

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

## **Commentary**

The Reserve Bank of Australia (RBA) did not meet during January, the Official Cash Rate remained 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, with a slight decline in December 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 December. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for December are:

Council portfolio current yield (including FRNs)	2.72%
90-day Bank Bill Swap Rate (Benchmark)	2.02%

Penrith City Council  
Historical Investment Performance

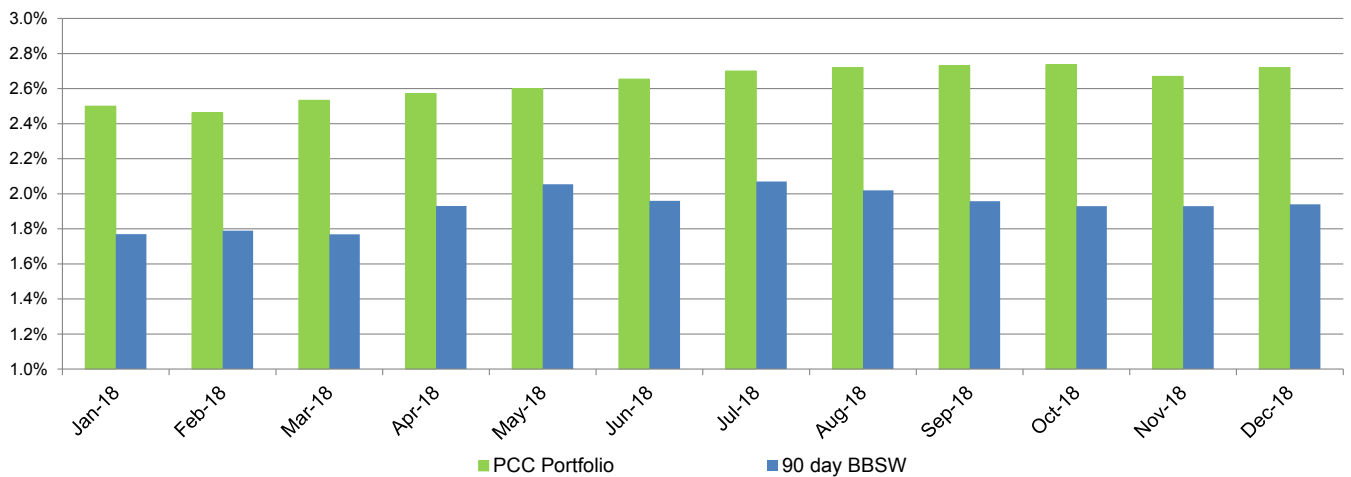
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.72%	2.02%
Past 12 Month Portfolio Performance	2.63%	1.95%
Portfolio Return for the Period	0.23%	0.17%

**Portfolio Yield (Actual Versus Benchmark)**

The weighted average income return on investments for the 12 months to December 2018 was 2.63%. This graph tracks performance over time and shows that the yield was between 2.52% and 2.63% for the past year, well above the BBSW over the same period. Weighted yield for December remains steady due to current term deposits invested at rates of between 2.60% and 2.81%.

