

11.2 INVESTMENT REPORT AS AT 31 AUGUST 2021

Attachments: 1. Investment Statistics as at 31 August 2021

RECOMMENDATION:

That Council NOTES the Investment Statistics for the month ended 31 August 2021 as detailed in Attachment 1.

PURPOSE OF REPORT:

To advise Council of the nature and value of the City's Investments as at 31 August 2021 and the interest amounts earned year to date.

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

- This month, funds have been invested in AMP Bank, Bank of Queensland and Macquarie Bank.

8 reinvestments were undertaken in August as follows:

- \$13,346,244 relating to Municipal funds and
- \$5,500,000 relating to Reserves

As of 31 August 2021, \$3,860,091 (8.2%) of the City's investments are held in the financial institutions considered to be investing in non-fossil fuel related activities. Further increases in non-fossil fuel investment is restricted due to:

- Record low interest rates offered by banks divested in fossil fuel activities; and
- Smaller divested banks have capped the number of term deposits they can undertake due to surplus cash positions primarily fuelled by low borrowing costs in the market.

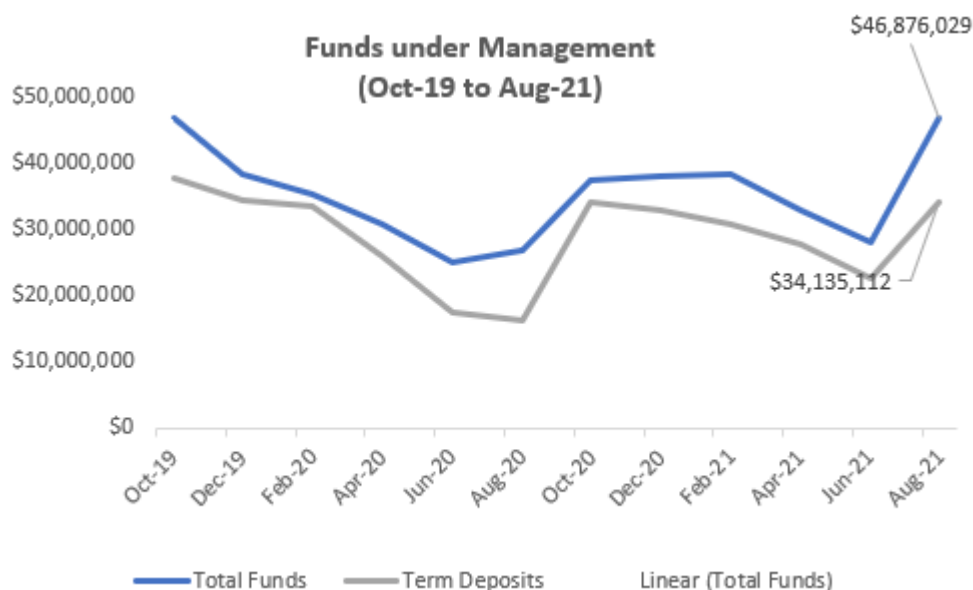
Investment Status

As of 31 August 2021, the total funds held in the City's operating account (including on call) is \$46,876,029 compared to \$26,788,392 for the period ending 31 August 2020. The difference has arisen due to the earlier collection of rates compared to the previous year.

Interest bearing term deposits account for \$39,248,776, non-interest bearing account for \$7,646,253 and the remaining \$11,000 is held in equity shares.

The total term deposit investments for the period ending 31 August 2021 are \$34,135,112 compared to \$16,238,861 for the period ending 31 August 2020.

The following chart shows funds under management since Oct 2019.



Interest Status

Total accrued interest earned on investments as at 31 August 2021 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$8,721	\$ 15,083	172.95%
Reserve	\$100,000	\$15,023	\$28,914	192.47%
Subtotal	\$200,000	\$23,744	\$43,997	185.30%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$18,189	0.00%
Total	\$200,000	\$23,744	\$62,186	261.90%

The City has a weighted average interest rate of 0.41% for current investments whereas the Reserve Bank 90 days accepted bill rate for July 2021 is 0.02%. The online Saver interest rate has been maintained at 0.2% and is subject for review by CommBank in September 2021.

