

Penrith City Council
Summary of Investments
January 2018

Commentary

The Reserve Bank of Australia (RBA) met on 7 February 2018 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. The current CPI inflation rate remains low, below the target rate of 2-3%. The inflation rate is expected to gradually increase over the next couple of years due to the higher commodity prices and tighter labour markets. The unemployment rate has decreased, although the wage rate remains low.

The Australian Dollar has increased slightly from around US\$0.78 in December to US\$0.81 in January. The Australian Dollar is currently being driven by the fall in the US dollar which was at a three year low against several currencies. This higher exchange rate is expected to continue to subdue price pressures in the economy.

Council's portfolio once again outperformed its benchmark during January. It continues to be monitored closely to ensure returns are maximised as opportunities become available.

The investment returns versus the benchmark for January are:

Council portfolio current yield (including FRNs)	2.50 %
90 day Bank Bill Swap rate (Benchmark)	1.79 %

Penrith City Council
Historical Investment Performance

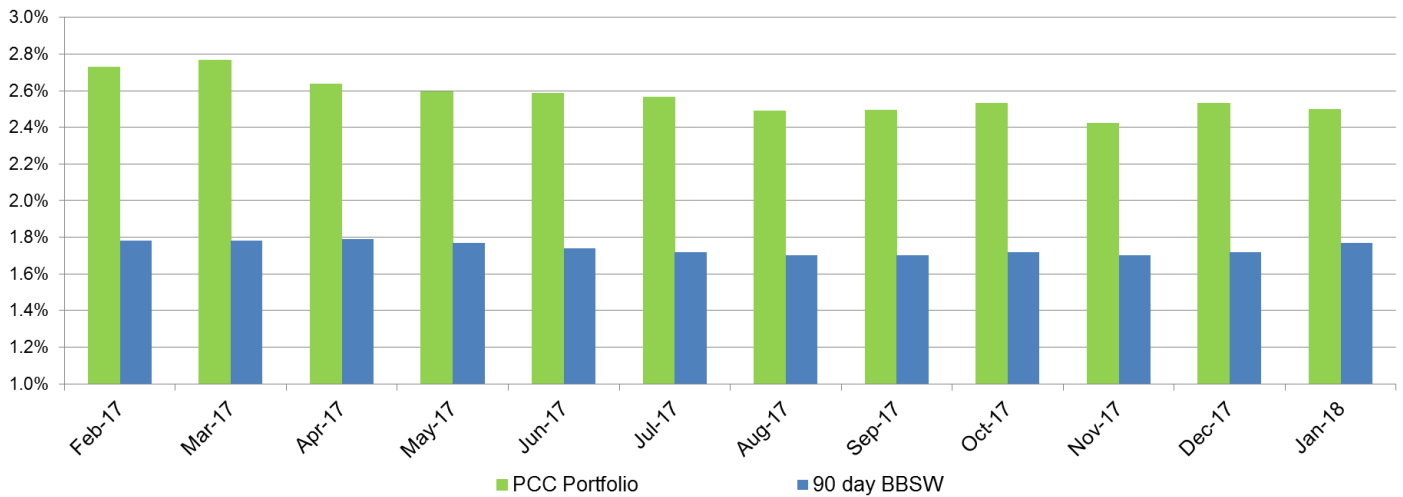
Table 1

	Actual Portfolio	Benchmark (BBSW)
Current portfolio yield (including FRNs)	2.50%	1.79%
Past 12 month portfolio performance	2.57%	1.74%
Portfolio return for the period	0.21%	0.15%

Portfolio Yield (Actual Versus Benchmark)

The weighted average income return on investments for the 12 months to January 2018. This graph tracks performance over time and shows that yield has remained between 2.42% and 2.76% for the past year, well above the BBSW over the same period.

