

Penrith City Council
Summary of Investments
January 2019

Commentary

The Reserve Bank of Australia (RBA) met on 5 February 2019 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, 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 January are:

Council portfolio current yield (including FRNs)	2.72%
90-day Bank Bill Swap Rate (Benchmark)	2.07%

Penrith City Council
Historical Investment Performance

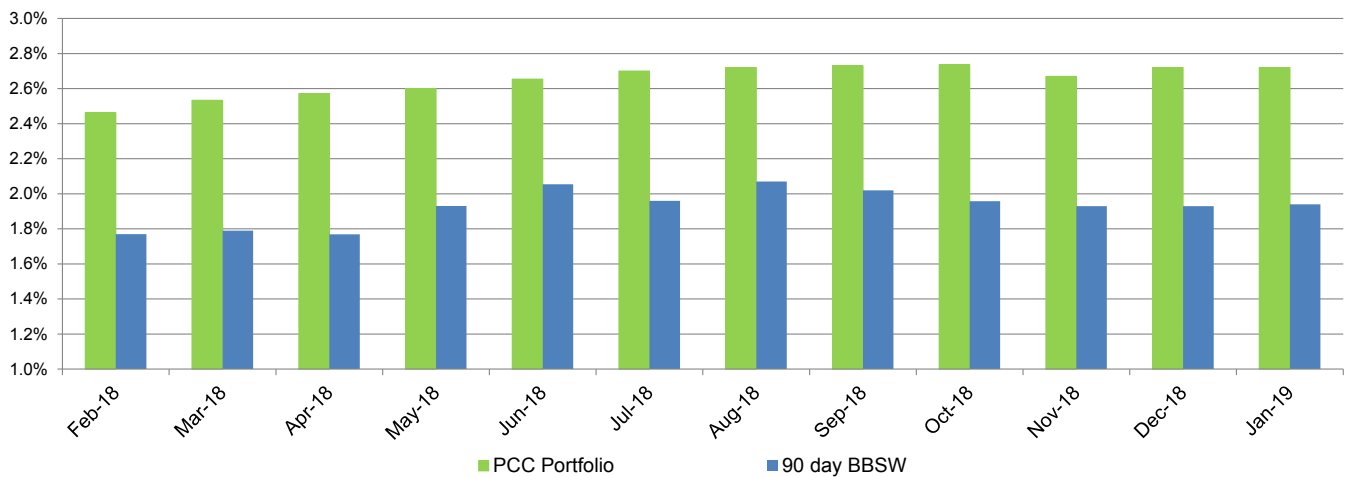
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.72%	2.07%
Past 12 Month Portfolio Performance	2.65%	1.97%
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 January 2019 was 2.65%. This graph tracks performance over time and shows that the yield was between 2.52% and 2.65% for the past year, well above the BBSW over the same period. Weighted yield for January remains steady due to current term deposits invested at rates of between 2.60% and 2.81%.

