

GO4 – Investment of Funds as at 30 November 2015 and 31 December 2015

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Investment of Funds as at 30 November 2015 and 31 December 2015

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TRIM 1022-3

EXECUTIVE SUMMARY

- This report provides details of Council's invested funds as at 30 November 2015 and 31 December 2015.
- It is recommended that the information and certification in relation to the investment of Council funds as at 30 November 2015 and 31 December 2015 be noted.

REPORT

At its December meeting, the Reserve Bank left the cash rate at 2.00%. In relation to the domestic market, the Board of the Reserve Bank commented that:

"In Australia, the available information suggests that moderate expansion in the economy continues in the face of a large decline in capital spending in the mining sector. While GDP growth has been somewhat below longer-term averages for some time, business surveys suggest a gradual improvement in conditions in non-mining sectors over the past year. This has been accompanied by stronger growth in employment and a steady rate of unemployment.

Inflation is low and should remain so, with the economy likely to have a degree of spare capacity for some time yet. Inflation is forecast to be consistent with the target over the next one to two years.

In such circumstances, monetary policy needs to be accommodative. Low interest rates are acting to support borrowing and spending. While the recent changes to some lending rates for housing will reduce this support slightly, overall conditions are still quite accommodative. Credit growth has increased a little over recent months, with credit provided by intermediaries to businesses picking up. Growth in lending to investors in the housing market has eased. Supervisory measures are helping to contain risks that may arise from the housing market.

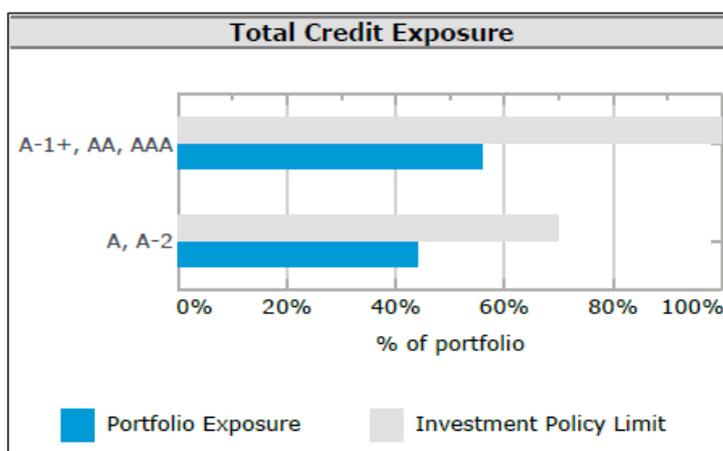
The pace of growth in dwelling prices has moderated in Melbourne and Sydney over recent months and has remained mostly subdued in other cities. In other asset markets, prices for commercial property have been supported by lower long-term interest rates, while equity prices have moved in parallel with developments in global markets. The Australian dollar is adjusting to the significant declines in key commodity prices."

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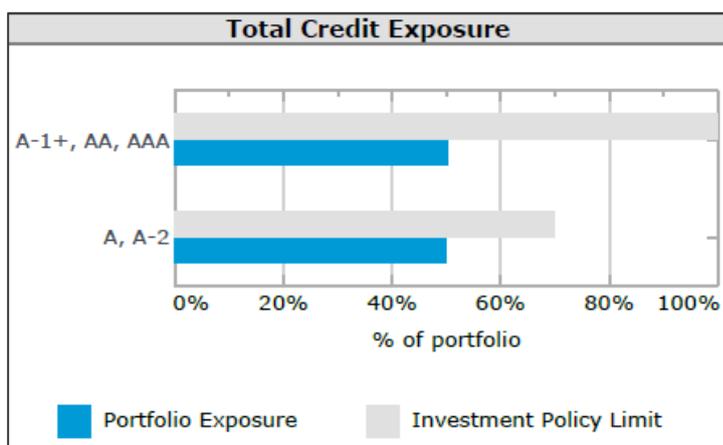
Council will continue to monitor and review the portfolio while liaising with our investment advisors, to ensure that returns are maximised and risk exposure is minimised.