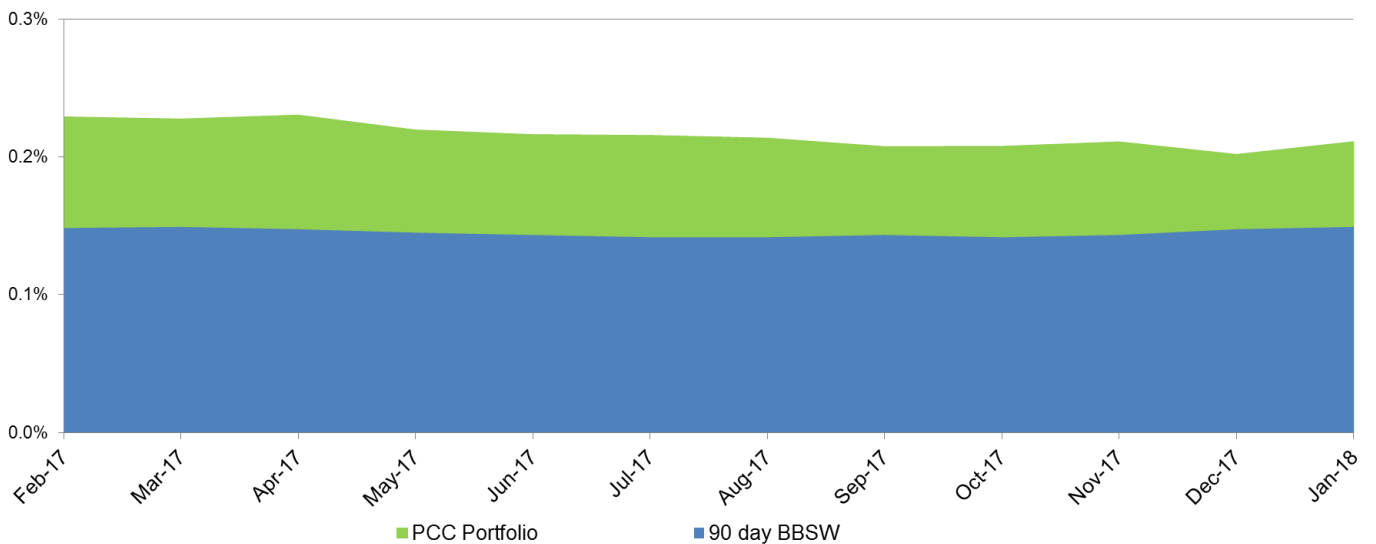
Graph 1



Portfolio return for the Period (Actual Versus Benchmark)

The return for the period shows the current month's yield, together with the historic monthly yield for comparison purposes. The BBSW has increased slightly in December to 1.77% and again in January to 1.79%.

Graph 1.1



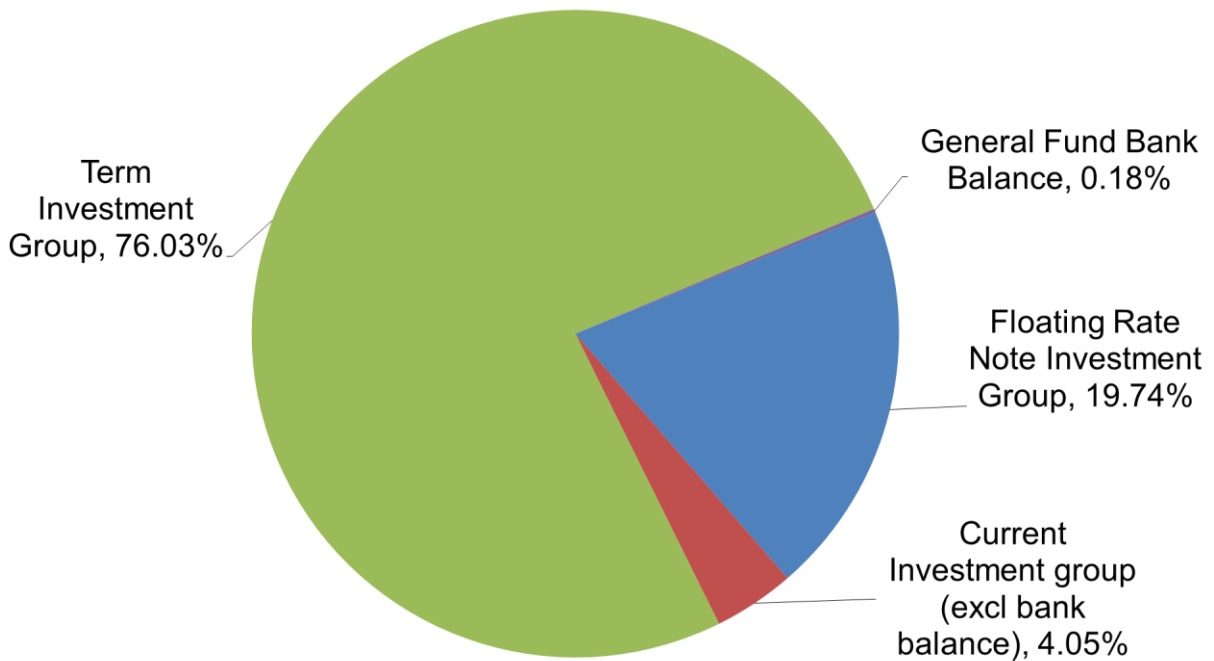
Investment Summary by Asset Group and monthly movement

Table 1.1

Asset Group	Closing Value (Face Value) 31 December 2017	Closing Value (Face Value) 31 January 2018
Floating Rate Notes	\$27,259,791	\$27,259,791
Current cash on call group (excl bank balance)	\$1,800,000	\$5,600,000
Term Deposit Group	\$117,500,000	\$105,000,000
	\$146,559,791	\$137,859,791
General Fund Bank Balance	\$2,659,349	\$254,311
Total	\$149,219,140	\$138,114,122

