
5 INVESTMENT REPORT AS AT 31 MAY 2020

Report prepared by: Chief Financial Officer**File No.:** COR2019/82 - BP20/513

REPORT SUMMARY

This report details Council's performance of its investment portfolio as at 31 May 2020 and compares it against key benchmarks. The report includes the estimated market valuation of Council's investment portfolio and loan liabilities.

Council's return for the reporting period is 2.07%, which is 1.07% above the benchmark figure of 1.0%.

Income from interest on investments and proceeds from sale of investments totals \$5.22M for the financial year to date, which is \$256K above the 2019/20 year-to-date adopted budget of \$4.97M.

RECOMMENDATION:

That Council endorse the Investment Report as at 31 May 2020.

ATTACHMENTS

1 Investment Report Attachment

Report Prepared By:

Pav Kuzmanovski
Chief Financial Officer

Report Approved By:

Steven Kludass
Director - Corporate Services

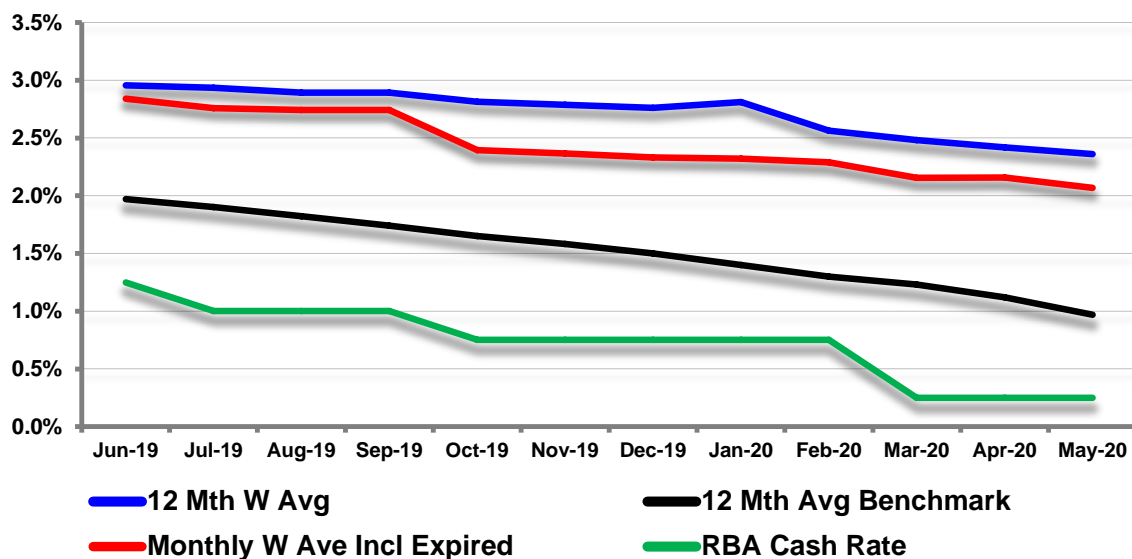
ITEM 5 (continued)
Discussion

Council's Responsible Accounting Officer is required to report monthly on Council's Investment Portfolio and certify that the Investments are held in accordance with Council's Investment Policy and Section 625 of the Local Government Act.

Investment Performance Commentary

Council's performance against the benchmark for returns of its investment portfolio for May 2020 and the past 12 months are as follows:

	May	12 Mth	FYTD
Council Return	2.07	2.36	2.33
Benchmark	1.00	0.97	0.91
Variance	1.07	1.39	1.42

Performance - All Investments


Council's investment portfolio as at 31 May 2020 was as follows:

Cash/Term Deposits	\$130.0M	56.9%
Floating Rate Notes	\$48.3M	21.2%
Fixed Bonds	\$50.1M	21.9%
Total Investments	\$228.4M	

ITEM 5 (continued)

Council continues to utilise the Federal Government's current guarantee (\$250K) investing in Term Deposits with a range of Authorised Deposit Taking Institutions (ADI's) on short to medium term investments (generally 30 days to 180 days maturity) where more competitive rates are available.

