

Penrith City Council  
**Summary of Investments**  
**September 2018**

## **Commentary**

The Reserve Bank of Australia (RBA) met on 2 October 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 have 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, and recently dropped again to 5.0%. 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 September. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for September are:

Council portfolio current yield (including FRNs)	2.73%
90-day Bank Bill Swap Rate (Benchmark)	1.93%

Penrith City Council  
Historical Investment Performance

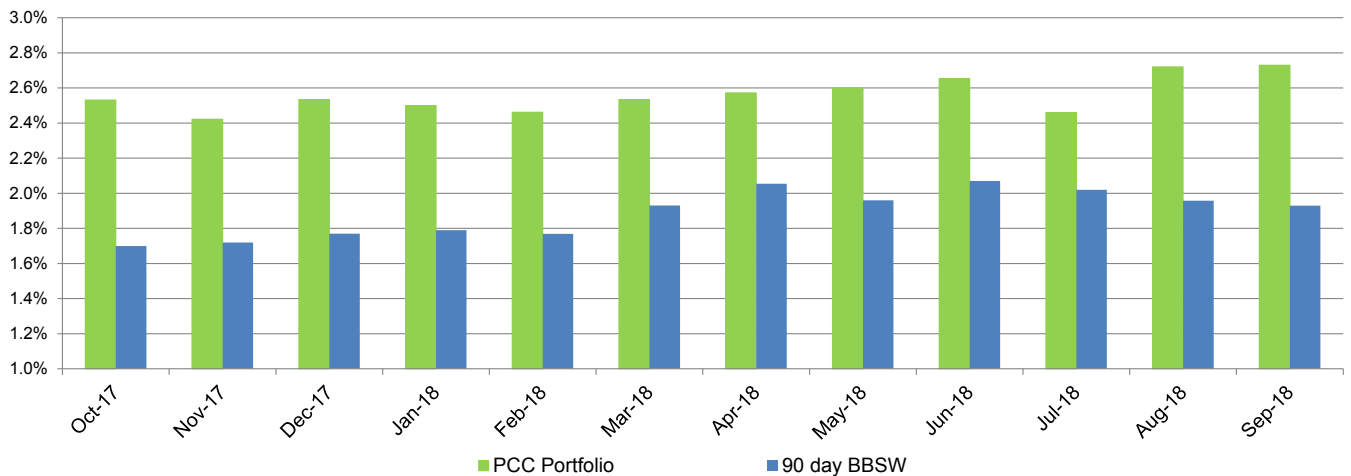
Table 1

	<b>Actual Portfolio</b>	<b>Benchmark (BBSW)</b>
Current Portfolio Yield (including FRNs)	2.73%	1.93%
Past 12 Month Portfolio Performance	2.56%	1.89%
Portfolio Return for the Period	0.23%	0.16%

**Portfolio Yield (Actual Versus Benchmark)**

The weighted average income return on investments for the 12 months to September 2018 was 2.73%. This graph tracks performance over time and shows that the yield was between 2.42% and 2.73% for the past year, well above the BBSW over the same period. There has been an increase in the weighted yield for September due to deposits invested at rates of between 2.6% and 2.8%. Most of the term deposits that were invested at rates lower than 2.6% have now matured.

