

11.3 INVESTMENT REPORT AS AT 31 JANUARY 2023

Attachments: 1. Investment Statistics as at 31 January 2023

RECOMMENDATION:

That Council **NOTES** the Investment Statistics for the month ended 31 January 2023 as detailed in Attachment 1.

PURPOSE OF REPORT:

To advise Council of the nature and value of the City's Investments as at 31 January 2023 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**

A total of \$5.4m matured and \$7.4m was invested in January 2023 to capitalise on the favourable interest rates offered while maintaining an optimum level of cash flow.

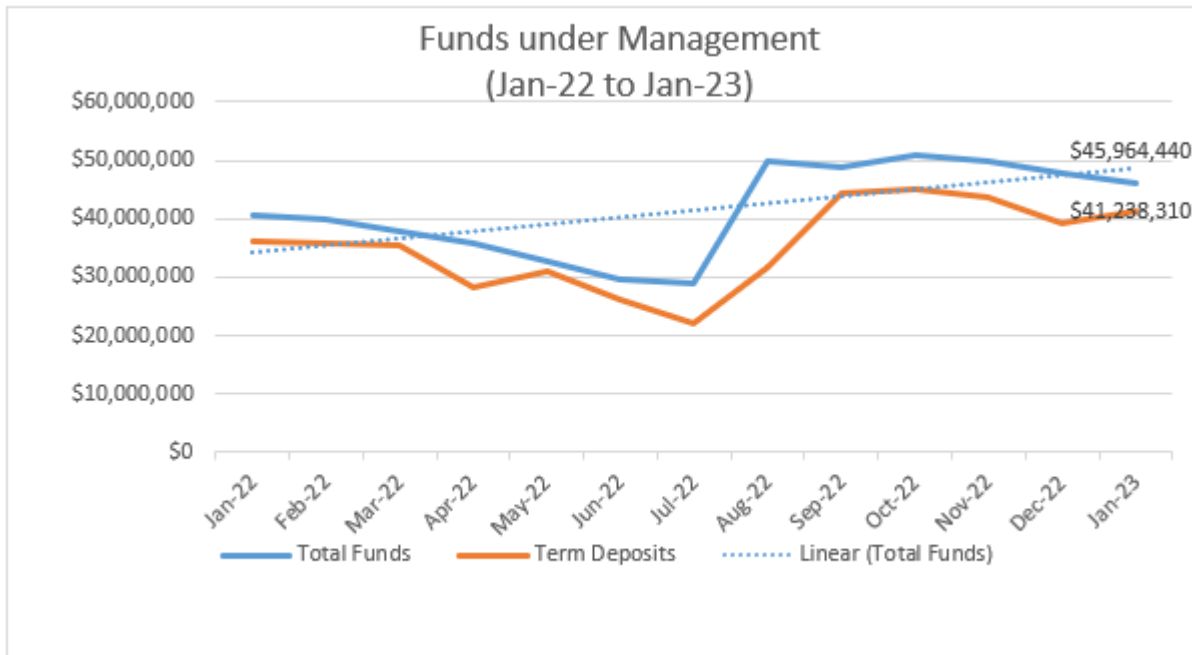
Investment Status

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

As at 31 January 2023, the total funds held in the City's operating accounts (including on call) was \$45,964,440 compared to \$40,675,750 for the period ended 31 January 2022. All funds are interest bearing as at 31 January 2023.

The total term deposit investments for the period ended 31 January 2023 were \$41,238,310 compared to \$36,110,080 for the period ended 31 January 2022.

The following chart shows funds under management from January 2022 to January 2023:



Interest Status

Total accrued interest earned on investments as at 31 January 2023 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of YTD Budget
Municipal	\$120,000	\$70,000	\$406,451	580.6%
Reserve	\$80,000	\$46,669	\$243,535	521.8%
Subtotal	\$200,000	\$116,669	\$649,986	557.1%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$58,518	N/A
Total	\$200,000	\$116,669	\$708,504	607.3%

*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 3.52% for current investments compared to the Reserve Bank 90 day accepted bill rate for January 2023 of 3.32%.

