

Penrith City Council
Summary of Investments
May 2018

Commentary

The Reserve Bank of Australia (RBA) met on 5 June 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. Long term bond yields have risen over the past six months, but still remain low. Higher rates in the United States has flowed through to higher short-term interest rates in other countries including Australia.

Global inflation remains low with both CPI and Inflation running below 2% due to the low growth in labour costs and strong competition in retailing. Economist forecast that Inflation is likely to increase in 2018 as the economy strengthens. The unemployment rate has declined over the past year, but has steadied at around 5.5%. Wage rates remain low, which is likely to continue, although wage growth is expected to increase with the stronger economy.

Council's portfolio once again outperformed the (BBSW) Bank Bill Swap Rate benchmark during May. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for May are:

Council portfolio current yield (including FRNs)	2.60 %
90 day Bank Bill Swap rate (Benchmark)	1.96 %

Penrith City Council
Historical Investment Performance

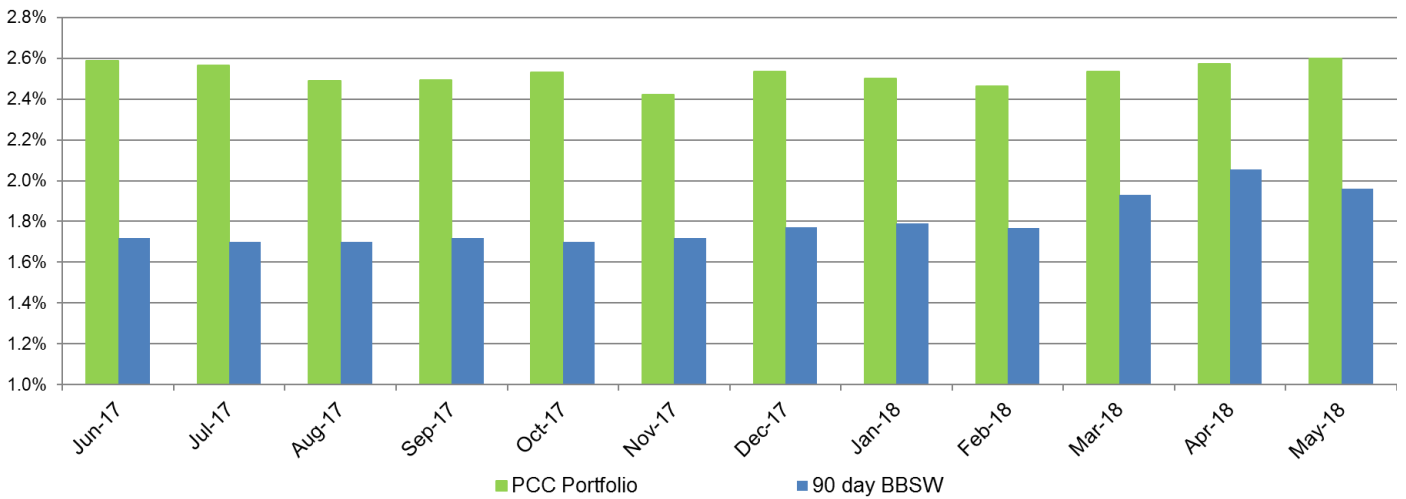
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.60%	1.96%
Past 12 Month Portfolio Performance	2.52%	1.79%
Portfolio Return for the Period	0.22%	0.16%

Portfolio Yield (Actual Versus Benchmark)

The weighted average income return on investments for the 12 months to May 2018 was 2.52%. This graph tracks performance over time and shows that the yield has remained between 2.42% and 2.60% for the past year, well above the BBSW over the same period.