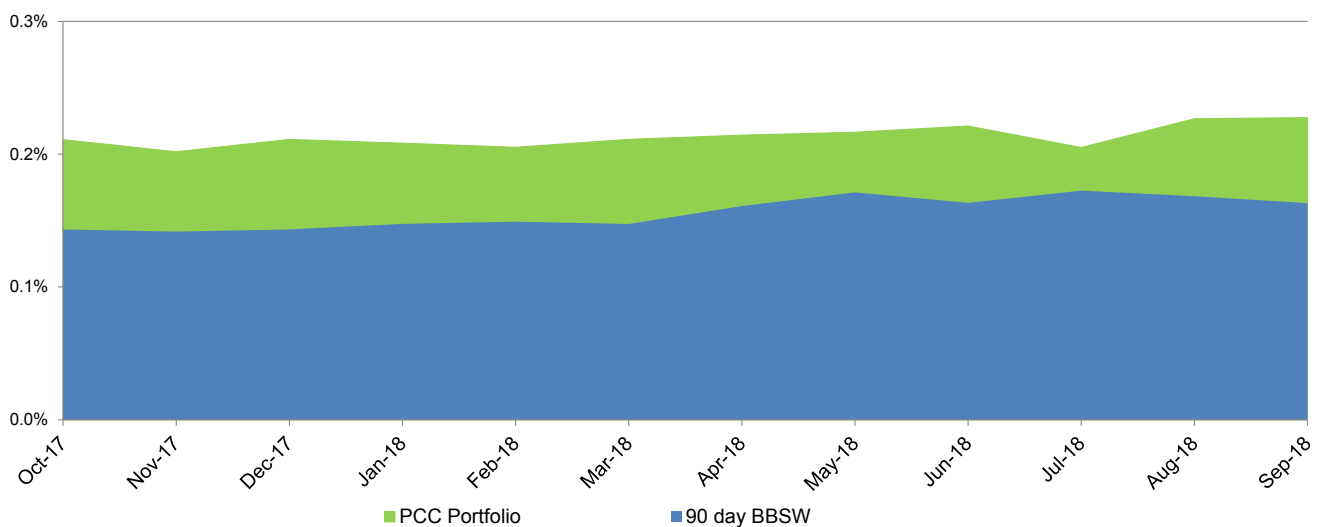
Graph 1



**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 September has again slightly decreased compared to the previous month to 1.93%.

Graph 1.1



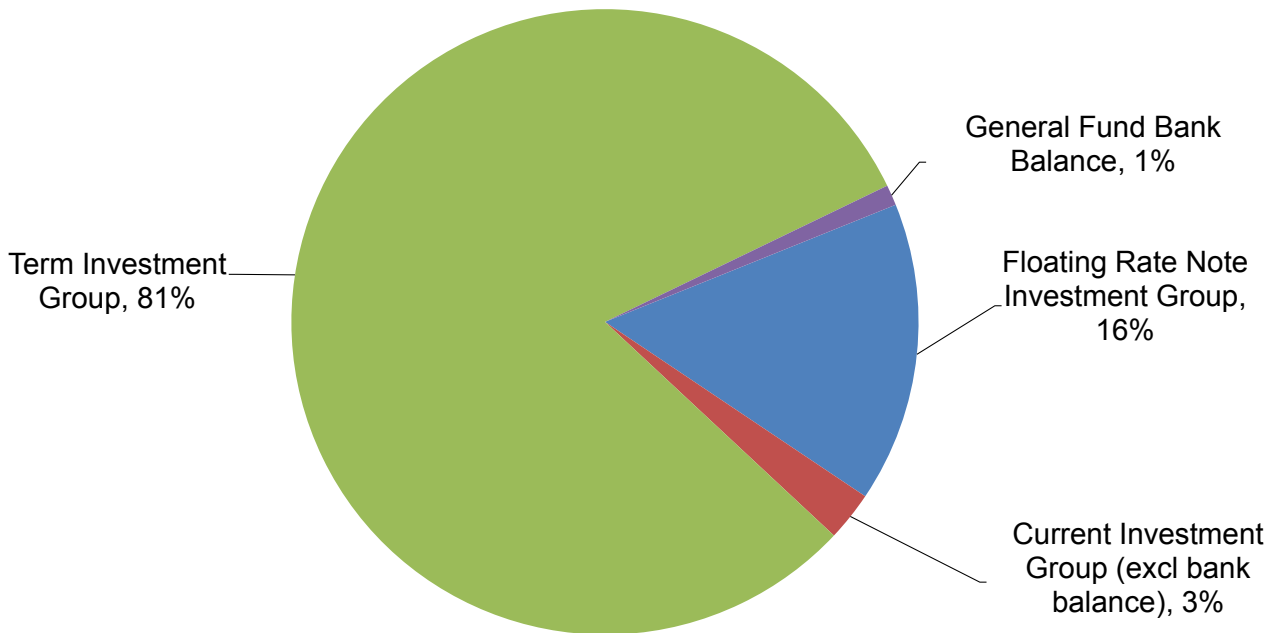
## Investment Summary by Asset Group and monthly movement

