

Penrith City Council
Summary of Investments
November 2017

Commentary

The Reserve Bank of Australia (RBA) met on 5 December 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. Economists expect a lift in the wage growth over time due to the stronger conditions in the labour market. The current CPI inflation rate remains low, currently below 2%, although the inflation rate is expected to increase gradually as the Australian economy strengthens.

The Australian Dollar remains relatively strong, at around US\$0.76. 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 subdue price pressures in the economy.

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

The investment returns versus the benchmark for November are:

Council portfolio current yield (including FRNs)	2.42 %
90 day Bank Bill Swap rate (Benchmark)	1.72 %

Penrith City Council
Historical Investment Performance

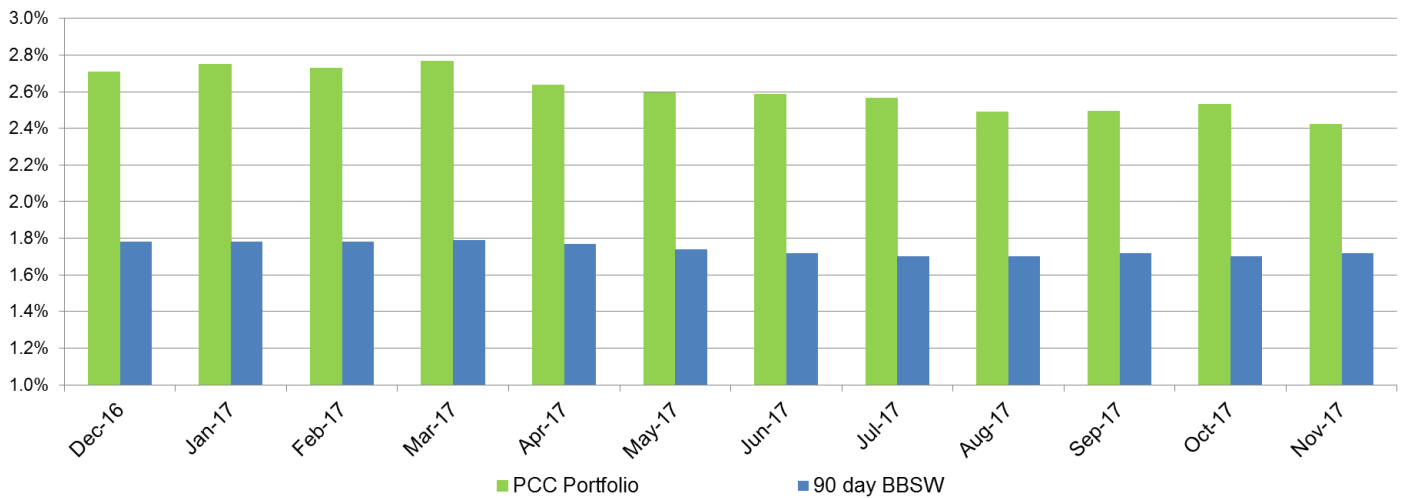
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current portfolio yield (including FRNs)	2.42%	1.72%
Past 12 month portfolio performance	2.61%	1.74%
Portfolio return for the period	0.20%	0.14%

Portfolio Yield (Actual Versus Benchmark)

The weighted average income return on investments for the 12 months to November 2017. This graph tracks performance over time and shows that yield has remained between 2.42% and 2.76% for the past year, well above the BBSW over the same period.