Whilst Council has moved some of its investment portfolio out to longer terms to lock in future returns, it should be noted that there is approximately \$98.6 million of Council's funds held in Internal Reserves (as at 30 June 2019).

Council's income from investments continues to exceed budgeted expectations, primarily due to Council's cash reserves balances being higher than anticipated.

Loan Liability

Council's loan liability as at 31 May was \$1.37 million which represents the balance of two loans which were established under the Local Infrastructure Renewal Scheme (LIRS). Council receives a 3% interest subsidy payment from the OLG twice a year.

1. A \$1.5M 10 year loan drawn down 31 January 2014 at 180 day BBSW +175 basis points for the Children's Play Implementation Plan, which was approved for an LIRS subsidy in Round 2. The interest rate for this loan is reset every six months;
2. A \$1.5M 10 year loan drawn down 1 September 2014 at 4.95% for Phase 2 of the Children's Play Implementation Plan, which was approved for an LIRS subsidy in Round 3.

ITEM 5 (continued)

INVESTMENT SUMMARY AS AT 31 MAY 2020

Issuer	Investment Name	Investment Rating	Fossil Fuel	Invested at 31-May-20 \$000's	Annualised Period Return (%)	12 Month Average Return on Current Investments	Return since 01 July 2019	% of Total Invested	Maturity	Tenor
Bank of Queensland	1. BoQ FRN Covered	AAA	Y	1,200	1.17	1.17	1.17	0.53	14/05/2025	1826
NAB	2. NAB Covered Bond	AAA	Y	3,743	3.10	3.11	3.11	1.64	16/03/2023	1826
Suncorp-Metway	3. Suncorp FRN (Covered)	AAA	Y	4,000	1.58	2.07	2.01	1.75	22/06/2021	1826
Suncorp-Metway	4. Suncorp FRN 4	AAA	Y	1,200	1.24	1.24	1.24	0.53	24/04/2025	1823
ANZ	5. ANZ Fixed Bond	AA-	Y	1,499	3.16	3.14	3.14	0.66	18/01/2023	1826
ANZ	6. ANZ Fixed Bond	AA-	Y	1,999	1.56	1.54	1.54	0.88	29/08/2024	1827
ANZ	7. ANZ Fixed Bond	AA-	Y	1,991	1.67	1.65	1.65	0.87	29/08/2024	1805
ANZ	8. ANZ MTN 6	AA-	Y	1,997	1.69	1.69	1.69	0.87	16/01/2025	1827
ANZ	9. ANZ Fixed Bond	AA-	Y	2,972	1.80	1.80	1.80	1.30	29/08/2024	1612
ANZ	10. ANZ FRN	AA-	Y	4,000	1.42	2.13	2.05	1.75	7/04/2021	1826
ANZ	11. ANZ FRN	AA-	Y	1,500	0.90	1.74	1.67	0.66	18/01/2023	1826
ANZ	12. ANZ FRN	AA-	Y	2,000	1.27	1.94	1.89	0.88	9/05/2023	1826
ANZ	13. ANZ Fixed Bond	AA-	Y	2,999	3.13	3.12	3.11	1.31	8/02/2024	1826
ANZ	14. ANZ Floating TD	AA-	Y	4,000	1.87	2.55	2.49	1.75	10/11/2022	2557
ANZ	15. ANZ Flexi TD	AA-	Y	4,000	2.06	2.48	2.43	1.75	15/12/2022	2557
CBA	16. CBA At Call Deposit	AA-	Y	12,539	0.57	0.60	0.56	5.49		
CBA	17. CBA Fixed Bond	AA-	Y	3,987	3.41	3.38	3.38	1.75	25/04/2023	1916
CBA	18. CBA MTN	AA-	Y	3,495	3.28	3.27	3.26	1.53	16/08/2023	1826
CBA	19. CBA Fixed Bond	AA-	Y	3,479	3.23	3.21	3.21	1.52	11/01/2024	1826
CBA	20. CBA FRN	AA-	Y	2,000	1.03	1.81	1.70	0.88	17/07/2020	1827
CBA	21. CBA FRN	AA-	Y	1,999	1.28	2.11	2.04	0.88	17/07/2020	1613
NAB	22. NAB Fixed Bond	AA-	Y	2,997	3.20	3.16	3.16	1.31	12/05/2021	1826
NAB	23. NAB Fixed Bond	AA-	Y	3,995	3.08	3.09	3.09	1.75	10/02/2023	1918
