

Penrith City Council
Summary of Investments
November 2018

Commentary

The Reserve Bank of Australia (RBA) met on 5 December 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 November. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for November are:

Council portfolio current yield (including FRNs)	2.67%
90-day Bank Bill Swap Rate (Benchmark)	1.94%

Penrith City Council
Historical Investment Performance

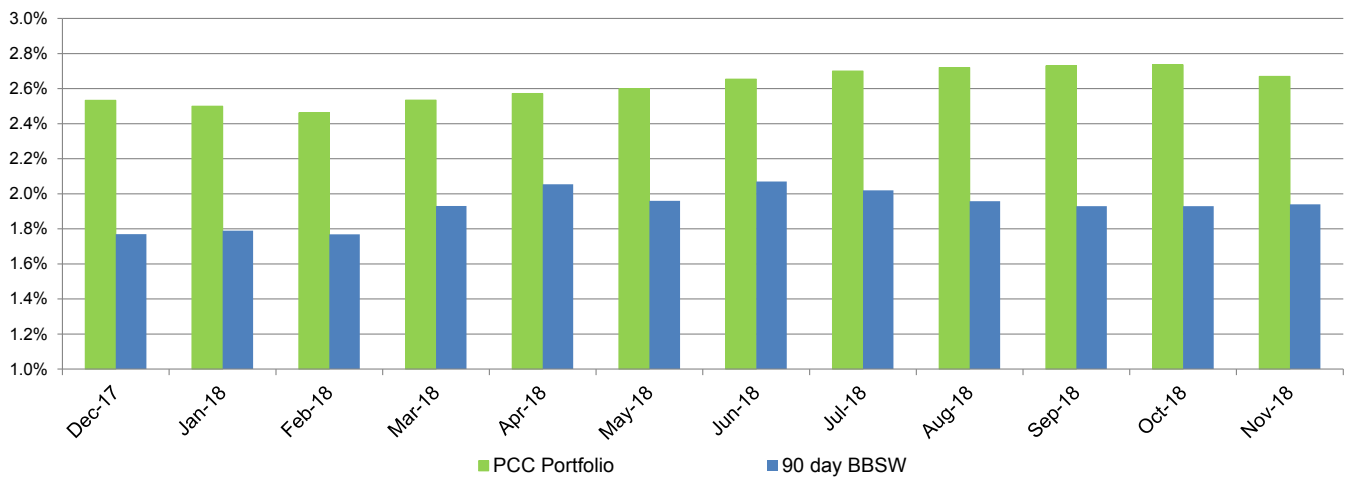
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.67%	1.94%
Past 12 Month Portfolio Performance	2.60%	1.93%
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 November 2018 was 2.60%. This graph tracks performance over time and shows that the yield was between 2.46% and 2.74% for the past year, well above the BBSW over the same period. Weighted yield for November remains steady due to current term deposits invested at rates of between 2.55% and 2.8%.

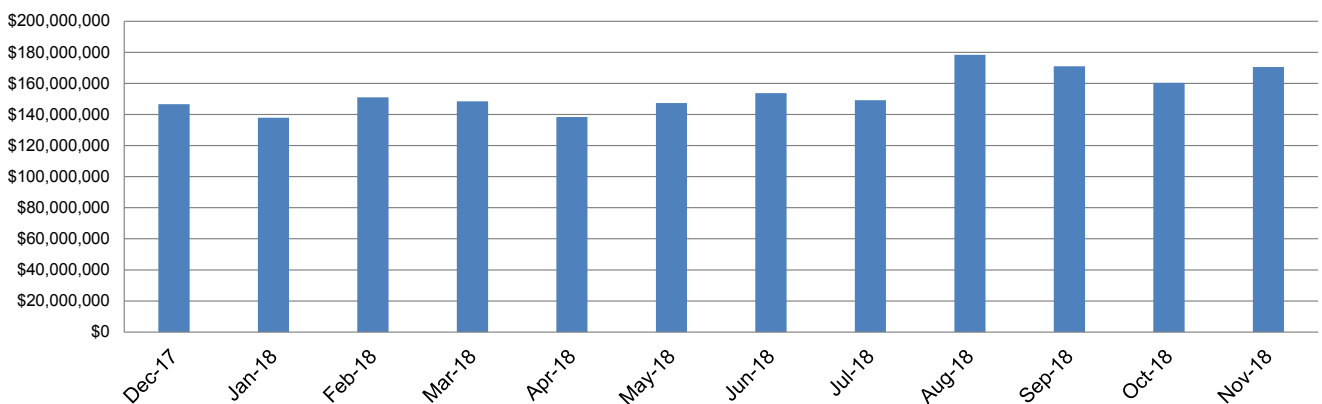
Graph 1



Annual Portfolio (Actual)

This graph shows the value of invested funds for the last year.

