

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

## **Commentary**

The Reserve Bank of Australia (RBA) met on 3 September 2019 and left the Official Cash Rate unchanged at 1.00%. The RBA had lowered the cash rate by 25 basis points two months in a row in June and July, after not having 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.

Over the year to the June quarter, inflation was 1.6 per cent in both headline and underlying terms. 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 remaining steady at 5.2 per cent.

Council's portfolio once again outperformed the 90 Day Bank Bill Swap Rate (BBSW) benchmark during August. The 90 Day Bank Bill Swap Rate has decreased by 1.09% between January and August, 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 August are:

Council portfolio current yield (including FRNs)	2.00%
90-day Bank Bill Swap Rate (Benchmark)	0.98%

Penrith City Council  
Historical Investment Performance

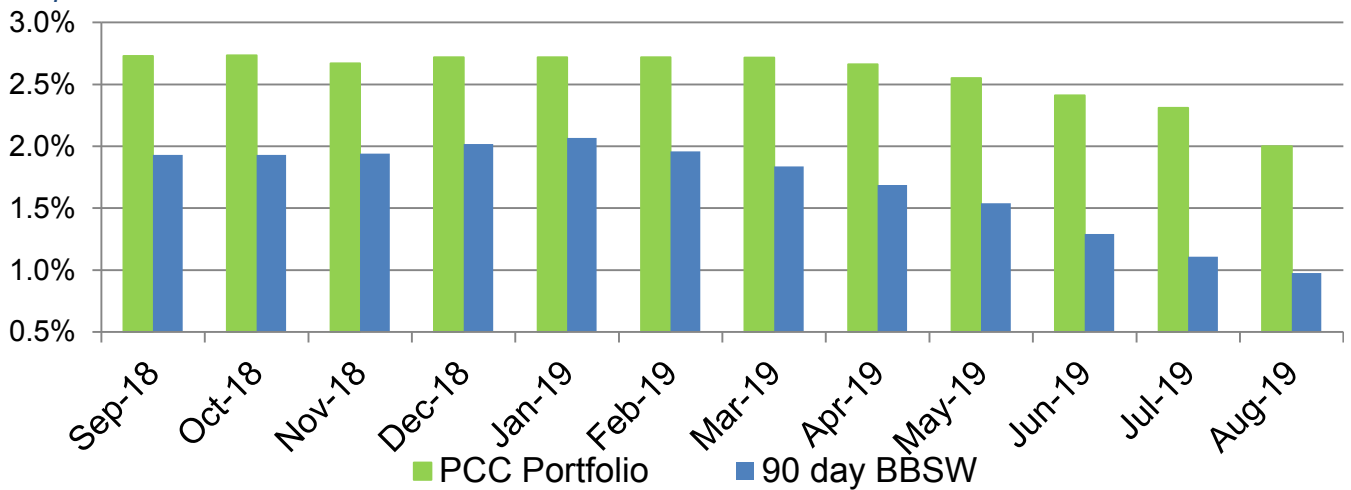
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current Portfolio Yield (including FRNs)	2.00%	0.98%
Past 12 Month Portfolio Performance	2.58%	1.69%
Portfolio Return for the Period	0.17%	0.08%

**Portfolio Yield (Actual Versus Benchmark)**

The weighted average income return on investments for the 12 months to August 2019 was 2.58%. This graph tracks performance over time and shows that the yield was between 2.00% and 2.74% for the past year, well above the BBSW over the same period. Weighted yield for August has been dropping due to current term deposits invested at lower rates of between 1.59% and 2.75%.