As shown in the following charts, the credit rating on Council's portfolio as at 30 November 2015 and 31 December 2015 is within Council's investment policy limits.

NOVEMBER 2015



DECEMBER 2015



The percentage of Council's investment portfolio invested with each institution as at 30 November 2015 and 31 December 2015 also complies with the limits specified in Council's investment policy, as detailed in the following tables.

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NOVEMBER 2015

% used vs Investment Policy Limit		
	% used vs Investment Policy Limit	
Bank of Queensland (A-, A-2)	80%	✓
National Australia Bank (A-1+, AA-)	79%	✓
Bendigo and Adelaide Bank (A-, A-2)	75%	✓
Macquarie Group (A-1, A)	20%	✓
Credit Union Australia (A-2, BBB+)	20%	✓
Commonwealth Bank of Australia (A-1+, AA-)	18%	✓
Westpac Group (A-1+, AA-)	16%	✓
Members Equity Bank (A-2, BBB+)	15%	✓
Suncorp Bank (A-1, A+)	10%	✓
Emerald Reverse Mortgage (B Tranche) (AA)	6%	✓
ANZ Group (A-1+, AA-)	6%	✓
Emerald Reverse Mortgage (A Tranche) (AAA)	3%	✓

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DECEMBER 2015

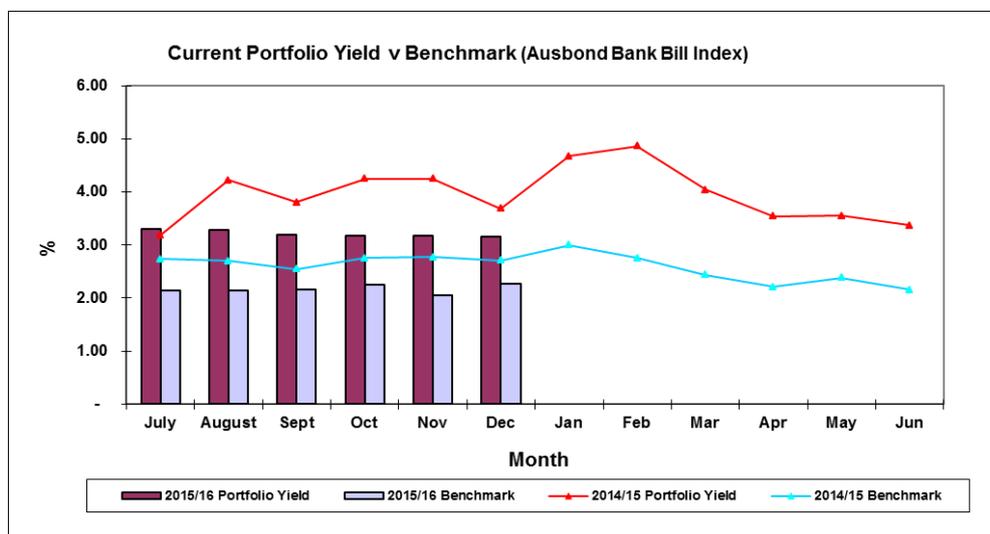
	% used vs Investment Policy Limit	
Bank of Queensland (A-2, A-)	81%	✓
Bendigo and Adelaide Bank (A-2, A-)	76%	✓
National Australia Bank (A-1+, AA-)	66%	✓
Members Equity Bank (A-2, BBB+)	35%	✓
Macquarie Group (A-1, A)	20%	✓
Credit Union Australia (A-2, BBB+)	20%	✓
Commonwealth Bank of Australia (A-1+, AA-)	18%	✓
Westpac Group (A-1+, AA-)	16%	✓
Suncorp Bank (A-1, A+)	10%	✓
AMP Bank (A-1, A+)	8%	✓
Emerald Reverse Mortgage (B Tranche) (AA)	6%	✓
ANZ Group (A-1+, AA-)	6%	✓
Emerald Reverse Mortgage (A Tranche) (AAA)	3%	✓

The vast majority of Council’s investment portfolio (96%) is invested in deposits / securities with Australian Authorised Deposit taking Institutions (ADI’s). Council has been taking advantage of term deposit “specials” from various institutions without overexposing the portfolio to any one institution.

