

Penrith City Council
Summary of Investments
July 2018

Commentary

The Reserve Bank of Australia (RBA) met on 7 August 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 at 2.1% due to the low growth in labour costs and strong competition in retailing. Economists forecast that Inflation is likely to increase as the economy strengthens although this progress is likely to be gradual. The unemployment rate has declined over the past year, but has steadied at around 5.4%. 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 Bank Bill Swap Rate (BBSW) benchmark during July. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for July are:

| | |
|--|-------|
| Council portfolio current yield (including FRNs) | 2.46% |
| 90-day Bank Bill Swap rate (Benchmark) | 2.02% |

Penrith City Council
Historical Investment Performance

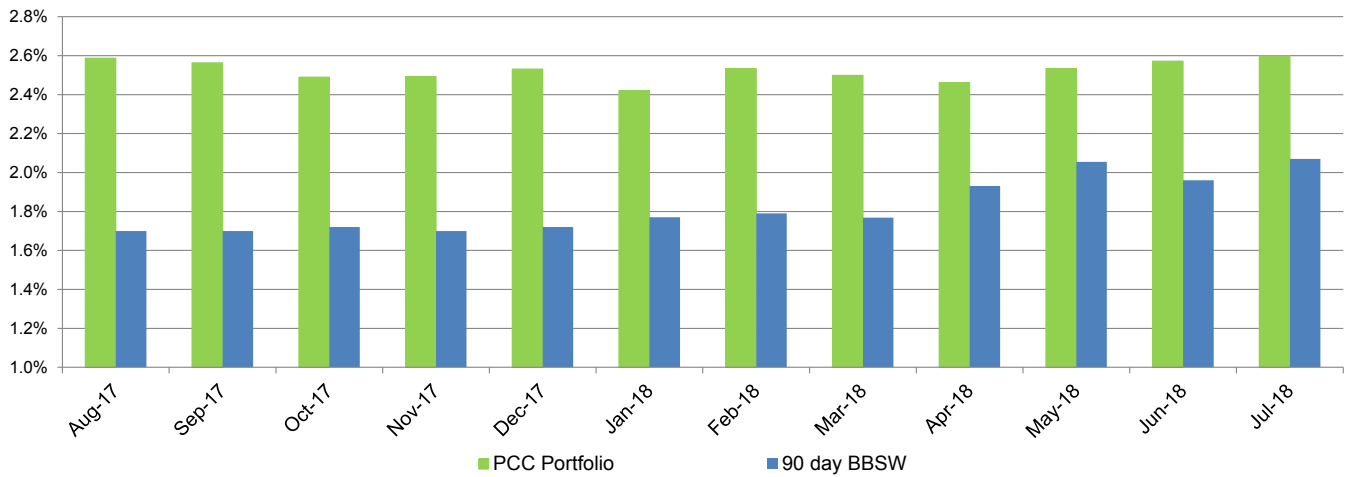
Table 1

| | Actual Portfolio | Benchmark (BSW) |
|--|------------------|-----------------|
| Current Portfolio Yield (including FRNs) | 2.46% | 2.02% |
| Past 12 Month Portfolio Performance | 2.52% | 1.82% |
| Portfolio Return for the Period | 0.21% | 0.17% |

Portfolio Yield (Actual Versus Benchmark)

The weighted average income return on investments for the 12 months to July 2018 was 2.52%. This graph tracks performance over time and shows that the yield has remained between 2.42% and 2.65% for the past year, well above the BBSW over the same period.

