

Penrith City Council  
**Summary of Investments**  
**31 May 2021**

## Commentary

The Reserve Bank of Australia (RBA) met on 2 June 2021 and the Board decided to maintain the current cash rate at 0.10%. The cash rate remains at an all-time low, being the RBA's response to the volatile Australian economy, which resulted from the impact of the COVID-19 pandemic (the pandemic). The purpose of the low cash rate is to support the economy, through increased in consumer spending; continued the easing of monetary policy that will support the unemployment rate and provide greater confidence that inflation will be consistent with the medium-term target.

The pandemic has continued to have a severe effect on the global economy. It continued to restrict people's movements, inherently affecting the market supply chains. Countries around the world have closed their borders, restricting tourism, trade, and affecting the international flow of goods and services.

In Australia, we saw a drastic decline in trade within the industries of airline, tourism, retail, events & hospitality, universities; and health (forms of Australia's GDP). Many of the people working in these sectors have lost their jobs, causing an increase in the unemployment rate in Australia. Consequently, impacting consumer spending negatively.

The recent 2021/22 Federal Budget delivered strategies that aim to drive the Australian Economy to recovery from recession. To stimulate the domestic economy and improve the unemployment rate, the budget focuses on the following strategies:

- Personal income tax cuts,
- Business Tax Incentives,
- New apprenticeships and training places,
- More infrastructure; and
- Record funding for schools, hospitals, aged care, mental health and the NDIS.

Australia's Long-term government bond yields have further declined and are at record lows, consistent with several countries. 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.

The inflation rate at the first quarter of this year (January 2021-March 2021), being the most recent quarterly result, has increased to 1.1%, from 0.9% in the previous period - in both headline and underlying terms. The April-2021 unemployment rate (being the latest result) is 5.5%, a 0.1% decrease from the previous period's outcome. The number of unemployed declined by 33,600 to 756,200 - a continued improvement in the unemployment rate in Australia. It is to note, as at writing and completion of this report; both, inflation and unemployment rates for May 2021 period have not been released.

The Council's portfolio has continued to outperform the 90 Day Bank Bill Swap Rate (BBSW) benchmark during reportable month of May 2021. Investments will continue to be monitored closely, to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark and annual budget as a percentage for May 2021 are:

Council portfolio current yield (including FRNs)	0.64%
90-day Bank Bill Swap Rate (Benchmark)	0.04%
Enhanced 90-day Bank Bill Swap Rate (Benchmark – BBSW + 45bps)	0.49%
Original budget estimated return	1.15%

