

Penrith City Council
Summary of Investments
June 2019

Commentary

The Reserve Bank of Australia (RBA) met on 2 July 2019 and lowered the Official Cash Rate by 25 basis points to 1.00%. This follows a similar reduction at the Board's June meeting. Prior to this the RBA had not changed the Official Cash Rate since the meeting held on 3 August 2016. This easing of monetary policy will support employment growth and provide greater confidence that inflation will be consistent with the medium-term target.

Long-term government bond yields have declined further and are at record lows in a number of countries, including Australia. Bank funding costs in Australia have also declined, with money-market spreads having fully reversed the increases that took place last year. Borrowing rates for both businesses and households are at historically low levels. The Australian dollar is at the low end of its narrow range of recent times.

Core inflation came in at 1.3% over the year to March 2019, the weakest reading since the series started in 2003. Employment growth has continued to be strong. Labour force participation is at a record level, the vacancy rate remains high and there are reports of skills shortages in some areas. There has, however, been little inroad into the spare capacity in the labour market recently, with the unemployment rate having risen slightly to 5.2 per cent.

Council's portfolio once again outperformed the 90 Day Bank Bill Swap Rate (BBSW) benchmark during June. The 90 Day Bank Bill Swap Rate has decreased by 0.78% between January and June, 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 June are:

Council portfolio current yield (including FRNs)	2.41%
90-day Bank Bill Swap Rate (Benchmark)	1.29%

Penrith City Council
Historical Investment Performance

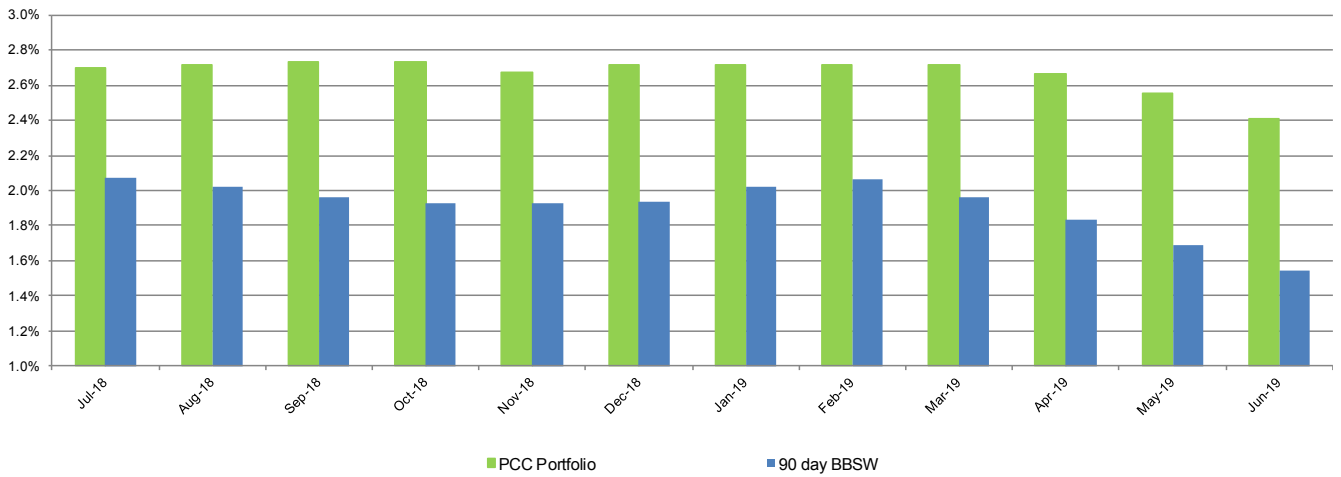
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.41%	1.29%
Past 12 Month Portfolio Performance	2.67%	1.85%
Portfolio Return for the Period	0.20%	0.11%

Portfolio Yield (Actual Versus Benchmark)

The weighted average income return on investments for the 12 months to June 2019 was 2.67%. This graph tracks performance over time and shows that the yield was between 2.41% and 2.74% for the past year, well above the BBSW over the same period. Weighted yield for June has been dropping due to current term deposits invested at lower rates of between 1.80% and 2.76%.