Table 1.1

Asset Group	Closing Value (Face Value) 31 August 2018	Closing Value (Face Value) 30 September 2018
Floating Rate Notes	\$27,213,234	\$27,213,234
Current Cash on Call Group (excl bank balance)	\$4,473,972	\$2,814,012
Term Deposit Group	\$141,700,000	\$141,000,000
	<b>\$173,387,206</b>	<b>\$171,027,246</b>
General Fund Bank Balance	\$4,960,889	\$1,860,543
<b>Total</b>	<b>\$178,348,095</b>	<b>\$172,887,789</b>

### SEPTEMBER 2018 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



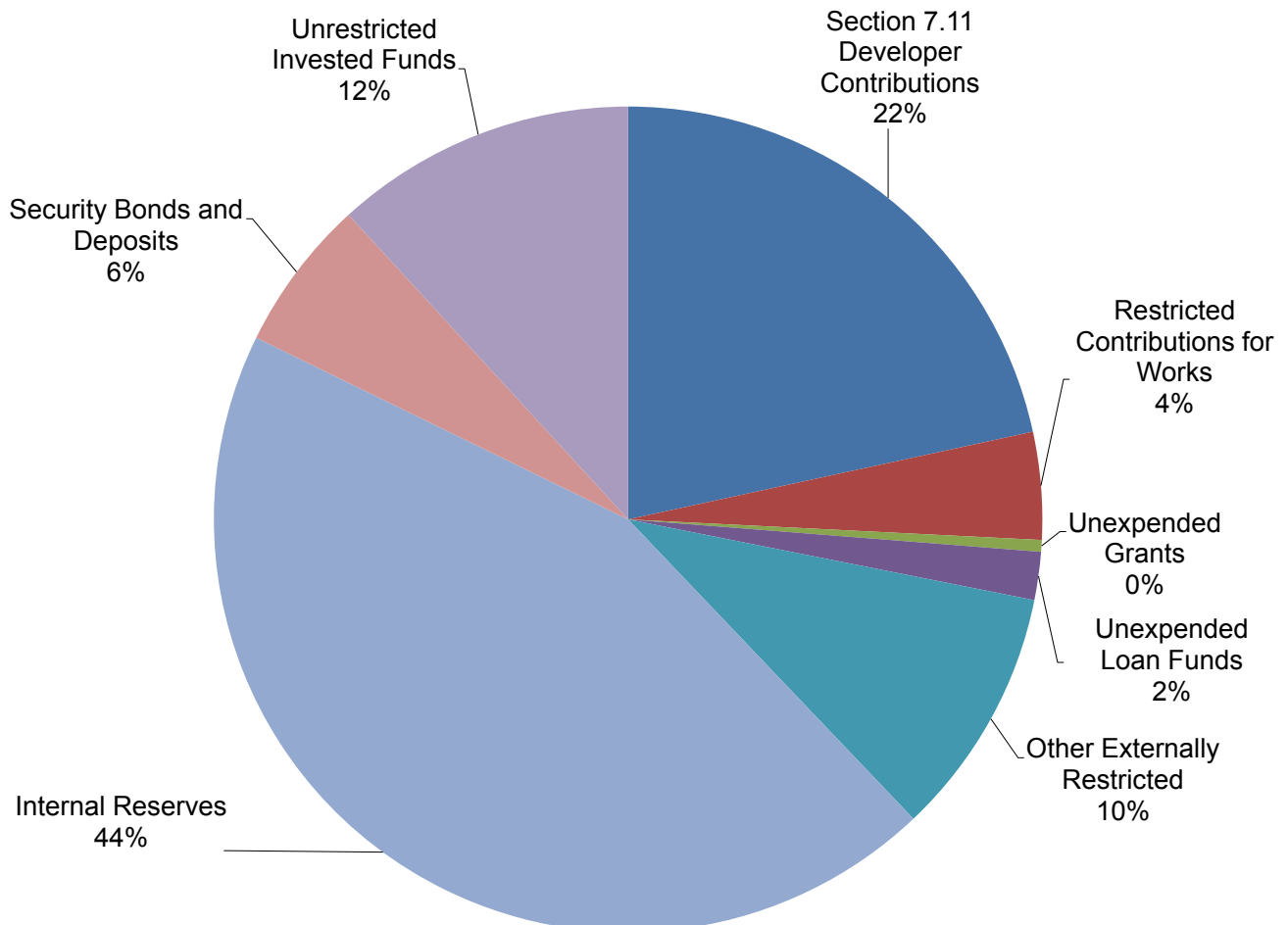
## Reconciliation of Invested Funds and Monthly Movement