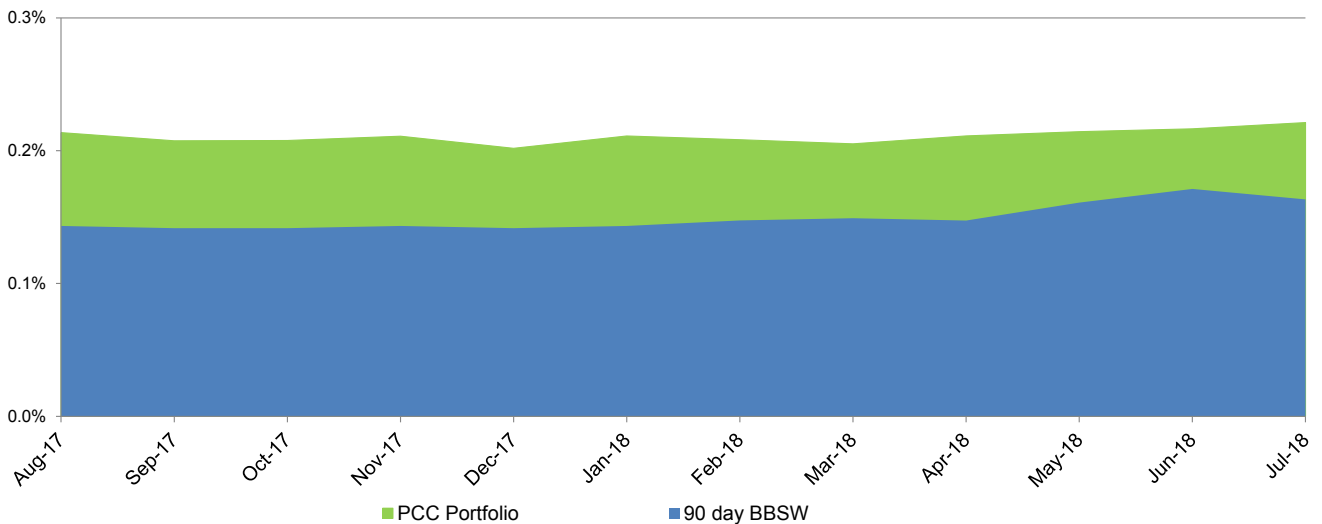
Graph 1



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 for July was a slight decrease to 2.02%.

Graph 1.1



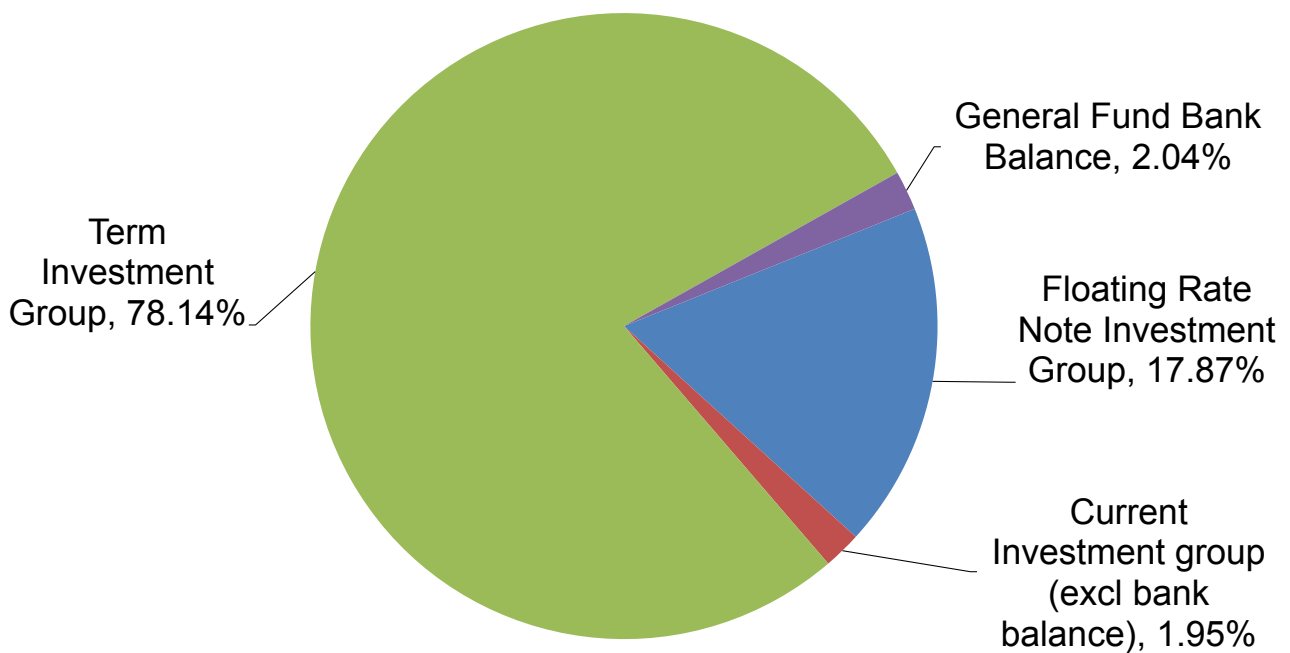
Investment Summary by Asset Group and monthly movement

