

Penrith City Council
Summary of Investments
February 2018

Commentary

The Reserve Bank of Australia (RBA) met on 6 March 2018 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.

The current CPI inflation rate remains low, below the target rate of 2-3%. Globally the inflation rate is expected to gradually increase over the next couple of years due to the higher commodity prices and tighter labour markets. The unemployment rate has continued to decrease gradually with the significant rise in labour force participation. Wage rate remains low, although wage growth is expected with the stronger economy. Non-mining business investing has increased with higher levels of public infrastructure investments supporting the economy.

Council's portfolio once again outperformed the (BBSW) Bank Bill Swap Rate 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 (including FRNs)	2.46 %
90 day Bank Bill Swap rate (Benchmark)	1.77 %

Penrith City Council
Historical Investment Performance

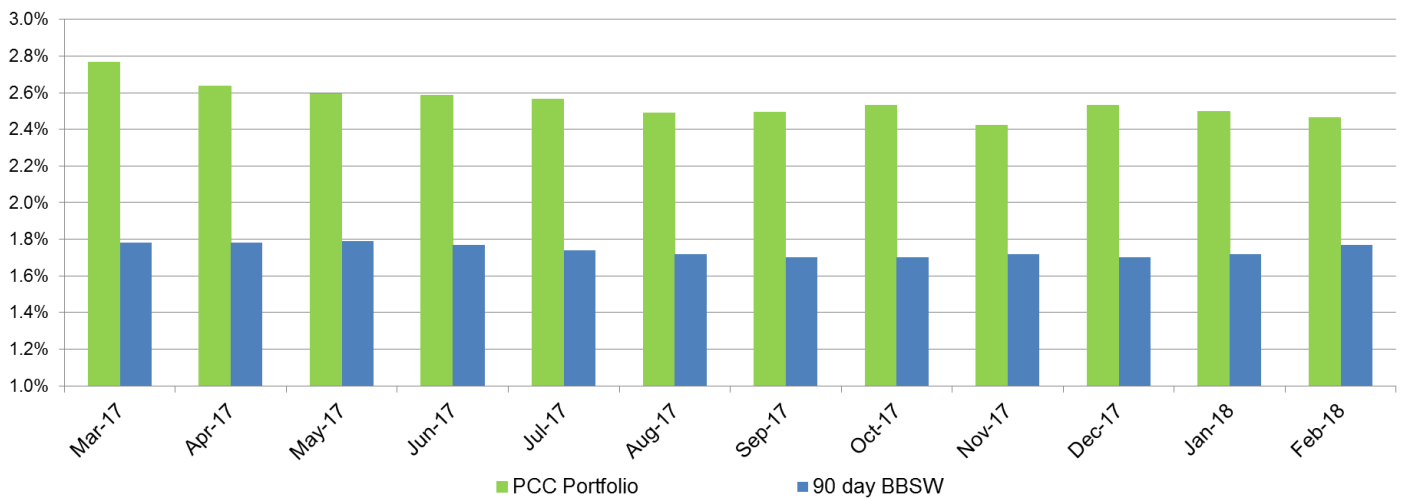
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.46%	1.77%
Past 12 Month Portfolio Performance	2.55%	1.74%
Portfolio Return for the Period	0.21%	0.15%

Portfolio Yield (Actual Versus Benchmark)

The weighted average income return on investments for the 12 months to February 2018 was 2.55%. 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.