The marked to market valuations on some of the direct investment products in Council’s portfolio remain at less than the face value of the investment. The marked to market value of these investments is expected to be equal to or greater than the face value by the time they reach their maturity date. Early exit from these products would realise losses.

The following chart compares Council’s portfolio yield with the benchmark AusBond Bank Bill Index rate in each month for 2014/15 and 2015/16.

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As shown in the chart above, Council’s portfolio yield has continually exceeded the benchmark AusBond 3 month Bank Bill Index due to the prudent investment of Council’s portfolio. For November 2015, Council’s portfolio yielded 3.35% and returned 1.63% pa for the month, compared to the benchmark’s 2.05% pa return. For December 2015, Council’s portfolio yielded 3.37% and returned 2.63% pa for the month, compared to the benchmark’s 2.28% pa return.

Under Reg 212 of the Local Government (General) Regulation 2005, Council’s Responsible Accounting Officer must provide Council each month with a written report setting out details of all money that Council has invested under section 625 of the Act.

Details of Council’s investment portfolio as at 30 November 2015 and 31 December 2015 are provided in attachment 1.

CONSULTATION

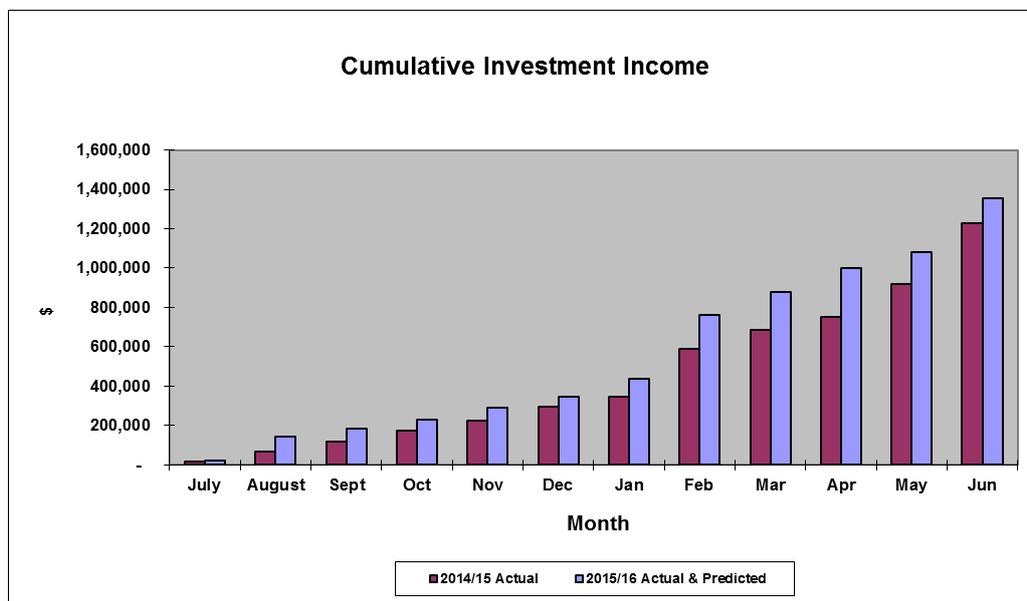
Independent advice regarding the investment of Council funds was provided by Prudential Investment Services Corp.

FINANCIAL IMPLICATIONS

Interest earned is allocated to restricted cash and income in accordance with Council’s adopted budget, policy and legislative requirements.

