

11.3 INVESTMENT REPORT AS AT 30 JUNE 2022

Attachments: 1. Investment Statistics as at 30 June 2022

RECOMMENDATION:

That Council **NOTES** the Investment Statistics for the month ended 30 June 2022 as detailed in Attachment 1.

PURPOSE OF REPORT:

To advise Council of the nature and value of the City's Investments as at 30 June 2022 and the interest amounts earned YTD.

BACKGROUND:

The City's surplus funds are invested in bank term deposits for various terms to facilitate maximum investment returns in accordance with the City's Investment Policy (No. 1.2.4).

Details of the investments are included in **Attachment 1** and outline the following information:

- Investment performance and policy compliance charts;
- Investment portfolio data;
- Investment interest earnings; and
- Current investment holdings.

DETAILS:**Summary of key investment decisions in this reporting period**

- The City holds 11,000 equity shares in the North Perth Community Bank, purchased at \$1 per share on 23 November 2001. The City has now signed the share transfer form to sell these shares at a sale price of \$1.25 per share.

The City's non-fossil fuel investments have increased to 48.14% in the month of June 22 compared to a 13.8% in June 21. This has been possible due to competitive interest rates offered by fossil fuel free institutions including Members Equity Bank, Defence Bank and My State Bank.

Investment Status

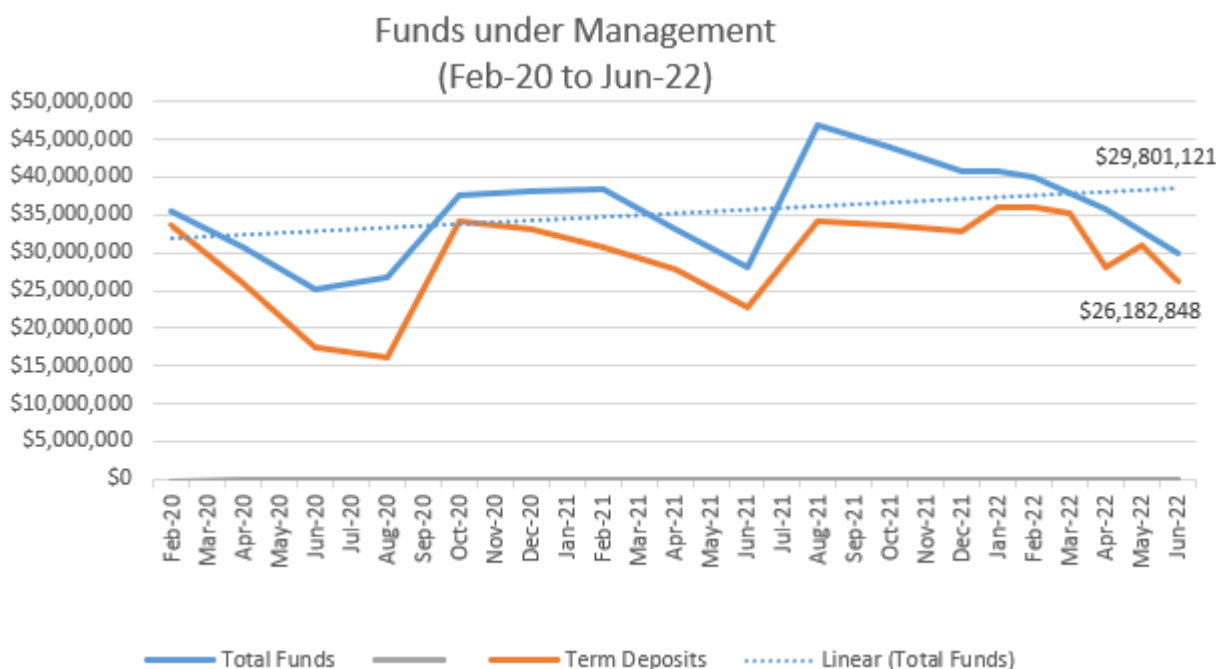
The City's investment portfolio is diversified across several accredited financial institutions.

As of 30 June 2022, the total funds held in the City's operating account (including on call) is \$29,801,121 compared to \$27,985,899 for the period ending 30 June 2021.

Interest bearing term deposits and the online saver represented \$26,999,320 while non-interest bearing amounts were \$2,801,801.

The total term deposit investments for the period ended 30 June 2022 were \$26,182,848 compared to \$26,631,997 for the period ended 30 June 2021.

The following chart shows funds under management from February 2020 to June 2022.