NAB	24. NAB Fixed Bond	AA-	Y	2,997	2.95	2.95	2.95	1.31	26/02/2024	1826
NAB	25. NAB Floating Rate Note	AA-	Y	2,000	1.29	2.09	2.03	0.88	5/11/2020	1827
NAB	26. NAB FRN	AA-	Y	4,000	1.44	1.95	1.89	1.75	16/05/2023	1826
NAB	27. NAB FRN	AA-	Y	2,000	1.58	1.89	1.88	0.88	19/06/2024	1827
NAB	28. NAB Term Deposit	AA-	Y	4,000	0.98	1.89	1.81	1.75	18/02/2021	265
NAB	29. NAB Term Deposit	AA-	Y	2,500	1.43	1.65	1.43	1.09	29/01/2021	336
NAB	30. NAB Term Deposit	AA-	Y	4,000	1.35	1.62	1.62	1.75	17/09/2020	177
NAB	31. NAB TD	AA-	Y	4,000	0.98	1.88	1.81	1.75	16/02/2021	263
NAB	32. NAB Term Deposit	AA-	Y	4,000	1.71	1.96	1.89	1.75	23/06/2020	280
NAB	33. NAB Term Deposit	AA-	Y	4,000	1.45	1.45	1.45	1.75	16/10/2020	233
NAB	34. NAB TD	AA-	Y	4,000	1.43	1.54	1.43	1.75	19/01/2021	326
NAB	35. NAB TD	AA-	Y	4,000	3.35	3.35	3.35	1.75	18/09/2023	1827
Westpac	36. Westpac At Call	AA-	Y	13	0.05	0.13	0.11	0.01		
Westpac	37. Westpac FRN	AA-	Y	1,000	1.02	1.87	1.82	0.44	28/07/2020	1827
Westpac	38. Westpac Fixed Bond	AA-	Y	2,481	3.25	3.24	3.24	1.09	24/04/2024	1917
Westpac	39. Westpac Term Deposit 2	AA-	Y	2,000	1.66	1.66	1.66	0.88	22/09/2020	378
Westpac	40. Westpac Term Deposit	AA-	Y	4,000	3.55	3.55	3.55	1.75	22/02/2022	1825
Westpac	41. Westpac Term Deposit	AA-	Y	4,000	3.32	3.32	3.32	1.75	9/08/2022	1813
Westpac	42. Westpac Term Deposit	AA-	Y	2,000	3.38	3.38	3.38	0.88	18/08/2022	1815
Westpac	43. WBC Floating TD	AA-	Y	4,000	1.75	2.25	2.20	1.75	17/02/2022	1826
Westpac	44. Westpac TD	AA-	Y	4,000	3.14	3.14	3.14	1.75	2/11/2021	1461
Macquarie Bank	45. Macquarie Bank Fixed Bond	A+	Y	3,999	1.71	1.71	1.71	1.75	12/02/2025	1827
Macquarie Bank	46. Macquarie Bank Term Deposit	A+	Y	2,000	1.70	1.75	1.75	0.88	1/04/2021	364
Suncorp-Metway	47. Suncorp FRN	A+	Y	800	1.38	2.24	2.17	0.35	20/10/2020	1827
Suncorp-Metway	48. Suncorp FRN	A+	Y	1,000	1.52	2.02	1.97	0.44	16/08/2022	1826
AMP	49. AMP Business Saver	BBB+	Y	394	0.00	1.06	1.00	0.17		
AMP	50. AMP Floating Rate Note	BBB+	Y	1,999	1.69	1.96	1.96	0.88	10/09/2021	729
AMP	51. AMP Floating Rate Note	BBB+	Y	994	1.80	2.21	2.21	0.44	30/03/2022	917
AMP	52. AMP TD	BBB+	Y	1,000	2.25	2.32	2.25	0.44	30/07/2020	366
AMP	53. AMP TD	BBB+	Y	2,000	1.81	1.81	1.81	0.88	18/06/2020	251
Australian Unity Bank	54. Aus Unity Bank TD	BBB+	?	2,000	1.55	1.97	1.89	0.88	30/07/2020	275
Australian Unity Bank	55. Australian Unity TD	BBB+	?	2,000	1.70	1.70	1.70	0.88	11/02/2021	364
Bank of Queensland	56. Bank of Queensland Fixed Bond	BBB+	Y	1,990	3.46	3.38	3.38	0.87	16/11/2021	1267
Bank of Queensland	57. Bank of Queensland TD	BBB+	Y	2,000	2.55	2.55	2.55	0.88	13/06/2024	1827
Bank of Queensland	58. Bank of Queensland TD	BBB+	Y	4,000	3.10	3.10	3.10	1.75	17/12/2020	1071
Bank of Queensland	59. Bank of Queensland TD	BBB+	Y	2,000	3.55	3.55	3.55	0.88	12/11/2020	1827
Bank of Queensland	60. Bank of Queensland TD	BBB+	Y	2,000	3.75	3.75	3.75	0.88	9/12/2021	1823
Bank of Queensland	61. BoQ Term Deposit	BBB+	Y	4,000	3.50	3.50	3.50	1.75	15/11/2022	1804

