

Penrith City Council
Summary of Investments
March 2019

Commentary

The Reserve Bank of Australia (RBA) met on 2 April 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, previously averaging around 2.6% to a low of 1.99%. Short-term term deposit interest rates offered since January 2019 have decreased by approximately 0.25%, with banks predicting the Official Cash Rate to decrease later this year and factoring it in to investment rates offered now. Westpac is predicting the Reserve Bank to cut the Official Cash Rate by 25bps in both August and November this year.

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 decreased slightly in March 2019 at 4.9%. 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 90 Day Bank Bill Swap Rate (BBSW) benchmark during March. The 90 Day Bank Bill Swap Rate has decreased by 0.25% between January and March, which is in line with current rates being offered for term deposits. Investments will continue to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for March are:

Council portfolio current yield (including FRNs)	2.72%
90-day Bank Bill Swap Rate (Benchmark)	1.84%

Penrith City Council
Historical Investment Performance

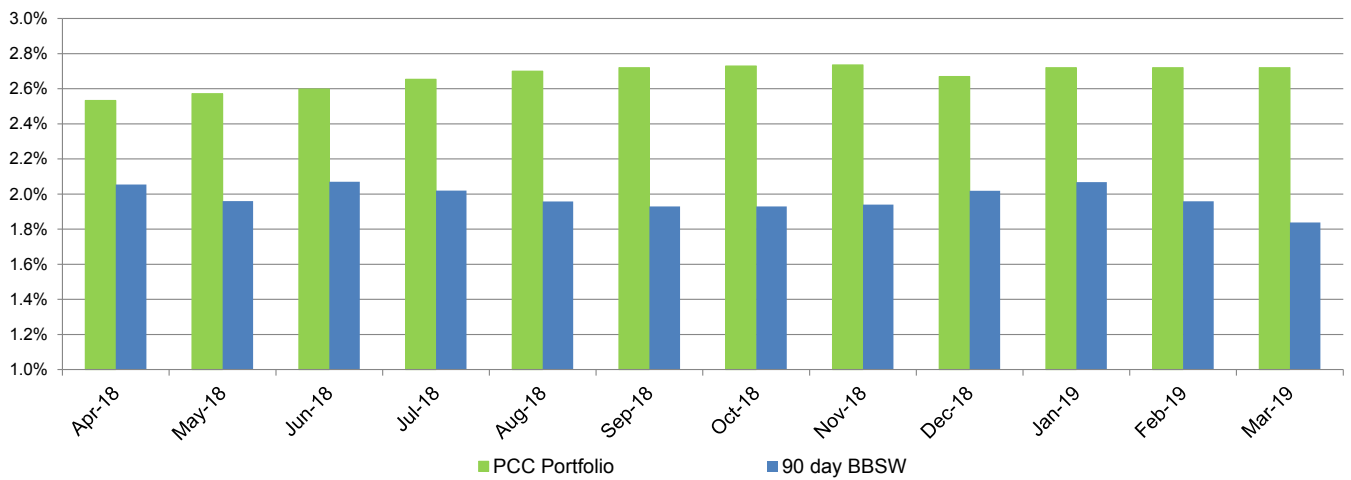
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.72%	1.84%
Past 12 Month Portfolio Performance	2.67%	1.98%
Portfolio Return for the Period	0.23%	0.15%

Portfolio Yield (Actual Versus Benchmark)

The weighted average income return on investments for the 12 months to March 2019 was 2.67%. This graph tracks performance over time and shows that the yield was between 2.57% and 2.74% for the past year, well above the BBSW over the same period. Weighted yield for March remains steady due to current term deposits invested at rates of between 2.34% and 2.81%.