Interest Status

Total accrued interest earned on investments at 30 June 2022 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$100,000	\$98,557	98.56%
Reserve	\$100,000	\$100,000	\$80,469	88.47%
Subtotal	\$200,000	\$200,000	\$179,025	89.51%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$61,312	0.00%
Total	\$200,000	\$200,000	\$240,337	120.17%

*Interest estimates for Leederville Gardens Inc. Surplus Trust were not included in the 2022/22 Budget as actual interest earned is restricted.

The City has a weighted average interest rate of 1.66% for current investments whereas the Reserve Bank 90 days accepted bill rate for June 2022 is 1.60%.

Sustainable Investments

The City's investment policy requires that in the first instance, the City considers rate of return of the fund. All things being equal, the City then prioritises funds with no current record of funding fossil fuels. The City can increase the number of non-fossil fuel lenders but will potentially result in a lower rate of return.

Administration utilises 'Market Forces' to ascertain the level of exposure banks have in fossil fuel activities and utilises a platform called 'Yield Hub' to determine daily interest rates published by banks.

The investment guidelines which is the supplementary document to the Council Investment Policy has been updated to increase the maximum exposure limits to divested institutions, this has now been increased to 90% as reflected in the below table. The majority of divested institutions lie within A-2 and A-1+ categories.

Short Term Rating (Standard & Poor's) or Equivalent	Direct Investments Maximum %with any one institution		Maximum % of Total Portfolio	
	Guideline	Current position	Guideline	Current position
A1+	30%	23.41%	90%	38.60%
A-1	25%	0.0%	90%	0.0%
A-2	20%	26.41%	90%	61.40%

Administration will continuously explore options to ascertain if a balanced investment strategy can be developed where investments in divested banks can be increased with a minimal opportunity cost of loss in interest rate returns for instances when banks not divested in fossil fuel activities offer a higher rate of return. Recently, investments have been made in Members Equity Bank (A2) who have been consistently providing higher returns in the market.

RISK MANAGEMENT IMPLICATIONS

Low: Administration has developed effective controls to ensure funds are invested in accordance with the City's Investment Policy. This report enhances transparency and accountability for the City's investments.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

Our community is aware of what we are doing and how we are meeting our goals.

Our community is satisfied with the service we provide.

We are open and accountable to an engaged community.

SUSTAINABILITY IMPLICATIONS:

This does not contribute to any specific sustainability outcomes of the *City's Sustainable Environment Strategy 2019-2024*, however focussing on non-fossil fuel investments contributes to a Sustainable Environment.

PUBLIC HEALTH IMPLICATIONS:

This does not contribute to any public health outcomes of the City's Public Health Plan 2020-2025.

FINANCIAL/BUDGET IMPLICATIONS:

The financial implications of this report are as noted in the details section of the report. Administration is satisfied that appropriate and responsible measures are in place to protect the City's financial assets.