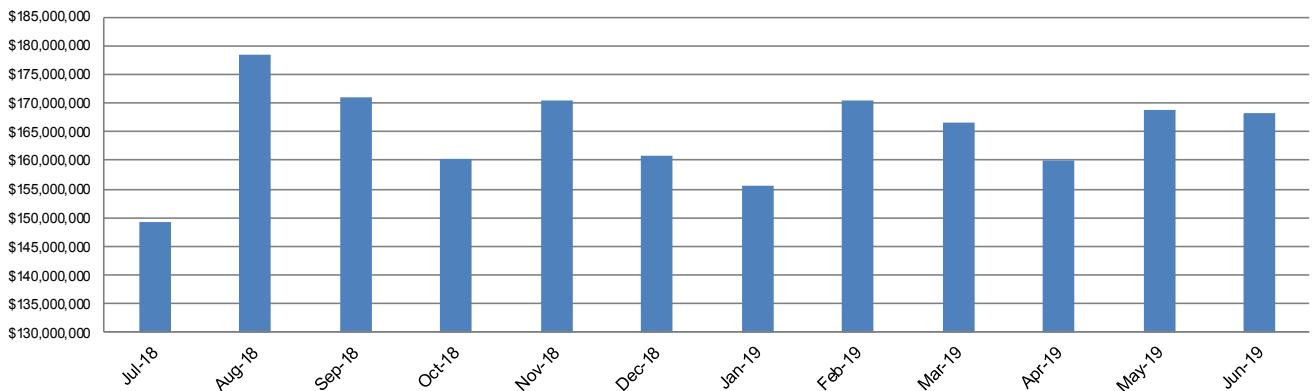
Graph 1



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

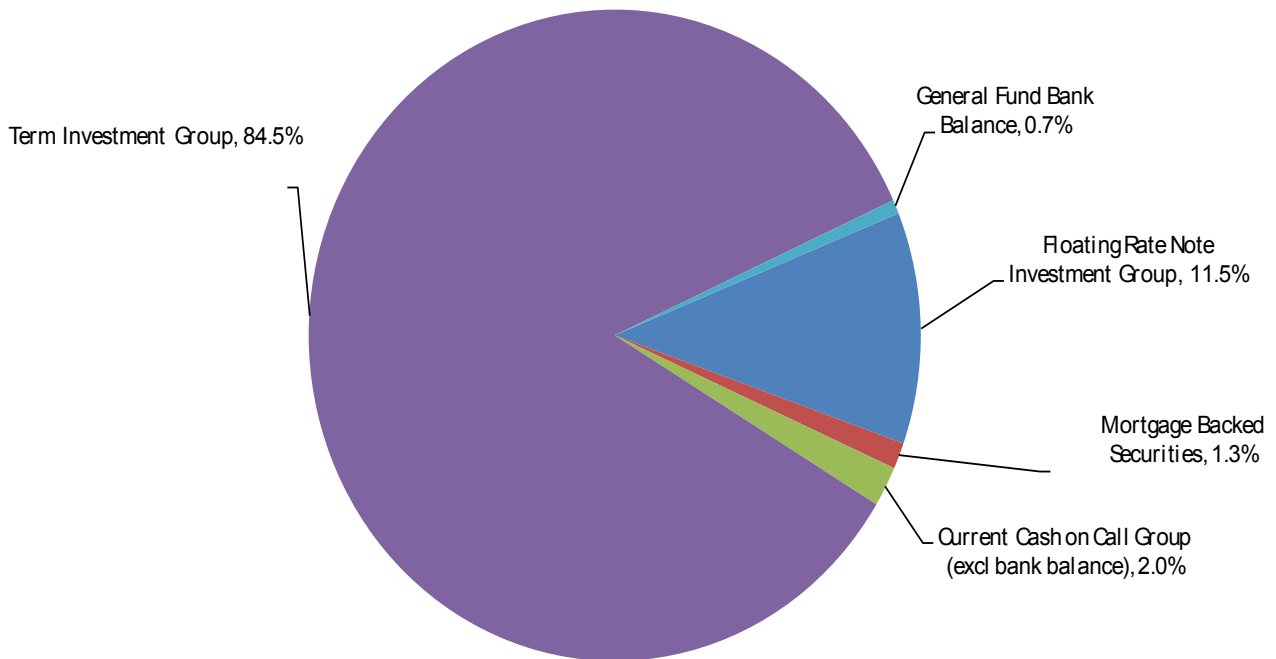
Table 1.1

Asset Group	Closing Value (Face Value) 31 May 2019 \$	Closing Value (Face Value) 30 June 2019 \$
Current Cash on Call Group (excl bank balance)	15,935,785	3,326,066
Term Deposit Group	131,100,000	142,100,000
Floating Rate Notes	19,500,000	19,500,000
Mortgage Backed Securities*	2,171,390	2,171,390
	168,707,175	167,097,456
General Fund Bank Balance	2,891,517	1,176,522
Total	171,598,692	168,273,978