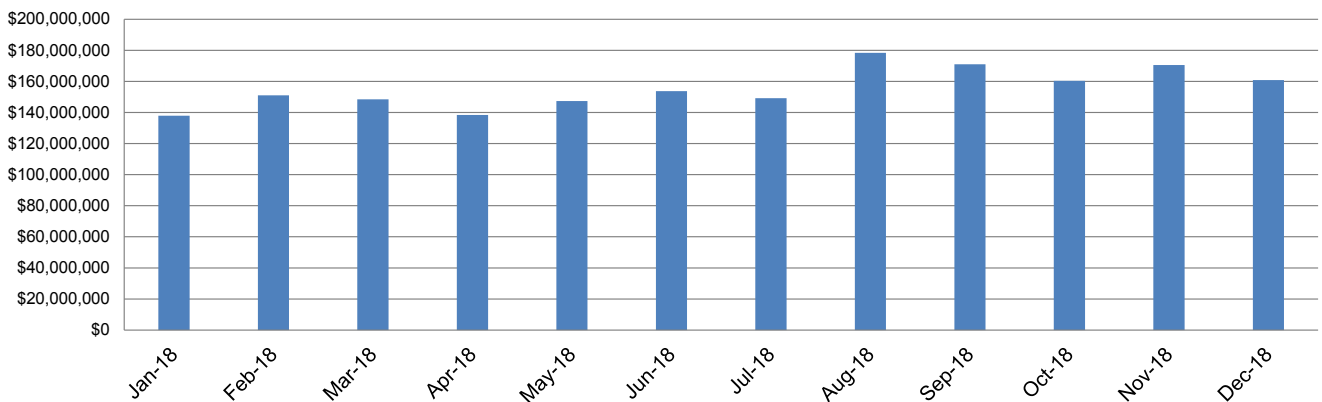
Graph 1



**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

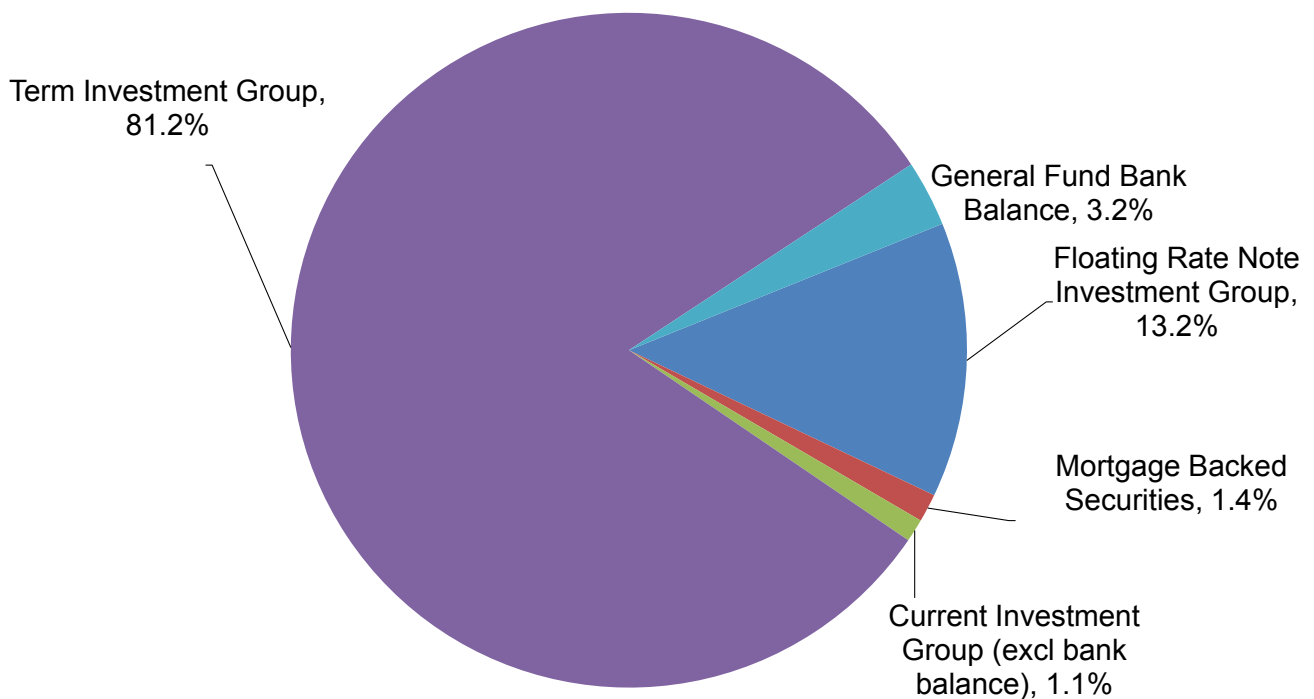
Table 1.1

Asset Group	Closing Value (Face Value) 30 November 2018 \$	Closing Value (Face Value) 31 December 2018 \$
Current Cash on Call Group (excl bank balance)	7,951,977	1,791,103
Term Deposit Group	138,900,000	132,400,000
Floating Rate Notes	21,500,000	21,500,000
Mortgage Backed Securities*	2,203,810	2,203,810
	<b>170,555,787</b>	<b>157,894,913</b>
General Fund Bank Balance	2,919,046	5,167,713
<b>Total</b>	<b>173,474,833</b>	<b>163,062,626</b>

