

4.5 Investment Report for November 2015

TRIM REFERENCE: F2004/06604 - D12168311

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SUMMARY

This report details Council's investments as at 30 November 2015.

RECOMMENDATION

That Council receive the Investment Report for November 2015.

BACKGROUND

WSC's investments are made in accordance with the Local Government Act (1993), the Local Government (General) Regulation (2005), Council's Investment Policy, Ministerial Investment Order issued February 2011 and Division of Local Government Investment Policy Guidelines published in May 2010.

CURRENT STATUS

Cash and Term Deposit Funds

Cash flows were managed through term deposit maturities, with a net inflow of \$3,156k for the month of November reflecting seasonal trends. Receipts of second quarter rates instalments and investment maturities resulted in positive cash flows for the month. These funds were invested in early December 2015

Table 1 - Movement in Cash and Term deposits

Institution	Term (Approx. Months)	Interest Rate %	Maturity	Investment / (Redemption) \$'000
Movement in Term Deposits				
CUA	12.0	3.60%	Nov 2015	(\$5,000)
BOQ	24.0	4.05%	Nov 2015	(\$5,000)
ING	24.0	4.00%	Nov 2016	(\$5,000)
Total Term Deposit Movement				(\$15,000)
Cash Movement - WBC				\$18,140
Interest earned on all call accounts				16
Total Cash at Call Movement				\$18,156
Total Cash & Term Deposit Movement				\$3,156

Total Portfolio

Total net return in interest earnings for November 2015 was \$431k.

Table 2 - Net Return

	Full Year 2013-14 \$'000	Full Year 2014-15 \$'000	Qtr1 2015 \$'000	October 2015 \$'000	November 2015 \$'000	Year To Date 2015-16
Net Capital Gain/(Loss) Realised	(197)	-	-	-	-	-
Income Distribution on Managed Funds	321	25	-	-	-	-
Net Earnings From Managed Funds *	124	25	-	-	-	-
Interest Earnings on Call Deposits Received	402	431	116	20	16	152
Interest Earnings on Term Deposits received at Maturity	5,999	5,189	1,220	442	415	2,077
Total Interest Earnings	6,401	5,620	1,336	462	431	2,229
Total return for the period	6,525	5,645	1,336	462	431	2,229

* Until October 2013, Council's portfolio included investments in managed funds (Blackrock Care and Maintenance Fund). A further distribution, deposited with ASIC and received in April 2015

Financial Year to Date (YTD) returns to November of 3.38% is favourable compared to benchmark bank bill swap (BBSW) *financial year to date* Bank Bill Index of 2.33% and Council guidelines of BBSW + 10 basis points.

Table 3 - Investment Returns

Investment Class	November 2015 Portfolio \$ '000	Financial YTD Return \$ '000	Financial YTD Return %
Cash at Call	26,506	152	2.06
Term Deposits	138,167	2,077	3.55
Total Investments	164,673	2,229	3.38

Council investments are evaluated and monitored against a benchmark appropriate to the risk (Standard and Poor's BBB long term or above) and time horizon of the investment concerned. The investment strategy includes rolling maturity dates to ensure that Council has sufficient funds at all times to meet its obligations. A summary of the Term Deposit maturities are listed in Table 4 below.

Table 4 - Term Deposits Maturities

Time Horizon	Maturity on or before	Value \$ '000
At Call	Immediate	26,506
Term Deposits		
0 - 3 months	Feb 2016	35,167
4 - 6 months	May 2015	30,000
7 - 12 months	Nov 2016	54,000
1 - 2 years	Nov 2017	9,000
2 - 3 years	Nov 2018	5,000
3 - 4 years	Nov 2019	-
4 - 5 years	Nov 2020	5,000
Total Term Deposits		138,167
Total Portfolio		164,673

The target maximum allocation limit in each investment risk category and the current spread of investments is listed in Table 5.

The portfolio is still overweight in A1 reflecting where the best returns are (and simultaneously representing the lowest risk). Aside from A1, weightings for all categories remain within policy guidelines.

Table 5 - Portfolio Credit Framework

Investment Category Short Term	Target Maximum Allocation	Portfolio Allocation
A1*	10.0%	59.92%
A2	75.0%	37.04%
A3	10.0%	2.43%
Unrated	15.0%	0.61%

* Council has provided security for Self-Insurance by way of a Term Deposit invested in an ADI (with a Short term S & P rating of A1) through WorkCover. This security has been included as part of Council's investment portfolio. Council regularly conducts a review to identify the optimal WorkCover security providing Council with the best return possible.

