

Penrith City Council  
**Summary of Investments**  
**30 November 2021**

## Commentary

The Reserve Bank of Australia (RBA) met on 07 December 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 by lowering the borrowing cost aimed to increase consumer spending. Furthermore, the continued easing of monetary policy seeks to continually support the improving unemployment rate and provide greater confidence that inflation will be consistent with the medium-term target.

The Australian Economy has been showing signs of recovery as the vaccination rate continues to increase; therefore, allowing businesses to trade, people to move around and travel as borders between States begin to open. Bank Bill Swap Rates (BBSW) have shown continued improvements in November 2021, resulting in higher term deposit rates being offered in the market. Despite the result, however, the RBA projects the cash rate will remain at the current level until 2024.

The 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.

The impact that the recent NSW lockdown for Greater Sydney will have on the local and national economies is still being assessed, however a number of financial support programs have been announced by the NSW and Federal Government as they look to soften the likely impacts.

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 third quarter of this year (July 2021-September 2021), being the most recent quarterly result, has decreased to 3.0%, from 3.8% in the previous period - in both headline and underlying terms. The Oct-2021 unemployment rate (being the latest result) is 5.2%, a 0.6% increase from the previous period's outcome. The number of unemployed rose by 81,800 to 707,300. As at writing and completion of this report, both inflation and unemployment rates for November 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 November 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 November 2021 are:

Council portfolio current yield (including FRNs)	0.56%
90-day Bank Bill Swap Rate (Benchmark)	0.05%
Enhanced 90-day Bank Bill Swap Rate (Benchmark – BBSW + 20bps)	0.25%
Original budget estimated return (2021/22 Financial Year)	0.45%

Penrith City Council  
Historical Investment Performance

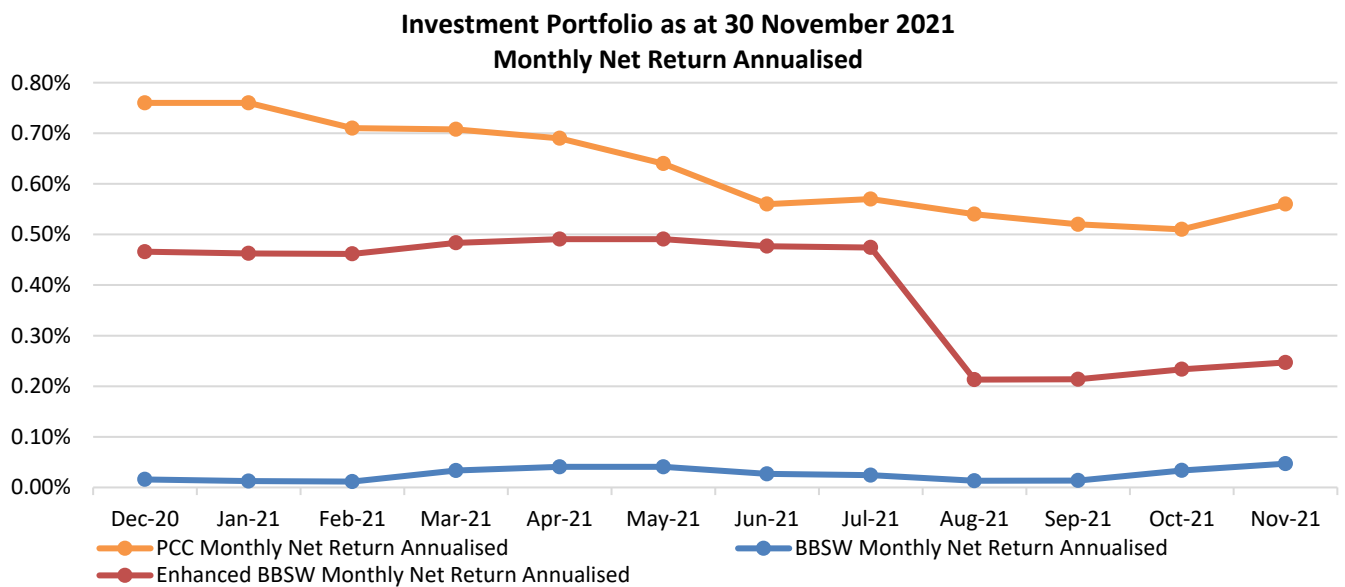
Table 1

	Actual Portfolio	Benchmark (BBSW)	Enhanced Benchmark (BBSW+20bps)
Current Portfolio Yield (including FRNs)	0.56%	0.05%	0.25%
Past 12 Month Portfolio Performance	0.63%	0.03%	0.38%
Portfolio Return for the Period	0.05%	0.004%	0.02%