The following chart compares the actual and predicted interest for 2015/16 with the prior year’s interest income.

GO4 – Investment of Funds as at 30 November 2015 and 31 December 2015



Council's investment income for 2015/16 is expected to be higher than the income received for 2014/15. While interest rates on investments remain low Council's current portfolio base is higher than expected as some major projects projected for 2015/16 have not yet commenced.

The prudent investment of funds is necessary to ensure Council's long term financial sustainability.

CERTIFICATION

I hereby certify that Council's investments have been made in accordance with Sec 625 of the Local Government Act 1993, clause 212 of the Local Government (General Regulations) 2005 and Council's Investment Policy.

Ashley Christie
 Manager Financial Services
 WOLLONDILLY SHIRE COUNCIL

ATTACHMENTS

1. Investments as at 30 November 2015 including summary of investment holdings by investment type.
2. Investments as at 31 December 2015 including summary of investment holdings by investment type.

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RECOMMENDATION

1. That the information and certification in relation to the investment of Council funds as at 30 November 2015 be noted.
2. That the information and certification in relation to the investment of Council funds as at 31 December 2015 be noted.

WOLLONDILLY SHIRE COUNCIL

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ATTACHMENT 1 – 1022-3 – 15 FEBRUARY 2016

INVESTMENTS AS AT 30 November 2015							
Reporting Period:		1-Nov-15	to	30-Nov-15			
Investment Institution	Rating	Face Value 30-Nov-15	Value at 30-Nov-15	Percentage Holding	Interest/ Capital Growth %p.a.	received	Maturity
CASH & CASH PLUS FUNDS							
National Australia Bank							
<i>General Account Balance (for information only. Not included in Total Cash Plus Investments)</i>		379,833.64					
11AM At call							
NAB	AA	4,490,000	4,490,000	8.99%	2.05	8,143	At Call
Term Deposits							
National Australia Bank (Matured)	A-1+					404	11-Nov-15
National Australia Bank (Matured)	A-1+					1,751	19-Nov-15
National Australia Bank	A-1+	1,000,000	1,034,982	2.07%	3.55	2,918	09-Dec-15
National Australia Bank	A-1+	1,000,000	1,034,522	2.07%	3.55	2,918	17-Dec-15
Bank of Queensland	A-2	1,000,000	1,015,101	2.03%	3.00	2,646	07-Jan-16
Rural Bank	A-2	1,000,000	1,032,777	2.07%	3.60	2,959	13-Jan-16
Bank of Queensland	A-2	1,000,000	1,014,656	2.03%	3.00	2,466	20-Jan-16
Bank of Queensland	A-2	3,000,000	3,107,153	6.22%	4.05	9,986	03-Feb-16
National Australia Bank	A-1+	1,000,000	1,027,927	2.06%	3.20	2,630	03-Feb-16
ME Bank	A-2	1,000,000	1,026,162	2.06%	3.20	2,630	18-Feb-16
National Australia Bank	A-1+	500,000	512,965	1.03%	3.15	1,295	25-Feb-16
Rural Bank	A-2	1,000,000	1,023,218	2.05%	3.00	2,466	01-Mar-16
Credit Union Australia (CUA) (Matured)	BBB+	2,000,000	2,047,565	4.10%	3.10	5,096	08-Mar-16