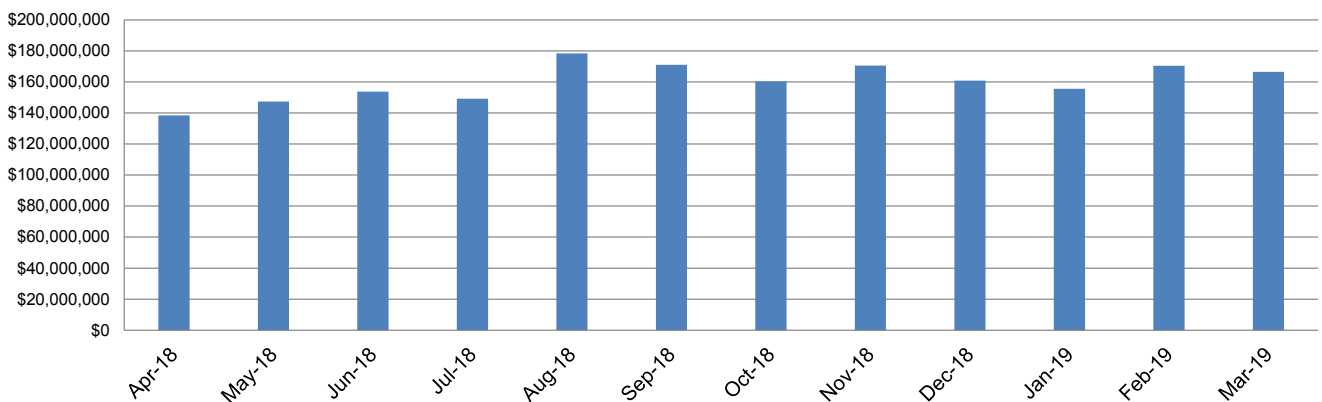
Graph 1



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

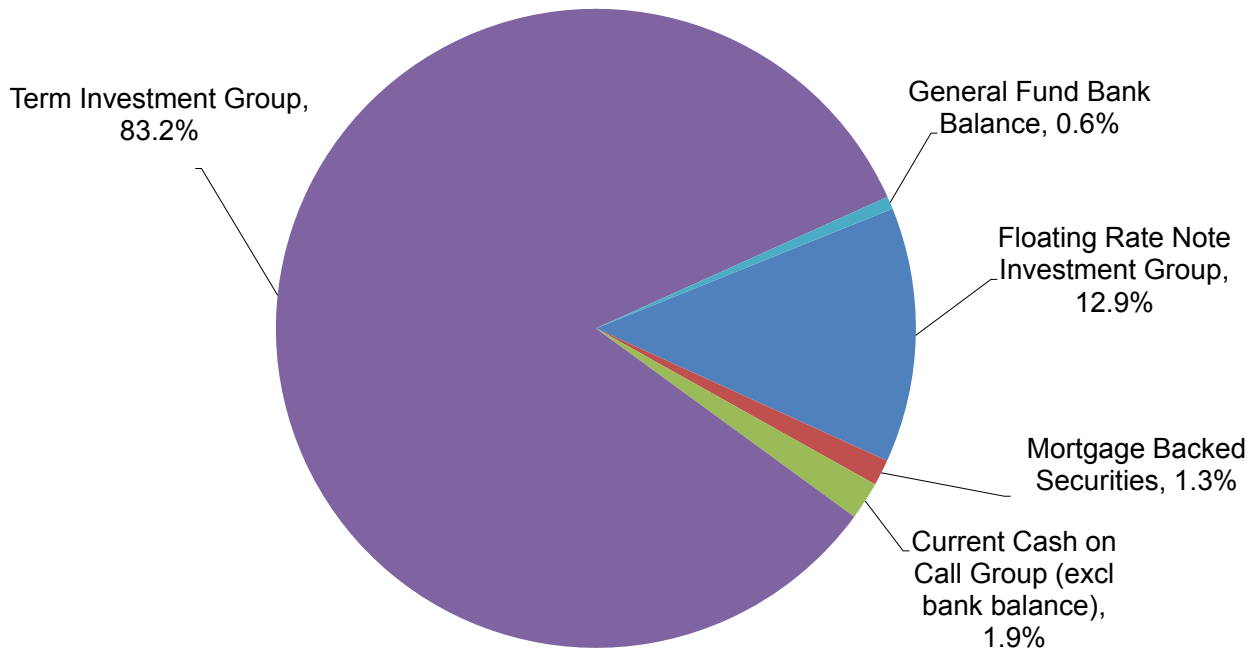
Table 1.1

Asset Group	Closing Value (Face Value) 28 February 2019 \$	Closing Value (Face Value) 31 March 2019 \$
Current Cash on Call Group (excl bank balance)	6,687,377	3,195,257
Term Deposit Group	135,500,000	138,500,000
Floating Rate Notes	21,500,000	21,500,000
Mortgage Backed Securities*	2,191,370	2,191,370
	165,878,747	165,386,627
General Fund Bank Balance	4,557,982	1,069,008
Total	170,436,729	166,455,635