ITEM 5 (continued)

INVESTMENT SUMMARY AS AT 31 MAY 2020

Issuer	Investment Name	Investment Rating	Fossil Fuel	Invested at 31-May-20 \$000's	Annualised Period Return (%)	12 Month Average Return on Current Investments	Return since 01 July 2019	% of Total Invested	Maturity	Tenor
Bendigo and Adelaide Bank	62. Bendigo Fixed MTN	BBB+	N	2,000	3.54	3.50	3.50	0.88	25/01/2023	1826
Bendigo and Adelaide Bank	63. Bendigo Bank FRN	BBB+	N	1,000	1.65	2.15	2.10	0.44	18/08/2020	1827
Bendigo and Adelaide Bank	64. Bendigo and Adelaide Bank FRN	BBB+	N	1,997	1.22	2.07	2.01	0.87	25/01/2023	1532
Heritage Bank	65. Heritage Bank FRN	BBB+	N	1,400	1.63	2.23	2.16	0.61	29/03/2021	1096
Heritage Bank	66. Heritage Bank FRN	BBB+	N	2,001	1.19	1.69	1.69	0.88	12/08/2022	1085
MyState Bank	67. MyState TD	BBB+	N	2,000	1.65	2.09	1.90	0.88	2/01/2021	291
Newcastle Perm Bldg Soc	68. Newcastle Perm Bldg Soc	BBB+	N	2,000	3.05	3.05	3.05	0.88	27/01/2022	1092
Newcastle Perm Bldg Soc	69. Newcastle Perm Bldg Soc TD	BBB+	N	2,000	3.05	3.05	3.05	0.88	10/02/2022	1095
Bank Australia	70. Bank Australia FRN	BBB	N	1,000	2.05	2.33	2.29	0.44	30/08/2021	1096
Bank Australia	71. Bank Australia FRN	BBB	N	2,000	1.48	1.64	1.64	0.88	2/12/2022	1096
CUA	72. CUA FRN	BBB	N	1,000	1.24	1.89	1.89	0.44	24/10/2024	1827
CUA	73. CUA TD	BBB	N	2,000	3.00	3.00	3.00	0.88	3/12/2020	728
Defence Bank	74. Defence Bank TD	BBB	N	2,000	1.65	1.65	1.65	0.88	9/02/2021	349
Me Bank	75. ME Bank At Call Account	BBB	N	5,514	0.76	1.19	1.07	2.41		
Me Bank	76. ME Bank FRN	BBB	N	1,500	1.62	2.29	2.23	0.66	9/11/2020	1096
Me Bank	77. ME Bank FRN	BBB	N	1,600	1.42	2.24	2.17	0.70	16/04/2021	1095
Me Bank	78. ME Bank TD	BBB	N	2,000	1.58	1.92	1.87	0.88	4/08/2020	271
P&N Bank	79. P&N Bank	BBB	N	1,000	3.50	3.50	3.50	0.44	2/11/2023	1821
Queensland Country Bank	80. Queensland Country Bank TD	BBB	?	1,000	1.60	2.46	2.44	0.44	16/03/2021	371
Teachers Mutual Bank	81. Teachers Mutual Bank FRN	BBB	N	1,400	1.68	2.33	2.26	0.61	2/07/2021	1096
