

Penrith City Council  
**Summary of Investments**  
**February 2019**

## **Commentary**

The Reserve Bank of Australia (RBA) met on 5 March 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 decreased over the past three months, averaging around 2.6% to a low of 1.99%.

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 remained steady in January 2019 at 5.1%. 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 February. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for February are:

Council portfolio current yield (including FRNs)	2.72%
90-day Bank Bill Swap Rate (Benchmark)	1.99%

Penrith City Council  
Historical Investment Performance

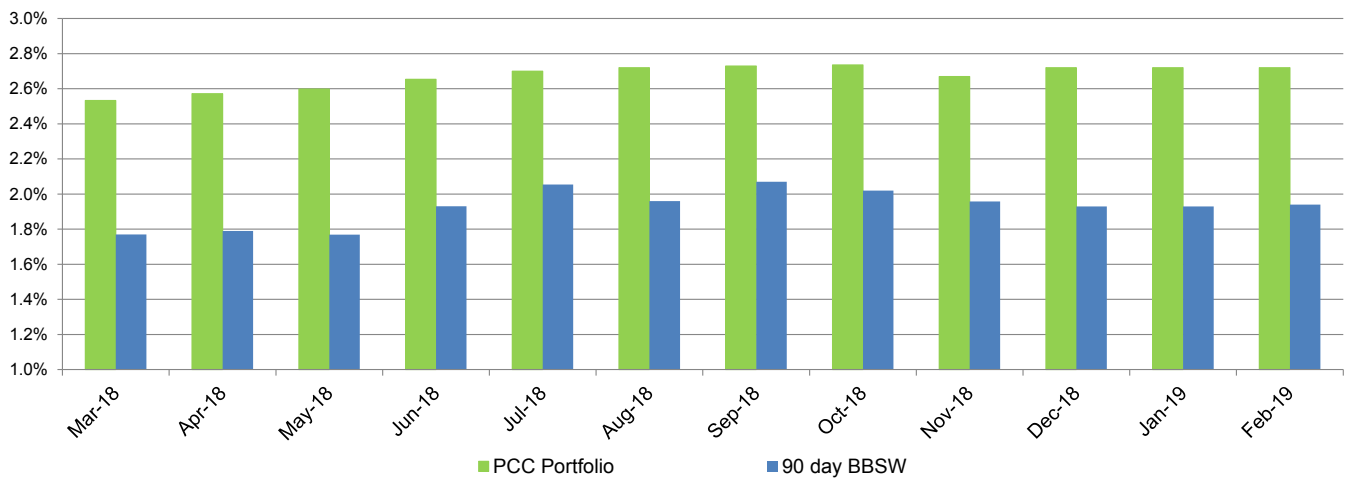
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.72%	1.96%
Past 12 Month Portfolio Performance	2.67%	1.99%
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 February 2019 was 2.67%. This graph tracks performance over time and shows that the yield was between 2.52% and 2.67% for the past year, well above the BBSW over the same period. Weighted yield for February remains steady due to current term deposits invested at rates of between 2.53% and 2.81%.