**Portfolio Yield (Actual Versus Benchmark)**

The annual weighted average income return on investments, to 30 November 2021, was 0.63%. This graph tracks performance over time and shows that the yield was between 0.56% and 0.76% for the past year - still above the BBSW and Enhanced Benchmark, over the same period and economic climate. As at 9 August 2021 Policy Review Committee, the 'Enhanced Benchmark' has been reduced to 20 basis points (bps) from 45bps – post review of the current market spread offerings. Weighted yield has continued to drop due to current term deposits invested at lower rates - between 0.29% and 1.22%.

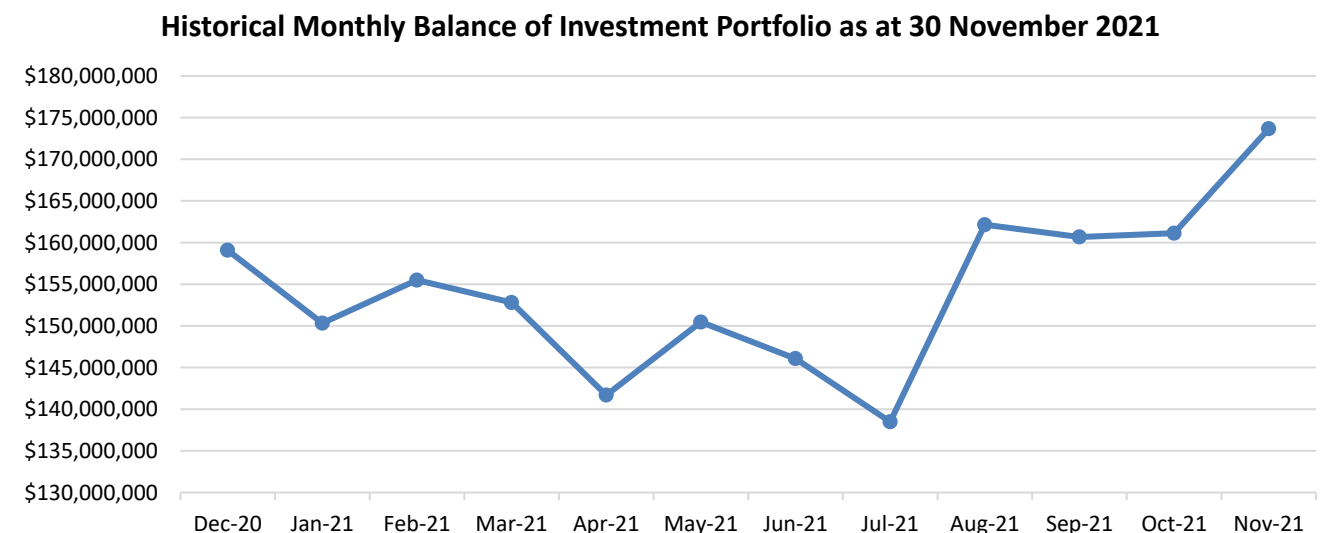
Graph 1



**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

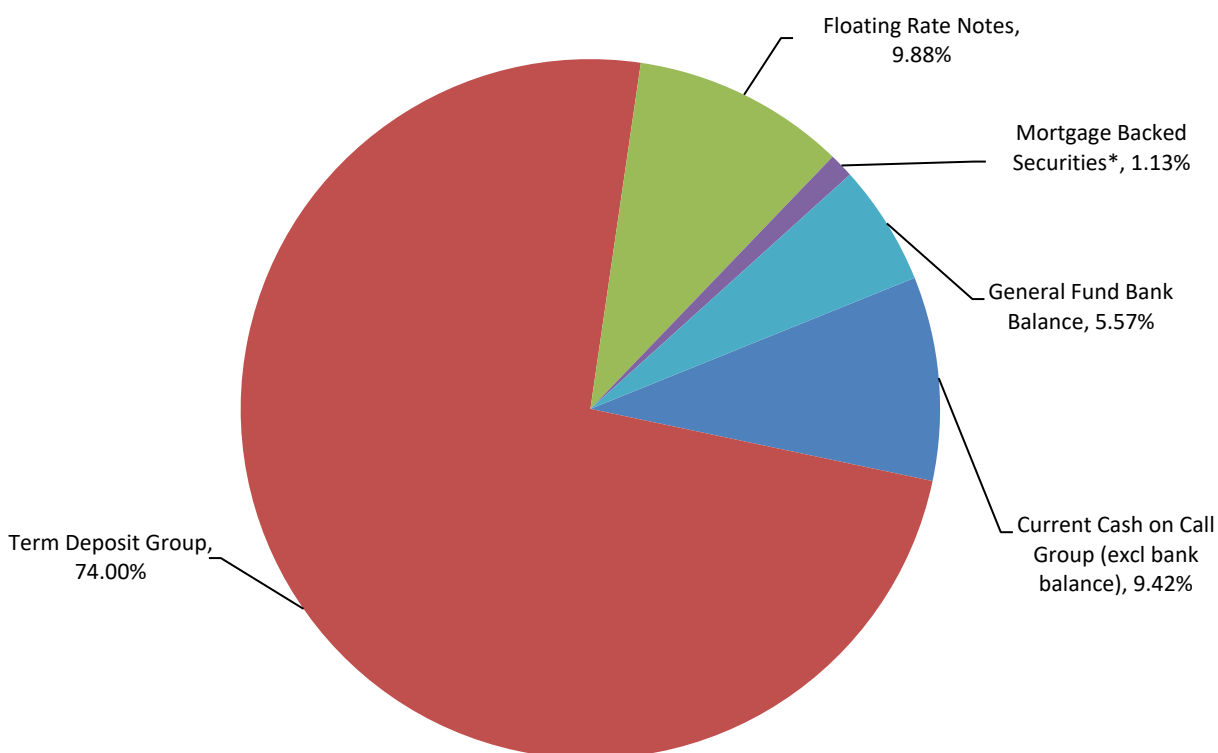
Asset Group	Closing Value (Face Value) 31 October 2021		Closing Value (Face Value) 30 November 2021	
	\$	%	\$	%
	Current Cash on Call Group (excl General Fund balance)	13,857,145	8.60%	16,359,559
Term Deposit Group	125,500,000	77.89%	128,500,000	74.00%
Floating Rate Notes	17,150,000	10.64%	17,150,000	9.88%
