

Penrith City Council
Summary of Investments
October 2018

Commentary

The Reserve Bank of Australia (RBA) met on 7 November 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 1.9% 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 October. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for October are:

Council portfolio current yield (including FRNs)	2.74%
90-day Bank Bill Swap Rate (Benchmark)	1.93%

Penrith City Council
Historical Investment Performance

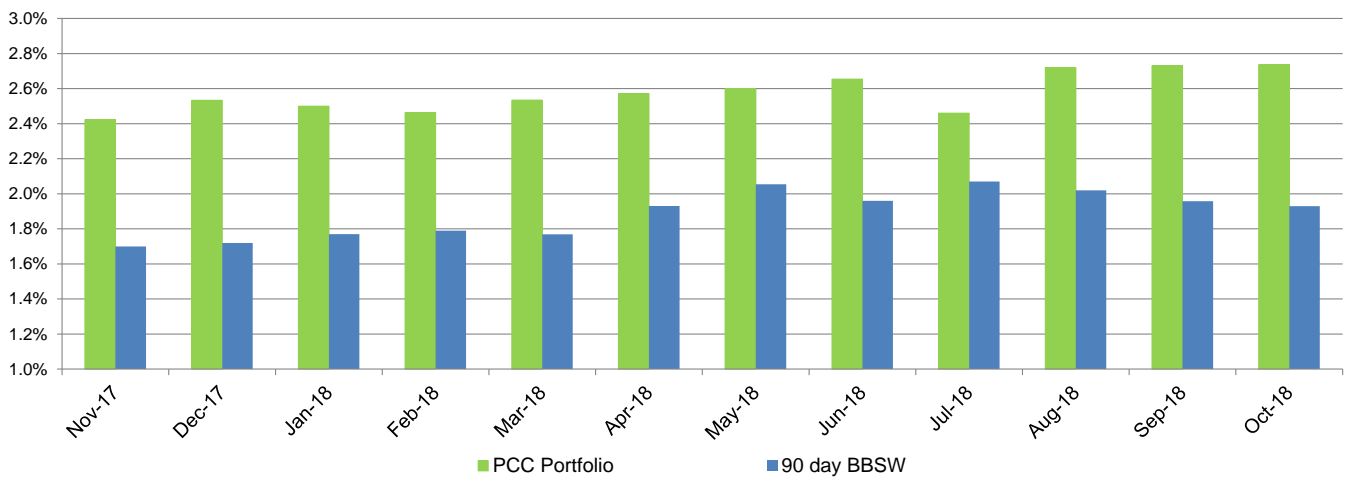
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.74%	1.91%
Past 12 Month Portfolio Performance	2.58%	1.93%
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 October 2018 was 2.74%. This graph tracks performance over time and shows that the yield was between 2.42% and 2.74% for the past year, well above the BBSW over the same period. Weighted yield for October remains steady due to current term deposits invested at rates of between 2.55% and 2.8%.