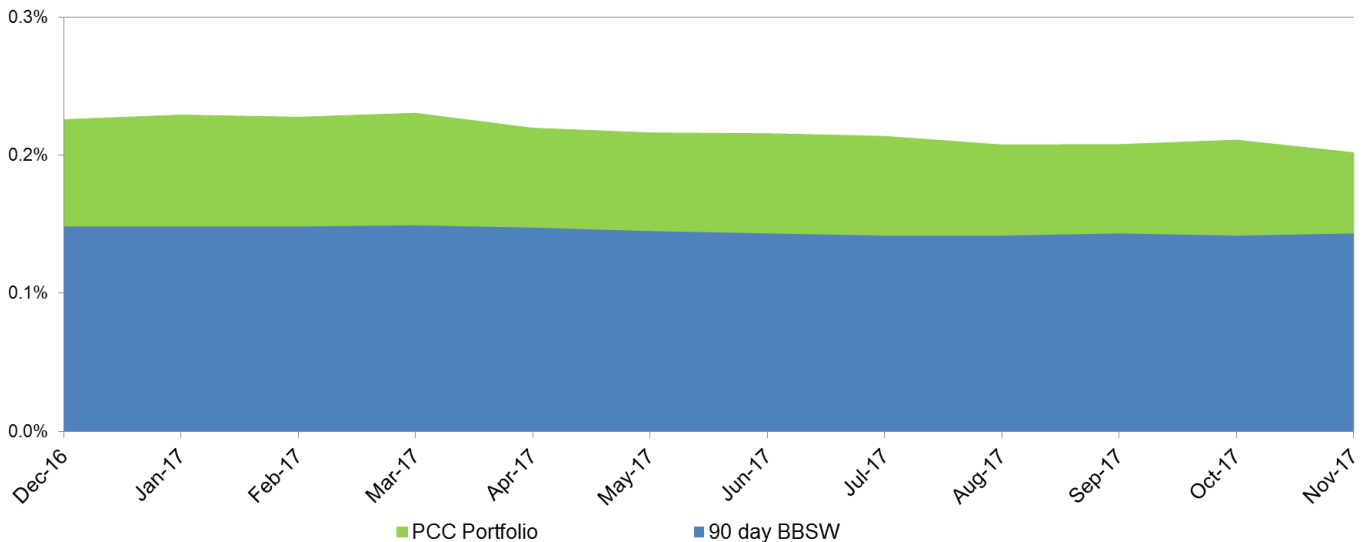
Graph 1



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



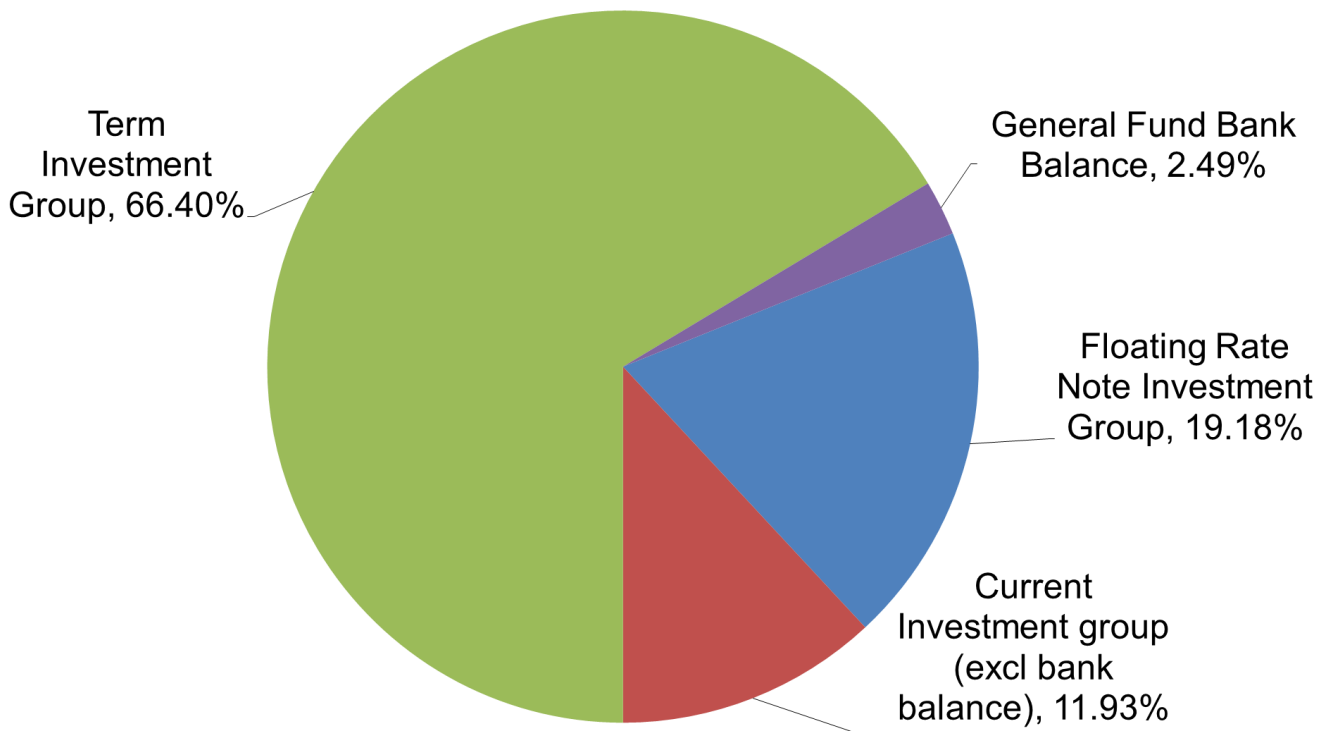
Investment Summary by Asset Group and monthly movement