Auswide Bank	82. Auswide Bank FRN	BBB-	N	1,500	1.05	1.05	1.05	0.66	17/03/2023	1095
Auswide Bank	83. Auswide Bank TD	BBB-	N	2,000	1.69	1.69	1.69	0.88	15/02/2022	715
QBank	84. QBank FRN	BBB-	N	1,000	1.89	2.38	2.32	0.44	22/03/2021	1098
QBank	85. QBank FRN	BBB-	N	750	2.11	2.53	2.48	0.33	14/12/2021	1096
QBank	86. Qbank Term Deposit	BBB-	N	1,000	1.70	2.26	2.20	0.44	8/12/2020	362
QBank	87. QBank TD	BBB-	N	1,000	1.65	2.48	2.47	0.44	6/05/2021	364
QBank	88. QBank TD	BBB-	N	1,000	1.65	2.13	2.07	0.44	1/10/2020	329
Bank of Sydney	89. Bank of Sydney TD	Unrated	?	1,000	1.62	2.00	1.93	0.44	2/07/2020	261
Bank of us	90. Bank of us TD	Unrated	?	1,000	1.76	1.98	1.96	0.44	16/06/2020	189
Coastline CU	91. Coastline Credit Union TD	Unrated	?	1,000	1.80	2.38	2.32	0.44	10/12/2020	357
Police CU (SA)	92. Police CU - SA Term Deposit	Unrated	?	1,000	1.65	2.17	2.10	0.44	8/10/2020	331
Police CU (SA)	93. Police CU - SA	Unrated	?	1,000	1.75	2.23	2.17	0.44	21/10/2020	349
Regional Australia Bank	94. Regional Australia Bank TD	Unrated	N	2,000	3.10	3.10	3.10	0.88	13/08/2020	1093
Summerland CU	95. Summerland CU TD	Unrated	N	1,000	1.86	2.42	2.37	0.44	16/06/2020	189
Warwick CU	96. Warwick CU TD	Unrated	?	1,000	1.90	2.46	2.40	0.44	10/12/2020	357
WaW CU	97. WAW CU Coop	Unrated	N	2,000	1.80	2.02	2.01	0.88	8/12/2020	362
				228,420	2.07	2.39	2.36	100		

*Monthly returns when annualised can appear to exaggerate performance

**Market valuations are indicative prices only, and do not necessarily reflect the price at which a transaction could be entered into.

Return including Matured/Traded Investments

Weighted Average Return

Benchmark Return: AusBond Bank Bill Index (%)

Variance From Benchmark (%)

	May	12 Mth	FYTD
Weighted Average Return	2.07	2.36	2.33
Benchmark Return: AusBond Bank Bill Index (%)	0.10	0.97	0.91
Variance From Benchmark (%)	1.97	1.39	1.42

Investment Income

\$000's

This Period

Financial Year To Date

Budget Profile

Variance from Budget - \$

Legal Settlements YTD

401

5,225

4,969

256

1,268

Fossil Fuel Free (000's)