National Australia Bank	A-1+	1,000,000	1,010,139	2.02%	2.90	2,384	23-Mar-16
National Australia Bank	A-1+	2,000,000	2,017,945	4.04%	2.93	4,685	13-Apr-16
National Australia Bank	A-1+	2,000,000	2,034,985	4.08%	2.93	4,816	27-Apr-16
Westpac Banking Corporation- Local Govt	AA-	1,000,000	1,034,485	2.07%	4.55	3,740	16-May-16
Westpac Banking Corporation- Local Govt	AA-	1,000,000	1,034,415	2.07%	4.55	3,740	17-May-16
Bank of Queensland	A-2	1,000,000	1,015,389	2.03%	2.90	2,384	01-Jun-16
National Australia Bank	A-1+	1,000,000	1,016,244	2.04%	2.95	2,425	15-Jun-16
National Australia Bank	A-1+	750,000	756,077	1.51%	2.91	1,794	22-Jun-16
Bank of Queensland	A-2	1,000,000	1,012,298	2.03%	2.90	2,384	04-Jul-16
National Australia Bank	A-1+	1,000,000	1,014,908	2.03%	2.97	2,441	06-Jul-16
Bendigo & Adelaide Bank	A-2	1,000,000	1,010,957	2.02%	2.90	2,384	13-Jul-16
Bank of Queensland	A-2	1,000,000	1,005,211	2.01%	2.75	2,260	03-Aug-16
National Australia Bank	A-1+	1,000,000	1,008,630	2.02%	2.85	2,342	14-Sep-16
Commonwealth Bank of Australia	A-1+	1,000,000	1,004,580	2.01%	2.93	883	19/10/16
Bendigo & Adelaide Bank	A-2	500,000	498,997	1.00%	2.85	781	29-Aug-17
Bendigo & Adelaide Bank	A-2	1,000,000	998,950	2.00%	2.95	2,425	29-Aug-17
Bendigo & Adelaide Bank	A-2	1,000,000	993,213	1.99%	3.05	2,507	27-Aug-18
TOTAL CASH PLUS INVESTMENTS		36,240,000	36,834,448	73.77%		92,679	
Investment Institution	Rating	Face Value 30-Nov-15	Value at 30-Nov-15	Percentage Holding	Interest %p.a.	received / accrued	Maturity
OTHER INVESTMENTS							
Corporate Bond							
National Australia Bank	AA-	1,000,000	1,056,713	2.12%	6.00	4,945	15-Feb-17
Zero Coupon Bond							
Commonwealth Bank of Australia	AA-	2,000,000	1,852,880	3.71%	7.17	0	22-Jan-18
Floating Rate Notes							
Members Equity Bank Pty Ltd	BBB+	500,000	502,278	1.01%	3.52	1,392	28-Nov-16
Westpac Banking Corporation	AA-	500,000	507,907	1.02%	3.90	1,572	20-Feb-17
Macquarie Bank	A	1,000,000	1,011,508	2.03%	5.07	4,163	09-Mar-17
Bendigo Bank Senior FRN	A-	1,000,000	1,001,020	2.00%	3.11	2,552	17-Sep-19
ANZ Snr FRN	AA-	1,000,000	999,717	2.00%	3.06	2,497	11-Nov-19
Westpac Banking Corporation	AA-	1,000,000	999,343	2.00%	3.06	2,515	22-Jan-20
Macquarie Bank	A	1,000,000	1,004,026	2.01%	3.24	2,662	03-Mar-20
CBA Snr FRN	AA-	1,000,000	999,125	2.00%	3.04	2,495	17-Jul-20
Bendigo Bank Senior FRN	A-	1,000,000	1,001,108	2.00%	3.34	2,697	18-Aug-20
Suncorp Senior FRN	A+	1,000,000	1,004,271	2.01%	3.39	2,786	20-Oct-20
Mortgage Backed Securities							
Emerald Reverse Mortgage Series 2007-1 Class B	AA	1,000,000	603,044	1.21%	2.71	2,227	21-Jul-27
Emerald Reverse Mortgage Series 2006-1 Class A	AAA	700,707	553,973	1.11%	2.70	1,529	22-Aug-22
Total-Other Investments		13,700,707	13,096,913	26.23%		34,033	
TOTAL INVESTMENTS		\$49,940,707	\$49,931,362	100%	3.35	\$126,712	
Benchmark (90 day Ausbond Bank Bill Index)						2.05	

