

11.3 INVESTMENT REPORT AS AT 31 JULY 2022

Attachments: 1. Investment Statistics as at 31 July 2022

RECOMMENDATION:

That Council **NOTES** the Investment Statistics for the month ended 31 July 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 July 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 sold 11,000 equity shares in the North Perth Community Bank that were purchased at \$1 per share on 23 November 2001. The sale of these shares at \$1.25 per share was completed in July with settlement proceeds of \$13,750 received resulting in a gain of \$2,750.

The City's non-fossil fuel investments have increased to 49.30% in the month of July 2022 compared to 16.7% in July 2021. 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.

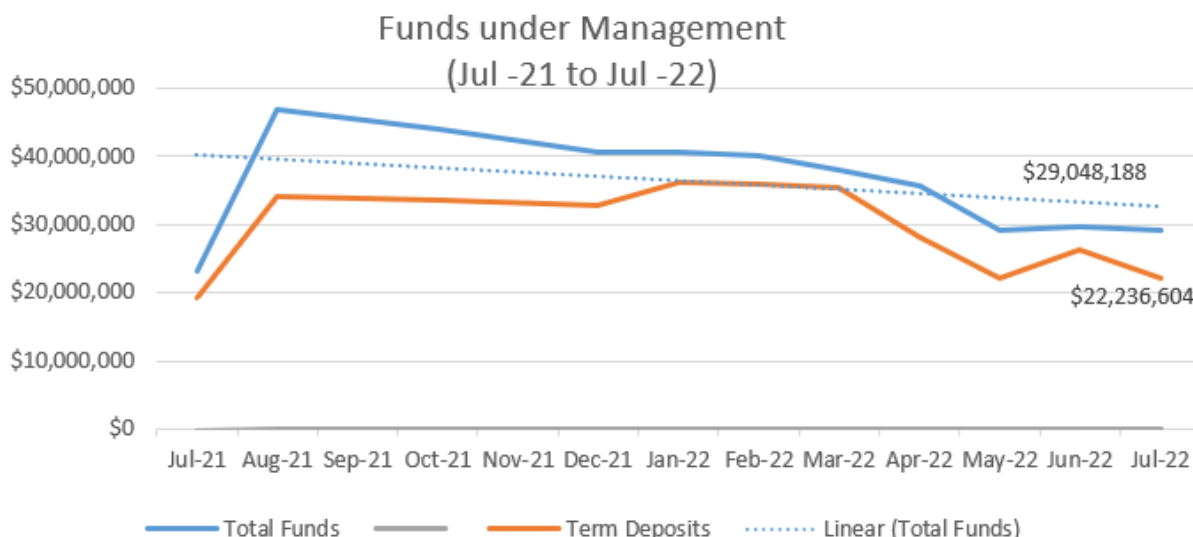
Investment Status

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

As of 31 July 2022, the total funds held in the City's operating accounts (including on call) is \$29,048,187 compared to \$23,133,999 for the period ending 31 July 2021. All funds are interest bearing as at 31 July 2022.

The total term deposit investments for the period ended 31 July 2022 were \$22,236,604 compared to \$19,288,868 for the period ended 31 July 2021.

The following chart shows funds under management from July 2021 to July 2022:



Interest Status

Total accrued interest earned on investments as at 31 July 2022 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of YTD Budget
Municipal	\$120,000	\$10,000	\$9,487	94.9%
Reserve	\$80,000	\$6,667	\$22,617	339.2%
Subtotal	\$200,000	\$200,000	\$32,105	192.6%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$13,230	N/A
Total	\$200,000	\$200,000	\$45,335	272.0%

*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 1.80% for current investments compared to the Reserve Bank 90 day accepted bill rate for July 2022 of 2.07%.

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%	24.01%	90%	50.70%
A-1	25%	0.0%	90%	0.0%
A-2	20%	27.11%	90%	49.30%