**CITY OF VINCENT
INVESTMENT PORTFOLIO
AS AT 30 JUNE 2022**

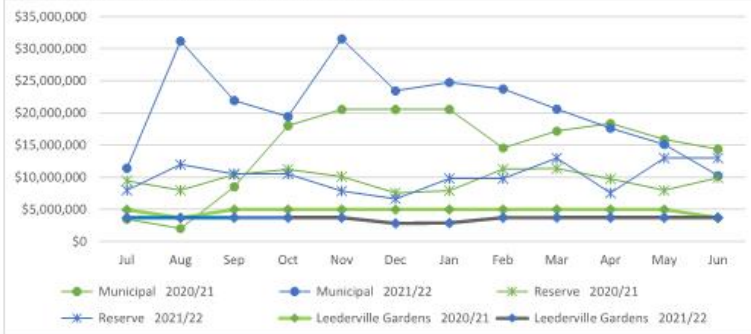
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	2,801,801	0	0	2,801,801	9.4%
Online Saver	805,473	0	0	805,473	2.7%
Term Deposits	9,446,244	13,000,000	3,736,604	26,182,848	87.9%
Equity Shares	11,000	0	0	11,000	0.0%
	13,064,517	13,000,000	3,736,604	29,801,121	100.0%
BY INSTITUTION					
Commonwealth Bank of Australia	3,607,273	0	0	3,607,273	12.12%
Members Equity Bank	3,000,000	4,000,000	873,787	7,873,787	26.41%
National Australia Bank	0	0	902,360	902,360	3.06%
North Perth Community Bank	11,000	0	0	11,000	0.03%
AMP Bank	1,946,244	2,000,000	0	3,946,244	13.21%
Macquarie Bank	4,500,000	2,500,000	0	7,000,000	23.41%
Defence Bank	0	4,500,000	0	4,500,000	15.2%
MyState Bank	0	0	1,960,457	1,960,457	6.6%
	13,064,517	13,000,000	3,736,604	29,801,121	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	8,107,273	2,500,000	902,360	11,509,633	38.60%
A-1	0	0	0	0	0.0%
A-2	4,957,244	10,500,000	2,834,244	18,291,488	61.40%
	13,064,517	13,000,000	3,736,604	29,801,121	100.0%
BY TERMS					
0-30 days	3,607,273	0	0	3,607,273	12.1%
31-90 days	0	0	0	0	0.0%
91-180 days	0	0	0	0	0.0%
181-270 days	1,000,000	6,500,000	0	7,500,000	25.2%
271-365 days	8,446,244	6,500,000	3,736,604	18,682,848	62.7%
> 1 year	11,000	0	0	11,000	0.0%
	13,064,517	13,000,000	3,736,604	29,801,121	100.0%
BY MATURITY					
0-30 days	3,607,273	0	0	3,607,273	12.1%
31-90 days	1,946,244	2,000,000	0	3,946,244	13.2%
91-180 days	1,000,000	4,500,000	854,727	6,354,727	21.3%
181-270 days	6,500,000	0	902,360	7,402,360	24.9%
271-365 days	0	6,500,000	1,979,517	8,479,517	28.5%
> 1 Year	11,000	0	0	11,000	0.0%
	13,064,517	13,000,000	3,736,604	29,801,121	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Investments	10,053,517	4,500,000	902,360	15,455,877	51.9%
Non Fossil Fuel Investments	3,011,000	8,500,000	2,834,244	14,345,244	48.1%
	13,064,517	13,000,000	3,736,604	29,801,121	100.0%

**CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 30 JUNE 2022**

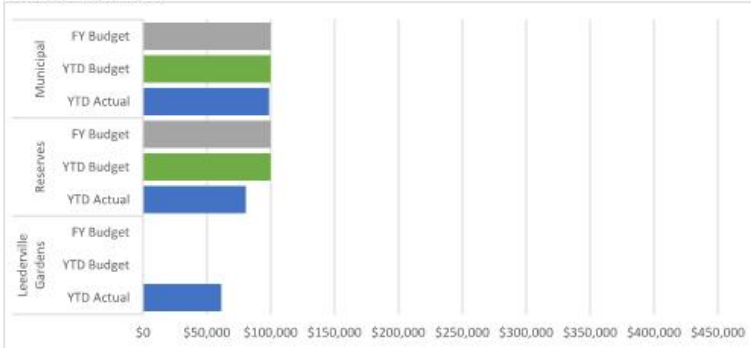
Funds	Institution	Investment Date	Maturity Date	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>					
Municipal	Commonwealth Bank of Australia				2,801,801
Municipal	Commonwealth Bank of Australia	Ongoing		0.45%	805,473
Total Operating Funds					3,607,273
<u>EQUITY SHARES</u>					
	North Perth Community Bank	23/11/2001			11,000
Total Equity Shares					11,000
<u>TERM DEPOSITS</u>					
Leederville Gardens Inc Surplus Trust	National Australia Bank	12/01/2022	13/01/2023	0.70%	902,360
Leederville Gardens Inc Surplus Trust	Members Equity Bank	01/02/2022	01/11/2022	0.65%	854,727
Municipal	AMP Bank	20/08/2021	20/08/2022	0.75%	1,946,244
Municipal	Macquarie Bank	22/03/2022	22/03/2023	1.25%	4,500,000
Municipal	Members Equity Bank	22/03/2022	20/10/2022	0.90%	1,000,000
Municipal	Members Equity Bank	29/03/2022	04/01/2023	1.20%	2,000,000
Reserve	Defence Bank	19/05/2022	15/12/2022	2.55%	4,500,000
Reserve	Members Equity Bank	19/05/2022	19/05/2023	3.15%	4,000,000
Leederville Gardens Inc Surplus Trust	Members Equity Bank	19/05/2022	19/05/2023	3.15%	19,060
Reserve	AMP Bank	20/08/2021	18/08/2022	0.75%	2,000,000
Reserve	Macquarie Bank	29/03/2022	29/03/2023	1.60%	2,500,000
Leederville Gardens Inc Surplus Trust	MyState Bank	30/06/2022	30/06/2023	4.00%	1,960,457.00
Total Term Deposits					26,182,848
Total Investment Including At Call					29,801,121

