

7.2 INVESTMENT REPORT AS AT 31 MAY 2022

Attachments: 1. **Investment Statistics as at 31 May 2022**

RECOMMENDATION:

That Council NOTES the Investment Statistics for the month ended 31 May 2022 as detailed in Attachment 1.

PURPOSE OF REPORT:

To advise Council of the nature and value of the City's Investments as at 31 May 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 by 27% in the month of May 22. This makes May 22 the highest non-fossil fuel investment month for the year due to competitive interest rates offered by fossil fuel free institutions including Members Equity Bank and Defence Bank.

Investment Status

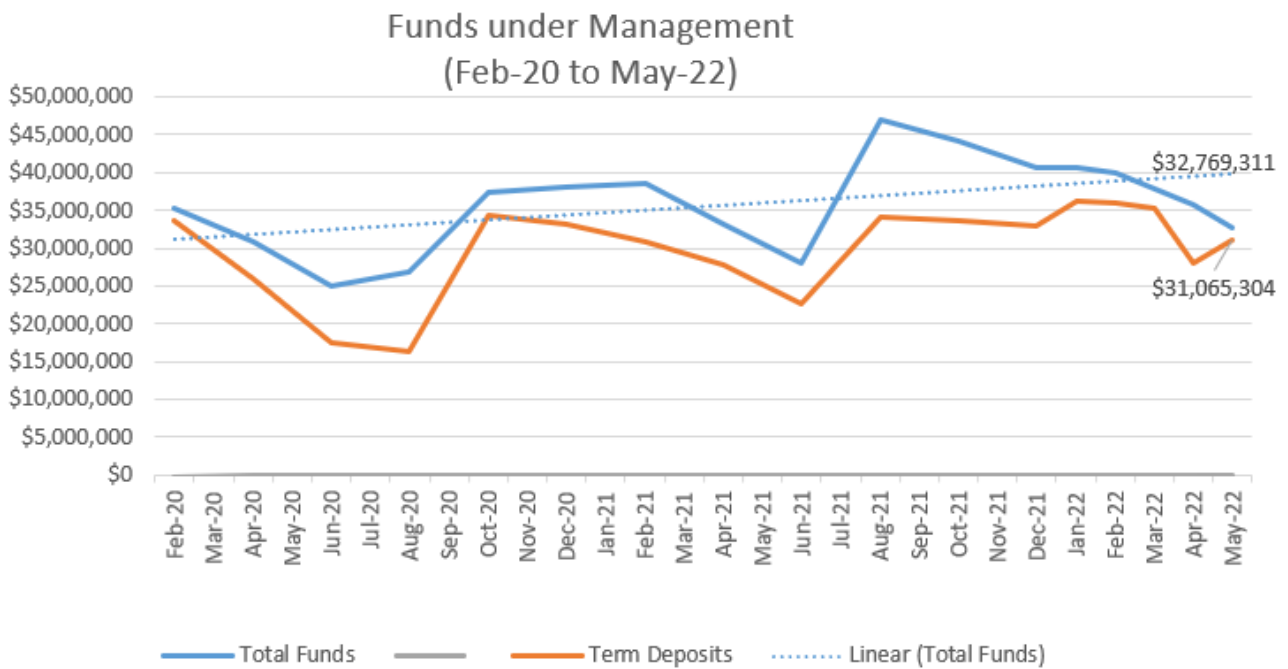
The City's investment portfolio is diversified across several accredited financial institutions.

As of 31 May 2022, the total funds held in the City's operating account (including on call) is \$32,769,311 compared to \$28,829,488 for the period ending 31 May 2021.

Interest bearing term deposits and the online saver represented \$31,858,740 while non-interest bearing amounts were \$899,570.

The total term deposit investments for the period ended 31 May 2022 were \$31,065,304 compared to \$26,631,997 for the period ended 31 May 2021.

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



Interest Status

Total accrued interest earned on investments at 31 May 2022 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$88,276	\$89,908	101.90%
Reserve	\$100,000	\$100,000	\$56,090	56.10%
Subtotal	\$200,000	\$188,276	\$145,773	77.40%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$15,530	0.00%
Total	\$200,000	\$188,276	\$161,303	85.70%

*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 1.35% for current investments whereas the Reserve Bank 90 days accepted bill rate for May 2022 is 1.0%. The online Saver interest rate has increased to 0.45%.