Table 1.2

	Period Ending 31 August 2018 \$	Period Ending 30 September 2018 \$
Represented by:		
<b>Externally Restricted Assets</b>		
Section 7.11 Developer Contributions	36,548,474	37,330,185
Restricted Contributions for Works	7,496,019	7,266,059
Unexpended Grants	1,642,866	789,258
Unexpended Loan Funds	4,058,590	3,254,205
Other Externally Restricted	16,565,271	16,899,992
<b>Total</b>	<b>66,311,220</b>	<b>65,539,699</b>
<b>Internally Restricted Assets for Funding of Operations</b>		
Sinking Funds	-	-
Internal Reserves	76,104,779	76,665,196
Security Bonds and Deposits	9,817,290	10,292,477
<b>Total</b>	<b>85,922,069</b>	<b>86,957,673</b>
<b>Restricted Assets Utilised in Operations</b>		
Unrestricted Invested Funds	26,114,806	20,390,417
<b>Total Invested Funds</b>	<b>178,348,095</b>	<b>172,887,789</b>

SEPTEMBER 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

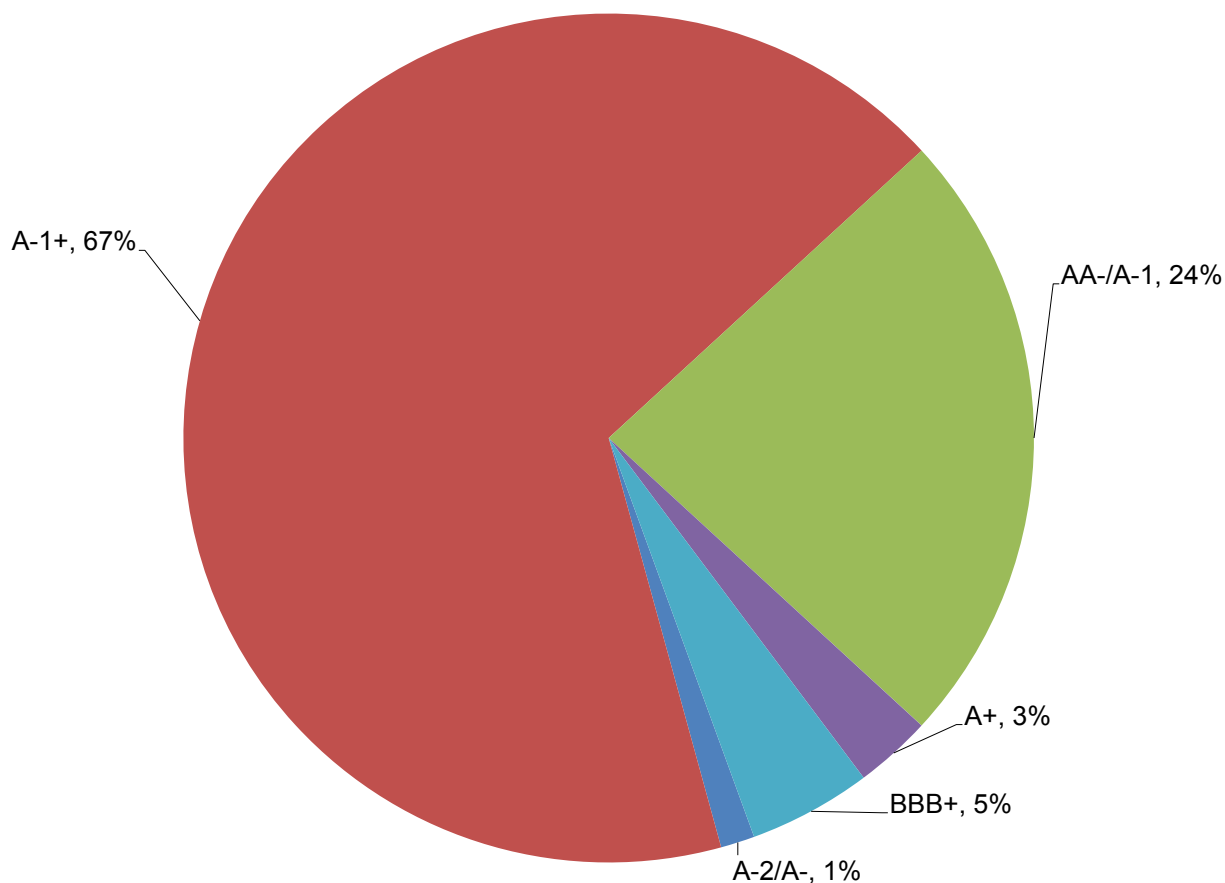
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
<b>A-1+</b>	CBA, NAB, Bankwest, Westpac, TCorp	115,314,012	67.42%	100% (25% per institution)
<b>A-1</b>	Macquarie Bank, Suncorp Bank	28,500,000	16.66%	100% (20% per institution)
<b>Long Term</b>				
<b>A-</b>	Floating Rate Note (Barclays Capital)	1,213,234	0.71%	100% (20% per institution)
<b>AA-</b>	Deposit Plus Flexible Security (CBA)	5,000,000	2.92%	100% (25% per institution)