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 30 JUNE 2022**

FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

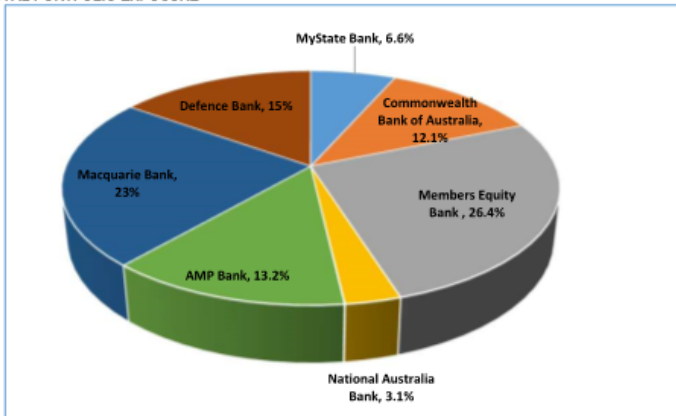


INTEREST RATE COMPARISON



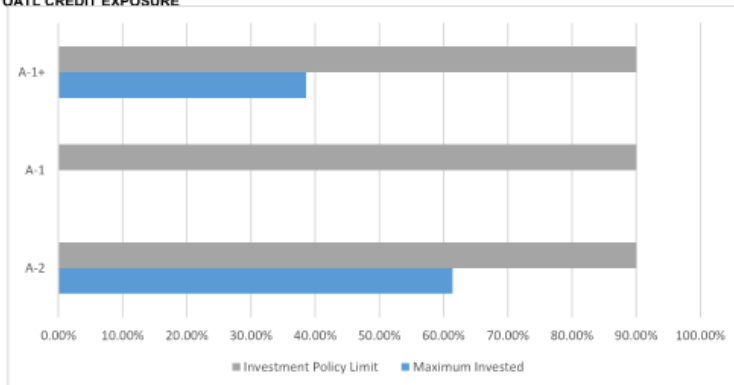
**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 30 JUNE 2022**

TOTAL PORTFOLIO EXPOSURE

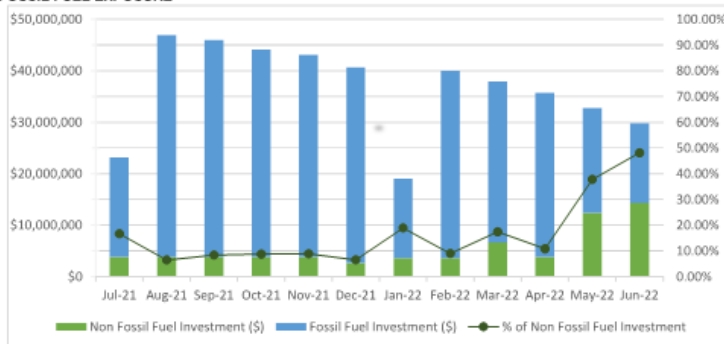


TOTAL CREDIT EXPOSURE

TOATL CREDIT EXPOSURE



FOSSIL FUEL EXPOSURE



* Selection of non fossil fuel investments is based on information provided by www.marketforces.org.au.

**CITY OF VINCENT
INVESTMENT INTEREST EARNINGS
AS AT 30 JUNE 2022**

	YTD 30/06/2022 \$	PY YTD 30/06/2021 \$	FY 2021/22 \$	PY FY 2020/21 \$
MUNICIPAL FUNDS				
Budget	100,000	70,000	100,000	70,000
Interest Earnings	98,557	69,957	98,557	69,957
% Income to Budget	98.6%	99.9%	98.6%	99.9%
RESERVE FUNDS				
Budget	100,000	90,000	100,000	90,000
Interest Earnings	80,469	79,826	80,469	79,826
% Income to Budget	80.5%	88.7%	80.5%	88.7%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	61,312	66,938	61,312	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	200,000	160,000	200,000	160,000
Interest Earnings	240,337	216,721	240,337	208,704
% Income to Budget	120.2%	135.5%	120.2%	130.4%
Variance	40,337	56,721	40,337	48,704
% Variance to Budget	20.2%	35.5%	20.2%	30.4%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	200,000	160,000	200,000	160,000
Interest Earnings	179,025	149,783	179,025	149,783
% Income to Budget	89.5%	93.6%	89.5%	93.6%
Variance	(20,975)	(10,217)	(20,975)	(10,217)
% Variance to Budget	(10.5%)	(6.4%)	(10.5%)	(6.4%)