Portfolio Movements

The increase in the value of the portfolio for November 2015 was \$3,156k. Movements are shown in Table 6.

Table 6 – Portfolio Movements for the year

	Full Year 2013-14 \$'000	Full Year 2014-15 \$'000	Qtr. 2015 \$'000	October 2015 \$'000	November 2015 \$'000	Year to Date 2015-16 \$'000
Movement in Assets						
Opening Balance	154,992	145,394	152,541	166,077	161,517	152,541
Net movement in Managed fund to Liquidation in Oct'13	(4,688)	-	-	-	-	-
Net Cash/Investments (Withdrawals)	(4,910)	7,147	13,536	(4,560)	3,156	12,132
Closing Balance	145,394	152,541	166,077	161,517	164,673	164,673

Portfolio Interest and Investment Returns compared to budget

Year to date returns as at 30 November 2015 on Council's investment portfolio of deposit accounts and term deposits, show a \$128k or 6.05% favourable variance when compared to the year to date budget due to funds held at higher returns, invested prior to fall in rates.

Table 7 – Year to-date Investment Portfolio Performance as at 30 November 2015

Investment Source	Financial YTD Actual Interest Income \$ '000	Financial YTD Budget \$ '000	Financial YTD Variance to Budget \$ '000
	A	B	C=A-B
General	1,362	1,128	234
Water	424	453	(29)
Sewerage	443	520	(77)
Total	2,229	2,101	128

Interest rates in the month, ranged from 2.80% to 5.20% (with the exception of deposit with Heritage Bank at 7.25%), all of which exceeded the annualised *monthly* Bank Bill Swap Rate (BBSW) benchmark of 2.05%.

Comparison to Neighbouring Councils

Portfolio Valuation

WSC's investment portfolio reflects our strong cash position, which is comparable with neighbouring Councils. Balances are summarised in table 8 below.

There is a lag in the information available for neighbouring Councils and reports for November were not available at the time of writing this report.

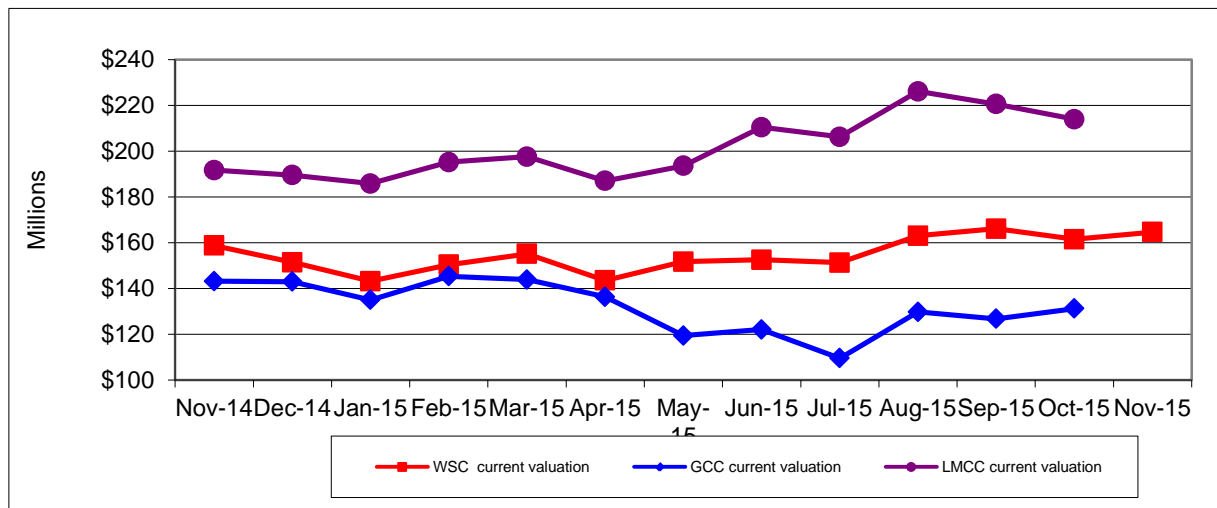
Table 8 – Summary of Investment Portfolio Balances

Month / Council	Wyong Shire Council \$'000	Gosford City Council \$'000	Lake Macquarie Council \$'000
May 2015	\$151,698	\$119,426	\$193,612
Jun 2015	*\$152,540	\$122,104	\$210,429
Jul 2015	\$151,309	\$109,590	\$206,208
Aug 2015	\$163,053	\$129,781	\$226,077
Sep 2015	\$166,077	\$126,765	\$220,542
Oct 2015	\$161,517	\$131,258	\$213,911
Nov 2015	\$164,673	Not available	Not available

* WorkCover security reclassified from deposit to investment

Graph 1 shows the monthly portfolio balances over a twelve month period for all three Councils.