\* MBS Purchased in 2006/2007 prior to the current Ministerial Investment Order

### DECEMBER 2018 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



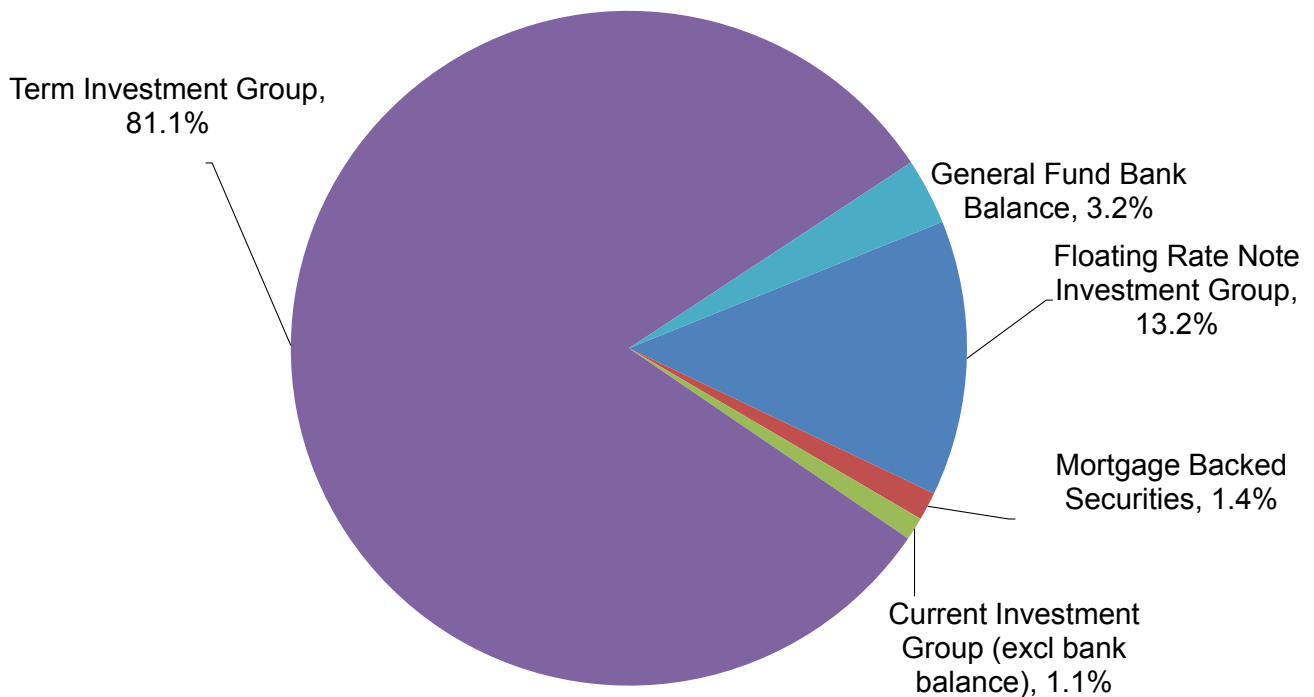
## Reconciliation of Invested Funds and Monthly Movement

Table 1.2

	Period Ending 30 November 2018 \$	Period Ending 31 December 2018 \$
Represented by:		
<b>Externally Restricted Assets</b>		
Section 7.11 Developer Contributions	37,061,602	35,841,364
Restricted Contributions for Works	7,369,755	8,003,052
Unexpended Grants	2,225,036	1,326,215
Unexpended Loan Funds	1,967,293	1,961,299
Other Externally Restricted	17,126,754	17,413,023
<b>Total</b>	<b>65,750,440</b>	<b>64,544,953</b>
<b>Internally Restricted Assets for Funding of Operations</b>		
Sinking Funds	-	
Internal Reserves	76,835,521	76,140,227
Security Bonds and Deposits	10,615,029	10,816,978
<b>Total</b>	<b>87,450,550</b>	<b>86,957,205</b>
<b>Restricted Assets Utilised in Operations</b>		
Unrestricted Invested Funds	20,273,843	11,560,468
<b>Total Invested Funds</b>	<b>173,474,833</b>	<b>163,062,626</b>