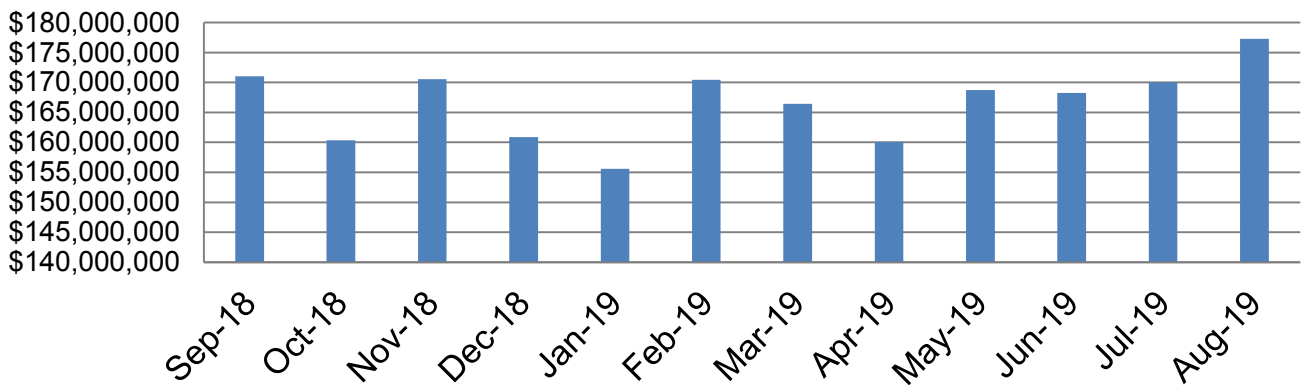
Graph 1



**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

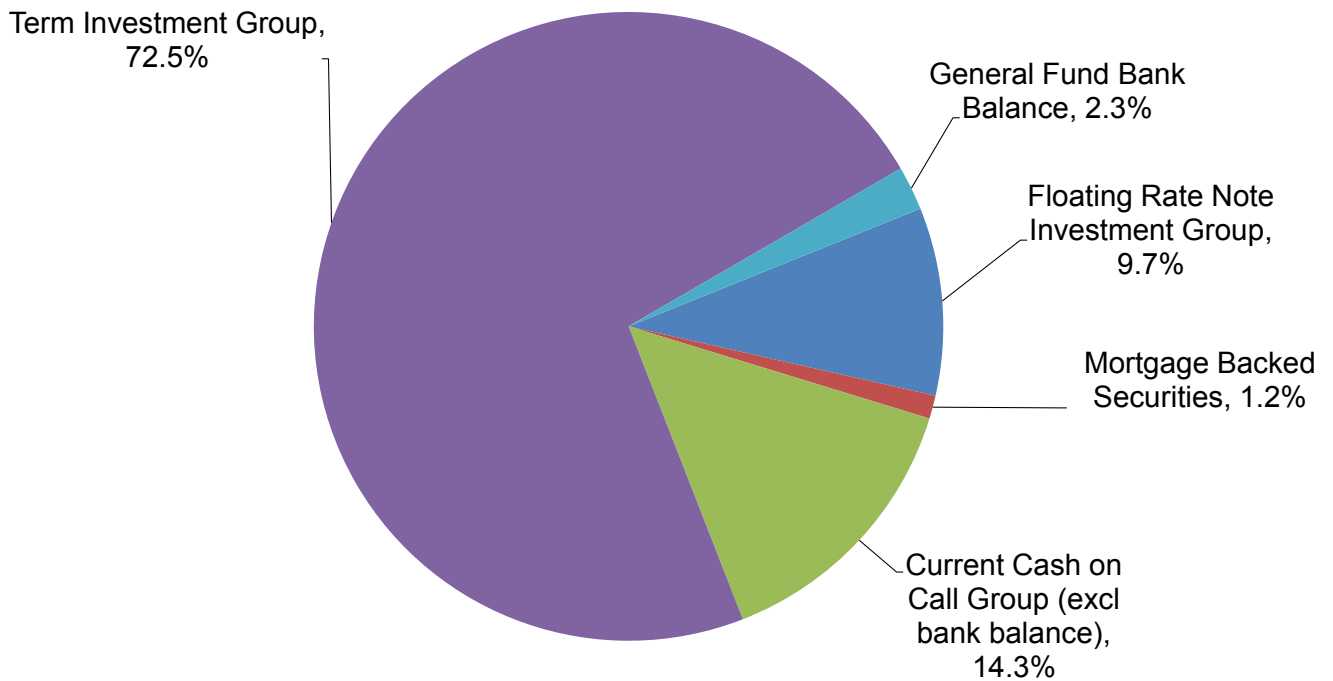
Table 1.1

Asset Group	Closing Value (Face Value) 31 July 2019 \$	Closing Value (Face Value) 31 August 2019 \$
Current Cash on Call Group (excl bank balance)	10,904,439	26,014,376
Term Deposit Group	137,500,000	131,600,000
Floating Rate Notes	18,500,000	17,500,000
Mortgage Backed Securities*	2,171,390	2,151,788
<b>Total Invested Funds</b>	<b>169,075,829</b>	<b>177,266,164</b>
General Fund Bank Balance	920,831	4,096,798
<b>Total Cash and Investments</b>	<b>169,996,660</b>	<b>181,362,962</b>