Table 1.1

| Asset Group | Closing Value (Face Value) 30 June 2018 | Closing Value (Face Value) 31 July 2018 |
|--|---|---|
| Floating Rate Notes | \$27,213,235 | \$27,213,235 |
| Current Cash on Call Group (excl bank balance) | \$3,023,874 | \$3,023,874 |
| Term Deposit Group | \$123,500,000 | \$119,000,000 |
| | \$153,737,109 | \$149,187,109 |
| General Fund Bank Balance | \$332,492 | \$3,102,151 |
| Total | \$154,069,601 | \$152,289,260 |

JULY 2018 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



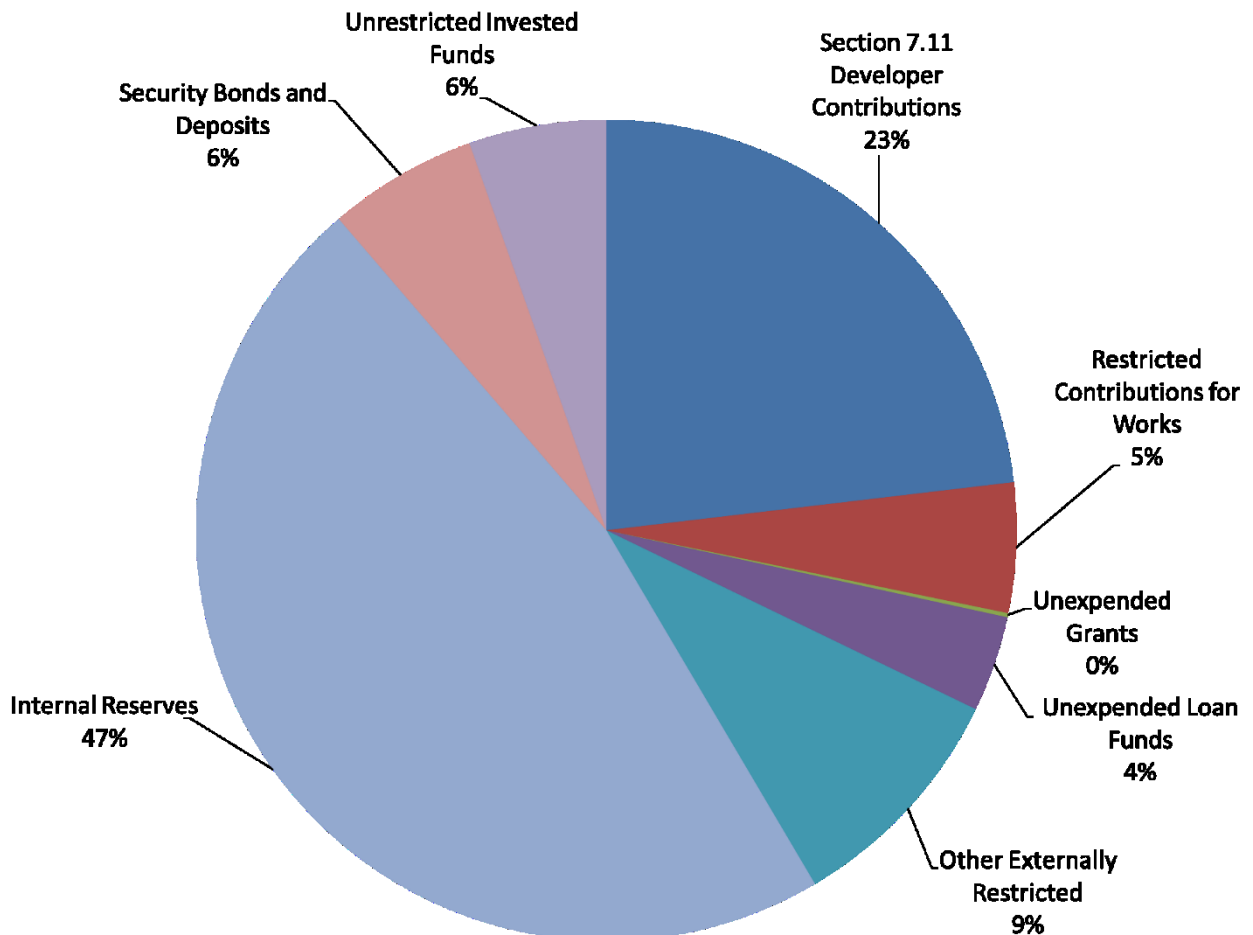
Reconciliation of Invested Funds and monthly movement