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Summary of Investment Holdings by Investment Type as at 30 Nov 2015

	Face Value (\$)	Current Value (\$)	Current Yield (%)
Bonds	3,000,000.00	2,909,592.53	6.7795
Cash	4,490,000.00	4,490,000.00	2.0500
Floating Rate Note	9,000,000.00	9,030,303.32	3.4440
Mortgage Backed Securities	1,700,706.99	1,157,017.29	2.7059
Term Deposit	31,750,000.00	32,344,448.45	3.2234
	49,940,706.99	49,931,361.59	3.3536

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WOLLONDILLY SHIRE COUNCIL

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GO4 – Investment of Funds as at 30 November 2015 and 31 December 2015

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INVESTMENTS AS AT 31 December 2015							
Reporting Period:		1-Dec-15		to		31-Dec-15	
Investment Institution	Rating	Face Value 31-Dec-15	Value at 31-Dec-15	Percentage Holding	Interest/ Capital Growth		Maturity
					%p.a.	received	
CASH ASSETS							
National Australia Bank							
<i>General Account Balance (for information only. Not included in Total Cash Plus Investments)</i>		262,747					
11AM At call							
NAB	AA	3,440,000	3,440,000	6.93%	2.05	9,205	At Call
Term Deposits							
National Australia Bank (Matured)	A-1+					778	09-Dec-15
National Australia Bank (Matured)	A-1+					1,556	17-Dec-15
Bank of Queensland	A-2	1,000,000	1,017,305	2.05%	3.00	2,368	07-Jan-16
Rural Bank	A-2	1,000,000	1,034,997	2.09%	3.60	3,058	13-Jan-16
Bank of Queensland	A-2	1,000,000	1,016,812	2.05%	3.00	2,548	20-Jan-16
Bank of Queensland	A-2	3,000,000	3,113,595	6.27%	4.05	10,319	03-Feb-16
National Australia Bank	A-1+	1,000,000	1,029,926	2.07%	3.20	2,718	03-Feb-16
ME Bank	A-2	1,000,000	1,028,234	2.07%	3.20	2,718	18-Feb-16
National Australia Bank	A-1+	500,000	513,978	1.04%	3.15	1,338	25-Feb-16
Rural Bank	A-2	1,000,000	1,025,239	2.07%	3.00	2,548	01-Mar-16
Credit Union Australia (CUA) (Matured)	BBB+	2,000,000	2,051,557	4.13%	3.10	5,266	08-Mar-16
National Australia Bank	A-1+	1,000,000	1,011,968	2.04%	2.90	2,463	23-Mar-16
National Australia Bank	A-1+	2,000,000	2,021,487	4.07%	2.93	4,841	13-Apr-16
National Australia Bank	A-1+	2,000,000	2,038,558	4.11%	2.93	4,977	27-Apr-16
Westpac Banking Corporation- Local Govt	AA-	1,000,000	1,036,274	2.09%	4.55	3,864	16-May-16
Westpac Banking Corporation- Local Govt	AA-	1,000,000	1,036,203	2.09%	4.55	3,864	17-May-16
Bank of Queensland	A-2	1,000,000	1,017,117	2.05%	2.90	2,463	01-Jun-16
National Australia Bank	A-1+	1,000,000	1,017,959	2.05%	2.95	2,505	15-Jun-16
National Australia Bank	A-1+	750,000	757,346	1.53%	2.91	1,854	22-Jun-16
Bank of Queensland	A-2	1,000,000	1,014,876	2.04%	2.90	2,463	04-Jul-16
National Australia Bank	A-1+	1,000,000	1,016,605	2.05%	2.97	2,522	06-Jul-16