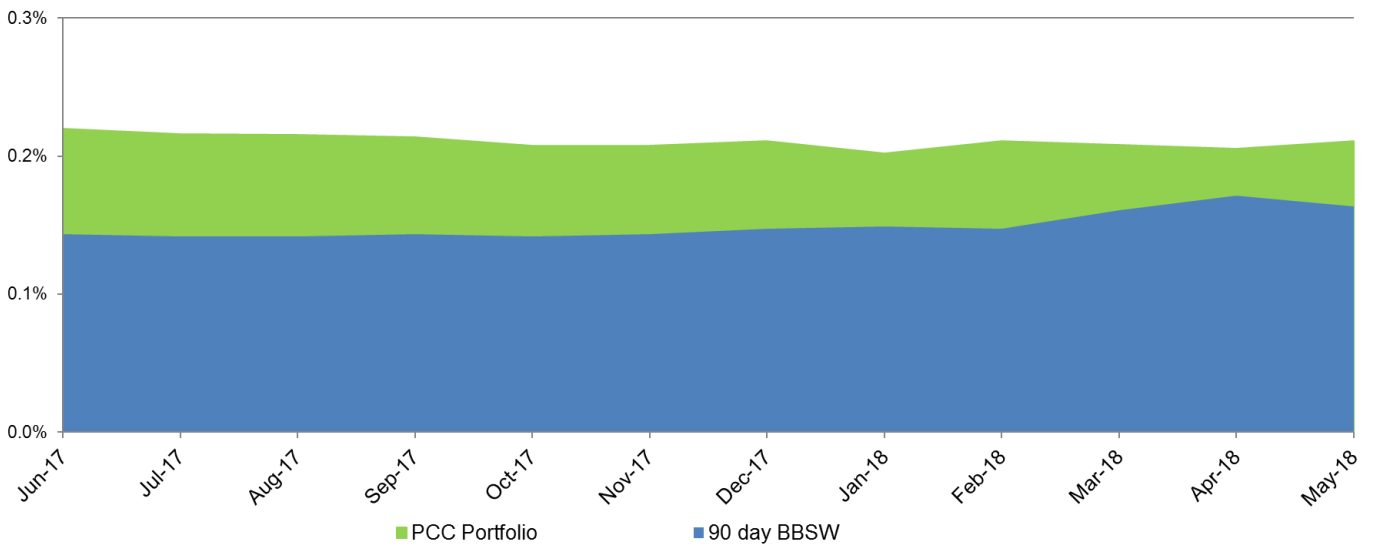
Graph 1



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 in May to 1.96%.