JANUARY 2018 INVESTMENTS % ALLOCATION BY ASSET GROUP

Graph 1.2



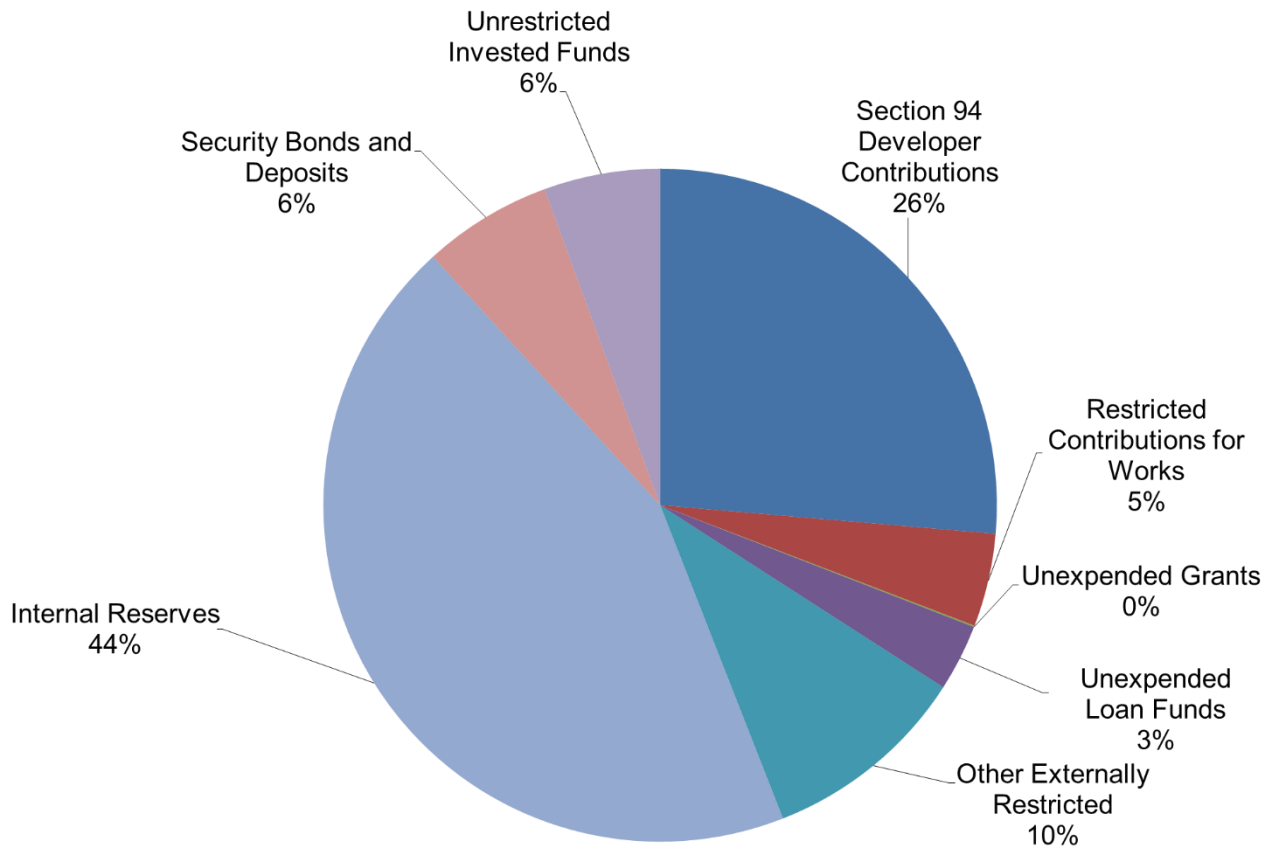
Reconciliation of Invested Funds and monthly movement

Table 1.2

	Period ending 31 December 2017 \$	Period ending 31 January 2018 \$
Represented by:		
Externally Restricted Assets		
Section 94 Developer Contributions	36,285,448	36,402,203
Restricted Contributions for Works	6,557,044	6,178,322
Unexpended Grants	138,616	91,219
Unexpended Loan Funds	4,784,035	4,428,721
Other Externally Restricted	13,595,795	13,747,830
Total	61,360,938	60,848,295
Internally Restricted Assets for Funding of Operations		
Sinking Funds	-	-
Internal Reserves	59,632,127	60,993,600
Security Bonds and Deposits	8,536,771	8,571,964
Total	68,168,988	69,565,564
Restricted Assets Utilised in Operations		
Unrestricted Invested Funds	19,689,304	7,700,263
Total Invested Funds	149,219,140	138,114,122