Mortgage Backed Securities*	2,001,942	1.24%	1,970,903	1.13%
<b>Sub-Total</b>	<b>158,509,087</b>		<b>163,980,462</b>	
General Fund Bank Balance	2,618,541	1.63%	9,678,221	5.57%
<b>Total</b>	<b>161,127,628</b>	<b>100%</b>	<b>173,658,683</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.

### November 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 31 October 2021 \$	Period Ending 30 November 2021 \$
Represented by:		
<b>Externally Restricted Assets</b>		
Section 7.11 Developer Contributions	47,567,826	47,934,617
Restricted Contributions for Works	4,561,707	3,420,574
Unexpended Grants*	13,124,799	11,968,506
Other Externally Restricted	19,118,139	18,984,107
<b>Total</b>	<b>84,372,471</b>	<b>82,307,804</b>
<b>Internally Restricted Assets - Funding of Operations</b>		
Internal Reserves	46,554,750	44,345,621
Security Bonds and Deposits	15,953,434	16,147,183
<b>Total</b>	<b>62,508,184</b>	<b>60,492,804</b>
<b>Restricted Assets Utilised in Operations</b>		
Unrestricted Invested Funds	14,246,973	30,858,075
<b>Total Cash and Investments</b>	<b>161,127,628</b>	<b>173,658,683</b>