Graph 1.1



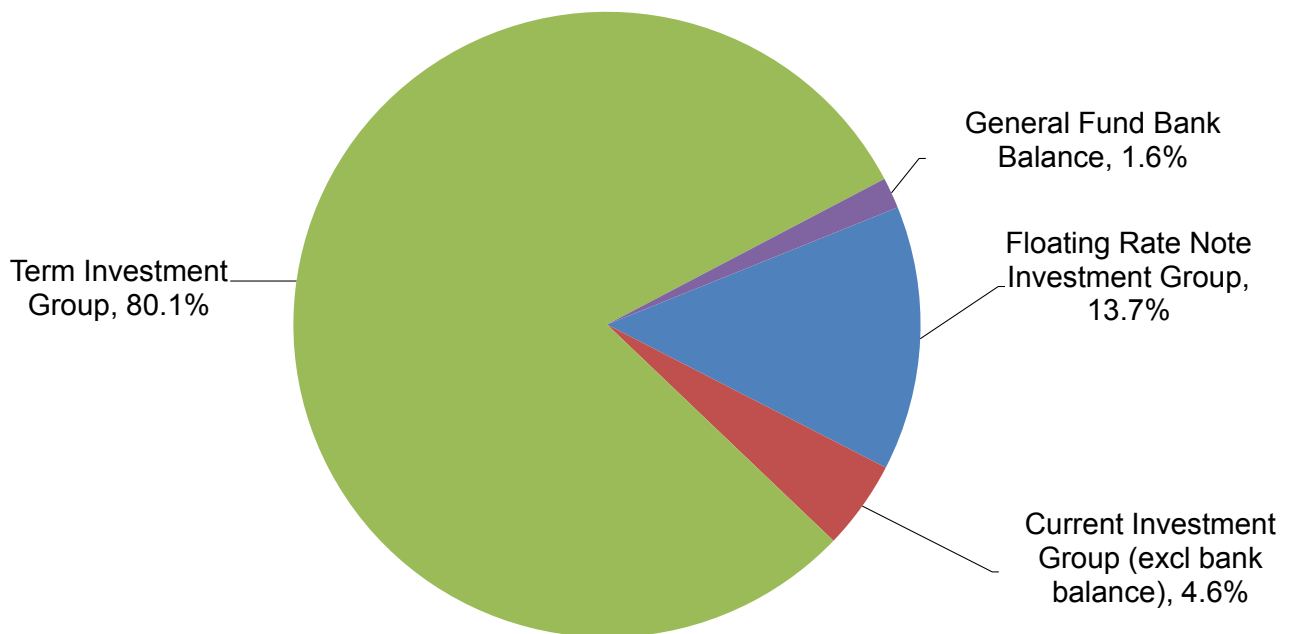
Investment Summary by Asset Group and Monthly Movement

Table 1.1

Asset Group	Closing Value (Face Value) 31 October 2018	Closing Value (Face Value) 30 November 2018
Floating Rate Notes	\$27,213,234	\$23,703,810
Current Cash on Call Group (excl bank balance)	\$2,110,798	\$7,951,977
Term Deposit Group	\$131,000,000	\$138,900,000
	\$160,324,032	\$170,555,787
General Fund Bank Balance	\$235,655	\$2,919,046
Total	\$160,559,687	\$173,474,833