Penrith City Council  
Historical Investment Performance

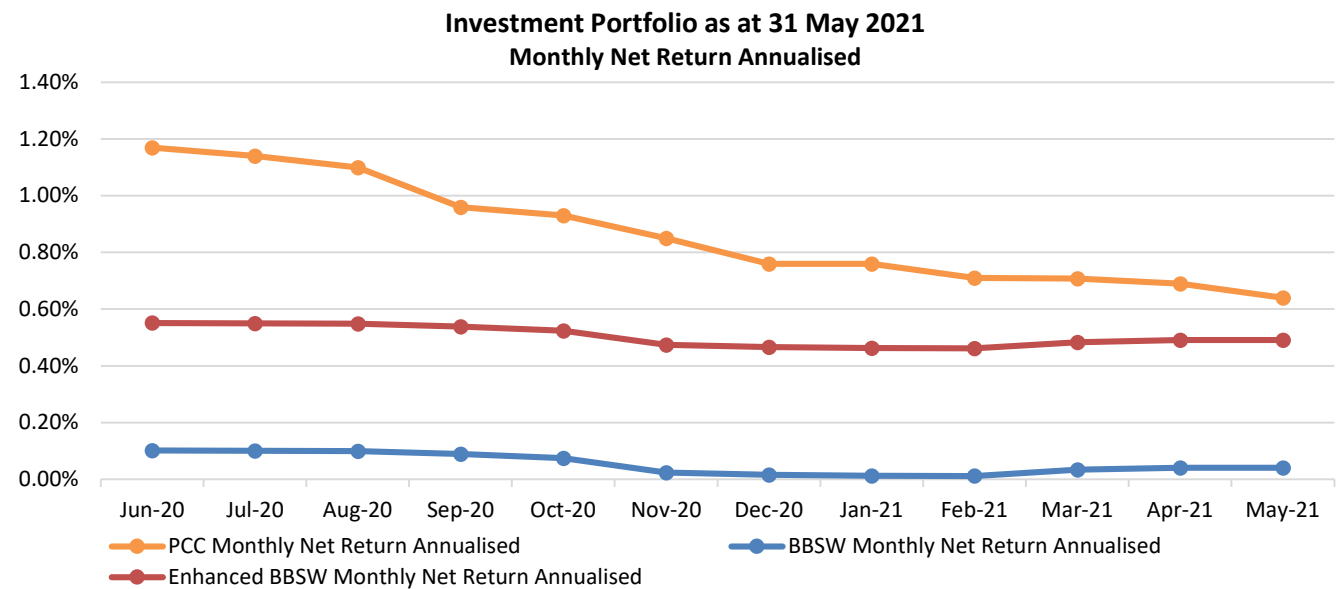
Table 1

	Actual Portfolio	Benchmark (BBSW)	Enhanced Benchmark (BBSW+45bps)
Current Portfolio Yield (including FRNs)	0.64%	0.04%	0.49%
Past 12 Month Portfolio Performance	0.87%	0.05%	0.49%
Portfolio Return for the Period	0.05%	0.00%	0.04%

**Portfolio Yield (Actual Versus Benchmark)**

The annual weighted average income return on investments, to 31 May 2021, was 0.872%. This graph tracks performance over time and shows that the yield was between 0.64% and 1.17% for the past year - still above the BBSW and Enhanced Benchmark, over the same period and economic climate. Weighted yield has continued to drop due to current term deposits invested at lower rates - between 0.25% and 1.64%.

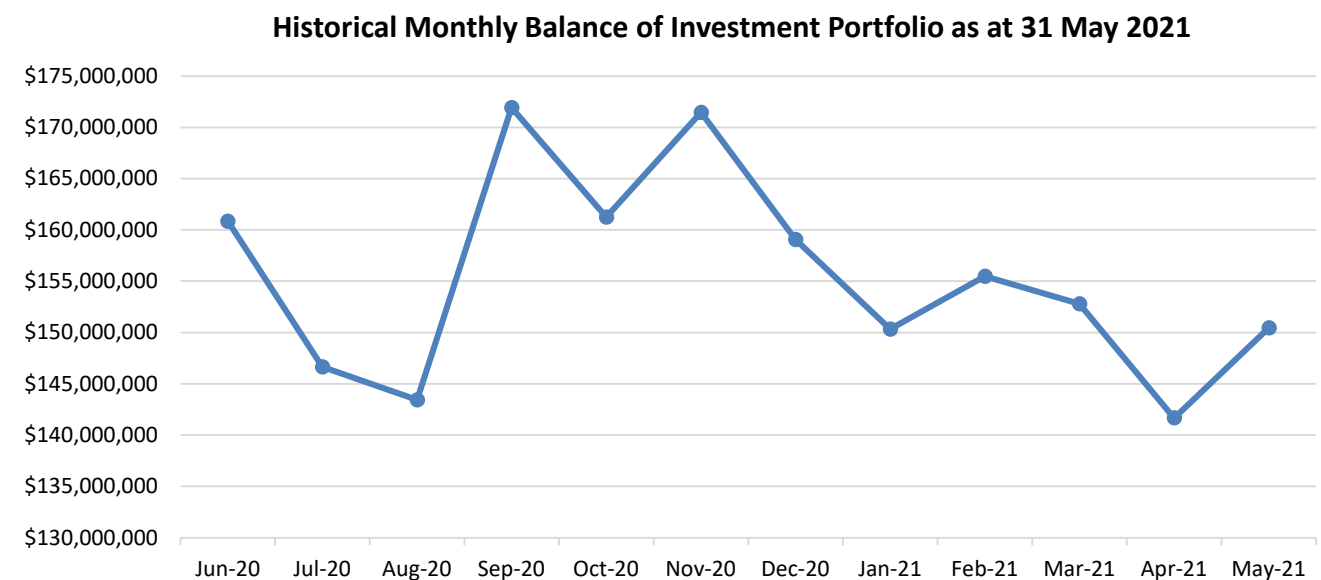
Graph 1



**Annual Portfolio (Actual)**

The graph below illustrates the annual trend of the Council’s monthly Investment Portfolio balances.