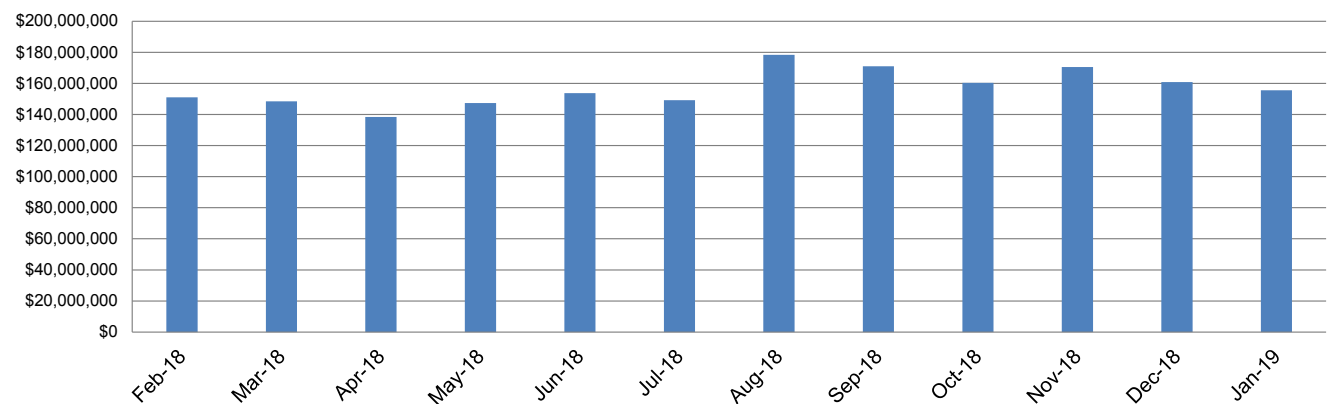
Graph 1



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

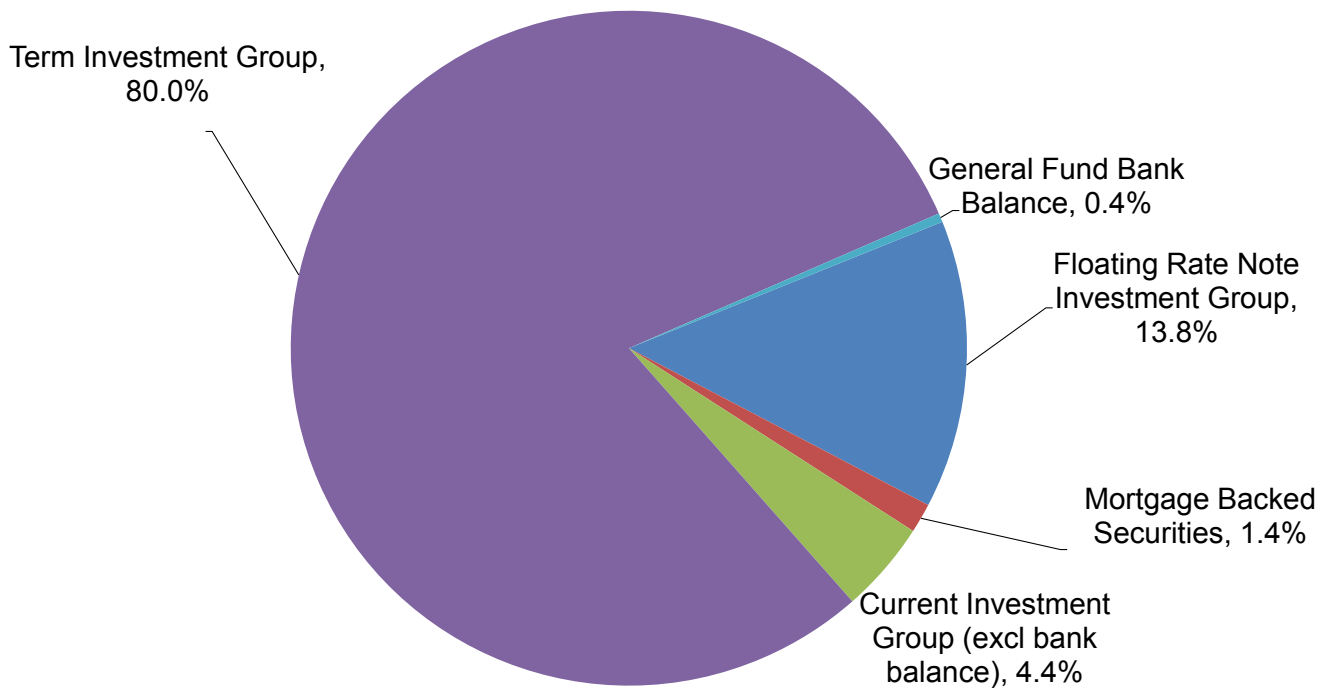
Table 1.1

Asset Group	Closing Value (Face Value) 31 December 2018 \$	Closing Value (Face Value) 31 January 2019 \$
Current Cash on Call Group (excl bank balance)	1,791,103	6,712,028
Term Deposit Group	132,400,000	124,500,000
Floating Rate Notes	21,500,000	21,500,000
Mortgage Backed Securities*	2,203,810	2,203,810
	157,894,913	154,915,838
General Fund Bank Balance	5,167,713	663,335
Total	163,062,626	155,579,173