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

MARCH 2019 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



Reconciliation of Invested Funds and Monthly Movement

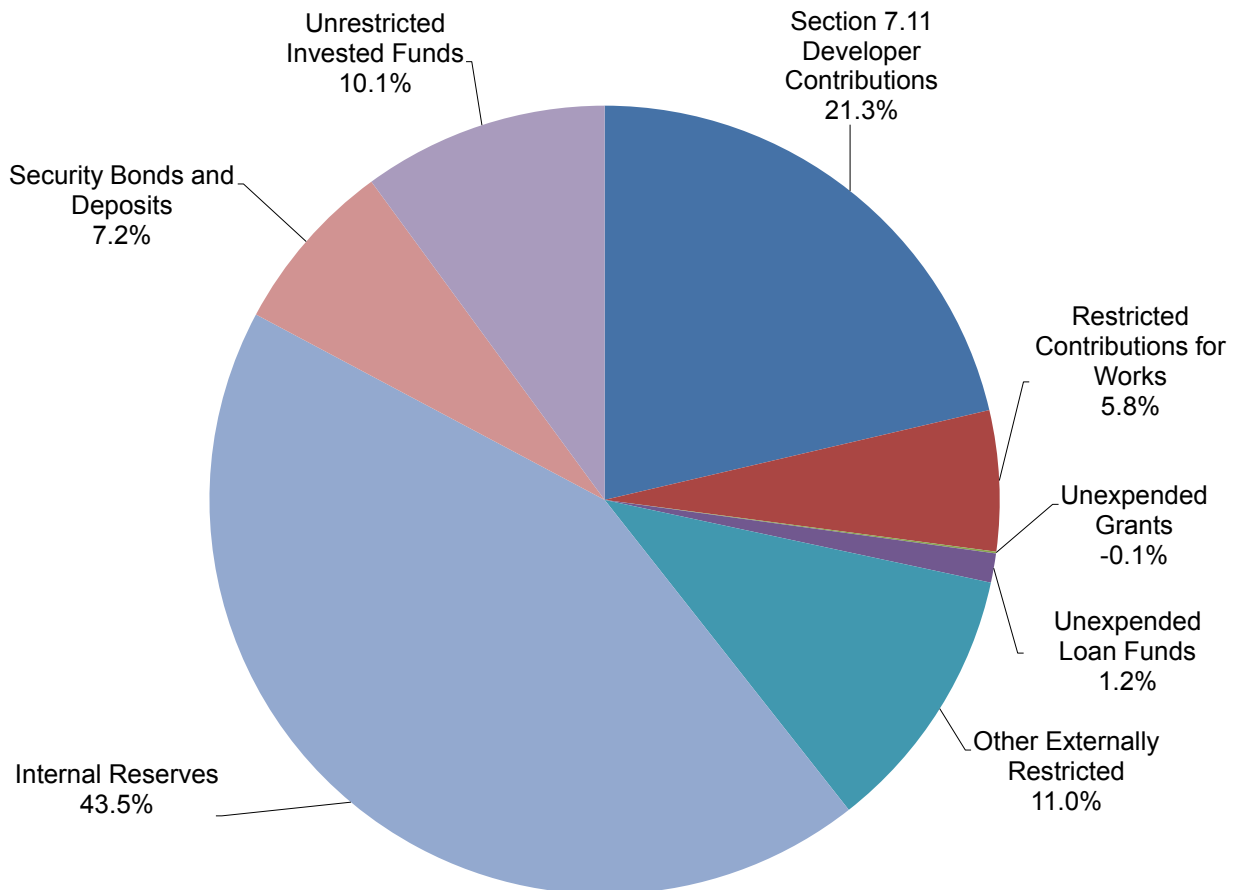
Table 1.2

	Period Ending 28 February 2019 \$	Period Ending 31 March 2019 \$
Represented by:		
Externally Restricted Assets		
Section 7.11 Developer Contributions	36,608,671	35,575,970
Restricted Contributions for Works	9,209,544	9,595,378
Unexpended Grants*	-546,294	-120,969
Unexpended Loan Funds	1,961,299	1,994,865
Other Externally Restricted	17,829,987	18,386,508
Total	65,063,207	65,431,752
Internally Restricted Assets for Funding of Operations		
Internal Reserves	75,499,394	72,339,813
Security Bonds and Deposits	11,368,411	11,930,770
Total	86,867,805	84,270,583
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	18,505,717	16,753,301
Total Invested Funds	170,436,729	166,455,636