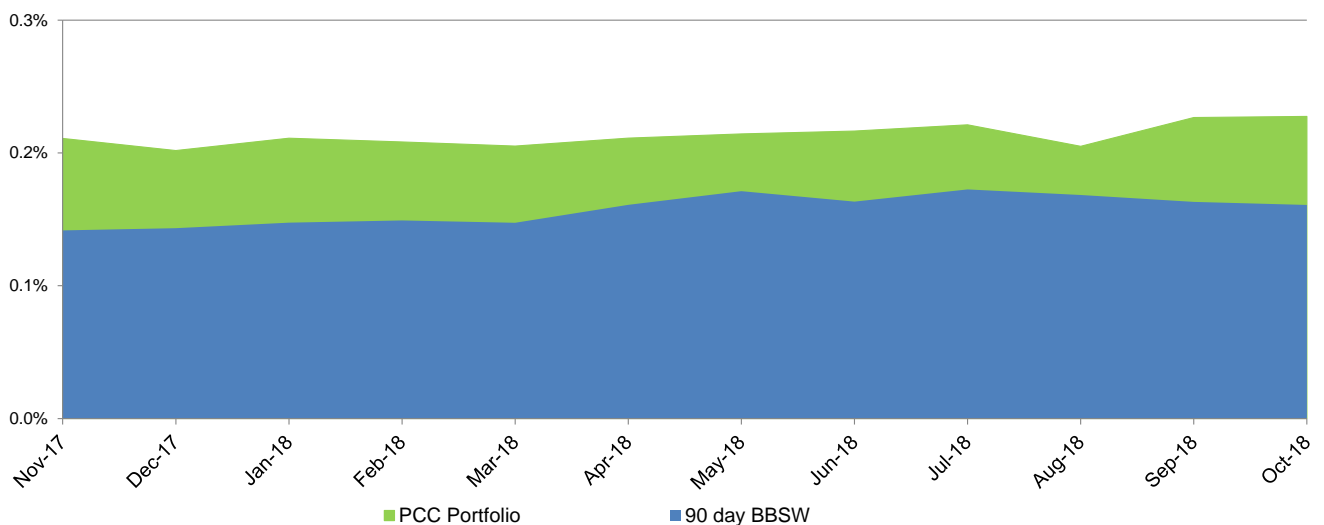
Graph 1



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 October has remained the same as the previous month at 1.93%.

Graph 1.1



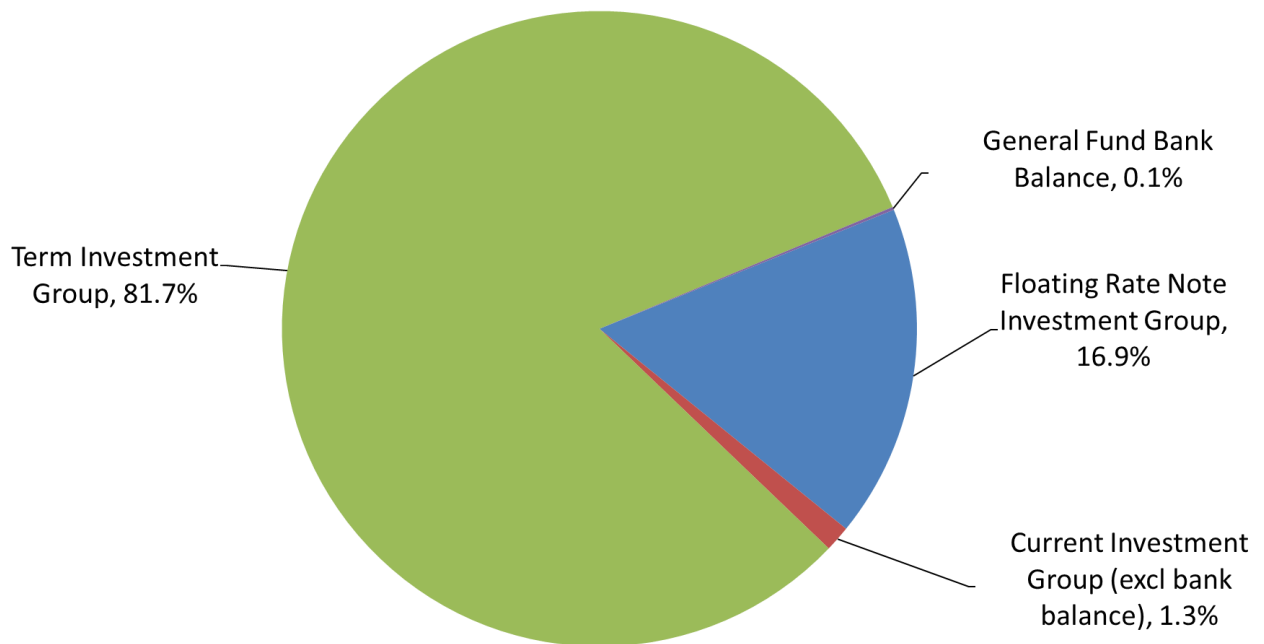
Investment Summary by Asset Group and Monthly Movement

Table 1.1

Asset Group	Closing Value (Face Value) 30 September 2018	Closing Value (Face Value) 31 October 2018
Floating Rate Notes	\$27,213,234	\$27,213,234
Current Cash on Call Group (excl bank balance)	\$2,814,012	\$2,110,798
Term Deposit Group	\$141,000,000	\$131,000,000
	\$171,027,246	\$160,324,032
General Fund Bank Balance	\$1,860,543	\$235,655
Total	\$172,887,789	\$160,559,687