Graph 1.1



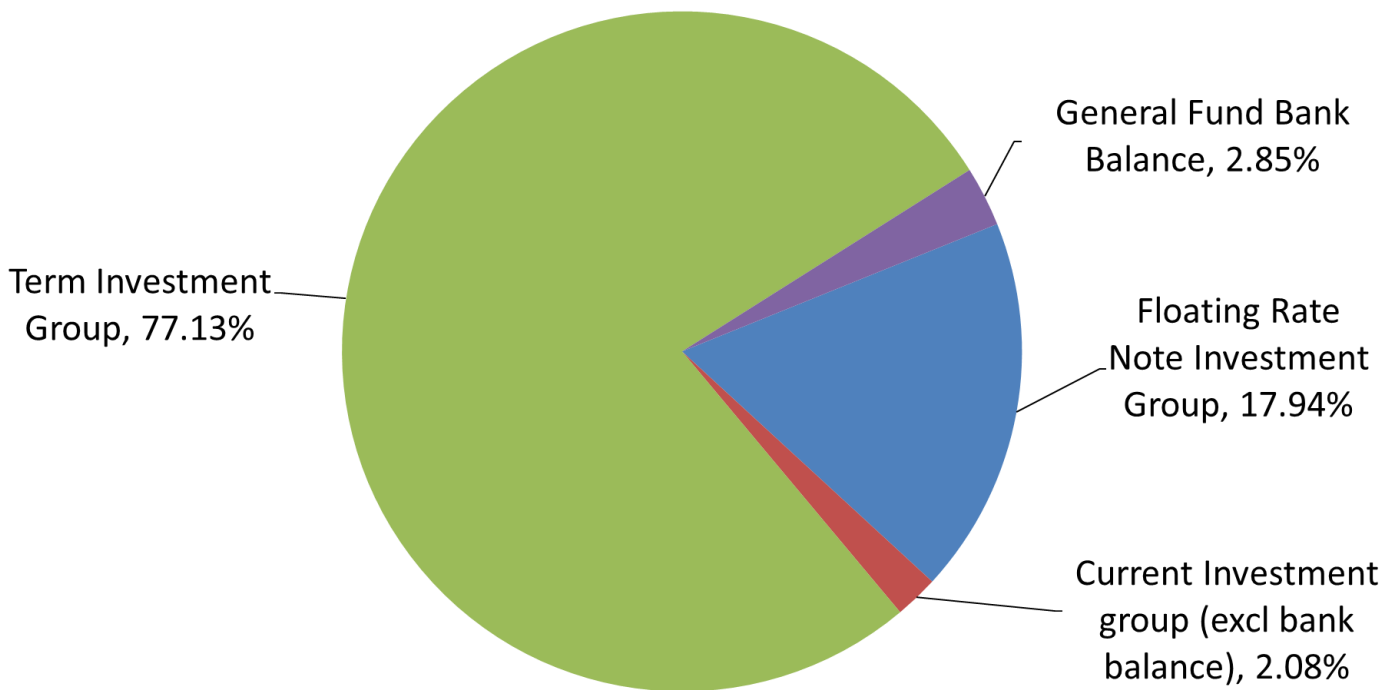
Investment Summary by Asset Group and monthly movement

Table 1.1

Asset Group	Closing Value (Face Value) 30 April 2018	Closing Value (Face Value) 31 May 2018
Floating Rate Notes	\$27,213,235	\$27,213,235
Current Cash on Call Group (excl bank balance)	\$2,250,000	\$3,150,000
Term Deposit Group	\$108,000,000	\$117,000,000
	\$137,463,235	\$147,363,235
General Fund Bank Balance	\$1,128,091	\$4,317,015
Total	\$138,591,326	\$151,680,250