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 31 JULY 2022**

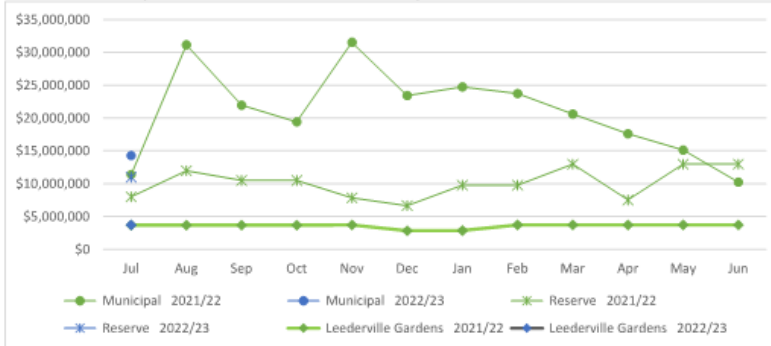
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	6,703,376	0	0	6,703,376	23.1%
Online Saver	108,208	0	0	108,208	0.4%
Term Deposits	7,500,000	11,000,000	3,736,604	22,236,604	76.5%
	14,311,583	11,000,000	3,736,604	29,048,187	100.0%
BY INSTITUTION					
Commonwealth Bank of Australia	6,811,583	0	0	6,811,583	23.42%
Members Equity Bank	3,000,000	4,000,000	873,787	7,873,787	27.11%
National Australia Bank	0	0	902,360	902,360	3.16%
Macquarie Bank	4,500,000	2,500,000	0	7,000,000	24.01%
Defence Bank	0	4,500,000	0	4,500,000	15.5%
MyState Bank	0	0	1,960,457	1,960,457	6.8%
	14,311,583	11,000,000	3,736,604	29,048,187	100.00%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	11,311,583	2,500,000	902,360	14,713,943	50.7%
A-2	3,000,000	8,500,000	2,834,244	14,334,244	49.3%
	14,311,583	11,000,000	3,736,604	29,048,187	100.0%
BY TERMS					
181-270 days	1,000,000	4,500,000	0	5,500,000	18.9%
271-365 days	6,500,000	6,500,000	3,736,604	16,736,604	57.7%
	14,311,583	11,000,000	3,736,604	29,048,187	100.0%
BY MATURITY					
0-30 days	6,811,583	0	0	6,811,583	23.4%
31-90 days	1,000,000	0	0	1,000,000	3.4%
91-180 days	2,000,000	4,500,000	1,757,087	8,257,087	28.4%
181-270 days	4,500,000	2,500,000	0	7,000,000	24.2%
271-365 days	0	4,000,000	1,979,517	5,979,517	20.6%
	14,311,583	11,000,000	3,736,604	29,048,187	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Investments	11,311,583	2,500,000	902,360	14,713,943	50.7%
Non Fossil Fuel Investments	3,000,000	8,500,000	2,834,244	14,334,244	49.3%
	14,311,583	11,000,000	3,736,604	29,048,187	100.0%

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

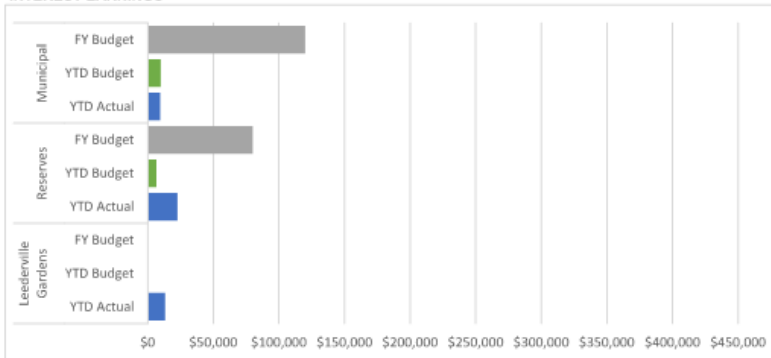
Funds	Institution	Investment Date	Maturity Date	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>					
Municipal	Commonwealth Bank of Australia			1.10%	6,703,376
Municipal	Commonwealth Bank of Australia	Ongoing		1.45%	108,208
Total Operating Funds					6,811,583
<u>TERM DEPOSITS</u>					
Municipal	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	0.70%	902,360
Municipal	Macquarie Bank	22/03/2022	22/03/2023	1.25%	4,500,000
Reserve	Macquarie Bank	29/03/2022	29/03/2023	1.60%	2,500,000
Leederville Gardens Inc Surplus Trust	Members Equity Bank	19/05/2022	19/05/2023	3.15%	19,060
Reserve	Members Equity Bank	19/05/2022	19/05/2023	3.15%	4,000,000
Leederville Gardens Inc Surplus Trust	MyState Bank	30/06/2022	30/06/2023	4.00%	1,960,457
Total Term Deposits					22,236,604
Total Investment Including At Call					29,048,187

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

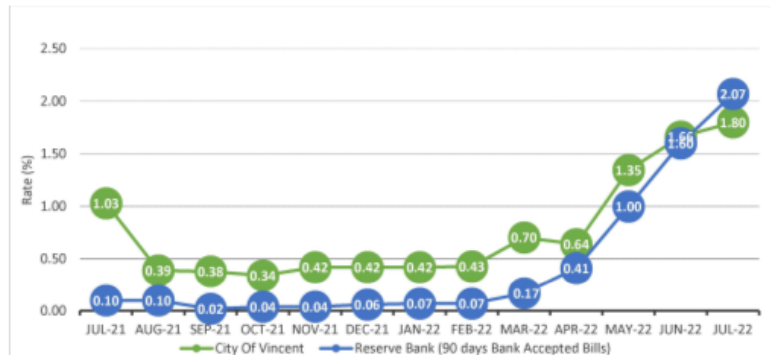
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