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 investments but will potentially result in a lower rate of return.

Administration utilises a platform called 'Yield Hub' to ascertain the level of exposure banks have in fossil fuel activities and 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%	16.1%	90%	26.5%
A-1	25%	15.2%	90%	15.2%
A-2	20%	20.6%	90%	58.3%

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.

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
CURRENT INVESTMENT HOLDING
AS AT 31 JANUARY 2023**

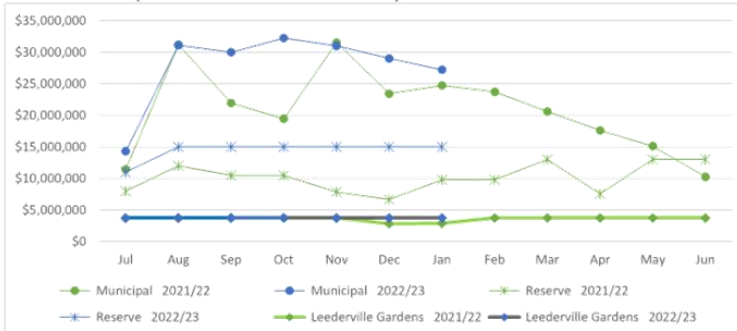
Funds	Institution	Investment Date	Maturity Date	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>					
Municipal	Commonwealth Bank of Australia			2.85%	2,159,908
Municipal	Commonwealth Bank of Australia	Ongoing		3.20%	2,566,222
Total Operating Funds					4,726,130
<u>TERM DEPOSITS</u>					
Leederville Gardens Inc Surplus Trust	Members Equity Bank	19/05/2022	19/05/2023	3.15%	19,060
Leederville Gardens Inc Surplus Trust	MyState Bank	30/06/2022	30/06/2023	4.00%	1,960,457
Leederville Gardens Inc Surplus Trust	Beyond Bank	04/11/2022	03/11/2023	4.55%	850,117
Leederville Gardens Inc Surplus Trust	National Australia Bank	12/01/2023	11/01/2024	4.53%	908,677
Municipal	Macquarie Bank	22/03/2022	22/03/2023	1.25%	4,500,000
Municipal	AMP Bank	10/08/2022	08/02/2023	3.80%	3,000,000
Municipal	MyState Bank	29/09/2022	15/02/2023	3.90%	3,000,000
Municipal	MyState Bank	29/09/2022	12/04/2023	4.20%	4,500,000
Municipal	National Australia Bank	27/10/2022	23/02/2023	3.15%	2,000,000
Municipal	Beyond Bank	04/11/2022	03/06/2023	4.40%	3,500,000
Municipal	Beyond Bank	13/01/2023	13/06/2023	4.21%	2,000,000
Reserve	Macquarie Bank	29/03/2022	29/03/2023	1.60%	2,500,000
Reserve	Members Equity Bank	19/05/2022	19/05/2023	3.15%	4,000,000
Reserve	AMP Bank	04/08/2022	04/08/2023	4.20%	4,000,000
Reserve	National Australia Bank	12/01/2023	11/01/2024	4.53%	4,500,000
Total Term Deposits					41,238,310
Total Investment Including At Call					45,964,440