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

JUNE 2019 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



Reconciliation of Invested Funds and Monthly Movement

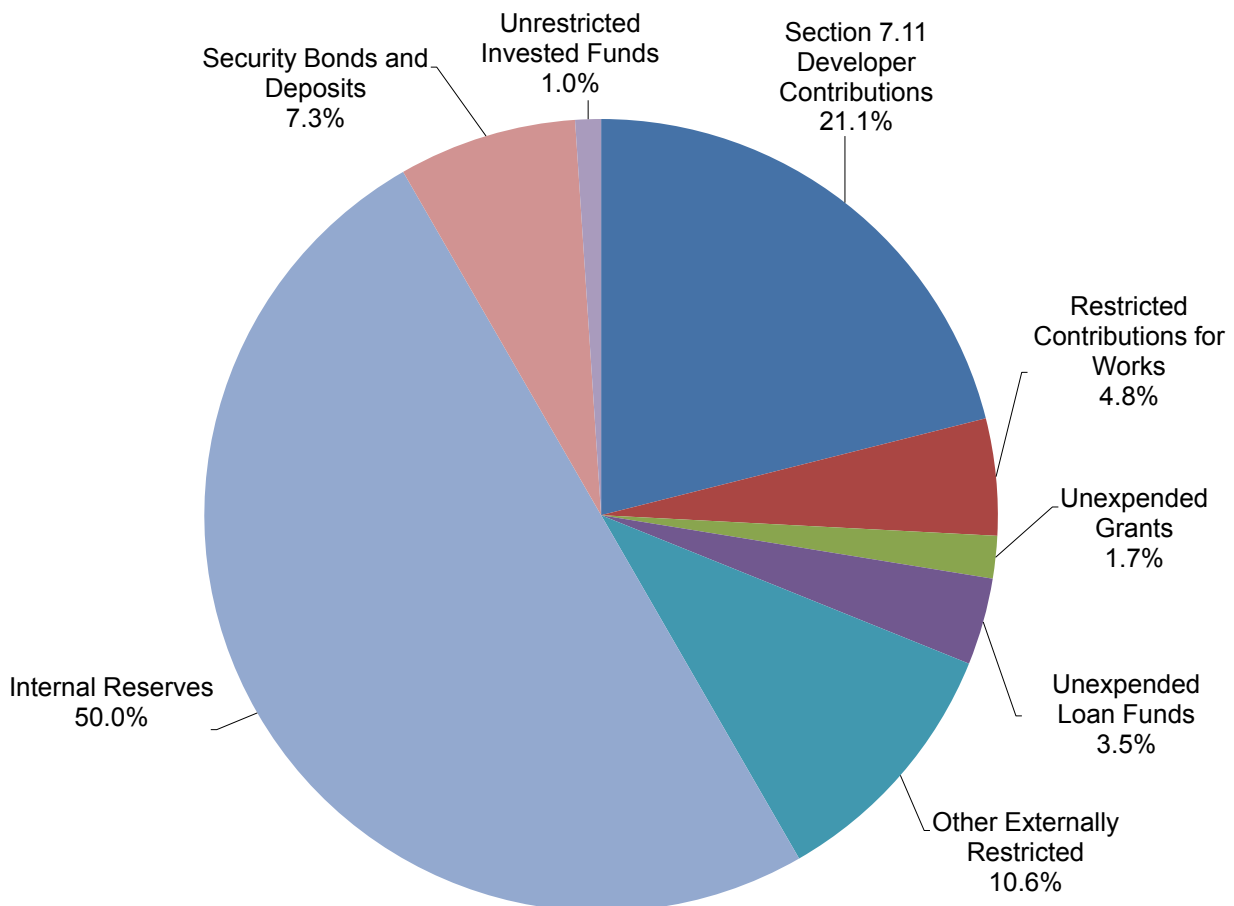
Table 1.2

	Period Ending 31 May 2019 \$	Period Ending 30 June 2019 \$
Represented by:		
Externally Restricted Assets		
Section 7.11 Developer Contributions	35,336,735	35,450,513
Restricted Contributions for Works	8,727,894	8,014,258
Unexpended Grants*	-425,178	2,916,460
Unexpended Loan Funds	3,130,682	5,972,824
Other Externally Restricted	18,510,407	17,789,968
Total	65,280,540	70,144,023
Internally Restricted Assets - Funding of Operations		
Internal Reserves	68,164,418	84,137,386
Security Bonds and Deposits	12,494,128	12,229,133
Total	80,658,546	96,366,519
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	25,659,606	1,763,436
Total Invested Funds	171,598,692	168,273,978