NOVEMBER 2018 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



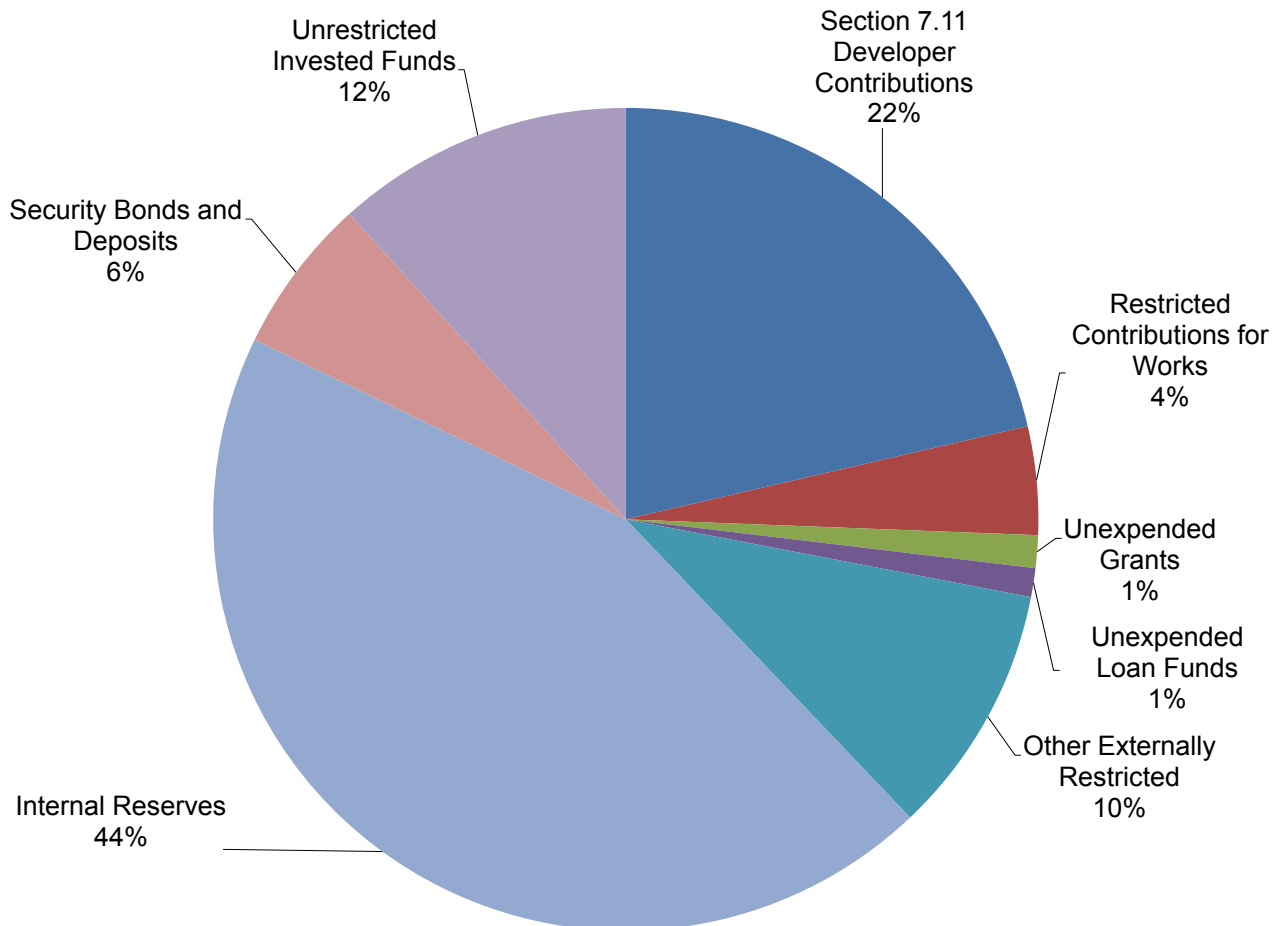
Reconciliation of Invested Funds and Monthly Movement

Table 1.2

	Period Ending 31 October 2018 \$	Period Ending 30 November 2018 \$
Represented by:		
Externally Restricted Assets		
Section 7.11 Developer Contributions	37,342,431	37,061,602
Restricted Contributions for Works	6,925,711	7,369,755
Unexpended Grants	1,270,397	2,225,036
Unexpended Loan Funds	2,647,411	1,967,293
Other Externally Restricted	16,907,581	17,126,754
Total	65,093,531	65,750,440
Internally Restricted Assets for Funding of Operations		
Sinking Funds	-	-
Internal Reserves	76,817,295	76,835,521
Security Bonds and Deposits	10,385,055	10,615,029
Total	87,202,350	87,450,550
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	8,263,806	20,273,843
Total Invested Funds	160,559,687	173,474,833