Graph 1.1



## Investment Summary by Asset Group and Monthly Movement

Table 1.1

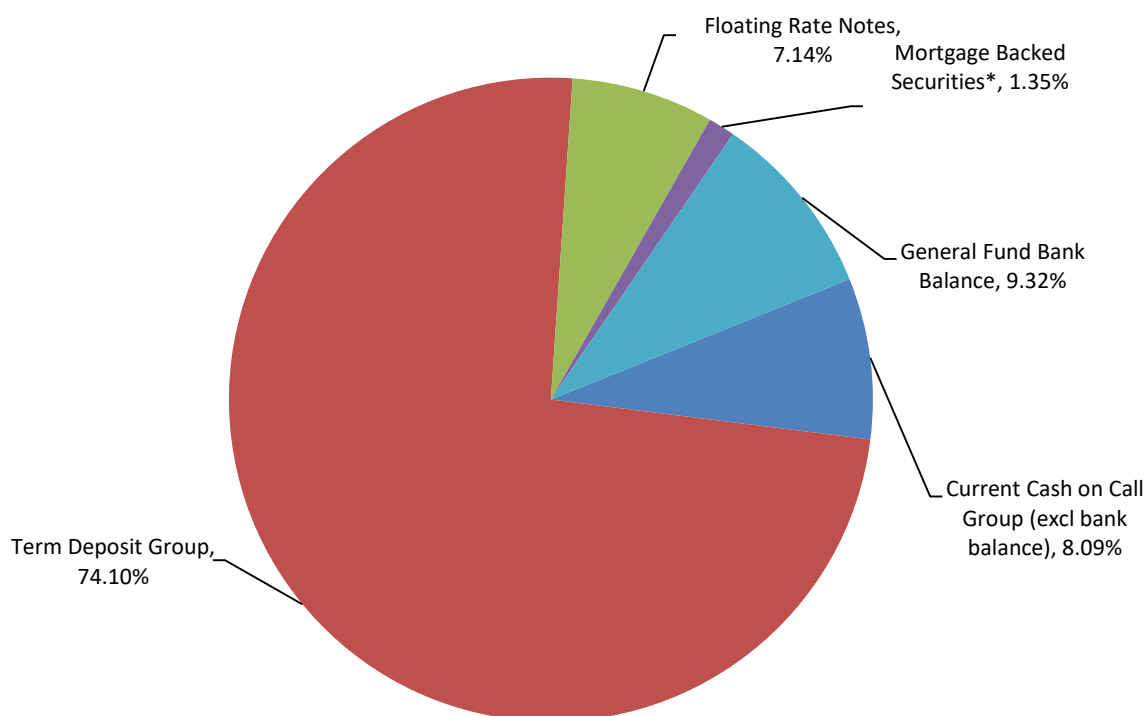
Asset Group	Closing Value (Face Value) 30 April 2021		Closing Value (Face Value) 31 May 2021	
	\$	%	\$	%
Current Cash on Call Group (excl General Fund balance)	7,675,764	5.42%	12,176,402	8.09%
Term Deposit Group	118,000,000	83.28%	111,500,000	74.10%
Floating Rate Notes	11,750,000	8.29%	10,750,000	7.14%
Mortgage Backed Securities*	2,033,042	1.44%	2,033,042	1.35%
<b>Sub-Total</b>	<b>139,458,806</b>		<b>136,459,444</b>	
General Fund Bank Balance	2,227,945	1.57%	14,004,841	9.32%
<b>Total</b>	<b>141,686,751</b>	<b>100%</b>	<b>150,464,285</b>	<b>100%</b>

\* MBS Purchased in 2006/2007 prior to the current Ministerial Investment Order. This product is being 'Grandfathered' – i.e., the Council will continue to actively manage these investments within the portfolio. However, the Council is not permitted to place further funds in this bank, due to its credit rating.

### May 2021 Investments % Allocation by Asset Groups

The graph below illustrates the dissection of the Council's Portfolio per investment products or categories.

Graph 1.2



Penrith City Council  
**Reconciliation of Invested Funds and Monthly Movement**

Table 1.2

	Period Ending 30 April 2021 \$	Period Ending 31 May 2021 \$
Represented by:		
<b>Externally Restricted Assets</b>		
Section 7.11 Developer Contributions	45,056,638	45,242,438
Restricted Contributions for Works	7,337,709	4,943,222
Unexpended Grants*	7,083,362	7,477,712
Other Externally Restricted	21,232,444	21,611,673
<b>Total</b>	<b>80,710,153</b>	<b>79,275,045</b>
<b>Internally Restricted Assets - Funding of Operations</b>		
Internal Reserves	50,627,990	48,949,754
Security Bonds and Deposits (net)**	10,343,636	10,815,470
<b>Total</b>	<b>60,971,625</b>	<b>59,765,225</b>
<b>Restricted Assets Utilised in Operations</b>		
Unrestricted Invested Funds	4,973	11,424,016
<b>Total Cash and Investments</b>	<b>141,686,751</b>	<b>150,464,285</b>