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%	21.31%	90%	35.30%
A-1	25%	0.0%	90%	0.0%
A-2	20%	24.01%	90%	64.70%

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
INVESTMENT PORTFOLIO
AS AT 31 MAY 2022**

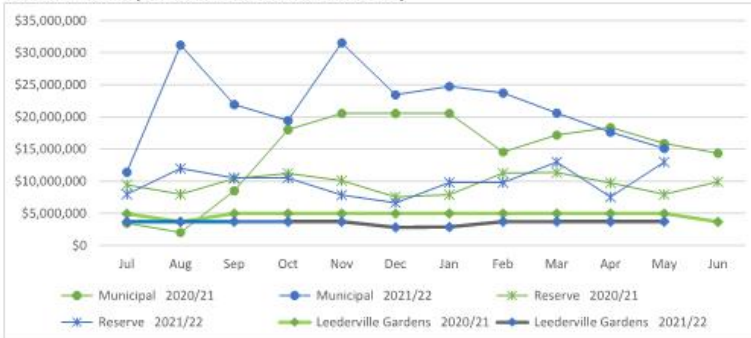
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	899,570	0	0	899,570	2.7%
Online Saver	804,436	0	0	804,436	2.5%
Term Deposits	14,322,488	13,000,000	3,731,816	31,054,304	94.8%
Equity Shares	11,000	0	0	11,000	0.0%
	16,037,495	13,000,000	3,731,816	32,769,311	100.0%
BY INSTITUTION					
ANZ Banking Group	0	0	0	0	0.0%
Bank Australia Ltd.	0	0	0	0	0.0%
Bank of Queensland	4,876,244	0	0	4,876,244	14.86%
Bankwest	0	0	0	0	0.0%
Bendigo and Adelaide Bank	0	0	0	0	0.0%
Commonwealth Bank of Australia	1,704,007	0	0	1,704,007	5.22%
Members Equity Bank	3,000,000	4,000,000	873,787	7,873,787	24.01%
National Australia Bank	0	0	2,858,029	2,858,029	8.76%
North Perth Community Bank	11,000	0	0	11,000	0.03%
Suncorp-Metway Ltd.	0	0	0	0	0.0%
Westpac Banking Corp	0	0	0	0	0.0%
AMP Bank	1,946,244	2,000,000	0	3,946,244	12.01%
Macquarie Bank	4,500,000	2,500,000	0	7,000,000	21.31%
Defence Bank	0	4,500,000	0	4,500,000	13.8%
	16,037,495	13,000,000	3,731,816	32,769,311	100.00%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	6,204,007	2,500,000	2,858,029	11,562,036	35%
A-1	0	0	0	0	0.0%
A-2	9,833,488	10,500,000	873,787	21,207,275	65%
	16,037,495	13,000,000	3,731,816	32,769,311	100.0%
BY TERMS					
0-30 days	1,704,007	0	0	1,704,007	5.2%
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	22.9%
271-365 days	13,322,488	6,500,000	3,731,816	23,554,304	71.9%
> 1 year	11,000	0	0	11,000	0.0%
	16,037,495	13,000,000	3,731,816	32,769,311	100.0%
BY MATURITY					
0-30 days	6,580,251	0	1,955,669	8,535,920	26.0%
31-90 days	1,946,244	2,000,000	0	3,946,244	12.0%
91-180 days	1,000,000	0	854,727	1,854,727	5.7%
181-270 days	2,000,000	4,500,000	902,360	7,402,360	22.7%
271-365 days	4,500,000	6,500,000	19,060	11,019,060	33.6%
> 1 Year	11,000	0	0	11,000	0.0%
	16,037,495	13,000,000	3,731,816	32,769,311	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Investments	13,026,495	4,500,000	2,858,029	20,384,524	62.2%
Non Fossil Fuel Investments	3,011,000	8,500,000	873,787	12,384,787	37.8%
	16,037,495	13,000,000	3,731,816	32,769,311	100.0%

**CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 31 MAY 2022**

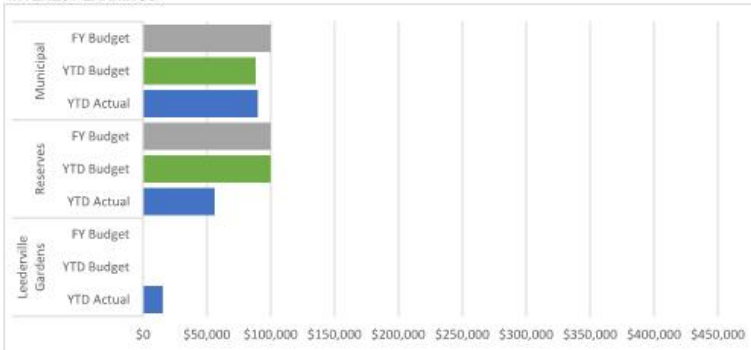
Funds	Institution	Investment Date	Maturity Date	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>					
Municipal	Commonwealth Bank of Australia			0.00%	899,570
Municipal	Commonwealth Bank of Australia	Ongoing		0.45%	804,436
Total Operating Funds					1,704,007
<u>EQUITY SHARES</u>					
	North Perth Community Bank	23/11/2001			11,000
Total Equity Shares					11,000
<u>TERM DEPOSITS</u>					
Municipal	Bank of Queensland	30/08/2021	02/06/2022	0.35%	4,876,244
Leederville Gardens Inc Surplus Trust	National Australia Bank	17/09/2021	18/06/2022	0.32%	1,955,669
Reserve	AMP Bank	20/08/2021	18/08/2022	0.75%	2,000,000
Municipal	AMP Bank	20/08/2021	20/08/2022	0.75%	1,946,244
Municipal	Members Equity Bank	22/03/2022	20/10/2022	0.90%	1,000,000
Leederville Gardens Inc Surplus Trust	Members Equity Bank	01/02/2022	01/11/2022	0.65%	854,727
Reserve	Defence Bank	19/05/2022	15/12/2022	2.55%	4,500,000
Municipal	Members Equity Bank	29/03/2022	04/01/2023	1.20%	2,000,000
Leederville Gardens Inc Surplus Trust	National Australia Bank	12/01/2022	13/01/2023	2.55%	902,360
Municipal	Macquarie Bank	22/03/2022	22/03/2023	3.15%	4,500,000
Reserve	Macquarie Bank	29/03/2022	29/03/2023	3.15%	2,500,000
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
Total Term Deposits					31,054,304
Total Investment Including At Call					32,769,311