Graph 1 – Portfolio Valuations – Comparison to Neighbouring Councils



Portfolio Returns (Annualised)

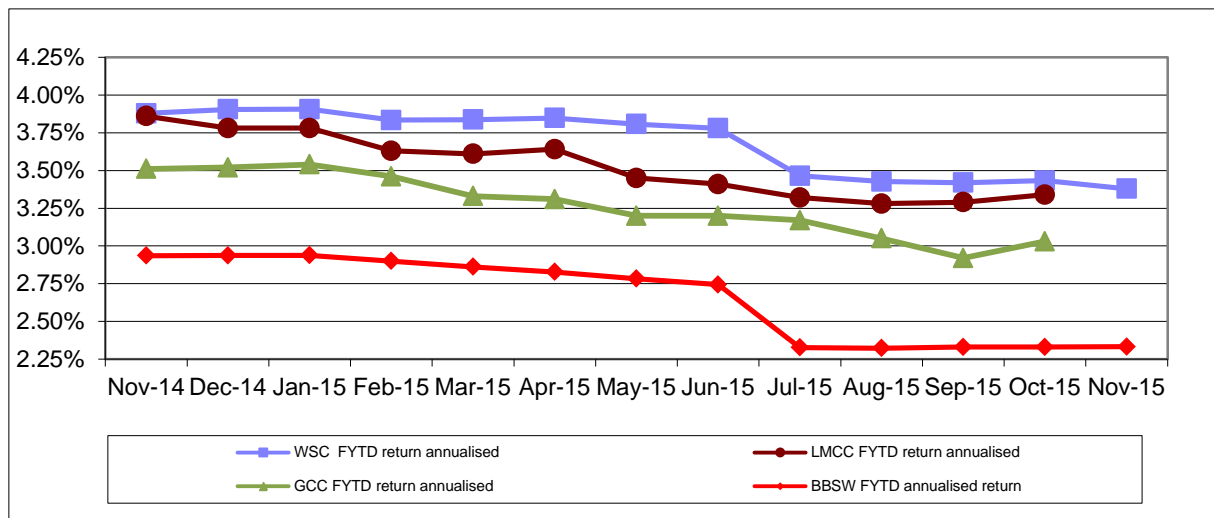
WSC's investment yield compares favourably to neighbouring Councils as outlined in table 9 below. We expect the overall portfolio return to reduce in the next few months as a number of term deposits yield returns above the overall portfolio approach maturity.

Table 9 – Summary of Investment Portfolio Returns

Month	BBSW	Wyong Shire Council	Gosford City Council	Lake Macquarie Council
May 2015	2.78%	3.81%	3.20%	3.45%
Jun 2015	2.74%	3.78%	3.20%	3.41%
Jul 2015	2.33%	3.46%	3.17%	3.32%
Aug 2015	2.32%	3.43%	3.05%	3.28%
Sep 2015	2.33%	3.42%	2.92%	3.29%
Oct 2015	2.33%	3.43%	3.03%	3.34%
Nov 2015	2.33%	3.38%	Not available	Not available

Graph 2 shows the Financial Year to date, annualised portfolio returns over a 12 month period for all three Councils compared to the BBSW.

Graph 2 – Portfolio Return – Comparison to Neighbouring Councils



INVESTMENT STATEMENT

In accordance with the Local Government (General) Regulation 2005, Part 9, Division 5, Clause 212, it is certified that the investments held as at 30 November 2015 have been made in accordance with the Act, the Regulations and Council's Investment Policies.