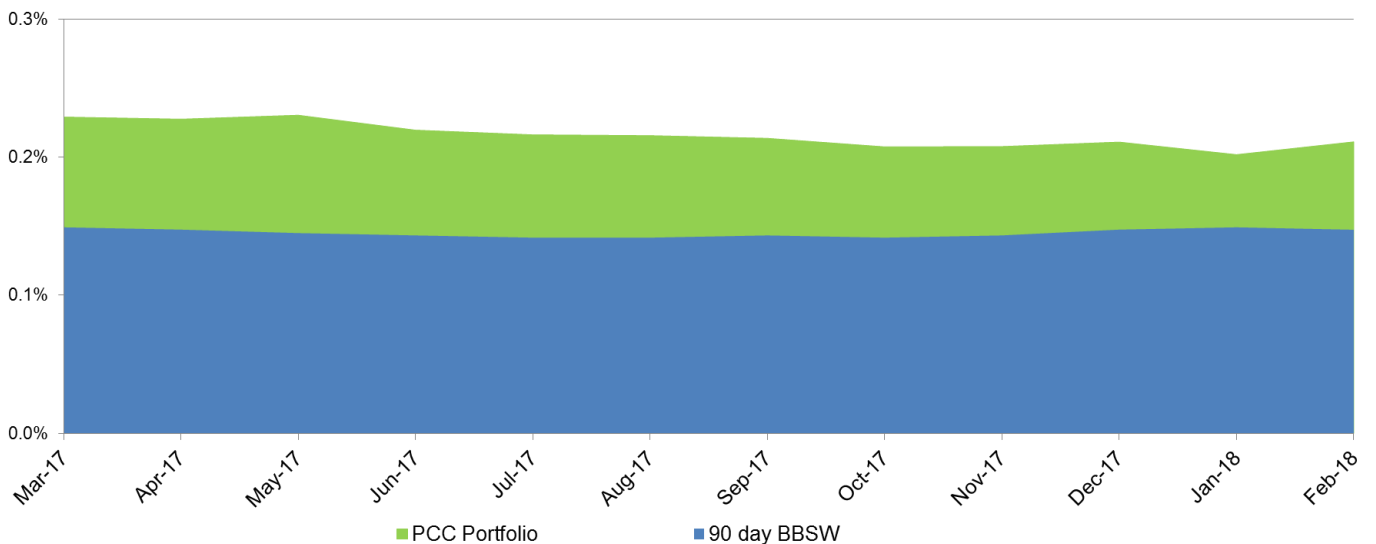
Graph 1



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 has decreased slightly in February to 1.77%.

Graph 1.1



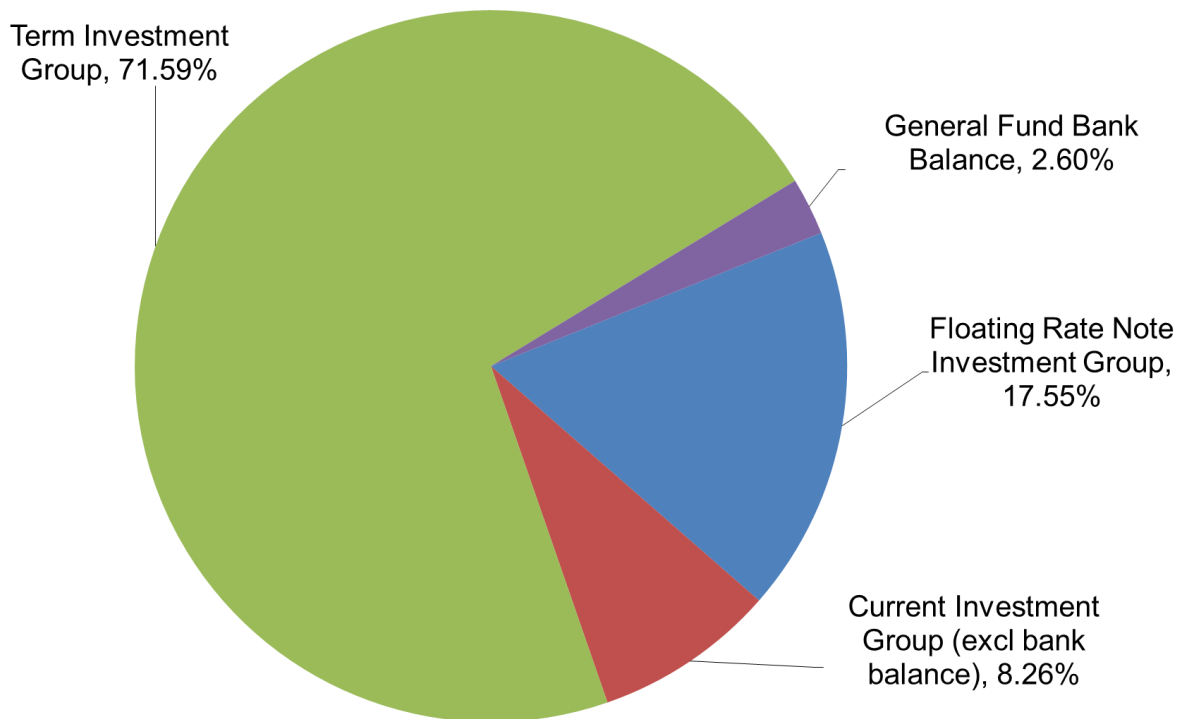
Investment Summary by Asset Group and monthly movement