JANUARY 2018 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

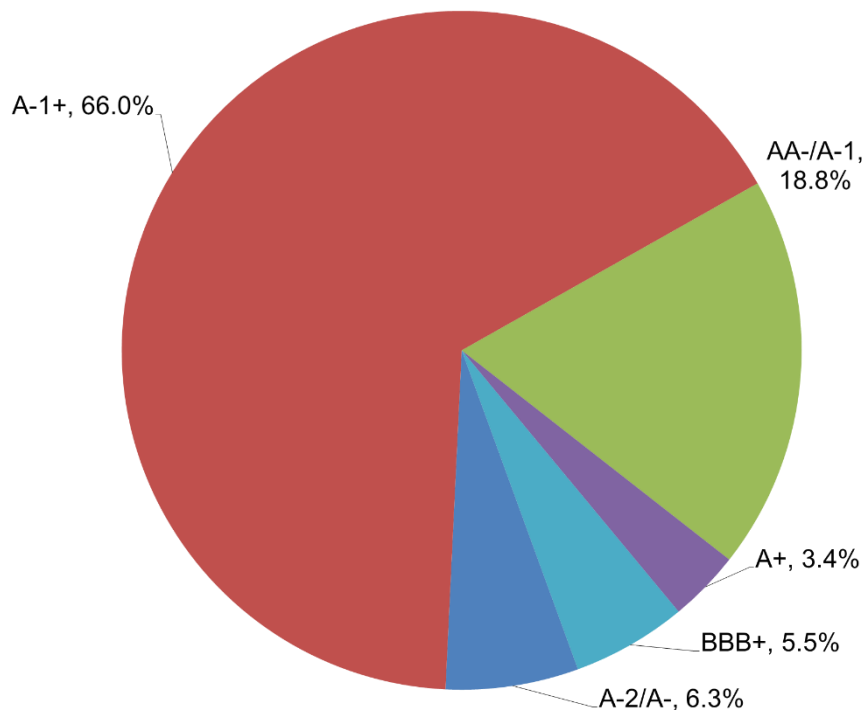
Credit Exposure	Bank/Financial Institution	Utilised \$	% Portfolio	% Policy Maximum
A-1+	CBA, NAB, BankWest, Westpac, TCorp	96,800,000	66.05%	100% (25% per institution)
A-1	Macquarie Bank, Suncorp Bank	13,000,000	8.87%	100% (20% per institution)
A-2	Bendigo & Adelaide Bank	7,000,000	4.78%	100% (20% per institution)
Long Term				
A-	Floating Rate Note (Barclays Capital)	1,259,791	0.86%	100% (20% per institution)
AA-	Deposit Plus Flexible Security (CBA)	5,000,000	3.41%	100% (25% per institution)
AA-	Fixed rate note (Westpac)	2,500,000	1.71%	100% (25% per institution)
A-	Floating Rate Note (Barclays Capital)	1,000,000	0.68%	100% (20% per institution)
AA-	Floating Rate Note (CBA)	5,000,000	3.41%	100% (25% per institution)
AA-	Floating Rate Note (ANZ)	1,000,000	0.68%	100% (25% per institution)
AA-	Floating Rate Bonds (NAB)	1,000,000	0.68%	100% (25% per institution)
A+	Floating Rate Note (Suncorp Metway)	5,000,000	3.41%	100% (20% per institution)
BBB+	Floating Rate Note (Bank of Queensland) *	4,500,000	3.07%	100% (20% per institution)
BBB+	Floating Rate Note (Bendigo & Adelaide Bank) *	3,500,000	2.39%	100% (20% per institution)
Total Portfolio		146,559,791	100%	

*Downgraded to BBB+ Long term after investments placed

JANUARY 2018 INVESTMENTS % ALLOCATION BY S&P FUND RATING

Graph 1.4

Reflects S & P 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
BankWest	A-1+	AA-	29,500,000
Barclays Bank	A-1	A+	2,259,791
Bendigo & Adelaide Bank *	A-2	BBB+	10,500,000
National Australia Bank	A-1+	AA-	27,000,000
ANZ	A-1+	AA-	1,000,000
NSW TCorp	A-1+	AAA	1,000,000
Westpac Banking Corporation	A-1+	AA-	34,500,000
Commonwealth Bank of Australia	A-1+	AA-	18,300,000
Macquarie Bank	A-1	A	1,000,000
Bank of Queensland *	A-2	BBB+	4,500,000
Suncorp Metway	A-1	A+	17,000,000
Total Investment			146,559,791

*Downgraded to BBB+ Long term after investments placed

JANUARY 2018 INVESTMENTS % ALLOCATION BY S&P FINANCIAL INSTITUTIONS

Graph 1.5

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