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

### AUGUST 2019 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



## Reconciliation of Invested Funds and Monthly Movement

Table 1.2

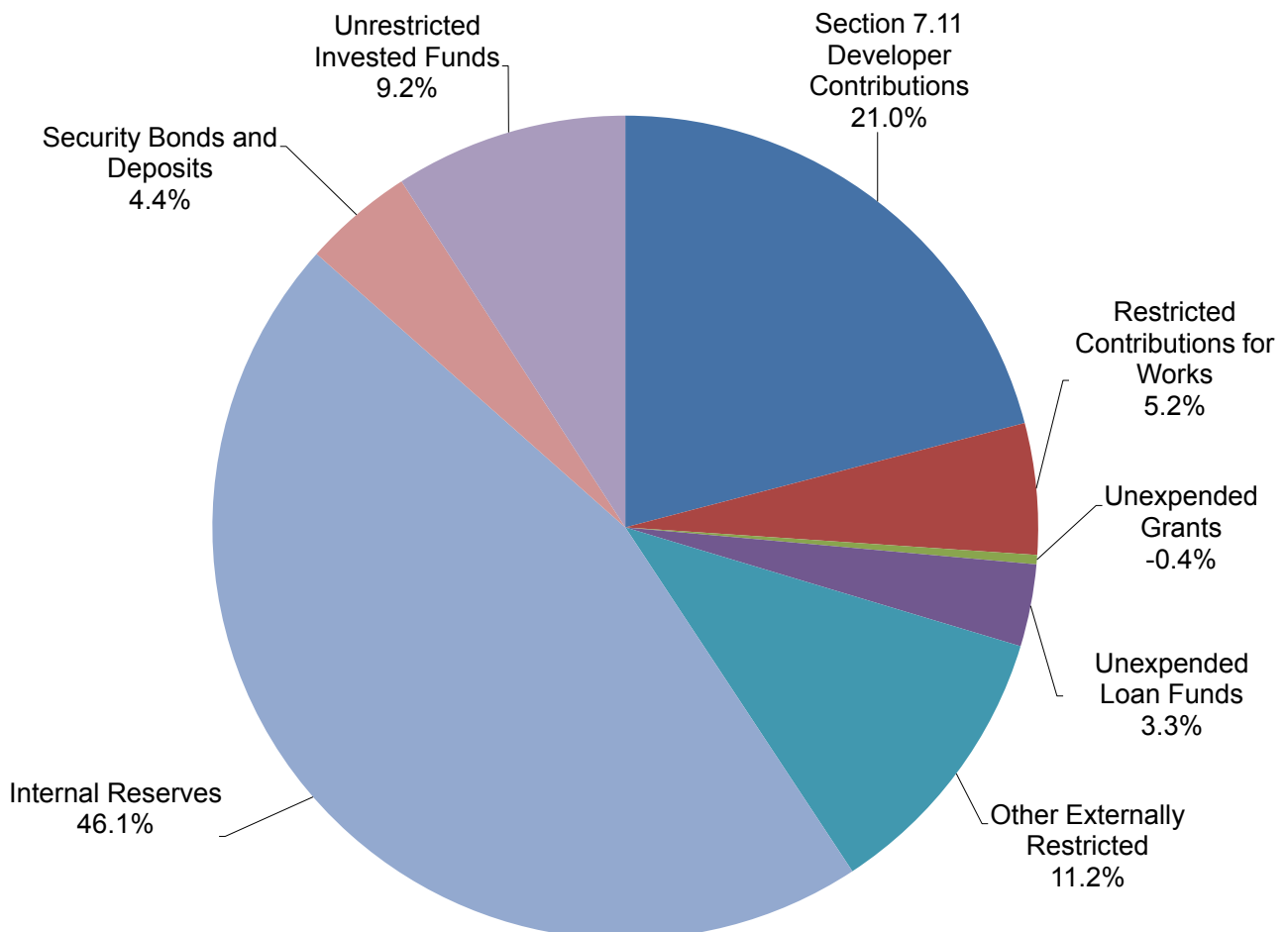
	Period Ending 31 July 2019 \$	Period Ending 31 August 2019 \$
Represented by:		
<b>Externally Restricted Assets</b>		
Section 7.11 Developer Contributions	37,413,724	38,221,456
Restricted Contributions for Works	9,373,547	9,403,788
Unexpended Grants*	-543,077	-667,707
Unexpended Loan Funds	5,899,208	5,899,208
Other Externally Restricted	20,233,840	20,222,247
<b>Total</b>	<b>72,377,242</b>	<b>73,078,992</b>
<b>Internal Reserves</b>	<b>83,729,572</b>	<b>83,729,572</b>
Security Bonds and Deposits (net)**	9,831,481	7,901,764
<b>Total</b>	<b>93,561,053</b>	<b>91,631,336</b>
Unrestricted Invested Funds	4,058,365	16,652,634
<b>Total Cash and Investments</b>	<b>169,996,660</b>	<b>181,362,962</b>

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

\*\*August figure net of \$12,681,223 Refundable bonds received less \$4,779,459 Refundable bonds payable by Council