<b>A-</b>	Floating Rate Note (Barclays Capital)	1,000,000	0.58%	100% (20% per institution)
<b>AA-</b>	Floating Rate Note (CBA)	5,000,000	2.92%	100% (25% per institution)
<b>AA-</b>	Floating Rate Note (ANZ)	1,000,000	0.58%	100% (25% per institution)
<b>AA-</b>	Floating Rate Bonds (NAB)	1,000,000	0.58%	100% (25% per institution)
<b>A+</b>	Floating Rate Note (Suncorp Metway)	5,000,000	2.92%	100% (20% per institution)
<b>BBB+</b>	Floating Rate Note (Bank of Queensland) *	4,500,000	2.63%	100% (20% per institution)
<b>BBB+</b>	Floating Rate Note (Bendigo & Adelaide Bank) *	3,500,000	2.05%	100% (20% per institution)
<b>Total Portfolio</b>		<b>171,027,246</b>	<b>100%</b>	

\*Downgraded to BBB+ Long term after investments placed

**SEPTEMBER 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-	24,300,000
Barclays Bank	A-1	A+	2,213,234
Bendigo & Adelaide Bank *	A-2	BBB+	3,500,000
National Australia Bank	A-1+	AA-	42,000,000
ANZ	A-1+	AA-	1,000,000
NSW TCorp	A-1+	AAA	24,012
Westpac Banking Corporation	A-1+	AA-	41,100,000
Commonwealth Bank of Australia	A-1+	AA-	18,890,000
Macquarie Bank	A-1	A	1,000,000
Bank of Queensland *	A-2	BBB+	4,500,000
Suncorp Metway	A-1	A+	32,500,000
<b>Total Investment</b>			<b>171,027,246</b>

*\*Downgraded to BBB+ Long term after investments placed*

**SEPTEMBER 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.