NOVEMBER 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

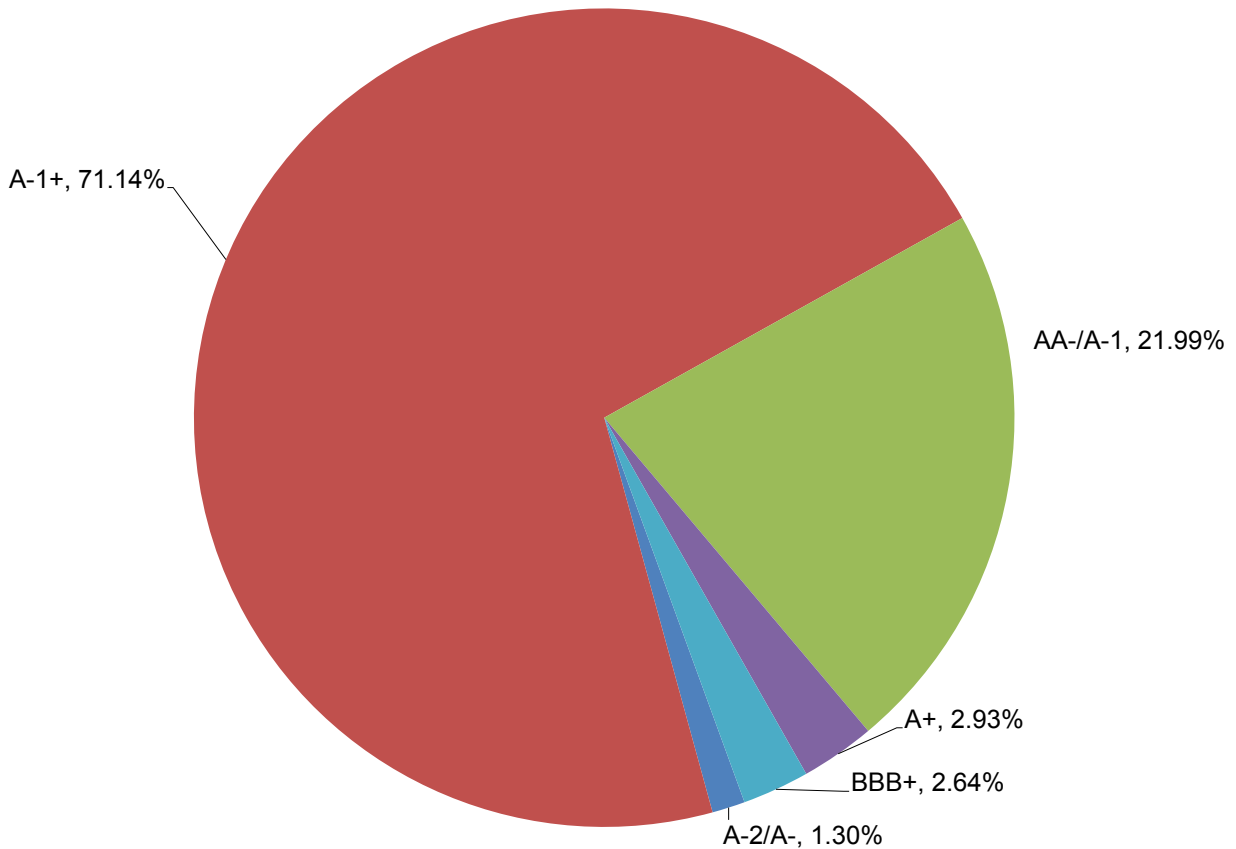
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
Short Term				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	121,351,977	71.14%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	25,500,000	14.95%	100% (20% per institution)
Long Term				
A-	Floating Rate Note (Barclays Capital)	1,203,810	0.71%	100% (20% per institution)
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	2.93%	100% (25% per institution)
A-	Floating Rate Note (Barclays Capital)	1,000,000	0.59%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	2.93%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.59%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.59%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	2.93%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.64%	100% (20% per institution)
Total Portfolio		170,555,787	100%	

*Downgraded to BBB+ Long term after investments placed

NOVEMBER 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-	23,300,000	13.66%
Barclays Bank	A-1	A+	2,203,810	1.28%
National Australia Bank	A-1+	AA-	40,900,000	23.98%
ANZ	A-1+	AA-	1,000,000	0.59%
NSW TCorp	A-1+	AAA	3,141,977	1.84%
Westpac Banking Corporation	A-1+	AA-	41,100,000	24.10%
Commonwealth Bank of Australia	A-1+	AA-	23,910,000	14.02%
Macquarie Bank	A-1	A	1,000,000	0.59%
Bank of Queensland *	A-2	BBB+	4,500,000	2.64%
Suncorp Metway	A-1	A+	29,500,000	17.30%
Total Investment			170,555,787	100%

* Downgraded to BBB+ Long term after investments placed

NOVEMBER 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.