Table 1.1

Asset Group	Closing Value (Face Value) 31 October 2017	Closing Value (Face Value) 30 November 2017
Floating Rate Notes	\$29,759,791	\$29,759,791
Current cash on call group (excl bank balance)	\$1,900,000	\$18,500,000
Term Deposit Group	\$110,500,000	\$103,000,000
	\$142,159,791	\$151,259,791
General Fund Bank Balance	\$228,042	\$3,866,999
Total	\$142,387,833	\$155,126,790

NOVEMBER 2017 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



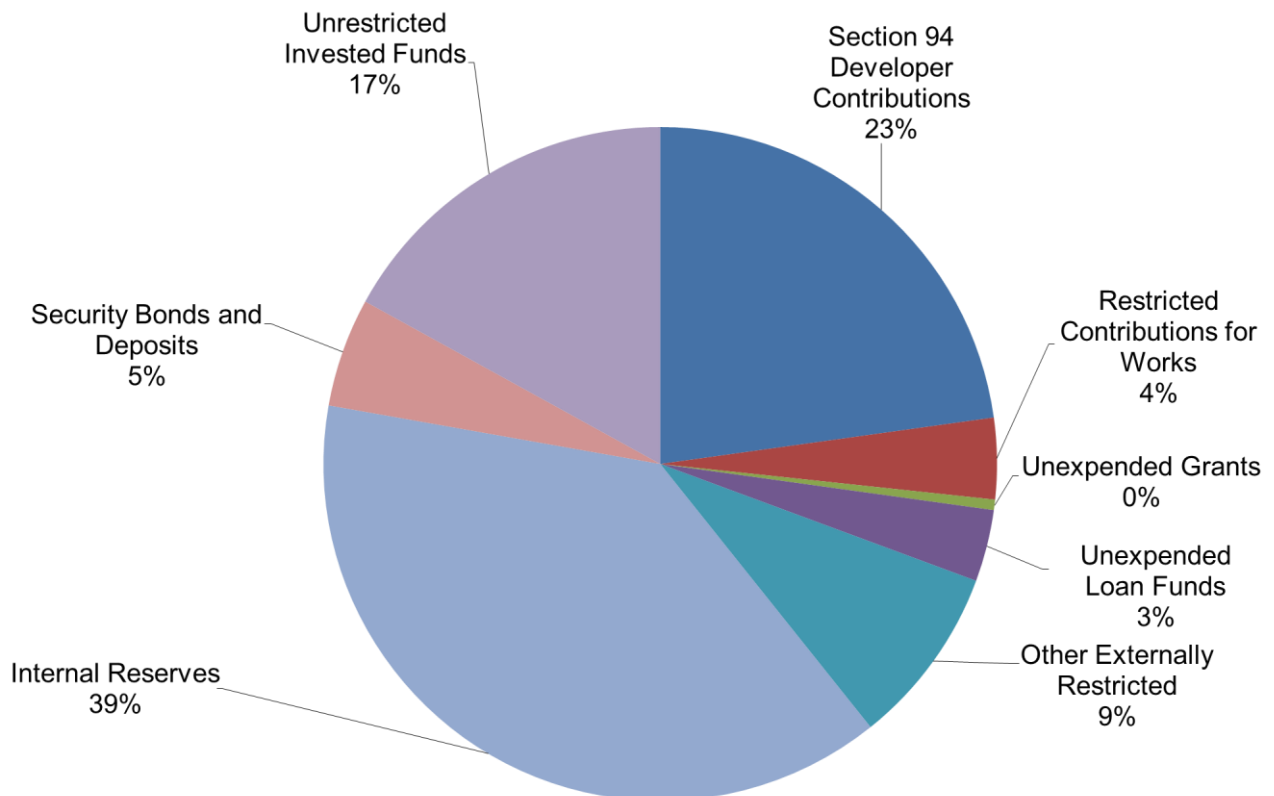
Reconciliation of Invested Funds and monthly movement