Yes

No

Unknown

48,662

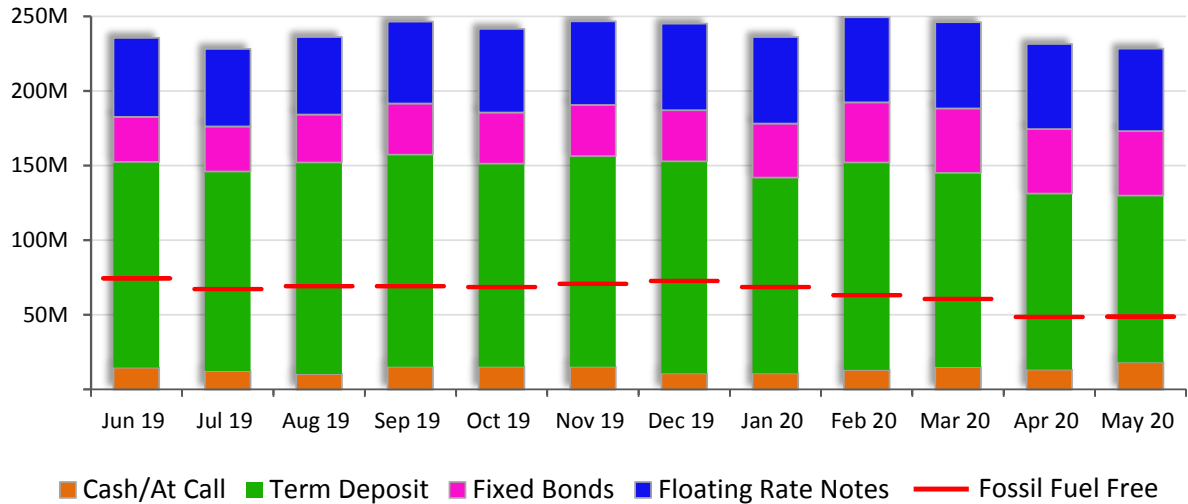
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11,000

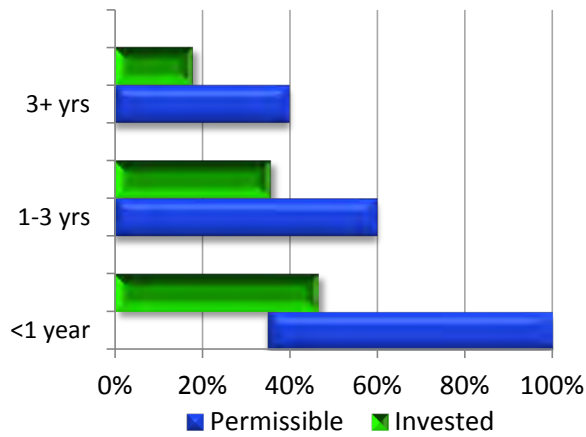
ITEM 5 (continued)

