

Penrith City Council
Summary of Investments
May 2019

Commentary

The Reserve Bank of Australia (RBA) met on 4 June 2019 and lowered the Official Cash Rate by 25 basis points to 1.25%. Prior to this the RBA had 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 six months, previously averaging around 2.6% to a low of 1.6%. Short-term term deposit interest rates offered since January 2019 have decreased by approximately 0.65%, with banks predicting the Official Cash Rate to decrease again later this year and factoring it in to investment rates offered now.

Core inflation came in at 1.3% over the year to March 2019, the weakest reading since the series started in 2003. The unemployment rate has remained steady at 5.2%. Seek data show job ads in May were 6.5% lower than a year earlier, foreshadowing weaker employment growth ahead.

Council's portfolio once again outperformed the 90 Day Bank Bill Swap Rate (BBSW) benchmark during May. The 90 Day Bank Bill Swap Rate has decreased by 0.53% between January and May, 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 May are:

Council portfolio current yield (including FRNs)	2.55%
90-day Bank Bill Swap Rate (Benchmark)	1.54%

Penrith City Council
Historical Investment Performance

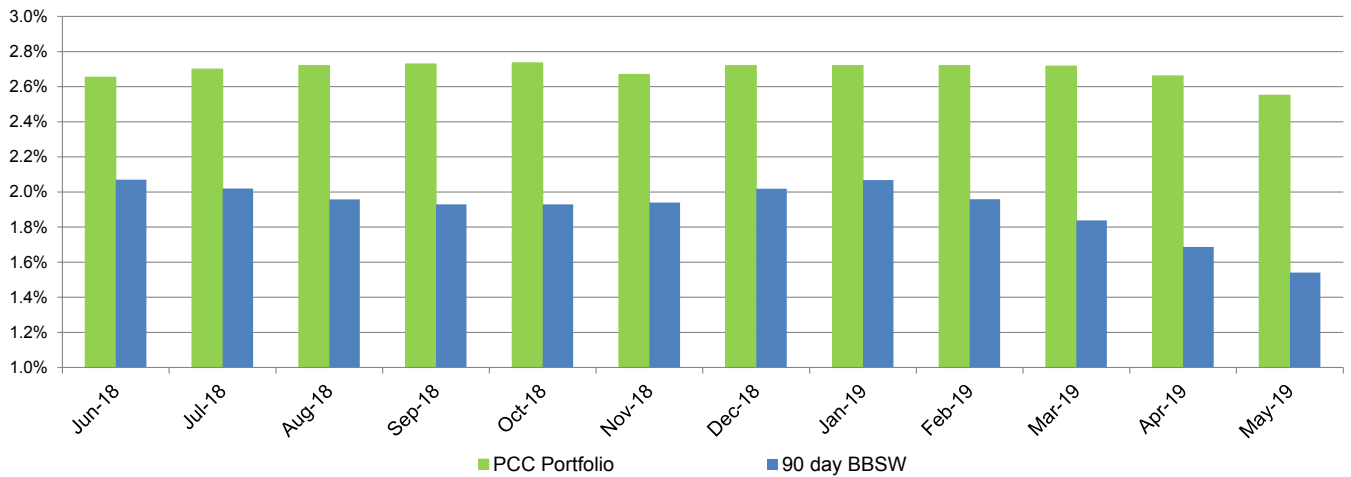
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.55%	1.54%
Past 12 Month Portfolio Performance	2.69%	1.91%
Portfolio Return for the Period	0.21%	0.13%

Portfolio Yield (Actual Versus Benchmark)

The weighted average income return on investments for the 12 months to May 2019 was 2.69%. This graph tracks performance over time and shows that the yield was between 2.55% and 2.74% for the past year, well above the BBSW over the same period. Weighted yield for May remains steady due to current term deposits invested at rates of between 2.34% and 2.81% however is expected to start dropping over the year due to the lower interest rates being offered.

