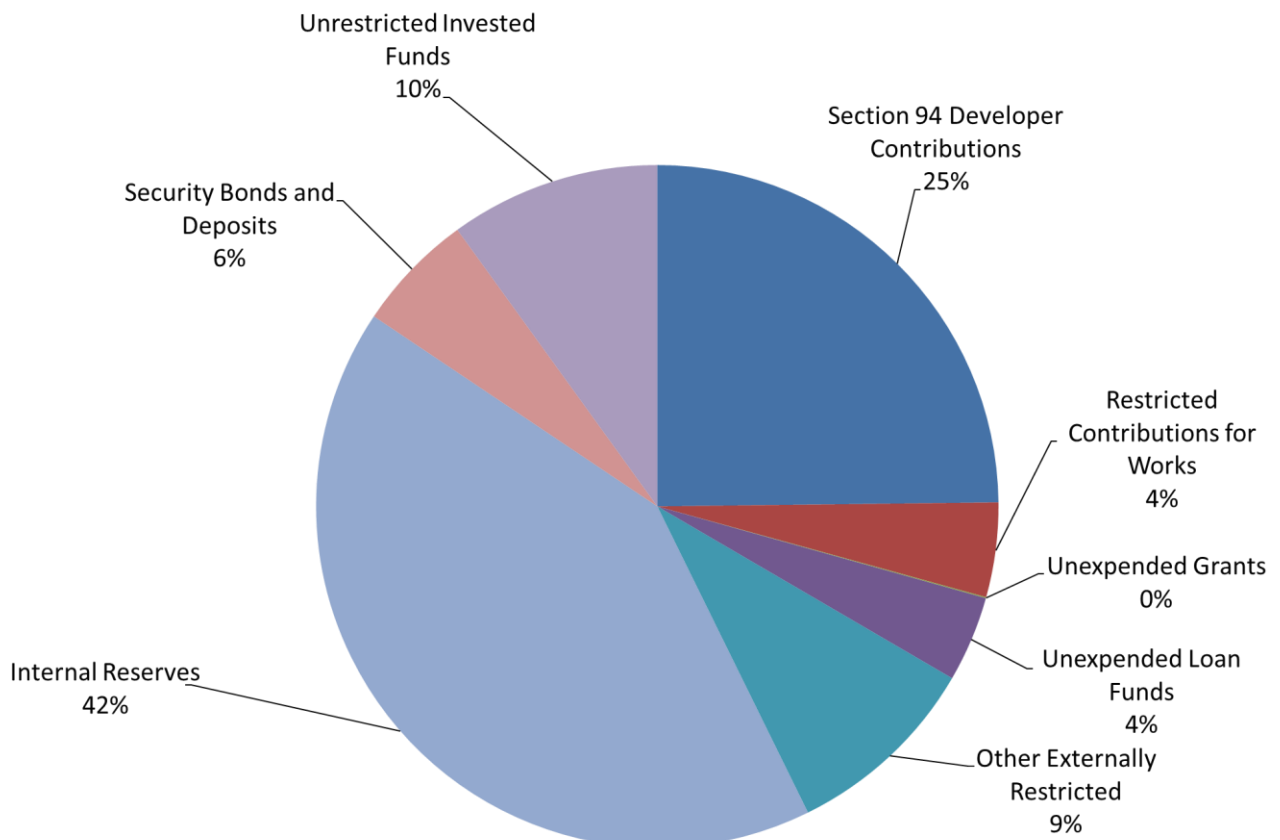
## Reconciliation of Invested Funds and monthly movement

Table 1.2

	Period ending 30 September 2017 \$	Period ending 31 October 2017 \$
Represented by:		
<b>Externally restricted Assets</b>		
Section 94 Developer Contributions	32,328,093	35,333,526
Restricted Contributions for Works	6,508,820	6,368,143
Unexpended Grants	49,413	72,876
Unexpended Loan Funds	6,411,910	5,781,560
Other Externally Restricted	13,209,477	13,271,220
<b>Total</b>	<b>58,507,713</b>	<b>60,827,325</b>
<b>Internally Restricted Assets for funding of operations</b>		
Sinking Funds	-	-
Internal Reserves	60,082,741	59,345,300
Security Bonds and Deposits	7,930,686	8,026,889
<b>Total</b>	<b>68,013,427</b>	<b>67,372,189</b>
<b>Restricted Assets Utilised in Operations</b>		
Unrestricted Invested Funds	25,256,388	14,188,320
<b>Invested Funds as at 31 October 2017</b>	<b>151,777,528</b>	<b>142,387,833</b>