**CITY OF VINCENT
INVESTMENT PORTFOLIO
AS AT 31 JANUARY 2023**

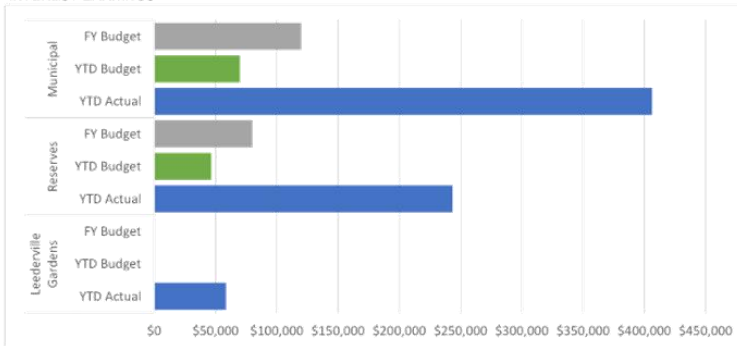
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	2,159,908	0	0	2,159,908	4.7%
Online Saver	2,566,222	0	0	2,566,222	5.6%
Term Deposits	22,500,000	15,000,000	3,738,310	41,238,310	89.7%
	27,226,130	15,000,000	3,738,310	45,964,440	100.0%
BY INSTITUTION					
Commonwealth Bank of Australia	4,726,130	0	0	4,726,130	10.3%
Beyond Bank	5,500,000	0	850,117	6,350,116	13.8%
Members Equity Bank	0	4,000,000	19,060	4,019,060	8.8%
National Australia Bank	2,000,000	4,500,000	908,677	7,408,677	16.1%
AMP Bank	3,000,000	4,000,000	0	7,000,000	15.2%
Macquarie Bank	4,500,000	2,500,000	0	7,000,000	15.2%
MyState Bank	7,500,000	0	1,960,457	9,460,457	20.6%
	27,226,130	15,000,000	3,738,311	45,964,440	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	6,726,130	4,500,000	908,677	12,134,807	26.5%
A-1	4,500,000	2,500,000	0	7,000,000	15.2%
A-2	16,000,000	8,000,000	2,829,634	26,829,633	58.3%
	27,226,130	15,000,000	3,738,311	45,964,440	100.0%
BY TERMS					
0-30 days	4,726,130	0	0	4,726,130	10.3%
91-180 days	7,000,000	0	0	7,000,000	15.2%
181-270 days	11,000,000	0	0	11,000,000	23.9%
271-365 days	4,500,000	15,000,000	3,738,310	23,238,310	50.6%
	27,226,130	15,000,000	3,738,310	45,964,440	100.0%
BY MATURITY					
0-30 days	12,726,130	0	0	12,726,130	27.7%
31-90 days	9,000,000	2,500,000	0	11,500,000	25.0%
91-180 days	5,500,000	4,000,000	1,979,517	11,479,517	25.0%
181-270 days	0	4,000,000	0	4,000,000	8.7%
271-365 days	0	4,500,000	1,758,793	6,258,793	13.6%
	27,226,130	15,000,000	3,738,310	45,964,440	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Investments	14,226,130	11,000,000	908,677	26,134,807	56.9%
Non Fossil Fuel Investments	13,000,000	4,000,000	2,829,634	19,829,633	43.1%
	27,226,130	15,000,000	3,738,311	45,964,440	100.0%

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 31 JANUARY 2023**

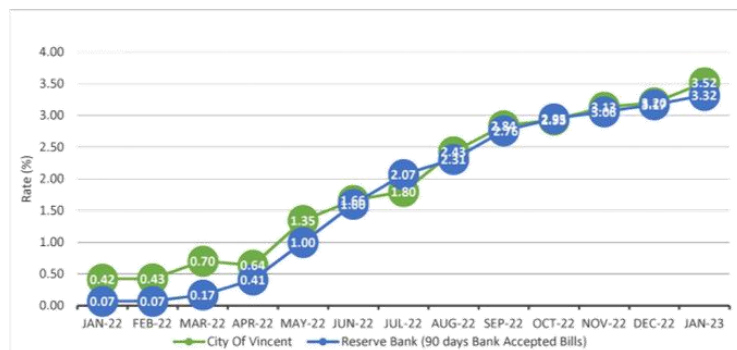
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