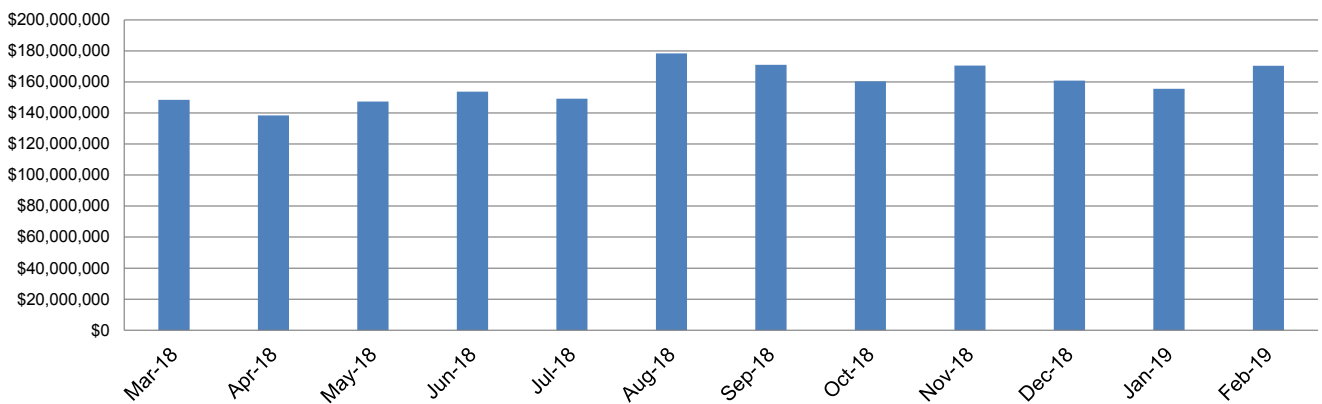
Graph 1



**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

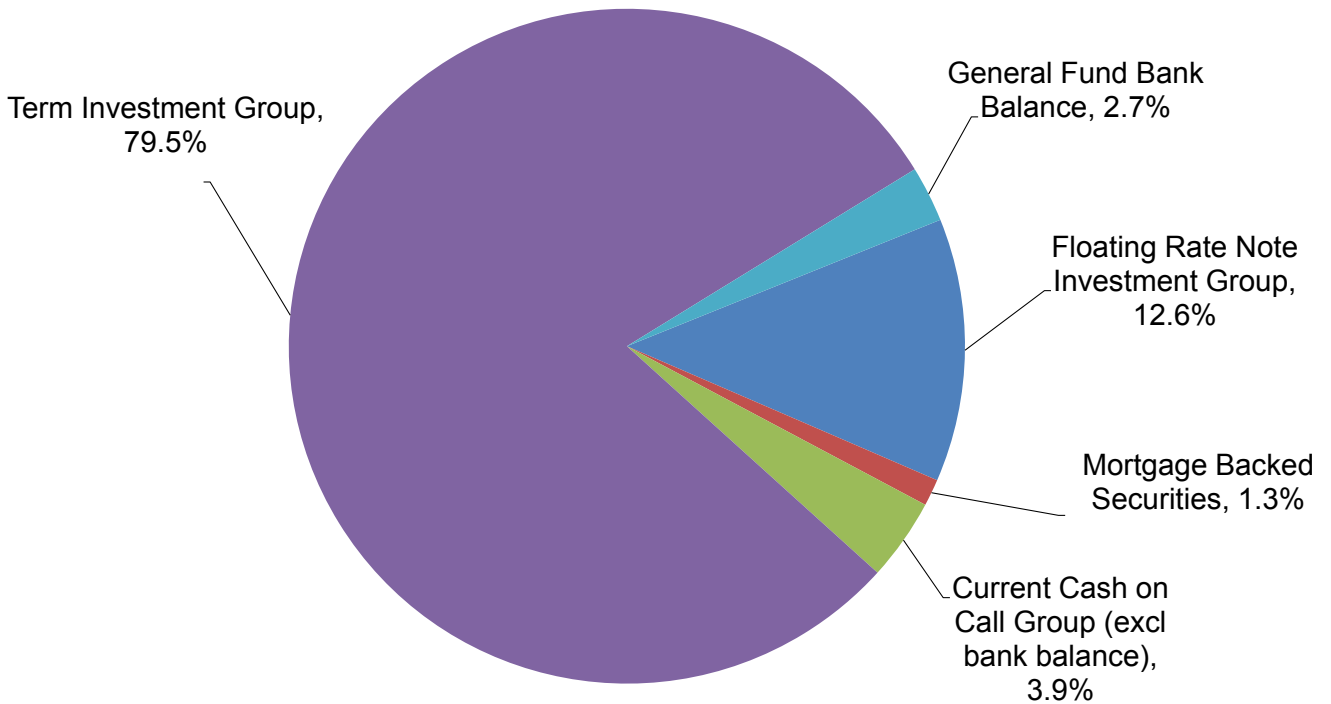
Table 1.1

Asset Group	Closing Value (Face Value) 31 January 2019 \$	Closing Value (Face Value) 28 February 2019 \$
Current Cash on Call Group (excl bank balance)	6,712,028	6,687,377
Term Deposit Group	124,500,000	135,500,000
Floating Rate Notes	21,500,000	21,500,000
Mortgage Backed Securities*	2,203,810	2,191,370
	<b>154,915,838</b>	<b>165,878,747</b>
General Fund Bank Balance	663,335	4,557,982
<b>Total</b>	<b>155,579,173</b>	<b>170,436,729</b>