### DECEMBER 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

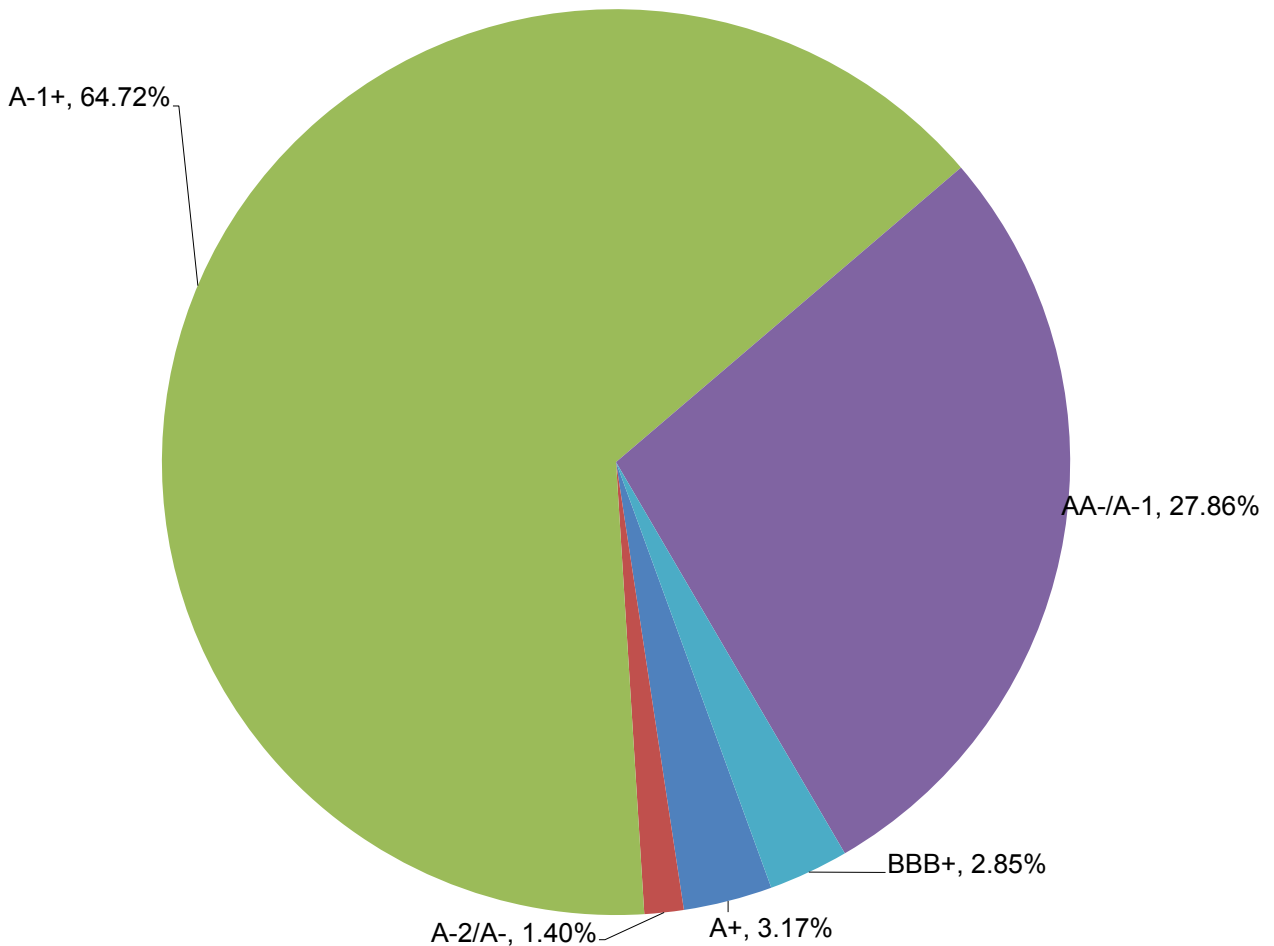
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
<b>Short Term</b>				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	102,191,103	64.72%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	32,000,000	20.26%	100% (20% per institution)
<b>Long Term</b>				
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.17%	100% (25% per institution)
A-	Mortgage Backed Securities (Barclays Capital)	2,203,810	1.40%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	3.17%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.63%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.63%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	3.17%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.85%	100% (20% per institution)
<b>Total Portfolio</b>		<b>157,894,913</b>	<b>100%</b>	

\*Downgraded to BBB+ Long term after investments placed

**DECEMBER 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-	20,300,000	12.86%
Barclays Bank	A-1	A+	2,203,810	1.40%
National Australia Bank	A-1+	AA-	41,900,000	**26.54%
ANZ	A-1+	AA-	1,000,000	0.63%
NSW TCorp	A-1+	AAA	1,103	0.00%
Westpac Banking Corporation	A-1+	AA-	33,100,000	20.96%
Commonwealth Bank of Australia	A-1+	AA-	17,890,000	11.33%
Macquarie Bank	A-1	A	1,000,000	0.63%
Bank of Queensland *	A-2	BBB+	4,500,000	2.85%
Suncorp Metway	A-1	A+	36,000,000	**22.80%
<b>Total Investment</b>			<b>157,894,913</b>	<b>100%</b>

\* Downgraded to BBB+ Long term after investments placed

\*\* Note due to the large decrease in invested funds held from the previous month, we are currently investing 26.54% with National Australia Bank (NAB), which is over the 25% policy threshold. As per the current policy the excess will be divested as soon as practicable, with the 7<sup>th</sup> January 2019 being the next maturity date of a NAB investment. Suncorp is also currently over the 20% policy threshold, which should be rectified by the 25<sup>th</sup> February. The total investment amount held in February is also anticipated to increase due to the rate instalment.

**DECEMBER 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.