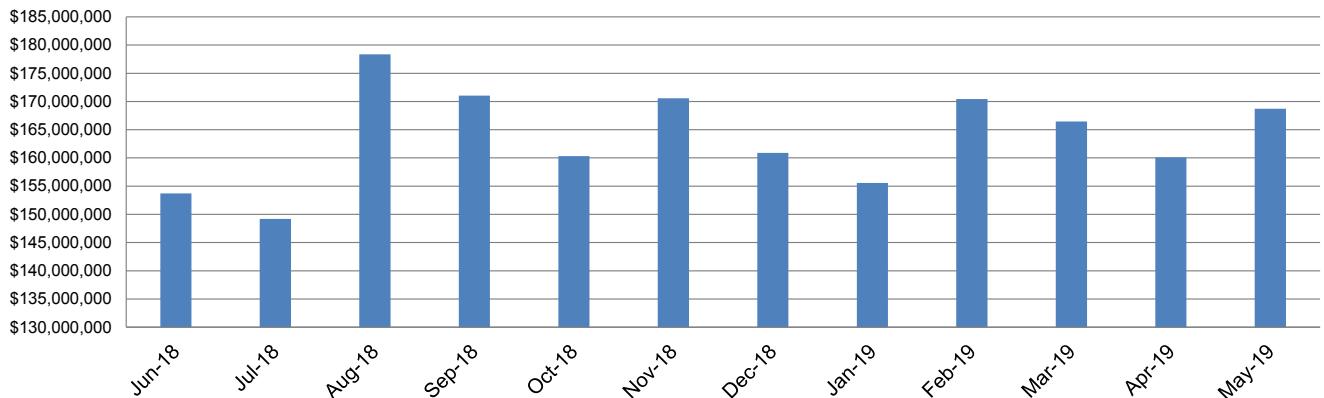
Graph 1



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

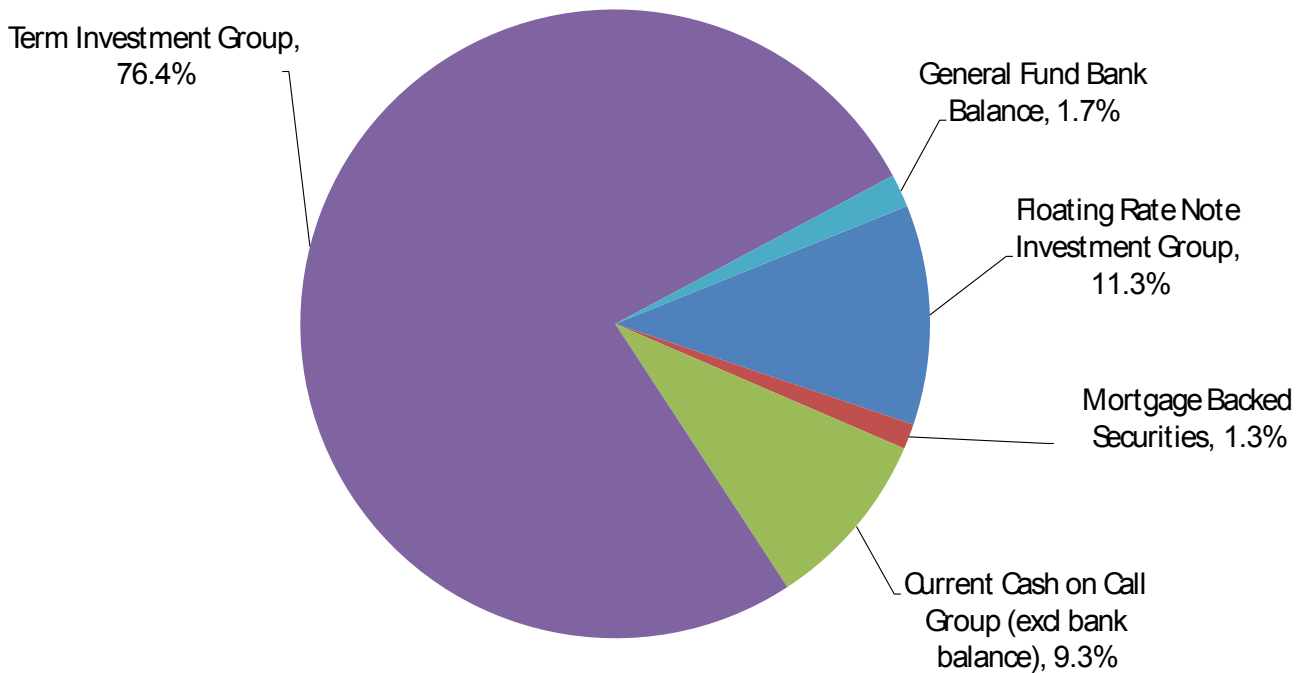
Table 1.1

Asset Group	Closing Value (Face Value) 30 April 2019 \$	Closing Value (Face Value) 31 May 2019 \$
Current Cash on Call Group (excl bank balance)	7,509,997	15,935,785
Term Deposit Group	129,100,000	131,100,000
Floating Rate Notes	19,500,000	19,500,000
Mortgage Backed Securities*	2,191,370	2,171,390
	158,301,367	168,707,175
General Fund Bank Balance	1,793,797	2,891,517
Total	160,095,164	171,598,692