Analysis of investments

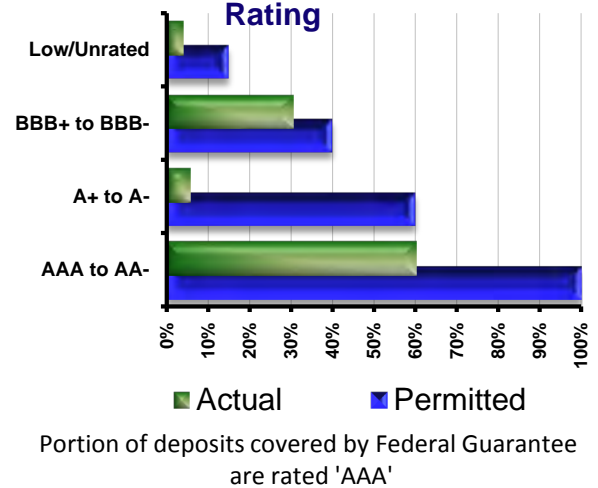
Total Funds Invested



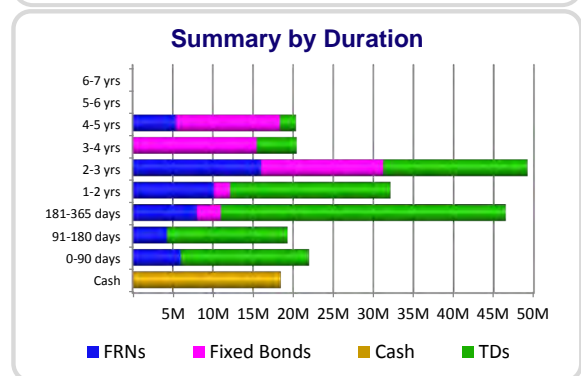
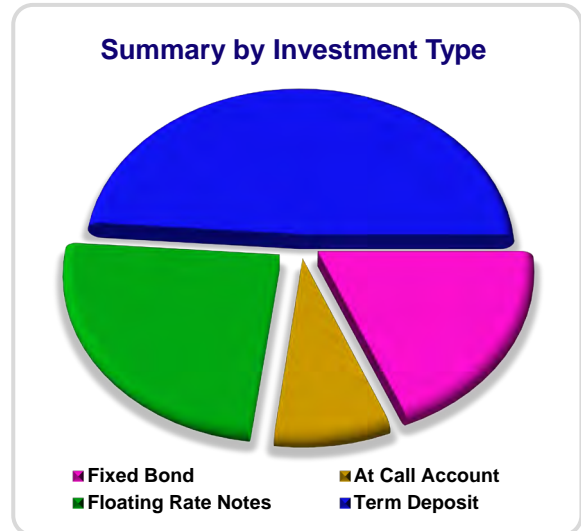
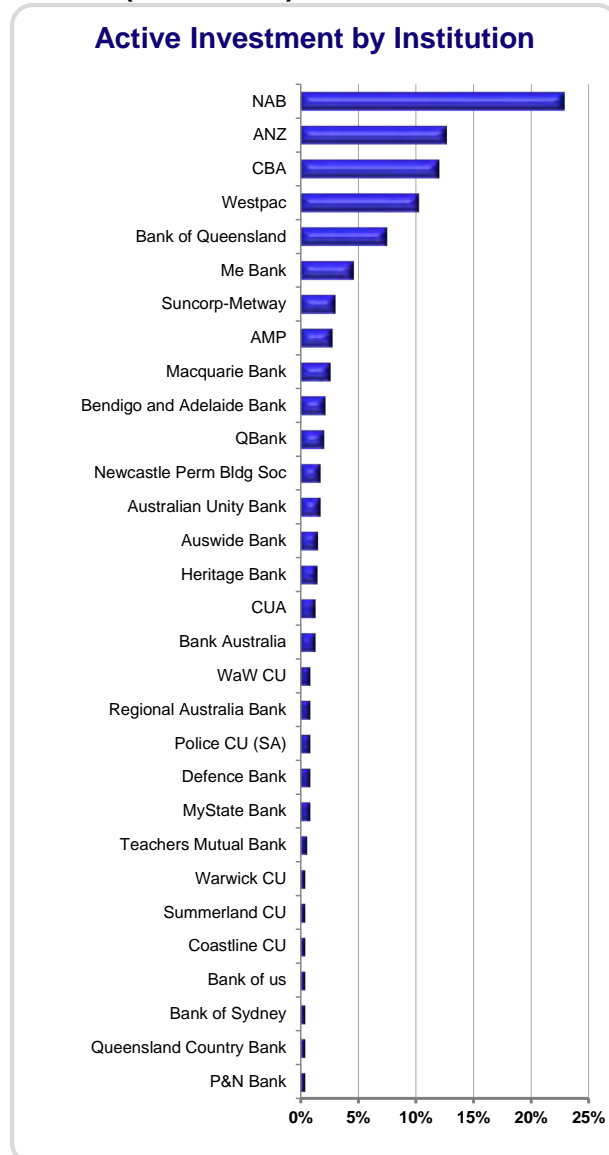
Policy Limits on Maturities



Investment Summary by Rating



ITEM 5 (continued)



	<365 days	>365 days
Cash/TDs	\$85.0M	\$45.0M
FRNs	\$18.3M	\$30.0M
Fixed Bonds	\$3.0M	\$47.1M
	\$106.3M	\$122.2M

Divestment of Fossil Fuel Aligned Financial Institutions

As at 31 May 2020, Council had a total amount of \$48.7 million (21.3% of Council’s total investment portfolio) invested in non-fossil fuel aligned financial institutions. A further \$13.5 million was invested in unrated financial institutions where their ‘alignment status’ is unclear/undetermined. It is almost certain all of these unrated financial institutions are non-fossil fuel aligned institutions as their lending profiles are almost identical to other unrated institutions. If it assumed those institutions are non-fossil fuel aligned financial institutions, then the total amount is \$59.7 million (26.1% of Council’s total investment portfolio).