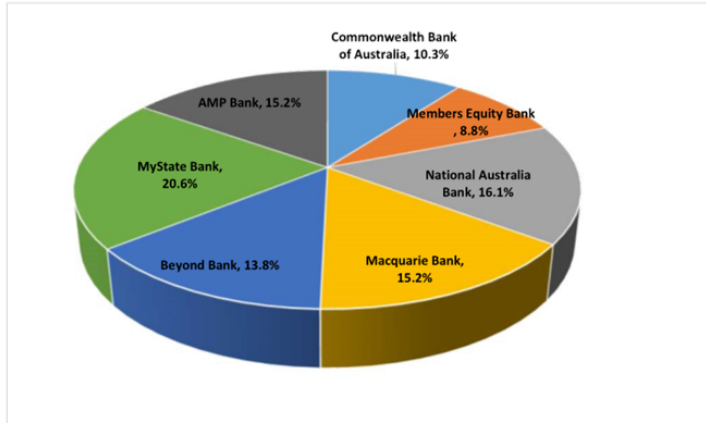


INTEREST RATE COMPARISON

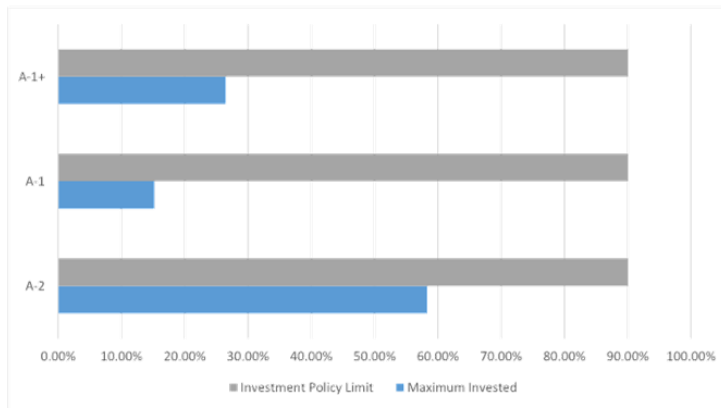


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 JANUARY 2023**

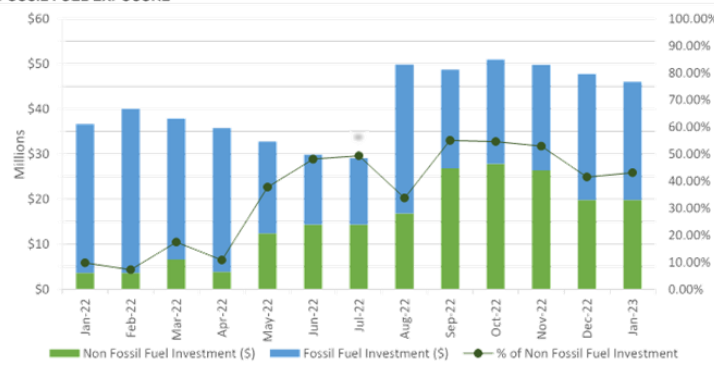
TOTAL PORTFOLIO EXPOSURE



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 31 JANUARY 2023**

	YTD 31/01/2023	PY YTD 31/01/2022	FY 2022/23	PY FY 2021/22
	\$	\$	\$	\$
MUNICIPAL FUNDS				
Budget	70,000	41,372	120,000	100,000
Interest Earnings	406,451	49,770	406,451	98,791
% Income to Budget	580.6%	120.3%	338.7%	98.6%
RESERVE FUNDS				
Budget	46,669	56,039	80,000	100,000
Interest Earnings	243,535	27,050	243,535	80,469
% Income to Budget	521.8%	48.3%	304.4%	80.5%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	58,518	45,956	58,518	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	116,669	97,411	200,000	200,000
Interest Earnings	708,504	122,776	708,504	238,180
% Income to Budget	607.3%	126.0%	354.3%	119.1%
Variance	591,835	25,365	508,504	38,180
% Variance to Budget	507.3%	26.0%	254.3%	19.1%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	116,669	97,411	200,000	200,000
Interest Earnings	649,986	76,820	649,986	179,259
% Income to Budget	557.1%	78.9%	325.0%	89.6%
Variance	533,317	(20,591)	449,986	(20,741)
% Variance to Budget	457.1%	(21.1%)	225.0%	(10.4%)