Table 1.2

	Period ending 31 October 2017 \$	Period ending 30 November 2017 \$
Represented by:		
Externally restricted Assets		
Section 94 Developer Contributions	35,333,526	35,366,157
Restricted Contributions for Works	6,368,143	6,036,795
Unexpended Grants	72,876	776,754
Unexpended Loan Funds	5,781,560	5,347,726
Other Externally Restricted	13,271,220	13,385,154
Total	60,827,325	60,912,586
Internally Restricted Assets for funding of operations		
Sinking Funds	-	-
Internal Reserves	59,345,300	59,748,519
Security Bonds and Deposits	8,026,889	8,106,543
Total	67,372,189	67,855,062
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	14,188,320	26,359,142
Invested Funds as at 30 November 2017	142,387,834	155,126,790

NOVEMBER 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

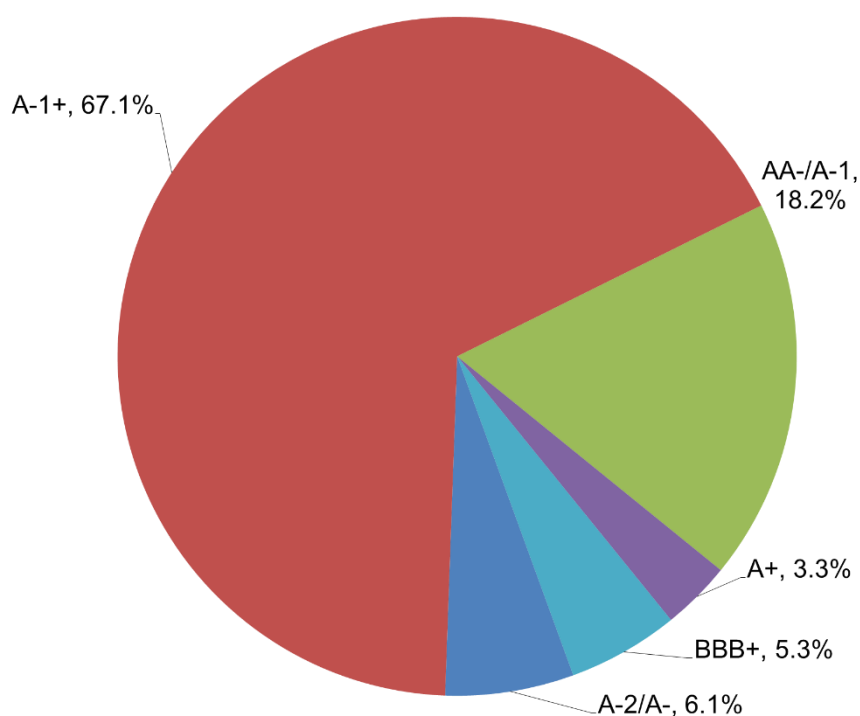
Credit Exposure	Bank/Financial Institution	Utilised \$	% Portfolio	% Policy Maximum
A-1+	CBA, NAB, BankWest, Westpac, TCorp	101,500,000	67.10%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	13,000,000	8.59%	100% (20% per institution)
A-2	Bendigo & Adelaide Bank	7,000,000	4.63%	100% (20% per institution)
Long Term				
A-	Floating Rate Note (Barclays Capital)	1,259,791	0.83%	100% (20% per institution)
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.31%	100% (25% per institution)
AA-	Fixed rate note (Westpac)	2,500,000	1.65%	100% (25% per institution)
A-	Floating Rate Note (Barclays Capital)	1,000,000	0.66%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	3.31%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.66%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.66%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	3.31%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.98%	100% (20% per institution)
BBB+	Floating Rate Note (Bendigo & Adelaide Bank) *	3,500,000	2.31%	100% (20% per institution)
Total Portfolio		151,259,791	100%	

*Downgraded to BBB+ Long term after investments placed

NOVEMBER 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-	26,500,000
Barclays Bank	A-1	A+	2,259,791
Bendigo & Adelaide Bank *	A-2	BBB+	10,500,000
National Australia Bank	A-1+	AA-	24,000,000
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-	37,000,000
Macquarie Bank	A-1	A	1,000,000
Bank of Queensland *	A-2	BBB+	4,500,000
Suncorp Metway	A-1	A+	17,000,000
Total Investment			151,259,791

*Downgraded to BBB+ Long term after investments placed

NOVEMBER 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.