Table 1.2

| | Period Ending 30 June 2018 \$ | Period Ending 31 July 2018 \$ |
|---|-------------------------------------|-------------------------------------|
| Represented by: | | |
| Externally Restricted Assets | | |
| Section 7.11 Developer Contributions | 36,323,119 | 36,468,990 |
| Restricted Contributions for Works | 8,023,217 | 6,903,765 |
| Unexpended Grants | 254,441 | 1,797,763 |
| Unexpended Loan Funds | 5,928,703 | 4,467,451 |
| Other Externally Restricted | 14,665,796 | 16,285,005 |
| Total | 65,195,276 | 65,922,974 |
| Internally Restricted Assets for Funding of Operations | | |
| Sinking Funds | - | - |
| Internal Reserves | 74,102,571 | 76,654,913 |
| Security Bonds and Deposits | 9,245,213 | 9,507,609 |
| Total | 83,347,784 | 86,162,522 |
| Restricted Assets Utilised in Operations | | |
| Unrestricted Invested Funds | 5,526,541 | 203,764 |
| Total Invested Funds | 154,069,601 | 152,289,260 |

JULY 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

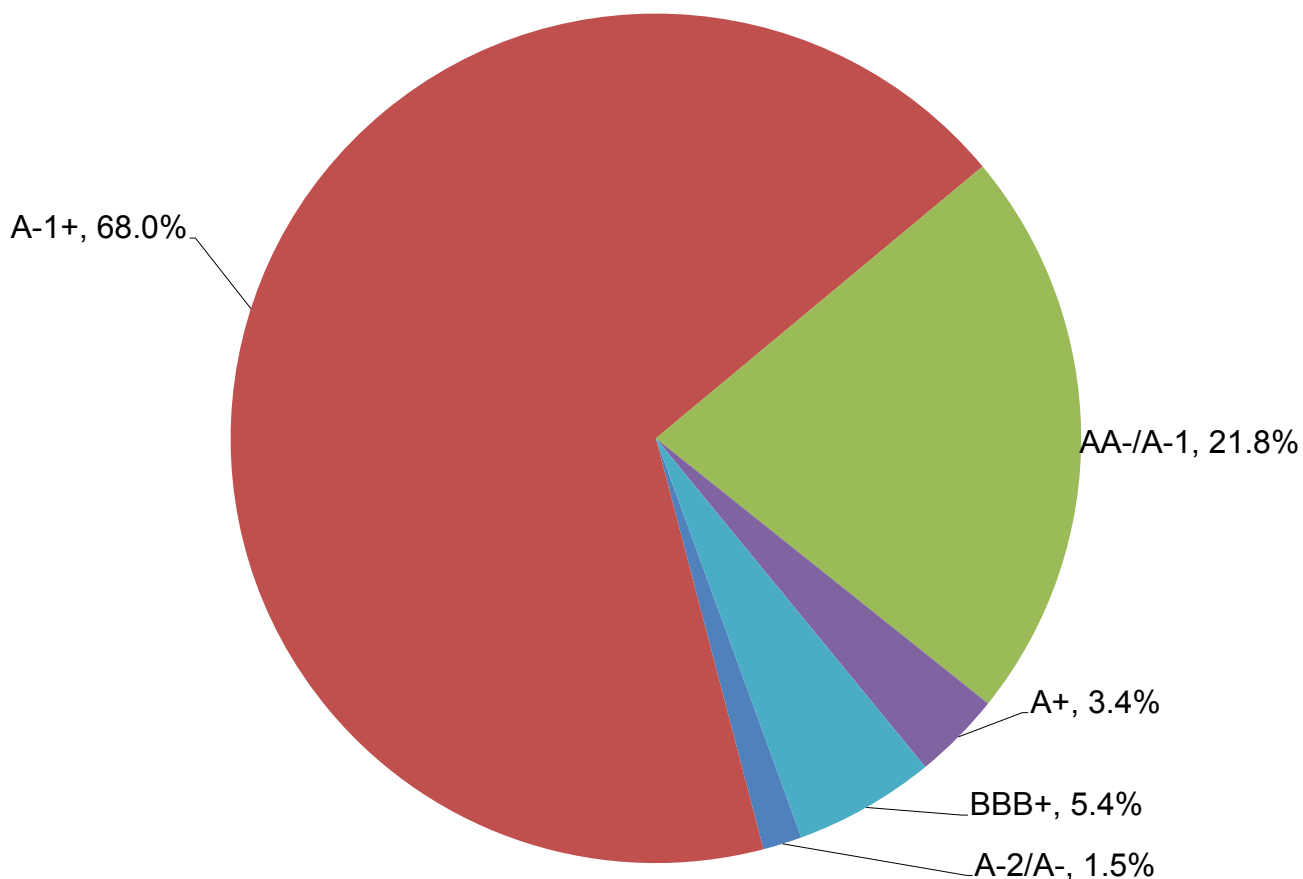
| Credit Exposure | Bank/Financial Institution | \$ Utilised | % Portfolio | % Policy Maximum |
|------------------------|--|--------------------|-------------|----------------------------|
| A-1+ | CBA, NAB, Bankwest, Westpac, TCorp | 101,473,874 | 68.02% | 100% (25% per institution) |