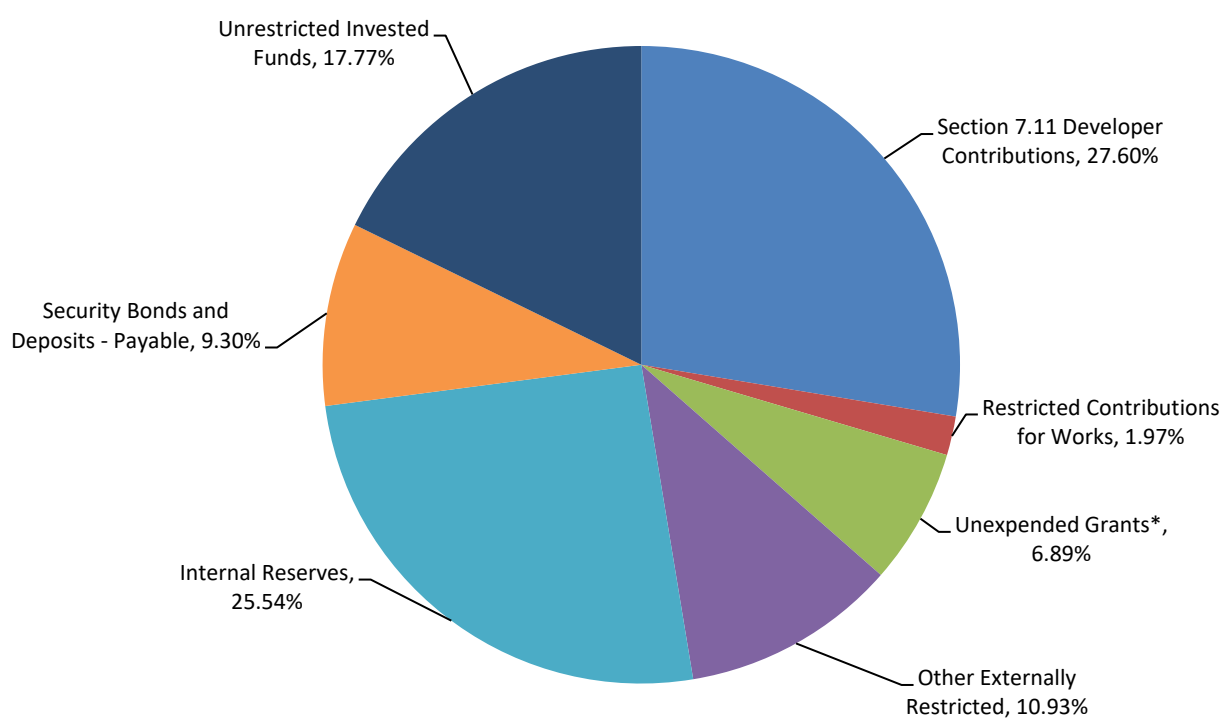
\*Balance may be in deficit when funds are spent in advance of grant payment date to the Council.