MAY 2018 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



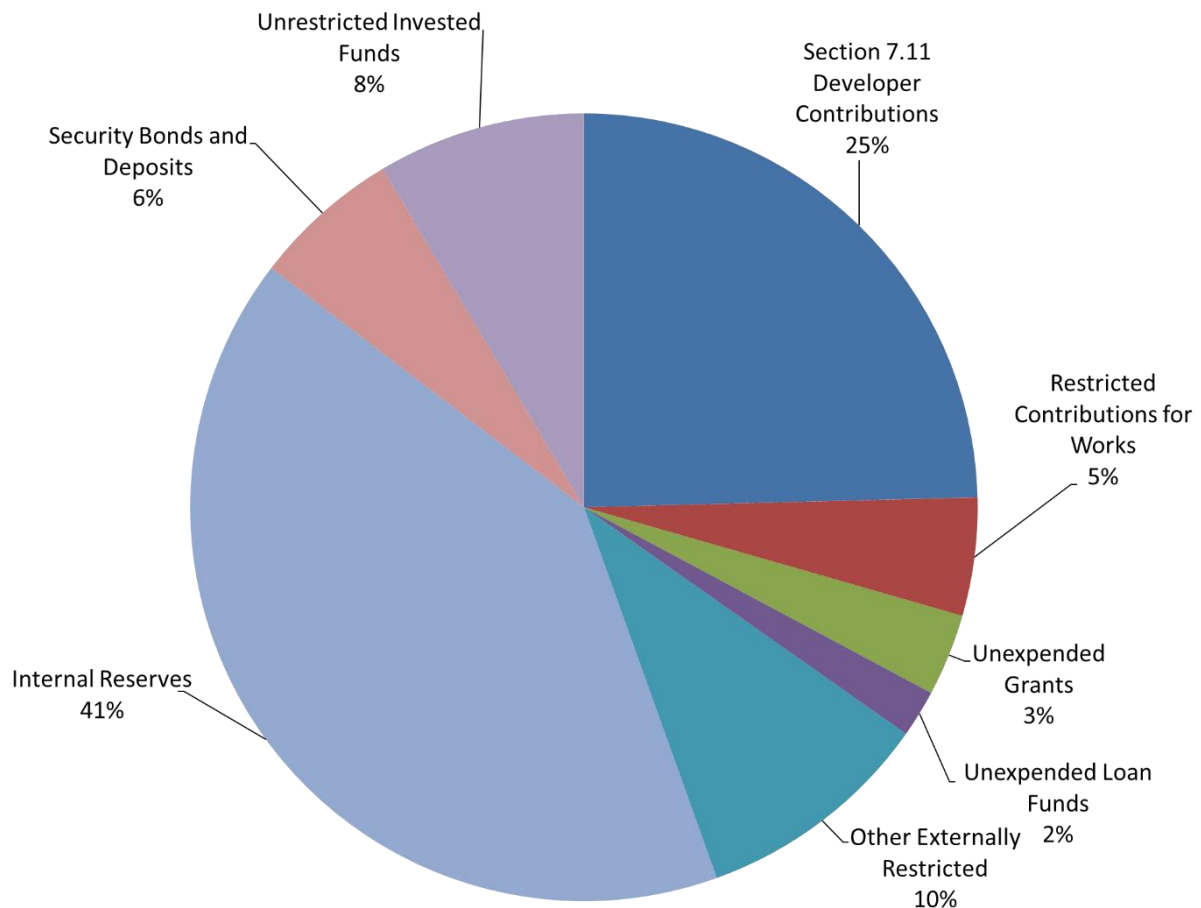
Reconciliation of Invested Funds and monthly movement

Table 1.2

	Period Ending 30 April 2018 \$	Period Ending 31 May 2018 \$
Represented by:		
Externally Restricted Assets		
Section 7.11 Developer Contributions	36,596,298	37,315,388
Restricted Contributions for Works	7,034,807	7,353,289
Unexpended Grants	2,162,615	5,107,638
Unexpended Loan Funds	3,273,991	2,944,237
Other Externally Restricted	14,466,953	14,810,445
Total	63,534,664	67,530,997
Internally Restricted Assets for Funding of Operations		
Sinking Funds	-	-
Internal Reserves	62,313,279	61,999,791
Security Bonds and Deposits	9,098,044	9,200,493
Total	71,411,323	71,200,284
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	3,645,339	12,948,969
Total Invested Funds	138,591,326	151,680,250