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

### FEBRUARY 2019 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



## Reconciliation of Invested Funds and Monthly Movement

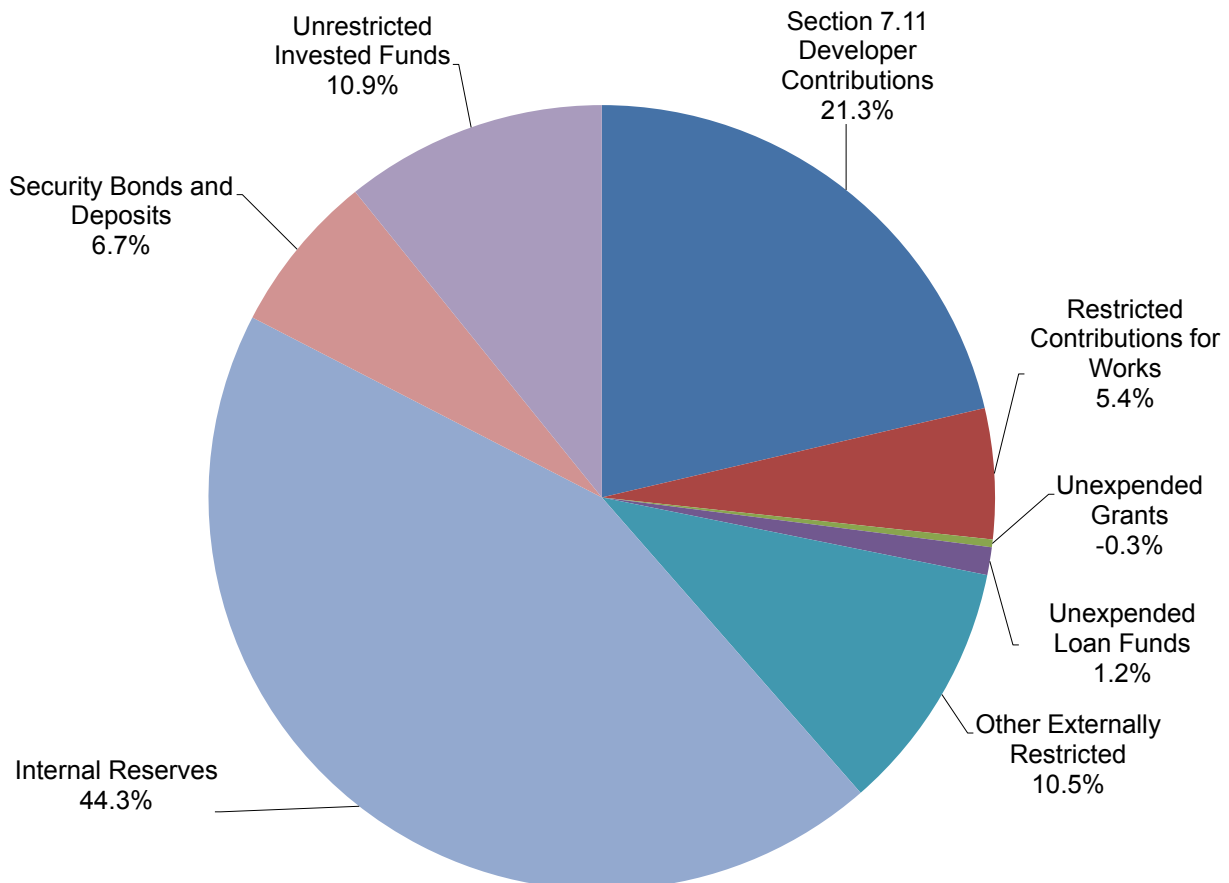
Table 1.2

	Period Ending 31 January 2019 \$	Period Ending 28 February 2019 \$
Represented by:		
<b>Externally Restricted Assets</b>		
Section 7.11 Developer Contributions	36,432,979	36,608,671
Restricted Contributions for Works	9,079,452	9,209,544
Unexpended Grants*	1,929,228	-546,294
Unexpended Loan Funds	1,961,299	1,961,299
Other Externally Restricted	17,705,390	17,829,987
<b>Total</b>	<b>67,108,348</b>	<b>65,063,207</b>
<b>Internally Restricted Assets for Funding of Operations</b>		
Sinking Funds	-	
Internal Reserves	75,972,838	75,499,394
Security Bonds and Deposits	11,010,038	11,368,411
<b>Total</b>	<b>86,982,876</b>	<b>86,867,805</b>
<b>Restricted Assets Utilised in Operations</b>		
Unrestricted Invested Funds	1,487,949	18,505,717
<b>Total Invested Funds</b>	<b>155,579,173</b>	<b>170,436,729</b>

\*Balance may be in deficit when funds are spent in advance of grant payment date to Council.