### OCTOBER 2017 INVESTMENTS % ALLOCATION BY CASH RESERVE TYPE

Graph 1.3



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

Table 1.3

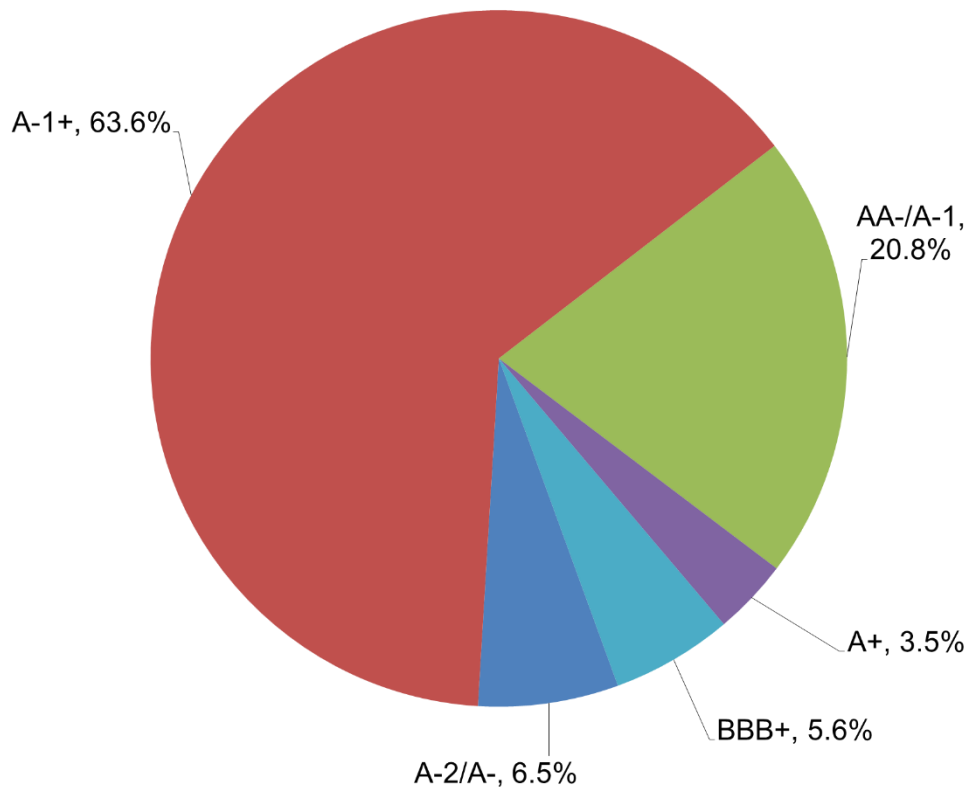
Credit Exposure	Bank/Financial Institution	Utilised \$	% Portfolio	% Policy Maximum
<b>A-1+</b>	CBA, NAB, BankWest, Westpac, TCorp	90,400,000	63.59%	100% (25% per institution)
<b>A-1</b>	Macquarie Bank, Suncorp Bank	15,000,000	10.55%	100% (20% per institution)
<b>A-2</b>	Bendigo & Adelaide Bank	7,000,000	4.92%	100% (20% per institution)
<b>Long Term</b>				
<b>A-</b>	Floating Rate Note (Barclays Capital)	1,259,791	0.89%	100% (20% per institution)
<b>AA-</b>	Deposit Plus Flexible Security (CBA)	5,000,000	3.52%	100% (25% per institution)
<b>AA-</b>	Fixed rate note (Westpac)	2,500,000	1.76%	100% (25% per institution)
<b>A-</b>	Floating Rate Note (Barclays Capital)	1,000,000	0.70%	100% (20% per institution)
<b>AA-</b>	Floating Rate Note (CBA)	5,000,000	3.52%	100% (25% per institution)
<b>AA-</b>	Floating Rate Note (ANZ)	1,000,000	0.70%	100% (25% per institution)
<b>AA-</b>	Floating Rate Bonds (NAB)	1,000,000	0.70%	100% (25% per institution)
<b>A+</b>	Floating Rate Note (Suncorp Metway)	5,000,000	3.52%	100% (20% per institution)
<b>BBB+</b>	Floating Rate Note (Bank of Queensland) *	4,500,000	3.17%	100% (20% per institution)
<b>BBB+</b>	Floating Rate Note (Bendigo & Adelaide Bank) *	3,500,000	2.46%	100% (20% per institution)
<b>Total Portfolio</b>		<b>142,159,791</b>	<b>100%</b>	

\*Downgraded to BBB+ Long term after investments placed

**OCTOBER 2017 INVESTMENTS % ALLOCATION BY S&P FUND RATING**

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-	29,000,000
Barclays Bank	A-1	A+	2,259,790
Bendigo & Adelaide Bank *	A-2	BBB+	10,500,000
National Australia Bank	A-1+	AA-	27,000,000
ANZ	A-1+	AA-	1,000,000
NSW TCorp	A-1+	AAA	1,000,000
Westpac Banking Corporation	A-1+	AA-	26,500,000
Commonwealth Bank of Australia	A-1+	AA-	20,400,000
Macquarie Bank	A-1	A	1,000,000
Bank of Queensland *	A-2	BBB+	4,500,000
Suncorp Metway	A-1	A+	19,000,000
<b>Total Investment</b>			<b>142,159,790</b>

\*Downgraded to BBB+ Long term after investments placed

**OCTOBER 2017 INVESTMENTS % ALLOCATION BY S&P FINANCIAL INSTITUTIONS**

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.