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

MAY 2019 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



Reconciliation of Invested Funds and Monthly Movement

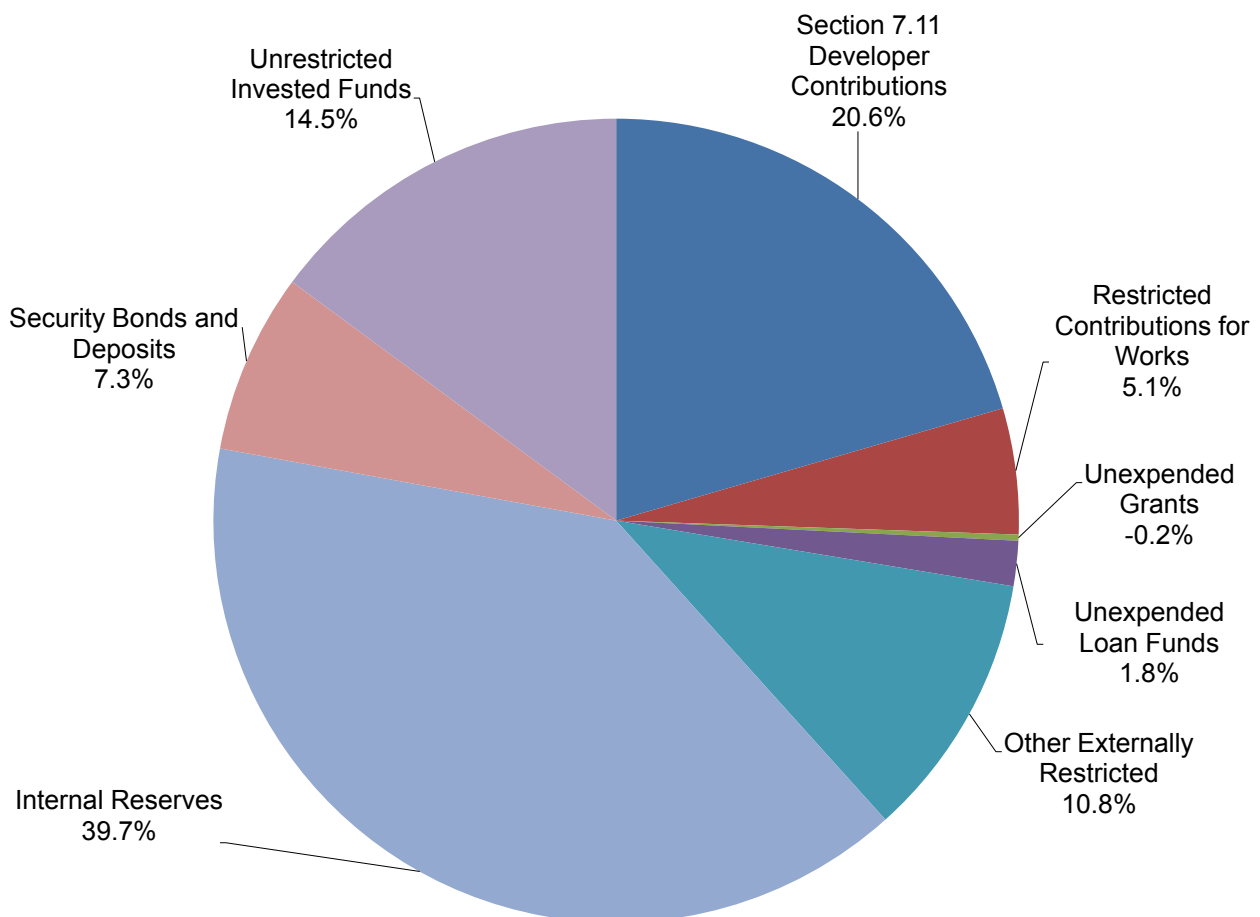
Table 1.2

	Period Ending 30 April 2019 \$	Period Ending 31 May 2019 \$
Represented by:		
Externally Restricted Assets		
Section 7.11 Developer Contributions	35,326,377	35,336,735
Restricted Contributions for Works	9,937,602	8,727,894
Unexpended Grants*	-484,735	-425,178
Unexpended Loan Funds	1,994,864	3,130,682
Other Externally Restricted	18,620,186	18,510,407
Total	65,394,294	65,280,540
Internally Restricted Assets for Funding of Operations		
Internal Reserves	72,291,777	68,164,418
Security Bonds and Deposits	12,072,037	12,494,128
Total	84,363,814	80,658,546
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	10,337,056	25,659,606
Total Invested Funds	160,095,164	171,598,692