Bendigo & Adelaide Bank	A-2	1,000,000	1,013,559	2.04%	2.90	2,463	13-Jul-16
ME Bank	A-2	1,000,000	1,003,441	2.02%	3.07	2,523	27-Jul-16
Bank of Queensland	A-2	1,000,000	1,007,862	2.03%	2.75	2,336	03-Aug-16
ME Bank	A-2	1,000,000	1,002,792	2.02%	3.10	1,953	10-Aug-16
National Australia Bank	A-1+	1,000,000	1,010,381	2.04%	2.85	2,421	14-Sep-16
Commonwealth Bank of Australia	A-1+	1,000,000	1,006,356	2.03%	2.93	2,489	19-Oct-16
Bendigo & Adelaide Bank	A-2	500,000	500,463	1.01%	2.85	1,210	29-Aug-17
Bendigo & Adelaide Bank	A-2	1,000,000	1,003,711	2.02%	2.95	2,505	29-Aug-17
Bendigo & Adelaide Bank	A-2	1,000,000	999,565	2.01%	3.05	2,590	27-Aug-18
TOTAL CASH ASSETS		35,190,000	35,788,167	72.10%		96,727	
Investment Institution	Rating	Face Value 31-Dec-15	Value at 31-Dec-15	Percentage Holding	Interest		Maturity
					%p.a.	received / accrued	
OTHER INVESTMENTS							
Corporate Bond							
National Australia Bank	AA-	1,000,000	1,058,522	2.13%	6.00	5,110	15-Feb-17
Zero Coupon Bond							
Commonwealth Bank of Australia	AA-	2,000,000	1,857,840	3.74%	7.17	0	22-Jan-18
Floating Rate Notes							
Members Equity Bank Pty Ltd	BBB+	500,000	503,518	1.01%	3.52	1,495	28-Nov-16
Westpac Banking Corporation	AA-	500,000	509,091	1.03%	3.90	1,654	20-Feb-17
Macquarie Bank	A	1,000,000	1,003,127	2.02%	5.20	4,387	09-Mar-17
AMP Snr FRN	A+	750,000	752,312	1.52%	3.45	1,487	11-Jun-19
Bendigo Bank Senior FRN	A-	1,000,000	993,548	2.00%	3.28	2,709	17-Sep-19
ANZ Snr FRN	AA-	1,000,000	1,001,946	2.02%	3.06	2,599	11-Nov-19
Westpac Banking Corporation	AA-	1,000,000	1,001,332	2.02%	3.06	2,599	22-Jan-20
Macquarie Bank	A	1,000,000	997,461	2.01%	3.40	2,879	03-Mar-20
CBA Snr FRN	AA-	1,000,000	1,000,973	2.02%	3.04	2,578	17-Jul-20
Bendigo Bank Senior FRN	A-	1,000,000	1,003,840	2.02%	3.34	2,832	18-Aug-20
Suncorp Senior FRN	A+	1,000,000	1,006,600	2.03%	3.39	2,879	20-Oct-20
Mortgage Backed Securities							
Emerald Reverse Mortgage Series 2007-1 Class B	AA	1,000,000	605,346	1.22%	2.71	2,302	21-Jul-27
Emerald Reverse Mortgage Series 2006-1 Class A	AAA	700,707	555,580	1.12%	2.70	1,607	22-Aug-22
Total-Other Investments		14,450,707	13,851,036	27.90%		32,006	
TOTAL INVESTMENTS		\$49,640,707	\$49,639,203	100.00%	3.37	\$128,732	
Benchmark (90 day UBSA Bank Bill Index)						2.28	

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Summary of Investment Holdings by Investment Type as at 31 Dec 2015

	Face Value (\$)	Current Value (\$)	Current Yield (%)
Bonds	3,000,000.00	2,916,362.42	6.7795
Cash	3,440,000.00	3,440,000.00	2.0500
Floating Rate Note	9,750,000.00	9,773,747.91	3.4924
Mortgage Backed Securities	1,700,706.99	1,160,925.77	2.7059
Term Deposit	31,750,000.00	32,348,166.71	3.1941
	49,640,706.99	49,639,202.80	3.3734

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