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

JANUARY 2019 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



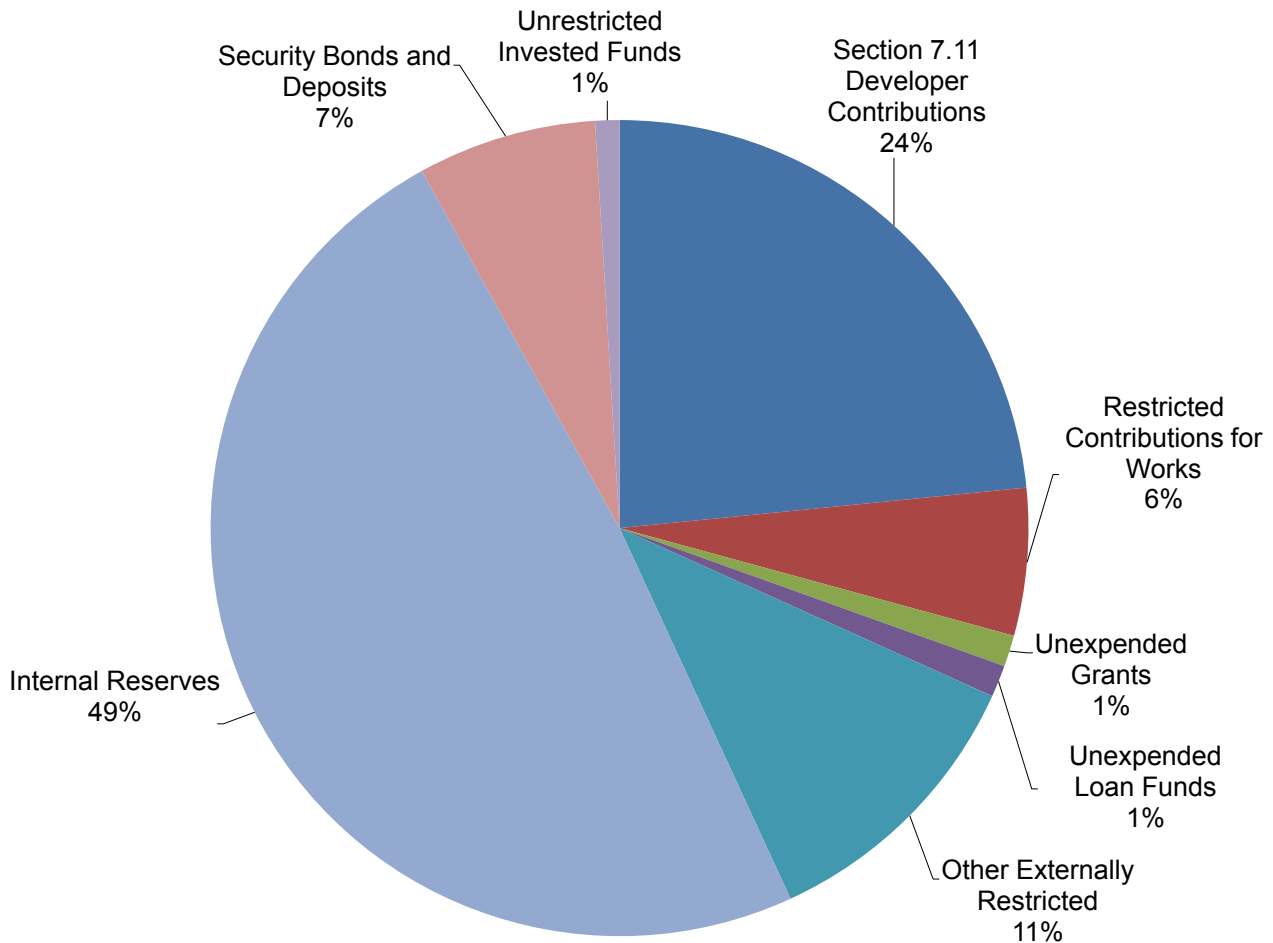
Reconciliation of Invested Funds and Monthly Movement

Table 1.2

	Period Ending 31 December 2018 \$	Period Ending 31 January 2019 \$
Represented by:		
Externally Restricted Assets		
Section 7.11 Developer Contributions	35,841,364	36,432,979
Restricted Contributions for Works	8,003,052	9,079,452
Unexpended Grants	1,326,215	1,929,228
Unexpended Loan Funds	1,961,299	1,961,299
Other Externally Restricted	17,413,023	17,705,390
Total	64,544,953	67,108,348
Internally Restricted Assets for Funding of Operations		
Sinking Funds	-	
Internal Reserves	76,140,227	75,972,838
Security Bonds and Deposits	10,816,978	11,010,038
Total	86,957,205	86,982,876
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	11,560,468	1,487,949
Total Invested Funds	163,062,626	155,579,173