MAY 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

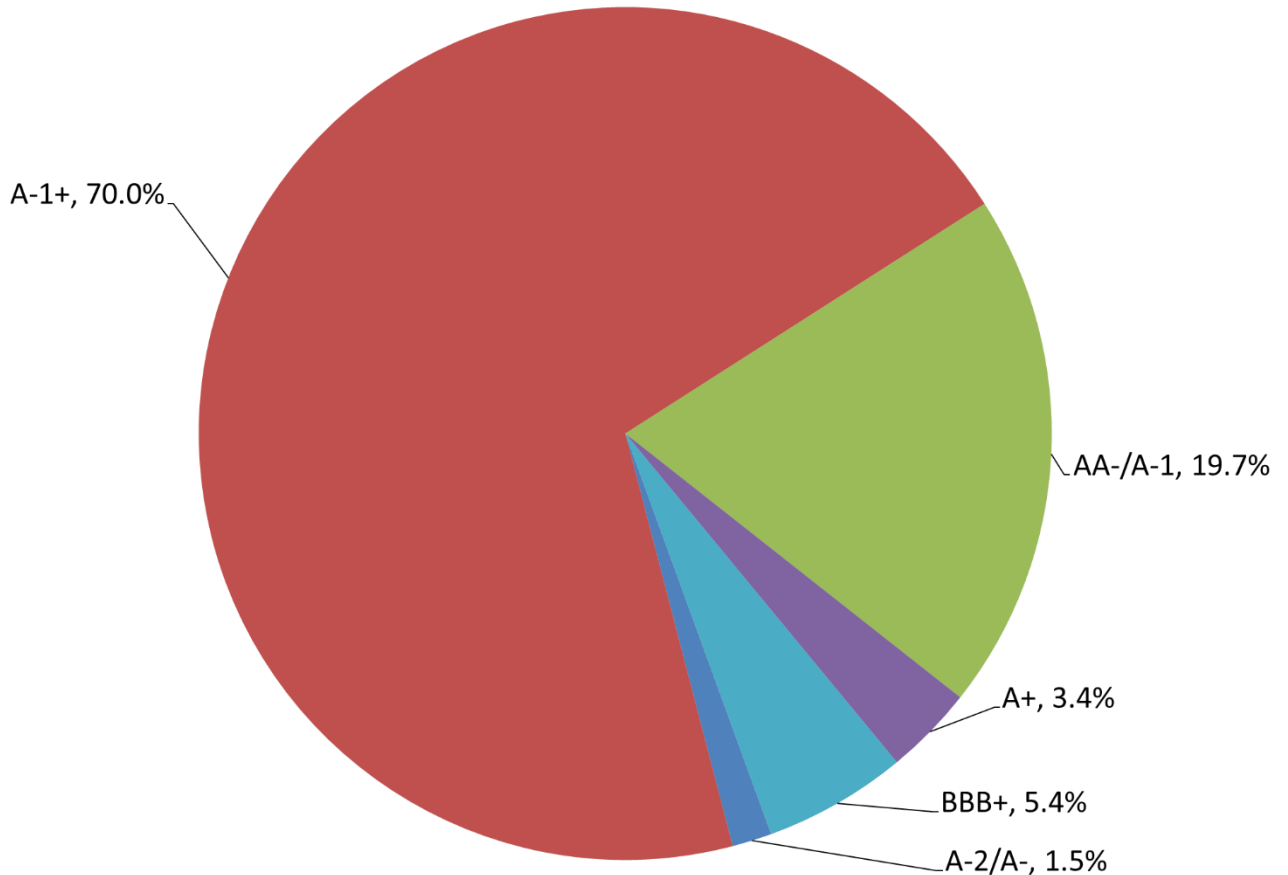
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
A-1+	CBA, NAB, BankWest, Westpac, TCorp	103,150,000	70.00%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	17,000,000	11.54%	100% (20% per institution)
Long Term				
A-	Floating Rate Note (Barclays Capital)	1,213,235	0.82%	100% (20% per institution)
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.39%	100% (25% per institution)
A-	Floating Rate Note (Barclays Capital)	1,000,000	0.68%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	3.39%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.68%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.68%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	3.39%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	3.05%	100% (20% per institution)
BBB+	Floating Rate Note (Bendigo & Adelaide Bank) *	3,500,000	2.38%	100% (20% per institution)
Total Portfolio		147,363,235	100%	

*Downgraded to BBB+ Long term after investments placed

MAY 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+	3,500,000
National Australia Bank	A-1+	AA-	34,000,000
ANZ	A-1+	AA-	1,000,000
NSW TCorp	A-1+	AAA	0
Westpac Banking Corporation	A-1+	AA-	30,000,000
Commonwealth Bank of Australia	A-1+	AA-	18,650,000
Macquarie Bank	A-1	A	1,000,000
Bank of Queensland *	A-2	BBB+	4,500,000
Suncorp Metway	A-1	A+	21,000,000
Total Investment			147,363,235

*Downgraded to BBB+ Long term after investments placed

MAY 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.