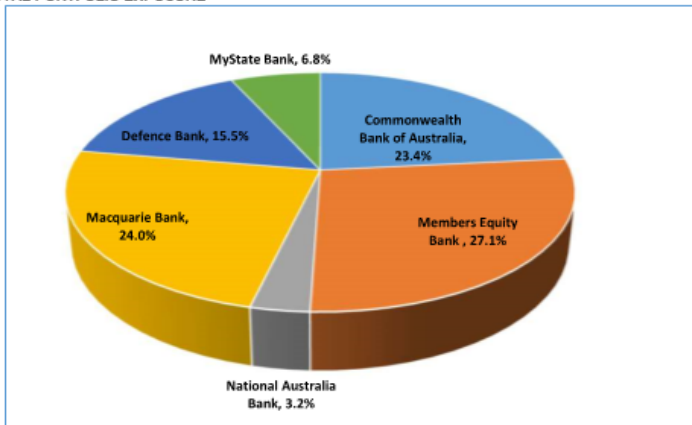


INTEREST RATE COMPARISON

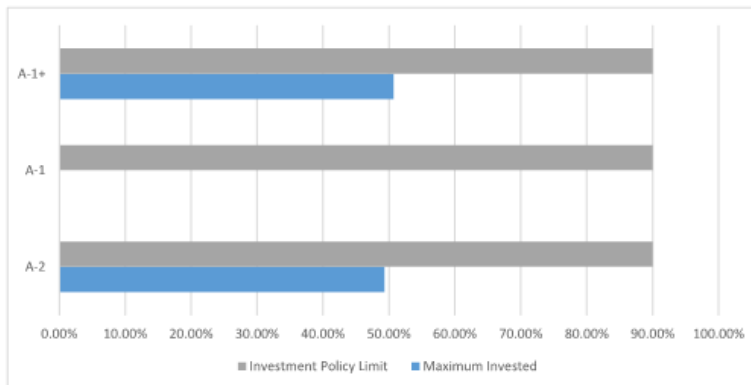


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 JULY 2022**

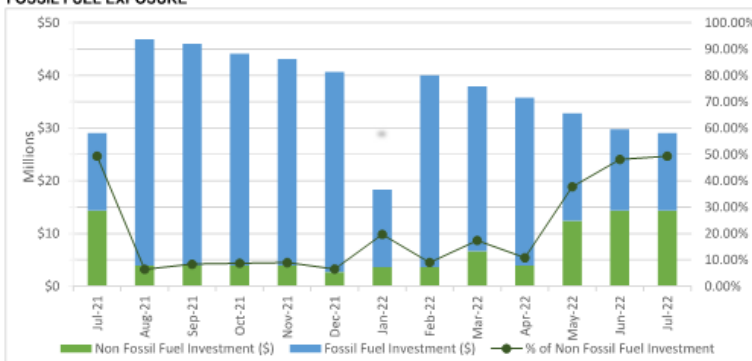
TOTAL PORTFOLIO EXPOSURE



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 JULY 2022**

	YTD 31/07/2022	PY YTD 31/07/2021	FY 2022/23	PY FY 2021/22
	\$	\$	\$	\$
MUNICIPAL FUNDS				
Budget	10,000	4,849	120,000	100,000
Interest Earnings	9,487	3,223	9,487	98,557
% Income to Budget	94.9%	66.5%	7.9%	98.6%
RESERVE FUNDS				
Budget	6,667	7,484	80,000	100,000
Interest Earnings	22,617	12,007	22,617	80,469
% Income to Budget	339.2%	160.4%	28.3%	80.5%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	13,230	15,880	13,230	61,312
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	16,667	12,333	200,000	200,000
Interest Earnings	45,335	31,110	45,335	240,337
% Income to Budget	272.0%	252.3%	22.7%	120.2%
Variance	28,668	18,777	(154,665)	40,337
% Variance to Budget	172.0%	152.3%	(77.3%)	20.2%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	16,667	12,333	200,000	200,000
Interest Earnings	32,105	15,230	32,105	179,025
% Income to Budget	192.6%	123.5%	16.1%	89.5%
Variance	15,438	2,897	(167,895)	(20,975)
% Variance to Budget	92.6%	23.5%	(84.0%)	(10.5%)