Table 1.1

Asset Group	Closing Value (Face Value) 31 January 2018	Closing Value (Face Value) 28 February 2018
Floating Rate Notes	\$27,259,791	\$27,213,235
Current Cash on Call Group (excl bank balance)	\$5,600,000	\$12,800,000
Term Deposit Group	\$105,000,000	\$111,000,000
	\$137,859,791	\$151,013,235
General Fund Bank Balance	\$254,331	\$4,038,950
Total	\$138,114,122	\$155,052,185

FEBRUARY 2018 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



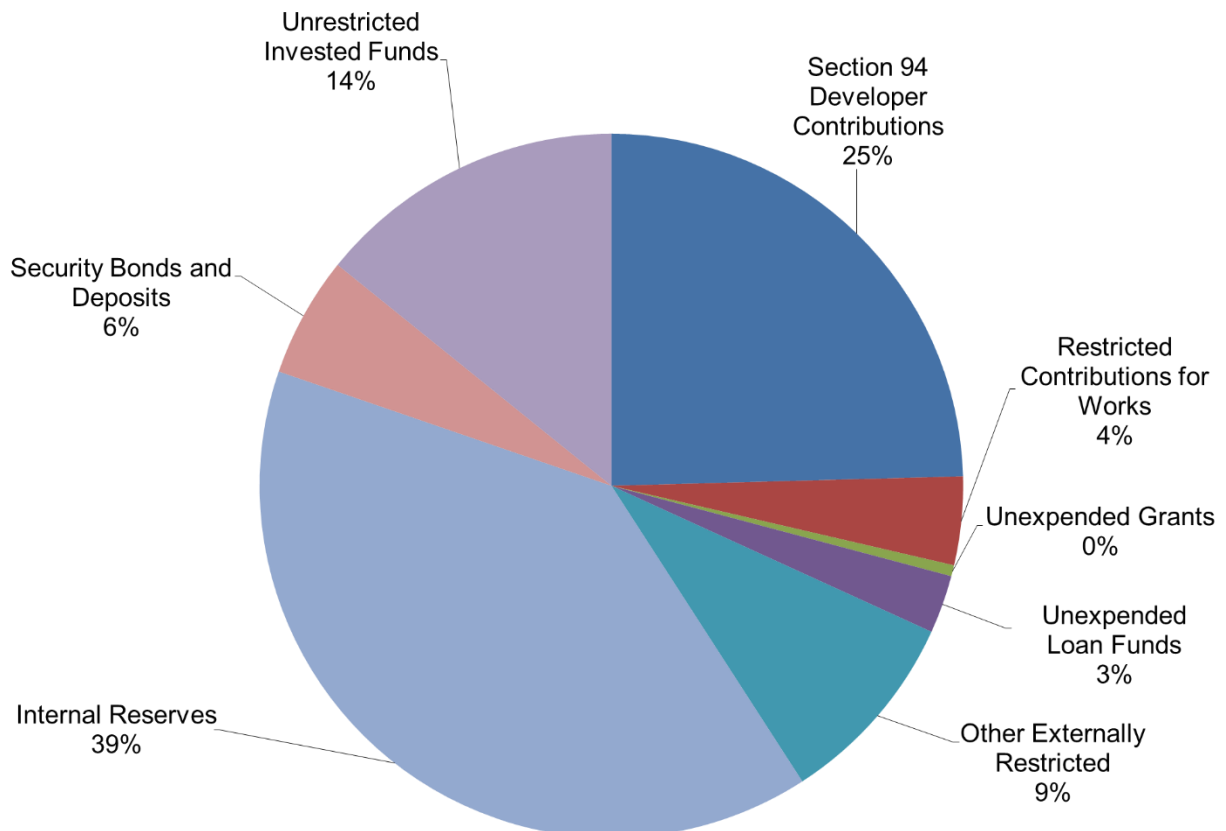
Reconciliation of Invested Funds and monthly movement

Table 1.2

	Period Ending 31 January 2018 \$	Period Ending 28 February 2018 \$
Represented by:		
Externally Restricted Assets		
Section 94 Developer Contributions	36,402,203	38,045,973
Restricted Contributions for Works	6,178,322	6,283,599
Unexpended Grants	91,219	782,111
Unexpended Loan Funds	4,428,721	4,136,034
Other Externally Restricted	13,747,830	14,029,910
Total	60,848,295	63,277,627
Internally Restricted Assets for Funding of Operations		
Sinking Funds	-	-
Internal Reserves	60,993,600	60,777,638
Security Bonds and Deposits	8,571,964	9,010,724
Total	69,565,564	69,788,362
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	7,700,263	21,986,194
Total Invested Funds	138,114,122	155,052,183