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

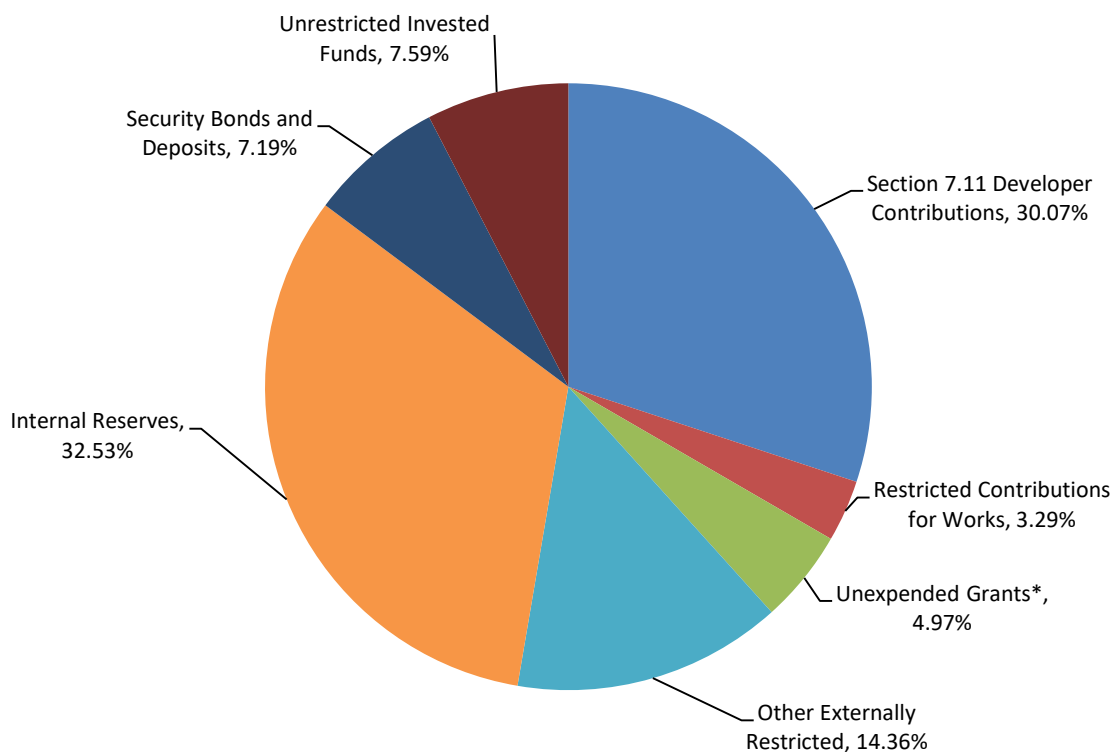
\*\*May 2021 figure net of \$15,811,974 Refundable bonds received less \$4,996,503 Refundable bonds payable by the Council.

**NOTE:** The above figures have been prepared under cash basis accounting.

**May 2021 Investments % Allocation by Cash Reserve Type**

This graph demonstrates the allocation of the Council's cash reserves.

Graph 1.3



## Investment Summary

(Graphed to reflect fund ratings as % of portfolio)