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

JUNE 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

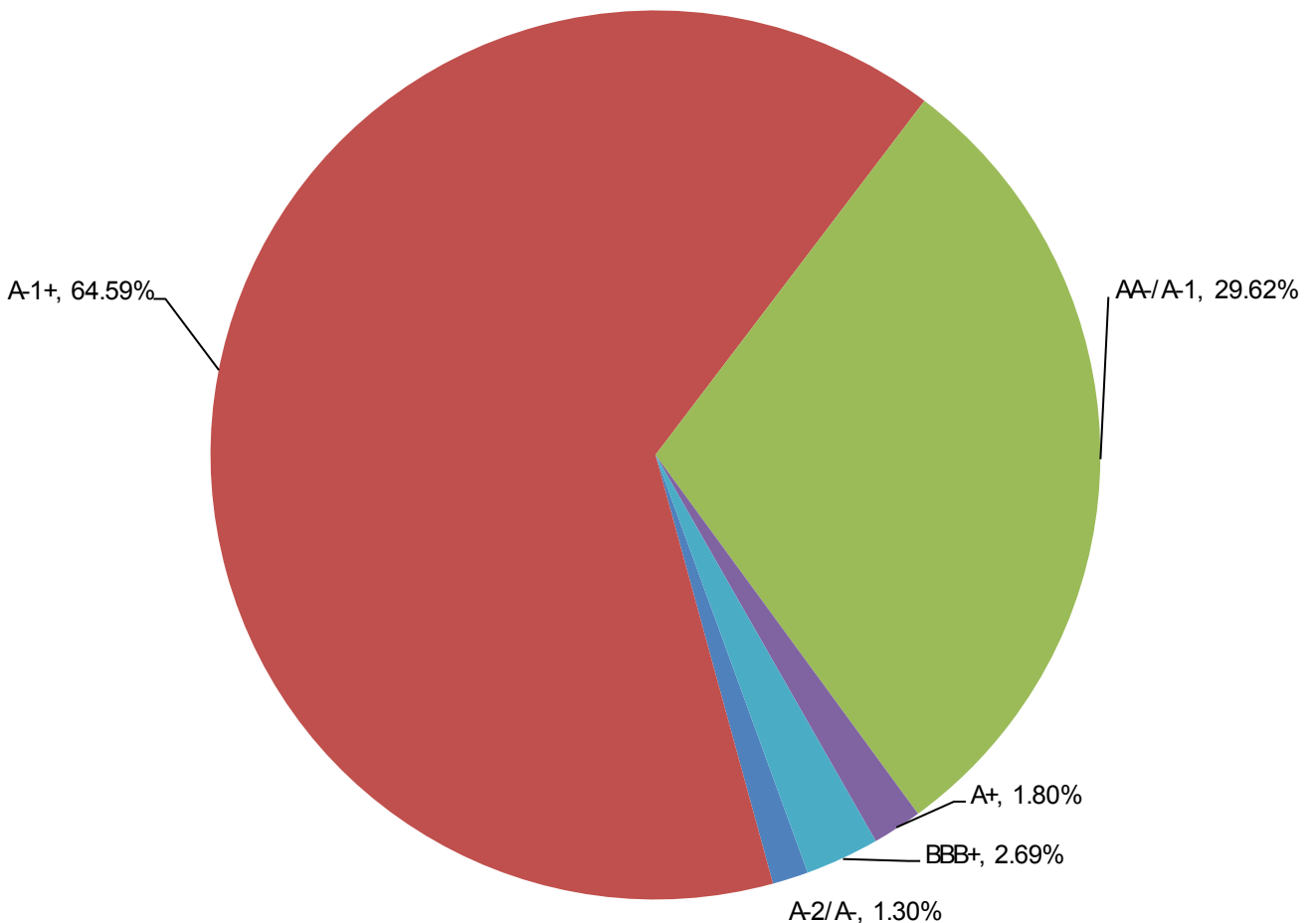
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
Short Term				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	107,926,066	64.59%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	37,500,000	22.44%	100% (20% per institution)
Long Term				
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	2.99%	100% (25% per institution)
A-	Mortgage Backed Securities (Barclays Capital)	2,171,390	1.30%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	2.99%	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)	3,000,000	1.80%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	2.69%	100% (20% per institution)
Total Portfolio		167,097,456	100%	

*Downgraded to BBB+ Long term after investments placed

JUNE 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-	41,500,000	24.84%
Barclays Bank	A-1	A+	2,171,390	1.30%
National Australia Bank	A-1+	AA-	42,100,000	**25.19%
ANZ	A-1+	AA-	1,000,000	0.60%
NSW TCorp	A-1+	AAA	1,626,066	0.97%
Westpac Banking Corporation	A-1+	AA-	33,700,000	20.17%
Macquarie Bank	A-1	A	7,000,000	4.19%
Bank of Queensland *	A-2	BBB+	4,500,000	2.69%
Suncorp Metway	A-1	A+	33,500,000	**20.05%
Total Investment			167,097,456	100%

* Downgraded to BBB+ Long term after investments placed

** Percentages held over the investment policy due to decrease in cash held since investments placed and will be corrected at next maturity. Note Investment Policy is being reported to Council tonight which proposes increases to the maximum limits allowed to be held with these institutions.

JUNE 2019 INVESTMENTS % ALLOCATION BY 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.