### AUGUST 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

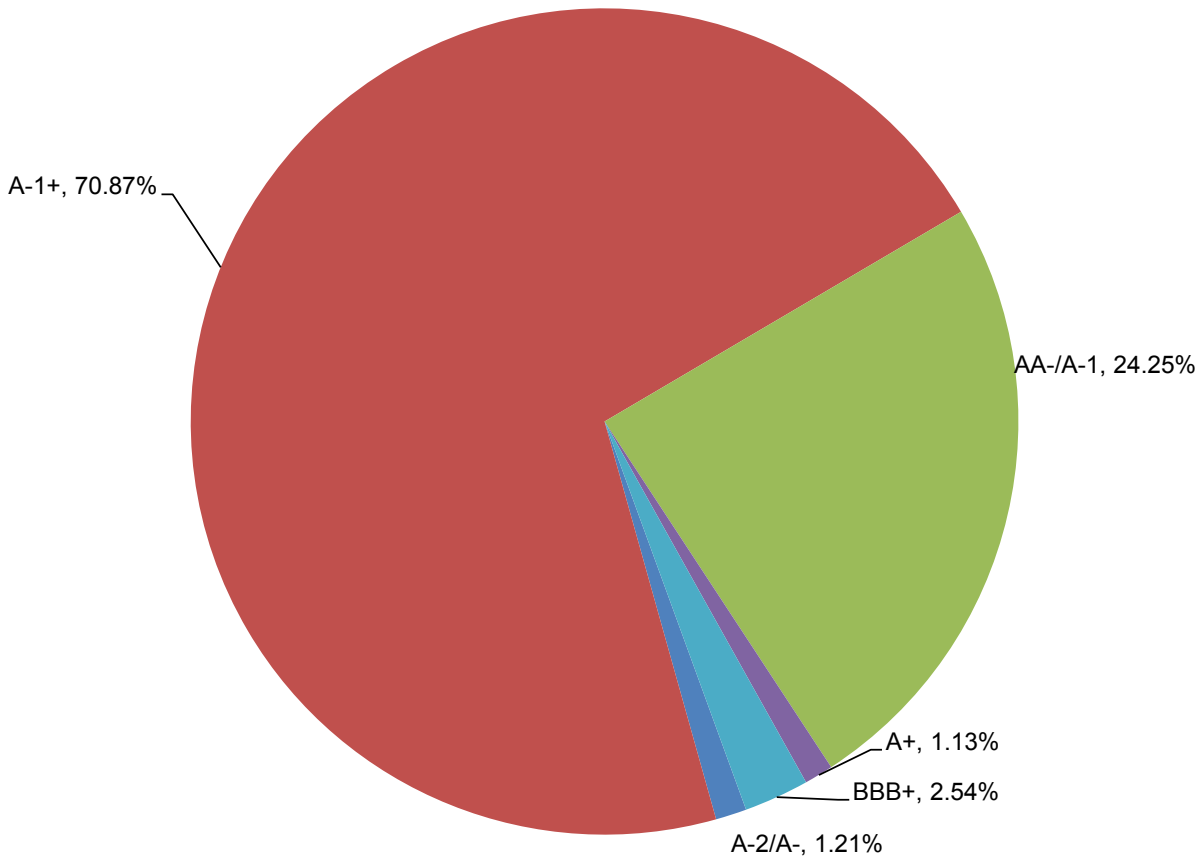
Credit Exposure	Bank/Financial Institution	\$ Utilised	% Portfolio	% Policy Maximum
Short Term				
A-1+	CBA, NAB, Bankwest, Westpac, TCorp	125,614,376	70.87%	100% (40% per institution)
A-1	Macquarie Bank, Suncorp Bank	32,000,000	18.05%	60% (25% per institution)
Long Term				
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	2.82%	100% (40% per institution)
A-	Mortgage Backed Securities (Barclays Capital)	2,151,788	1.21%	*0%
AA-	Floating Rate Note (CBA)	4,000,000	2.26%	100% (40% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.56%	100% (40% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.56%	100% (40% per institution)
A+	Floating Rate Note (Suncorp Metway)	2,000,000	1.13%	60% (25% per institution)
BBB+	Floating Rate Note (Bank of Queensland)	4,500,000	2.54%	20% (10% per institution)
	<b>Total Investment Portfolio</b>	<b>177,266,164</b>	<b>100%</b>	

\*Investments placed prior to current Ministerial Order

**AUGUST 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-	40,000,000	22.57%
Barclays Bank	A-1	A+	2,151,788	1.21%
National Australia Bank	A-1+	AA-	51,100,000	28.83%
ANZ	A-1+	AA-	1,000,000	0.56%
NSW TCorp	A-1+	AAA	22,214,376	12.53%
Westpac Banking Corporation	A-1+	AA-	22,300,000	12.58%
Macquarie Bank	A-1	A	8,000,000	4.51%
Bank of Queensland	A-2	BBB+	4,500,000	2.54%
Suncorp Metway	A-1	A+	26,000,000	14.67%
<b>Total Investment</b>			<b>177,266,164</b>	<b>100%</b>

**AUGUST 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.