### FEBRUARY 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

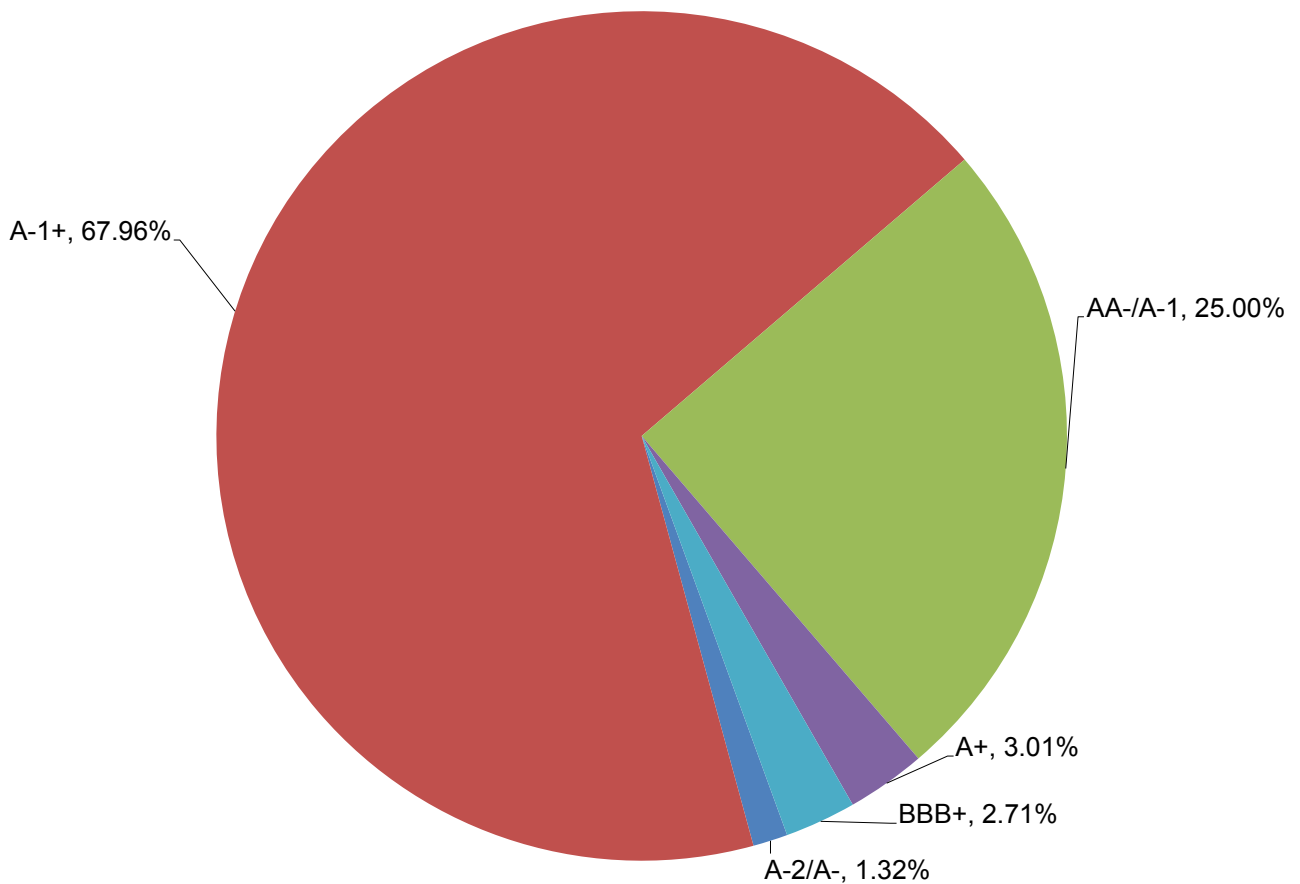
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
<b>Short Term</b>				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	112,687,377	67.96%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	29,500,000	17.78%	100% (20% per institution)
<b>Long Term</b>				
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.01%	100% (25% per institution)
A-	Mortgage Backed Securities (Barclays Capital)	2,191,370	1.32%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	3.01%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.60%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.60%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	3.01%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.71%	100% (20% per institution)
<b>Total Portfolio</b>		<b>165,878,747</b>	<b>100%</b>	

\*Downgraded to BBB+ Long term after investments placed

**FEBRUARY 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-	20,300,000	12.25%
Barclays Bank	A-1	A+	2,191,370	1.32%
National Australia Bank	A-1+	AA-	40,900,000	24.66%
ANZ	A-1+	AA-	1,000,000	0.60%
NSW TCorp	A-1+	AAA	4,187,377	2.52%
Westpac Banking Corporation	A-1+	AA-	39,700,000	23.93%
Commonwealth Bank of Australia	A-1+	AA-	18,600,000	11.21%
Macquarie Bank	A-1	A	3,000,000	1.81%
Bank of Queensland *	A-2	BBB+	4,500,000	2.71%
Suncorp Metway	A-1	A+	31,500,000	18.99%
<b>Total Investment</b>			<b>165,878,747</b>	<b>100%</b>

\* Downgraded to BBB+ Long term after investments placed

**FEBRUARY 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.