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 31 MAY 2022**

FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

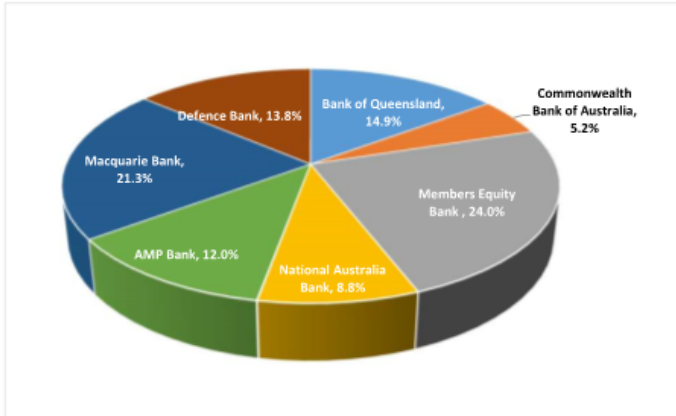


INTEREST RATE COMPARISON



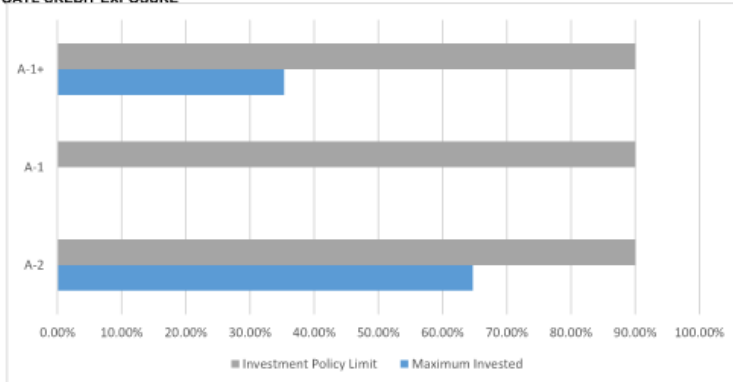
**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 MAY 2022**

TOTAL PORTFOLIO EXPOSURE

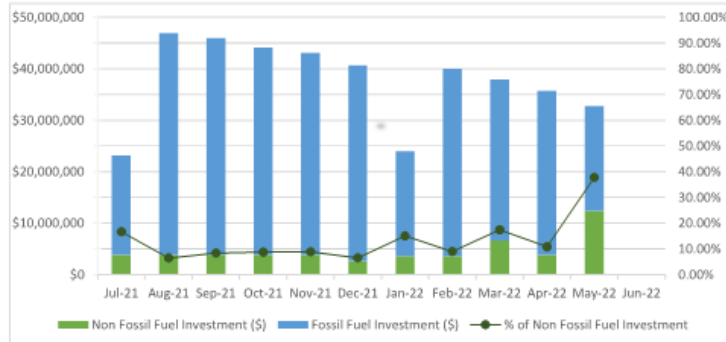


TOTAL CREDIT EXPOSURE

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 31 MAY 2022**

	YTD 31/05/2022	PY YTD 31/05/2021	FY 2021/22	PY FY 2020/21
	\$	\$	\$	\$
MUNICIPAL FUNDS				
Budget	88,276	46,741	100,000	70,000
Interest Earnings	89,908	67,712	89,908	69,957
% Income to Budget	101.9%	144.9%	89.9%	99.9%
RESERVE FUNDS				
Budget	100,000	90,001	100,000	90,000
Interest Earnings	56,090	77,254	56,090	79,826
% Income to Budget	56.1%	85.8%	56.1%	88.7%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	15,530	81,184	15,530	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	188,276	136,742	200,000	160,000
Interest Earnings	161,303	226,150	161,303	208,704
% Income to Budget	85.7%	165.4%	80.7%	130.4%
Variance	(26,973)	89,408	(38,697)	48,704
% Variance to Budget	(14.3%)	65.4%	(19.4%)	30.4%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	188,276	136,742	200,000	160,000
Interest Earnings	145,773	144,966	145,773	149,783
% Income to Budget	77.4%	106.0%	72.9%	93.6%
Variance	(42,503)	8,224	(54,227)	(10,217)
% Variance to Budget	(22.6%)	6.0%	(27.1%)	(6.4%)