Table 1.3

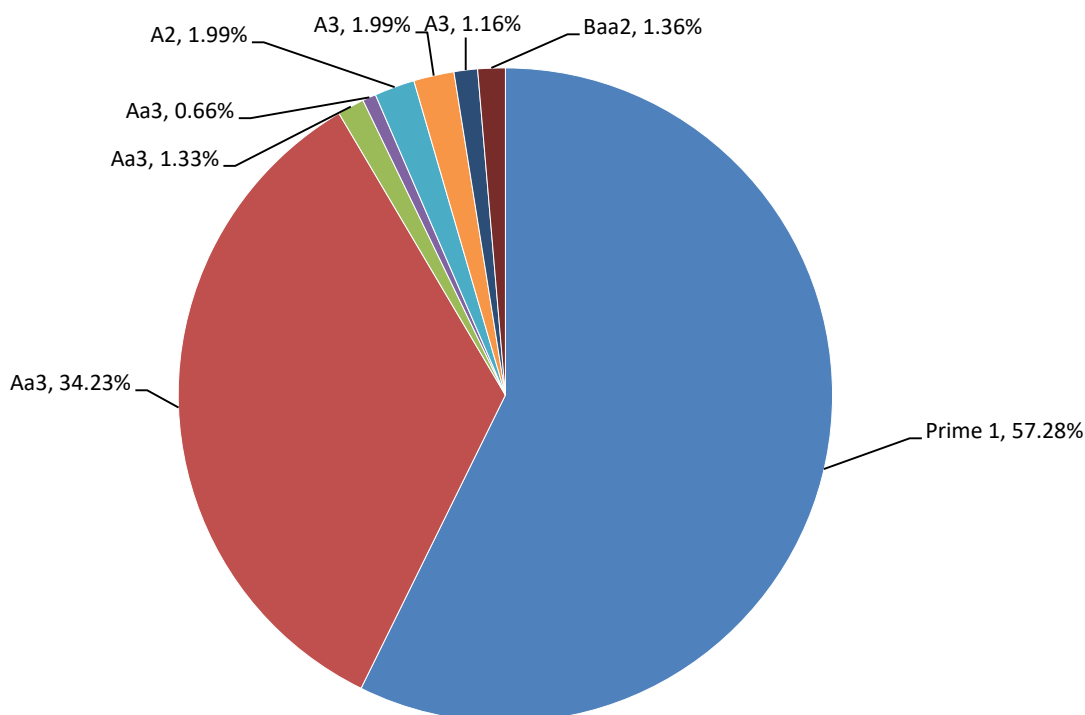
Credit Rating (per Moody's)	Bank/Financial Institution	Utilised \$	Portfolio %	Policy Maximum %
<b>Short Term</b>				
Prime 1	CBA, NAB, Bankwest, Westpac, TCorp	69,181,243	45.98%	100% (40% per institution)
Prime 1	Macquarie Bank, Suncorp Bank	7,000,000	4.65%	100% (40% per institution)
Prime 2	AMP Bank	10,000,000	6.65%	40% (20% per institution)
<b>Sub-Total</b>		<b>86,181,243</b>	<b>57.28%</b>	
<b>Long Term</b>				
Aa3	Term Deposit - Long Term (WBC)	51,500,000	34.23%	100% (40% per institution)
Aa3	Floating Rate Note (CBA)	2,000,000	1.33%	100% (40% per institution)
Aa3	Floating Rate Note (ANZ)	1,000,000	0.66%	100% (40% per institution)
A2	Floating Rate Note (Macquarie Bank)	3,000,000	1.99%	40% (20% per institution)
A3	Floating Rate Note (Bendigo & Adelaide Bank)	3,000,000	1.99%	20% (10% per institution)
A3	Floating Rate Note (Bank of Queensland)	1,750,000	1.16%	20% (10% per institution)
Baa2	Mortgage Backed Securities (Barclays Capital) *	2,033,042	1.36%	Grandfathered
<b>Total Portfolio</b>		<b>150,464,285</b>	<b>100.00%</b>	

\*Investments placed prior to current Ministerial Order. This product is being 'Grandfathered' – i.e., the Council will continue to actively manage these investments within the portfolio. However, the Council is not permitted to place further funds in this bank, due to its credit rating.

### May 2021 Investments % Allocation by Moody's Fund Rating

Reflects Moody's fund ratings as percentage (%) of the portfolio, to show compliance with the Council's Investment Policy objectives of minimising risk.

Graph 1.4



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 (%)
TCorp	Prime 1	Aaa	7,499,257	4.98%
ANZ	Prime 1	Aa3	1,000,000	0.66%
Commonwealth Bank of Australia*	Prime 1	Aa3	68,181,986	45.31%
National Australia Bank	Prime 1	Aa3	17,500,000	11.63%
Westpac Banking Corporation	Prime 1	Aa3	29,500,000	19.61%
Barclays Bank	Prime 2	Baa2	2,033,042	1.35%
Macquarie Bank	Prime 1	A2	10,000,000	6.65%
Bendigo and Adelaide Bank	Prime 2	A3	3,000,000	1.99%
Bank of Queensland	Prime 2	A3	1,750,000	1.17%
AMP Bank	Prime 1	A2	10,000,000	6.65%
<b>Total Investment</b>			<b>150,464,285</b>	<b>100.00%</b>

\* Councils Investment Policy requires a maximum threshold of 40% with a single institution. Council held 45.31% with the Commonwealth Bank of Australia's (CBA) as at 31 May 2021. This was mainly due to two large transactions occurring in Council's General Bank account - quarterly rates income received on due date and the \$5M payment of a property purchase anticipated to have occurred on the 31 May 2021, which was then delayed. The breach was rectified on 1 June 2021 by investing the surplus funds in a different Big4 bank, bringing CBA's threshold back to compliant as required by the Investment Policy.

**May 2021 Investment % Allocation by Financial Institutions (per Moody's Credit Ratings)**

Reflects the spread of investments amongst various Financial Institutions to show portfolio diversification in accordance with the Council's Policy of risk aversion.

Graph 1.5