OCTOBER 2018 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



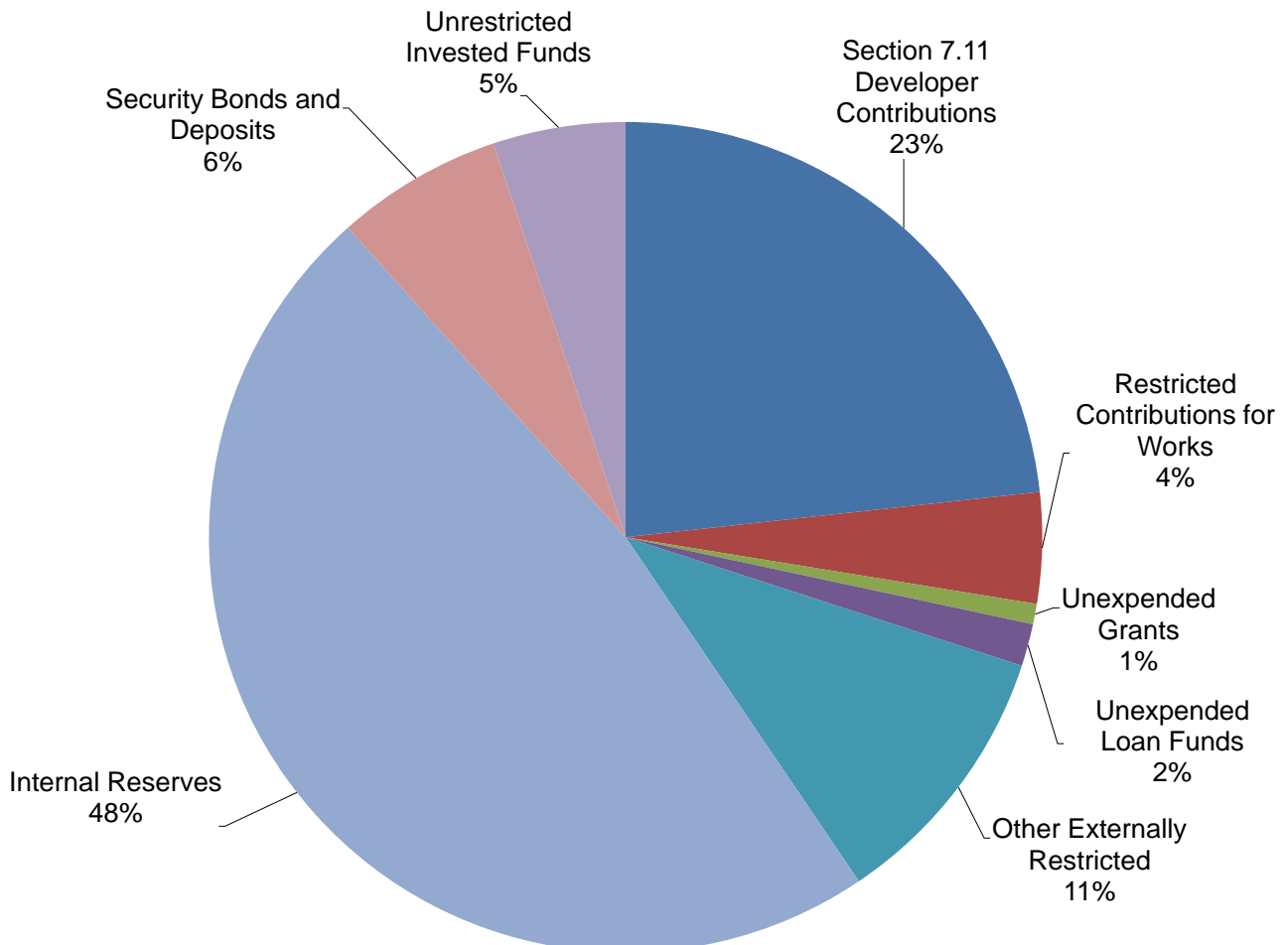
Reconciliation of Invested Funds and Monthly Movement

Table 1.2

	Period Ending 30 September 2018 \$	Period Ending 31 October 2018 \$
Represented by:		
Externally Restricted Assets		
Section 7.11 Developer Contributions	37,330,185	37,342,431
Restricted Contributions for Works	7,266,059	6,925,711
Unexpended Grants	789,258	1,270,397
Unexpended Loan Funds	3,254,205	2,647,411
Other Externally Restricted	16,899,992	16,907,581
Total	65,539,699	65,093,531
Internally Restricted Assets for Funding of Operations		
Sinking Funds	-	-
Internal Reserves	76,665,196	76,817,295
Security Bonds and Deposits	10,292,477	10,385,055
Total	86,957,673	87,202,350
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	20,390,417	8,263,806
Total Invested Funds	172,887,789	160,559,687