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

**November 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

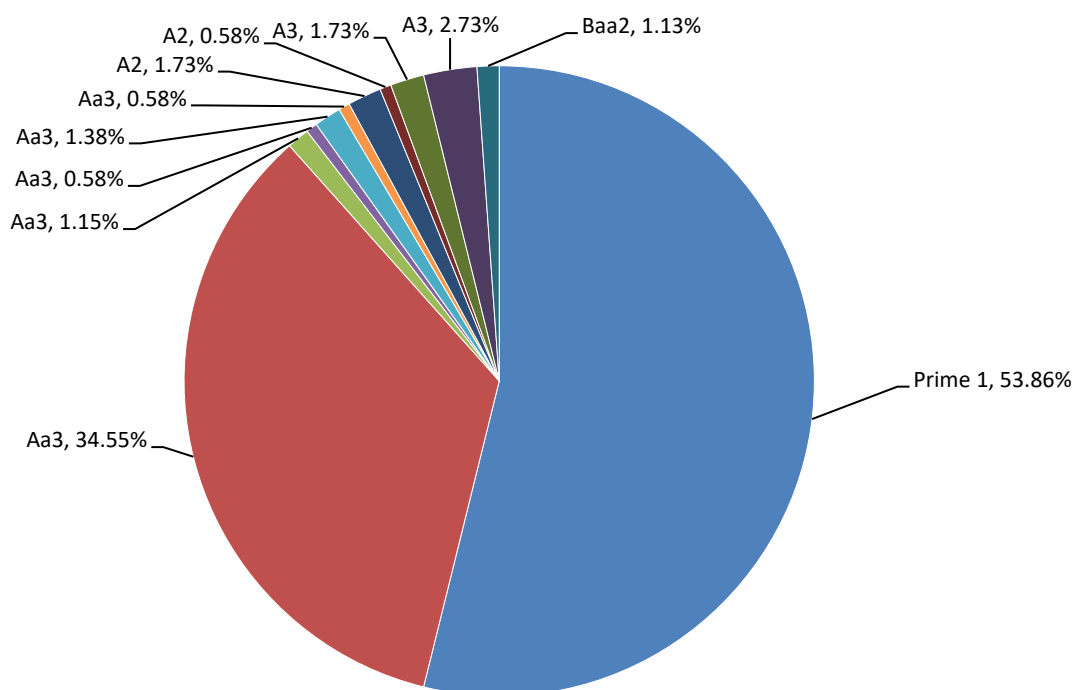
		30 November 2021		
Credit Rating (per Moody's)	Bank/Financial Institution -	Utilised \$	Portfolio %	Policy Maximum %
<b>Short Term</b>				
Prime 1	CBA, NAB, Bankwest, Westpac, TCorp	75,537,779	43.50%	100% (40% per institution)
Prime 1	Macquarie Bank	13,000,000	7.48%	100% (40% per institution)
Prime 2	AMP Bank	5,000,000	2.88%	40% (20% per institution)
<b>Sub-Total</b>		<b>93,537,779</b>	<b>53.86%</b>	
<b>Long Term</b>				
Aa3	Term Deposit - Long Term (CBA,WBC & NAB)	60,000,000	34.55%	100% (40% per institution)
Aa3	Floating Rate Note (CBA)	2,000,000	1.15%	100% (40% per institution)
Aa3	Floating Rate Note (ANZ)	1,000,000	0.58%	100% (40% per institution)
Aa3	Floating Rate Note (NAB)	2,400,000	1.38%	100% (40% per institution)
Aa3	Floating Rate Note (ING)	1,000,000	0.58%	100% (40% per institution)
A2	Floating Rate Note (Macquarie Bank)	3,000,000	1.73%	40% (20% per institution)
A2	Term Deposit - Long Term (Macquarie Bank)	1,000,000	0.58%	40% (20% per institution)
A3	Floating Rate Note (Bendigo & Adelaide Bank)	3,000,000	1.73%	20% (10% per institution)
A3	Floating Rate Note (Bank of Queensland)	4,750,000	2.73%	20% (10% per institution)
Baa2	Mortgage Backed Securities (Barclays Capital) *	1,970,903	1.13%	Grandfathered
<b>Total Portfolio</b>		<b>173,658,683</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.

### November 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	30 November 2021	
			Investment (\$)	Allocation (%)
TCorp	Prime 1	Aaa	4,498,967	2.58%
ANZ	Prime 1	Aa3	1,000,000	0.58%
Commonwealth Bank of Australia	Prime 1	Aa3	69,538,813	40.00%
National Australia Bank	Prime 1	Aa3	35,900,000	20.68%
Westpac Banking Corporation	Prime 1	Aa3	30,000,000	17.29%
ING Bank (Australia)	Prime 1	Aa3	1,000,000	0.58%
Macquarie Bank	Prime 1	A2	17,000,000	9.80%
Bendigo and Adelaide Bank	Prime 2	A3	3,000,000	1.73%
Bank of Queensland	Prime 2	A3	4,750,000	2.75%
Barclays Bank	Prime 2	Baa2	1,970,903	1.13%
AMP Bank	Prime 2	Baa2	5,000,000	2.88%
<b>Total Investment</b>			<b>161,127,628</b>	<b>100.00%</b>

**November 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