| A-1 | Macquarie Bank, Suncorp Bank | 20,500,000 | 13.74% | 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 | 3.35% | 100% (25% per institution) |
| A- | Floating Rate Note (Barclays Capital) | 1,000,000 | 0.67% | 100% (20% per institution) |
| AA- | Floating Rate Note (CBA) | 5,000,000 | 3.35% | 100% (25% per institution) |
| AA- | Floating Rate Note (ANZ) | 1,000,000 | 0.67% | 100% (25% per institution) |
| AA- | Floating Rate Bonds (NAB) | 1,000,000 | 0.67% | 100% (25% per institution) |
| A+ | Floating Rate Note (Suncorp Metway) | 5,000,000 | 3.35% | 100% (20% per institution) |
| BBB+ | Floating Rate Note (Bank of Queensland) * | 4,500,000 | 3.02% | 100% (20% per institution) |
| BBB+ | Floating Rate Note (Bendigo & Adelaide Bank) * | 3,500,000 | 2.35% | 100% (20% per institution) |
| Total Portfolio | | 149,187,109 | 100% | |

*Downgraded to BBB+ Long term after investments placed

JULY 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- | 35,500,000 |
| 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 | 23,874 |
| Westpac Banking Corporation | A-1+ | AA- | 27,000,000 |
| Commonwealth Bank of Australia | A-1+ | AA- | 12,950,000 |
| Macquarie Bank | A-1 | A | 1,000,000 |
| Bank of Queensland * | A-2 | BBB+ | 4,500,000 |
| Suncorp Metway | A-1 | A+ | 27,500,000 |
| Total Investment | | | 149,187,109 |

*Downgraded to BBB+ Long term after investments placed

JULY 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.