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

MAY 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

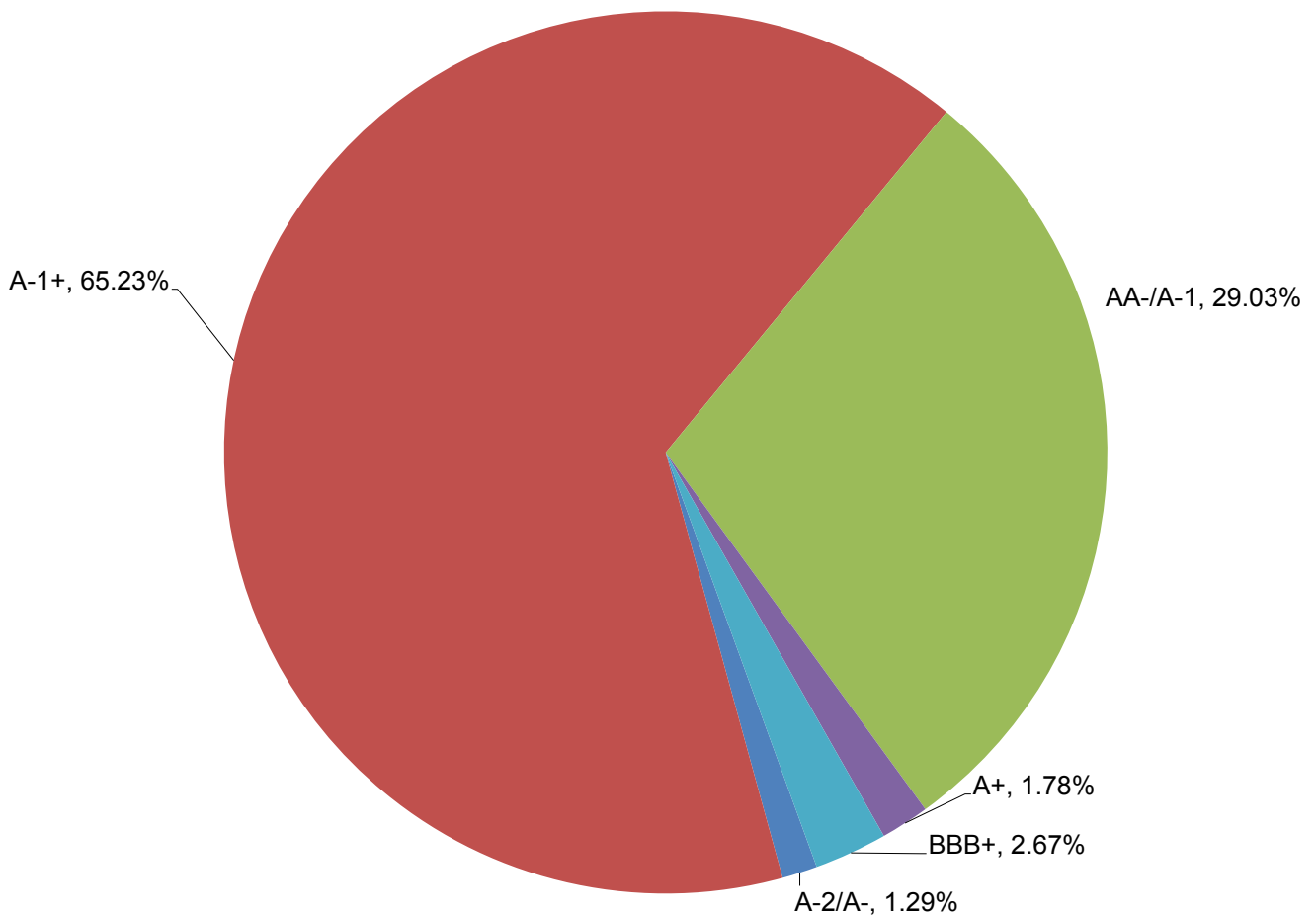
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
Short Term				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	110,035,785	65.23%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	37,000,000	21.93%	100% (20% per institution)
Long Term				
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	2.96%	100% (25% per institution)
A-	Mortgage Backed Securities (Barclays Capital)	2,171,390	1.29%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	2.96%	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)	3,000,000	1.78%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.67%	100% (20% per institution)
Total Portfolio		168,707,175	100%	

*Downgraded to BBB+ Long term after investments placed

MAY 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-	40,025,000	23.72%
Barclays Bank	A-1	A+	2,171,390	1.29%
National Australia Bank	A-1+	AA-	35,000,000	20.75%
ANZ	A-1+	AA-	1,000,000	0.59%
NSW TCorp	A-1+	AAA	10,310,785	6.11%
Westpac Banking Corporation	A-1+	AA-	35,700,000	21.16%
Macquarie Bank	A-1	A	7,000,000	4.15%
Bank of Queensland *	A-2	BBB+	4,500,000	2.67%
Suncorp Metway	A-1	A+	33,000,000	19.56%
Total Investment			168,707,175	100%

* Downgraded to BBB+ Long term after investments placed

MAY 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.