By way of comparison, Council had \$50.5 million (24.5% of its total investment portfolio) invested in non-fossil fuel aligned financial institutions, as at policy inception on 31 January 2018.

ITEM 5 (continued)**Financial Implications**

Council's return for the reporting period is 2.07%, which is 1.07% above the benchmark figure of 1.00%. Income from interest on investments and proceeds from sales of investments totals \$5.22M for the period ending 31 May 2020 and is \$256K above the 2019/20 year-to-date adopted Budget of \$4.97M.

Summary

Council's investment portfolio continues to perform well with returns well above benchmark. The recommendation in this report is consistent with Section 625 of the Local Government Act, which deals with the investment of surplus funds by Councils.

Certificate of the Chief Financial Officer (Responsible Accounting Officer)

I certify that as at the date of this report, the investments listed have been made and are held in compliance with Council's Investment Policy and applicable legislation.

Pav Kuzmanovski
Chief Financial Officer

ITEM 5 (continued)

ATTACHMENT 1

Benchmark

The Bloomberg Ausbond Bank Bill index is constructed as a benchmark to represent the performance of a passively managed short-term money market portfolio. It comprises thirteen Bank Bills of equal face value, each with a maturity seven days apart. The average term to maturity is approximately 45 days.

A Bank Bill is a non-interest bearing security issued by a bank whereby the bank takes on an obligation to pay an investor a fixed amount (face value) at a fixed future date. It is sold to an investor at a discount to the face value. Bank Bills are short-term money market investments with maturities usually between 30 days and 180 days.

Types of Investments

The following are the types of investments held by Council:

At Call refers to funds held at a financial institution, and can be recalled by Council either same day or on an overnight basis.

A Floating Rate Note (FRN) is a debt security issued by a company with a variable interest rate. This can either be issued as Certificates of Deposit (CD) or as Medium Term Notes (MTN). The interest rate can be either fixed or floating, where the adjustments to the interest rate are usually made quarterly and are tied to a certain money market index such as the Bank Bill Swap Rate.

A Fixed Rate Bond is a debt security issued by a company with a fixed interest rate over the term of the bond.

Credit Rating Information

Credit ratings are generally a statement as to an institution's credit quality. Ratings ranging from AAA to BBB- (long term) are considered investment grade.

A general guide as to the meaning of each credit rating is as follows:

AAA: the best quality companies, reliable and stable

AA: quality companies, a bit higher risk than AAA

A: economic situation can affect finance

BBB: medium class companies, which are satisfactory at the moment

BB: more prone to changes in the economy

B: financial situation varies noticeably

CCC: currently vulnerable and dependent on favourable economic conditions to meet its commitments

CC: highly vulnerable, very speculative bonds

C: highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations

D: has defaulted on obligations and it is believed that it will generally default on most or all obligations

Note: Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

ITEM 5 (continued)

ATTACHMENT 1

Council's Investment Powers

Council's investment powers are regulated by Section 625 of the Local Government Act, which states:

- (1) A council may invest money that is not, for the time being, required by the council for any other purpose.
- (2) Money may be invested only in a form of investment notified by order of the Minister published in the Gazette.
- (3) An order of the Minister notifying a form of investment for the purposes of this section must not be made without the approval of the Treasurer.
- (4) The acquisition, in accordance with section 358, of a controlling interest in a corporation or an entity within the meaning of that section is not an investment for the purposes of this section.

Council's investment policy requires that all investments are to be made in accordance with;

- Local Government Act 1993 - Section 625
- Local Government Act 1993 - Order (of the Minister) dated 12 January 2011
- The Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14A(2), 14C(1) & (2)
- Local Government (Financial Management) Regulation 1993
- Investment Guidelines issued by the Department of Local Government