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

MARCH 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

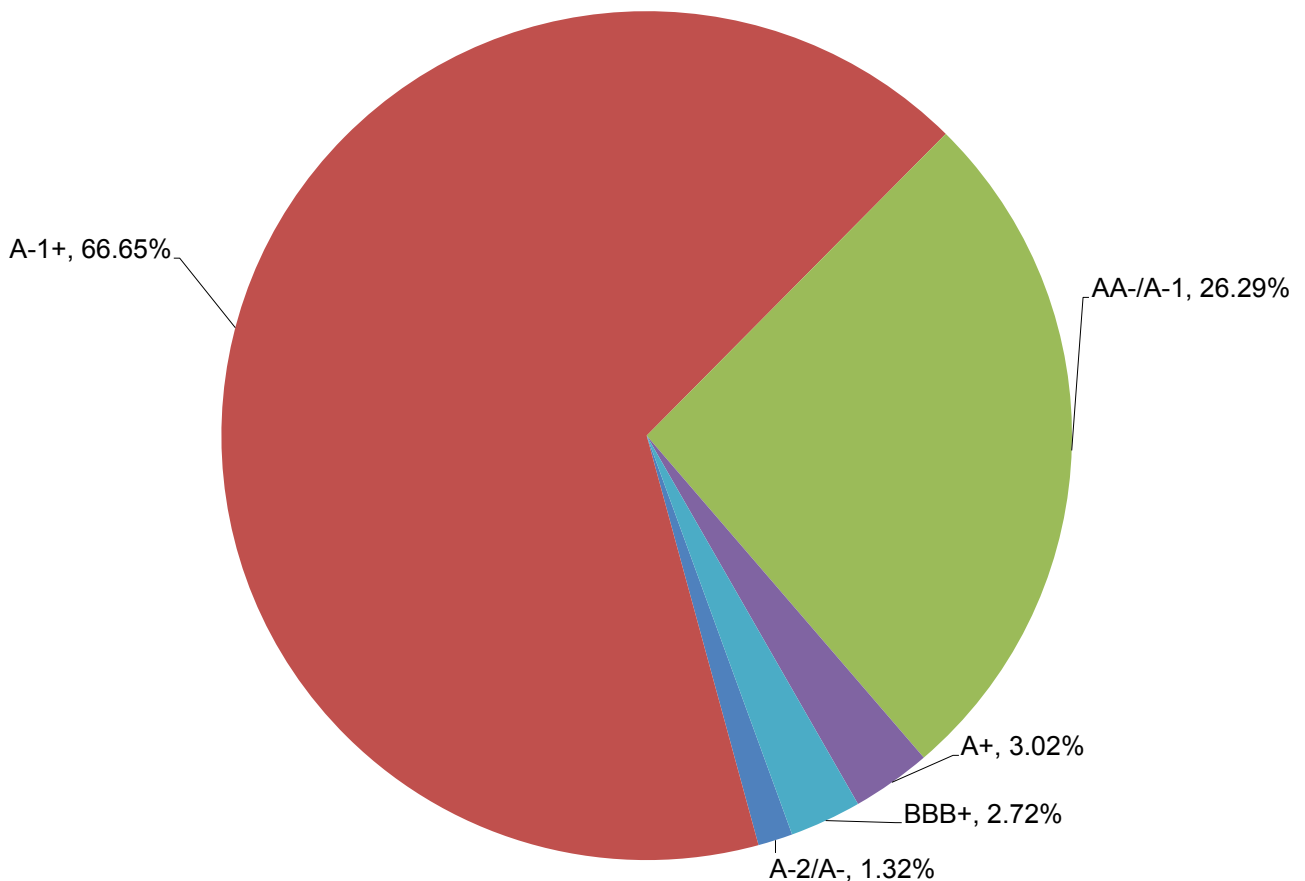
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
Short Term				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	110,195,257	66.65%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	31,500,000	19.05%	100% (20% per institution)
Long Term				
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.02%	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	3.02%	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	3.02%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.72%	100% (20% per institution)
Total Portfolio		165,386,627	100%	

*Downgraded to BBB+ Long term after investments placed

MARCH 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
Commonwealth Bank of Australia/ Bankwest	A-1+	AA-	38,400,000	23.23%
Barclays Bank	A-1	A+	2,191,370	1.32%
National Australia Bank	A-1+	AA-	39,900,000	24.13%
ANZ	A-1+	AA-	1,000,000	0.60%
NSW TCorp	A-1+	AAA	3,195,257	1.93%
Westpac Banking Corporation	A-1+	AA-	39,700,000	24.00%
Macquarie Bank	A-1	A	6,000,000	3.63%
Bank of Queensland *	A-2	BBB+	4,500,000	2.72%
Suncorp Metway	A-1	A+	30,500,000	18.44%
Total Investment			165,386,627	100%

* Downgraded to BBB+ Long term after investments placed

MARCH 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.