OCTOBER 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

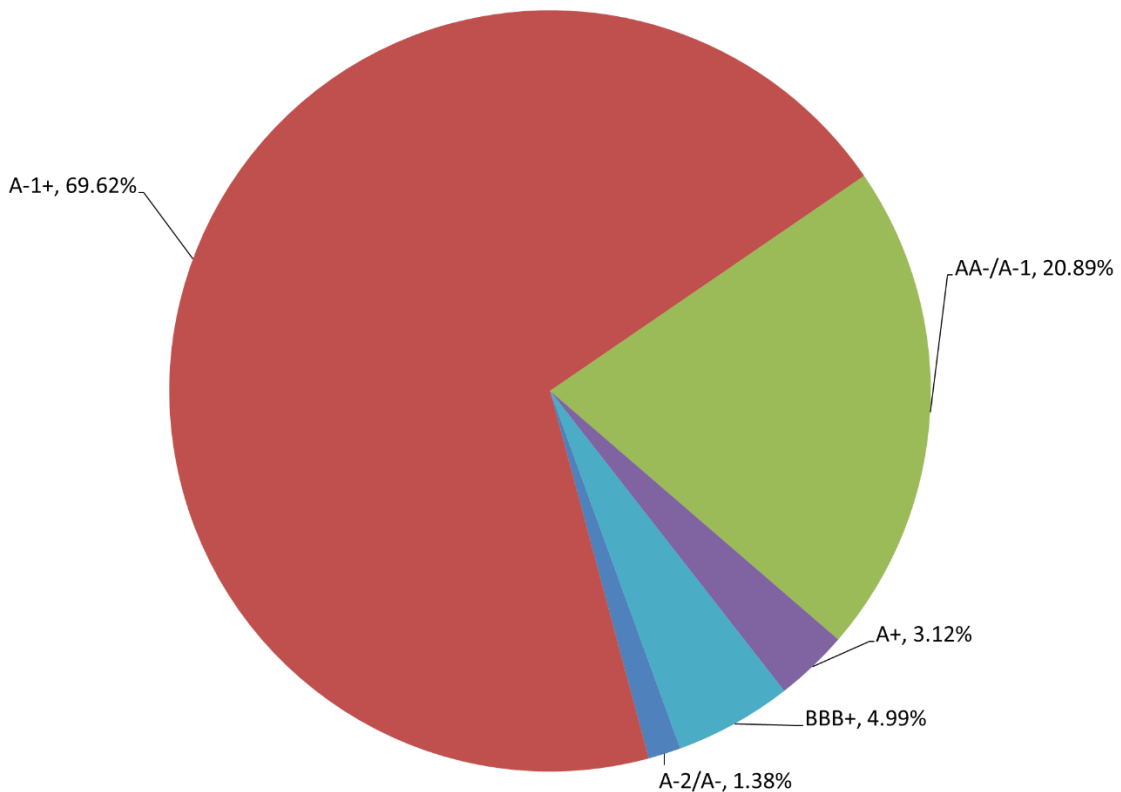
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
Short Term				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	111,610,798	69.62%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	21,500,000	13.41%	100% (20% per institution)
Long Term				
A-	Floating Rate Note (Barclays Capital)	1,213,234	0.76%	100% (20% per institution)
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.12%	100% (25% per institution)
A-	Floating Rate Note (Barclays Capital)	1,000,000	0.62%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	3.12%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.62%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.62%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	3.12%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.81%	100% (20% per institution)
BBB+	Floating Rate Note (Bendigo & Adelaide Bank) *	3,500,000	2.18%	100% (20% per institution)
Total Portfolio		160,324,032	100%	

*Downgraded to BBB+ Long term after investments placed

OCTOBER 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	% Allocation
Bankwest	A-1+	AA-	24,300,000	15.16%
Barclays Bank	A-1	A+	2,213,234	1.38%
Bendigo & Adelaide Bank *	A-2	BBB+	3,500,000	2.18%
National Australia Bank	A-1+	AA-	39,000,000	24.32%
ANZ	A-1+	AA-	1,000,000	0.62%
NSW TCorp	A-1+	AAA	740,798	0.46%
Westpac Banking Corporation	A-1+	AA-	41,100,000	**25.64%
Commonwealth Bank of Australia	A-1+	AA-	17,470,000	10.90%
Macquarie Bank	A-1	A	1,000,000	0.62%
Bank of Queensland *	A-2	BBB+	4,500,000	2.81%
Suncorp Metway	A-1	A+	25,500,000	15.91%
Total Investment			160,324,032	100%

* Downgraded to BBB+ Long term after investments placed

** Note due to the decrease in funds held from the previous month, we are currently investing 25.64% with Westpac, which is over the 25% policy threshold. As per the current policy the excess will be divested as soon as practicable, with the 3rd December 2018 being the next maturity date of a Westpac investment.

OCTOBER 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.