ATTACHMENTS

- Summary of Investments by Type - November 2015 D12168297

Wyong Shire Council Summary of Investments - By Type As at 30 November 2015									
FUND MANAGER	TYPE OF INVESTMENT	RATINGS		MATURITY	PORTFOLIO BALANCE 31.10.15 \$	PORTFOLIO BALANCE 30.11.15 \$	AS A % OF TOTAL PORTFOLIO	INCOME FOR MONTH OF NOVEMBER \$	INTEREST RATES %
		Short Term	Long Term						
CASH AT CALL:									
Westpac	Corporate Investment Account	A1	AA	Daily	3,785,503	21,931,660		6,157	2.10
CBA	At Call Deposit	A1	AA	Daily	-	-		0	
ANZ	11am Call Account	A1	AA	Daily	-	-		-	2.00
AMP	Business Saver Account	A1	A	Daily	4,564,851	4,574,418		9,567	2.55
Total Cash At Call					8,350,354	26,506,078	16.10%	15,724	
TERM DEPOSITS & BONDS									
<u>Short term deposits & bills (less than 90 days)</u>									
CUA	Term Deposit	A2	BBB	17/11/2015	5,000,000			7,890	3.60
Bank of Queensland	Term Deposit	A2	BBB	25/11/2015	5,000,000			13,315	4.05
ING	Term Deposit	A1	A	26/11/2015	5,000,000			14,004	4.00
CUA	Term Deposit	A2	BBB	16/12/2015	5,000,000	5,000,000		14,795	3.60
Workcover	Term Deposit	A1	AA	22/12/2015	4,167,000	4,167,000	with banks rating A1/AA	9,590	2.80
CBA	Term Deposit	A1	AA	23/12/2015	5,000,000	5,000,000		12,781	3.11
NAB	Term Deposit	A1	AA	10/01/2016	5,000,000	5,000,000		12,904	3.14
CBA	Term Deposit	A1	AA	18/01/2016	5,000,000	5,000,000		12,658	3.08
WSCU	Term Deposit	UNRATED	UNRATED	31/01/2016	1,000,000	1,000,000		2,712	3.30
CBA	Term Deposit	A1	AA	10/02/2016		5,000,000		12,658	3.08
CBA	Term Deposit	A1	AA	22/02/2016		5,000,000		12,658	3.08
					40,167,000	35,167,000	21.36%	125,963	
<u>Medium Term Deposits (up to 365 days)</u>									
CBA	Term Deposit	A1	AA	10/02/2016	5,000,000				3.08
CBA	Term Deposit	A1	AA	22/02/2016	5,000,000				3.08
NAB	Term Deposit	A1	AA	7/03/2016	5,000,000	5,000,000		12,863	3.13
Rural Bank	Term Deposit	A2	A	24/03/2016	5,000,000	5,000,000		11,918	2.90
Rural Bank	Term Deposit	A2	A	13/04/2016	5,000,000	5,000,000		11,918	2.90
Bankwest	Term Deposit	A1	AA	20/04/2016	5,000,000	5,000,000		11,918	2.90
Bankwest	Term Deposit	A1	AA	11/05/2016	5,000,000	5,000,000		11,918	2.90
Bendigo Adelaide Bank	Term Deposit	A2	BBB	27/05/2016	5,000,000	5,000,000		12,123	2.95
Bendigo Adelaide Bank	Term Deposit	A2	BBB	15/06/2016	5,000,000	5,000,000		12,123	2.95
NAB	Term Deposit	A1	AA	24/06/2016	10,000,000	10,000,000		23,178	2.82
Bendigo Adelaide Bank	Term Deposit	A2	BBB	26/07/2016	5,000,000	5,000,000		11,712	2.85
Bank of Queensland	Term Deposit	A2	BBB	2/08/2016	6,000,000	6,000,000		25,644	5.20
Bendigo Adelaide Bank	Term Deposit	A2	BBB	25/08/2016	5,000,000	5,000,000		11,712	2.85
ANZ	Term Deposit	A1	AA	23/08/2016	4,000,000	4,000,000		9,403	2.86
Bank of Queensland	Term Deposit	A2	BBB	8/09/2016	5,000,000	5,000,000		15,205	3.70
ANZ	Term Deposit	A1	AA	22/09/2016	4,000,000	4,000,000		9,370	2.85
Bank of Queensland	Term Deposit	A2	BBB	13/10/2016	5,000,000	5,000,000		11,712	2.85
Bendigo Adelaide Bank	Term Deposit	A2	BBB	25/10/2016	5,000,000	5,000,000		12,329	3.00
					94,000,000	84,000,000	51.01%	215,047	
<u>Non - Current</u>									
Heritage	Senior Bond	A3	BBB	20/06/2017	4,000,000	4,000,000		23,836	7.25
ME Bank	Term Deposit	A2	BBB	25/08/2017	5,000,000	5,000,000		16,027	3.90
ANZ	Term Deposit	A1	AA	30/10/2018	5,000,000	5,000,000		20,014	4.87
Rabo Bank	Term Deposit	A1	A	7/09/2020	5,000,000	5,000,000		14,384	3.50
					19,000,000	19,000,000	11.54%	74,260	
Total Term Deposit & Bonds:					153,167,000	138,167,000	83.90%	415,270	
TOTAL PORTFOLIO					161,517,354	164,673,078	100.00%	430,994	
Current					142,517,354	145,673,078	88.46%		
Non-Current					19,000,000	19,000,000	11.54%		
TOTAL PORTFOLIO					161,517,354	164,673,078	100.00%		