FEBRUARY 2018 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

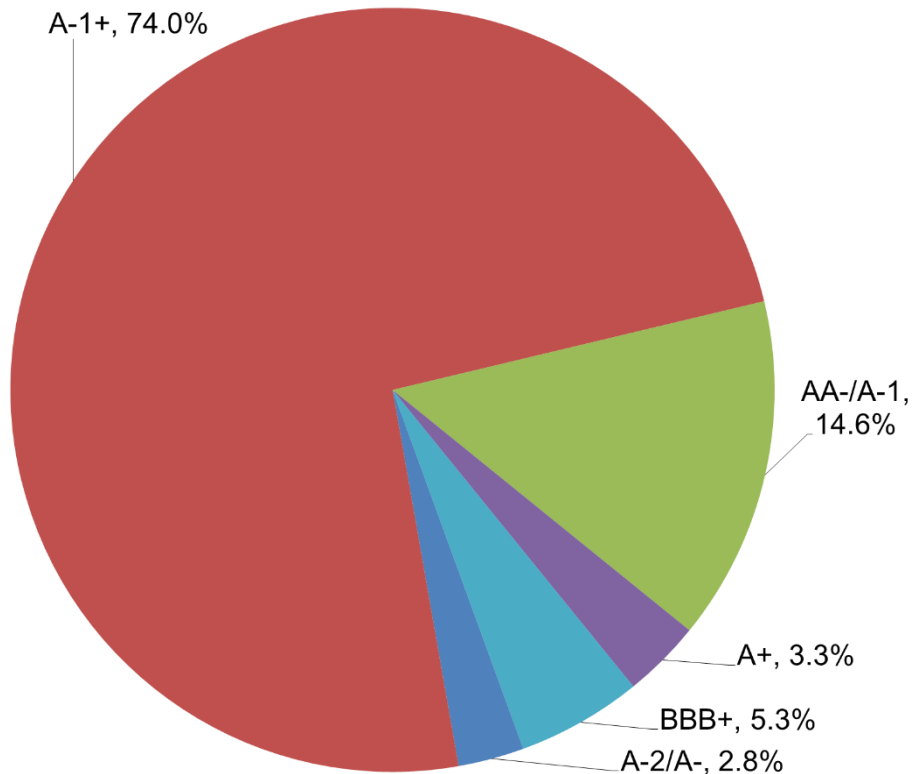
Credit Exposure	Bank/Financial Institution	Utilised \$	% Portfolio	% Policy Maximum
A-1+	CBA, NAB, BankWest, Westpac, TCorp	111,800,000	74.03%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	10,000,000	6.62%	100% (20% per institution)
A-2	Bendigo & Adelaide Bank	2,000,000	1.33%	100% (20% per institution)
Long Term				
A-	Floating Rate Note (Barclays Capital)	1,213,235	0.81%	100% (20% per institution)
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.31%	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	2.32%	100% (20% per institution)
Total Portfolio		151,013,235	100%	

*Downgraded to BBB+ Long term after investments placed

FEBRUARY 2018 INVESTMENTS % ALLOCATION BY S&P FUND RATING

Graph 1.4

Reflects Standard and Poor's 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-	31,500,000
Barclays Bank	A-1	A+	2,213,235
Bendigo & Adelaide Bank *	A-2	BBB+	5,500,000
National Australia Bank	A-1+	AA-	29,000,000
ANZ	A-1+	AA-	1,000,000
NSW TCorp	A-1+	AAA	2,000,000
Westpac Banking Corporation	A-1+	AA-	32,000,000
Commonwealth Bank of Australia	A-1+	AA-	28,300,000
Macquarie Bank	A-1	A	1,000,000
Bank of Queensland *	A-2	BBB+	4,500,000
Suncorp Metway	A-1	A+	14,000,000
Total Investment			151,013,235

*Downgraded to BBB+ Long term after investments placed

FEBRUARY 2018 INVESTMENTS % ALLOCATION BY S&P FINANCIAL INSTITUTIONS

Graph 1.5

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