JANUARY 2019 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

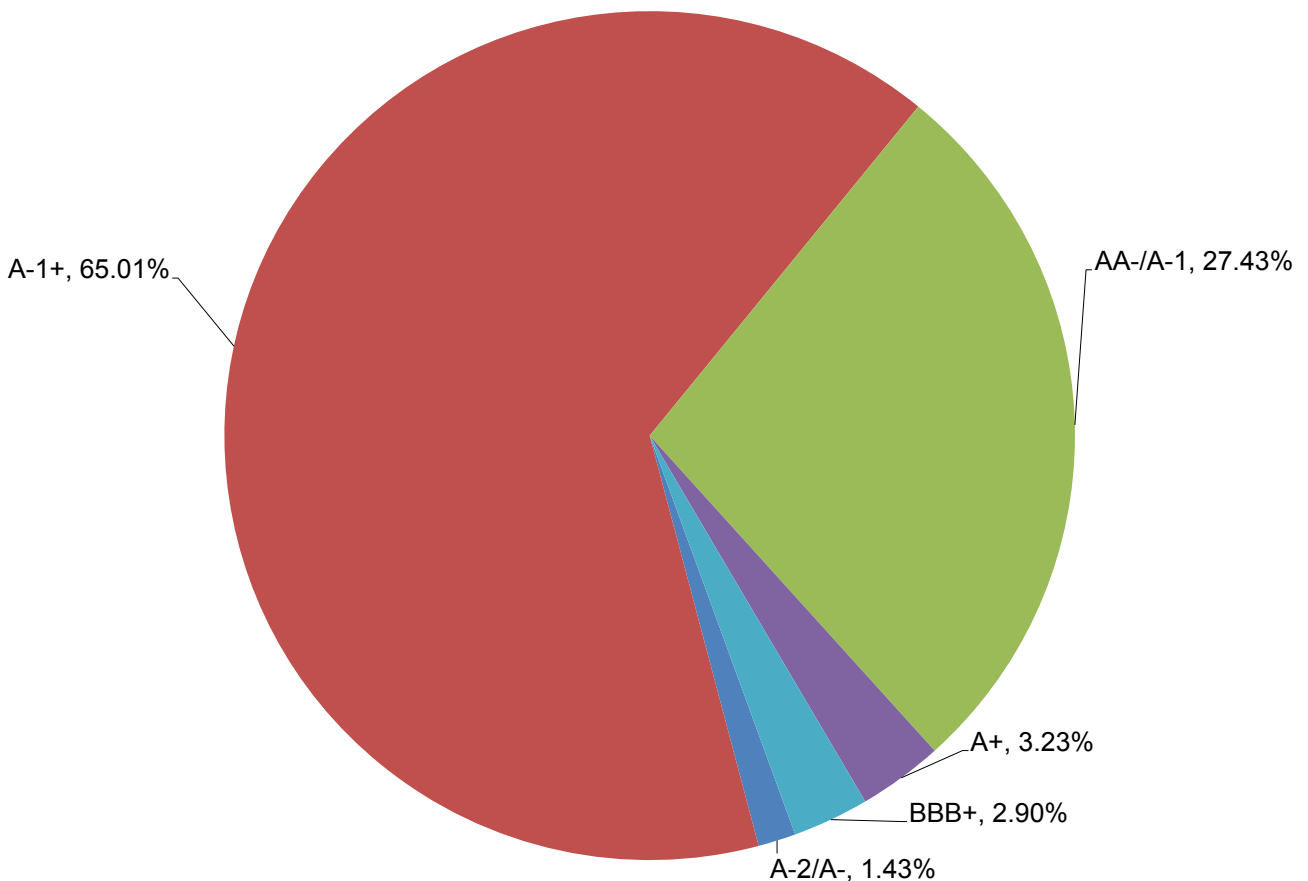
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
Short Term				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	100,712,028	65.01%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	30,500,000	19.67%	100% (20% per institution)
Long Term				
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.23%	100% (25% per institution)
A-	Mortgage Backed Securities (Barclays Capital)	2,203,810	1.43%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	3.23%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.65%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.65%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	3.23%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.90%	100% (20% per institution)
Total Portfolio		154,915,838	100%	

*Downgraded to BBB+ Long term after investments placed

JANUARY 2019 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-	16,300,000	10.59%
Barclays Bank	A-1	A+	2,203,810	1.43%
National Australia Bank	A-1+	AA-	35,900,000	23.32%
ANZ	A-1+	AA-	1,000,000	0.65%
NSW TCorp	A-1+	AAA	5,337,028	3.47%
Westpac Banking Corporation	A-1+	AA-	35,700,000	23.19%
Commonwealth Bank of Australia	A-1+	AA-	17,475,000	11.35%
Macquarie Bank	A-1	A	1,000,000	0.65%
Bank of Queensland *	A-2	BBB+	4,500,000	2.92%
Suncorp Metway	A-1	A+	34,500,000	**22.43%
Total Investment			153,915,838	100%

* Downgraded to BBB+ Long term after investments placed

** Note due to the large decrease in invested funds held from November, we are currently investing 22.43% with Suncorp, which is over the 20% policy threshold. As per the current policy the excess will be divested as soon as practicable, which should be rectified by the 25th February. The total investment amount held in February is also anticipated to increase due to the rate instalment.

JANUARY 2019 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.