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%	30.0%	90%	39.8%
A-1	25%	12.9%	90%	11.9%
A-2	20%	10.6%	90%	48.3%

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
INVESTMENT PORTFOLIO
AS AT 31 AUGUST 2021**

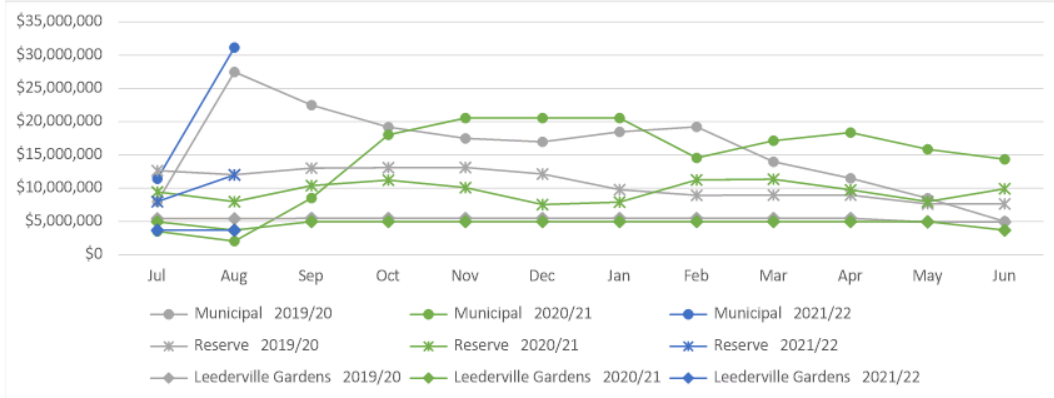
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	7,646,253	0	0	7,646,253	16.0%
Online Saver	5,083,664	0	0	5,083,664	11.0%
Term Deposits	18,446,244	11,996,592	3,692,276	34,135,112	73.0%
Equity Shares	11,000	0	0	11,000	0.0%
	31,187,161	11,996,592	3,692,276	46,876,029	100.0%
BY INSTITUTION					
Bank of Queensland	8,376,244	4,500,000	899,629	13,775,873	29.4%
Commonwealth Bank of Australia	12,729,917	0	0	12,729,917	30.0%
Members Equity Bank Ltd.	0	1,805,262	852,499	2,657,761	5.7%
National Australia Bank	2,500,000	1,500,000	0	4,000,000	10.0%
North Perth Community Bank	11,000	0	0	11,000	0.0%
Westpac Banking Corp	0	0	1,940,148	1,940,148	4.1%
AMP Bank	2,970,000	2,000,000	0	4,970,000	10.6%
Macquarie Bank	4,600,000	1,000,000	0	5,600,000	12.9%
Defense Bank	0	1,191,330	0	1,191,330	3.0%
	31,187,161	11,996,592	3,692,276	46,876,029	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	15,229,917	1,500,000	1,940,148	18,670,065	39.9%
A-1	4,600,000	1,000,000	0	5,600,000	11.9%
A-2	11,357,244	9,496,592	1,752,128	22,605,964	48.2%
	31,187,161	11,996,592	3,692,276	46,876,029	100.0%
BY TERMS					
0-30 days	12,729,917	0	0	12,729,917	27.2%
31-90 days	0	3,500,000	0	3,500,000	7.5%
91-180 days	3,600,000	0	0	3,600,000	7.7%
181-270 days	8,023,756	7,496,592	852,499	16,372,847	34.9%
270-365 days	4,876,244	1,000,000	2,839,777	8,716,021	20.0%
> 1 year	1,957,244	0	0	1,957,244	5.1%
	31,187,161	11,996,592	3,692,276	46,876,029	100.0%
BY MATURITY					
0-30 days	15,329,917	1,500,000	1,940,148	18,770,065	40.0%
31-90 days	11,000	4,500,000	0	4,511,000	9.6%
91-180 days	3,589,000	3,996,592	1,752,128	9,337,720	19.9%
181-270 days	4,523,756	0	0	4,523,756	9.7%
270-365 days	7,722,488	0	0	7,722,488	16.5%
> 1 Year	11,000	2,000,000	0	2,011,000	4.3%
	31,187,161	11,996,592	3,692,276	46,876,029	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Lending	31,176,161	9,000,000	2,839,777	43,015,938	91.8%
Non Fossil Fuel Lending	11,000	2,996,592	852,499	3,860,091	8.2%
	31,187,161	11,996,592	3,692,276	46,876,029	100.0%

CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 31 AUGUST 2021

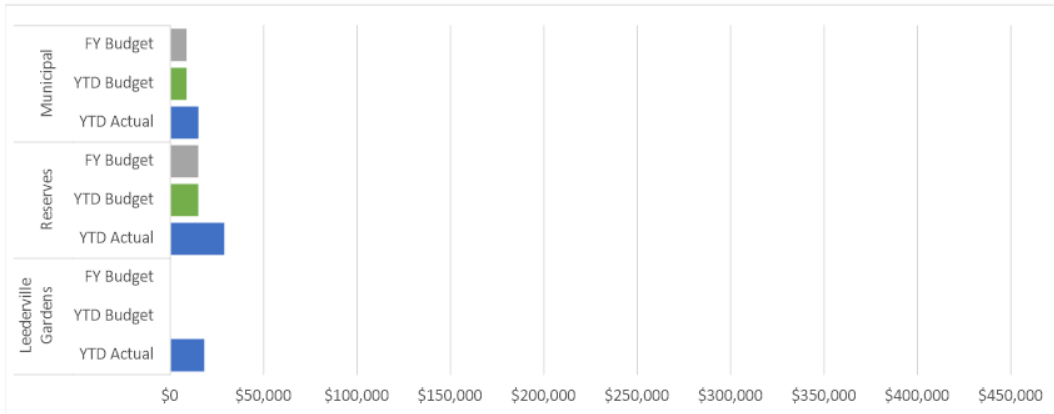
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
OPERATING ACCOUNTS						
Municipal	Commonwealth Bank of Australia				0.00%	7,646,253
Municipal	Commonwealth Bank of Australia		Ongoing		0.20%	5,083,664
Total Operating Funds						12,729,917
EQUITY SHARES						
	North Perth Community Bank	23/11/2001				11,000
Total Equity Shares						11,000
TERM DEPOSITS						
Leederville Gardens Inc Surplus Trust	Westpac Banking Corp	01/09/2020	01/09/2021	365	0.80%	1,940,148
Reserve	National Australia Bank	29/01/2021	20/09/2021	234	0.30%	1,500,000
Reserve	Macquarie Bank	01/02/2021	01/11/2021	273	0.55%	1,000,000
Leederville Gardens Inc Surplus Trust	Bank of Queensland	18/03/2021	20/12/2021	277	0.40%	899,629
Municipal	Macquarie Bank	18/03/2021	13/09/2021	179	0.40%	2,600,000
Reserve	Defense Bank	18/03/2021	13/12/2021	270	0.37%	1,191,330
Municipal	National Australia Bank	18/03/2021	18/10/2021	214	0.31%	2,500,000
Reserve	Members Equity Bank Ltd.	18/06/2021	14/01/2022	210	0.45%	1,805,262
Leederville Gardens Inc Surplus Trust	Members Equity Bank Ltd.	30/06/2021	28/01/2022	212	0.45%	852,499
Reserve	Bank of Queensland	18/06/2021	14/01/2022	210	0.45%	1,000,000
Reserve	AMP Bank	20/08/2021	20/08/2022	366	0.75%	1,976,244.00
Reserve	AMP Bank	20/08/2021	18/08/2022	183	0.75%	2,000,000.00
Reserve	Bank of Queensland	20/08/2021	17/11/2021	90	0.25%	3,500,000.00
Municipal	Macquarie Bank	20/08/2021	18/02/2022	182	0.40%	1,000,000.00
Municipal	Macquarie Bank	30/08/2021	30/11/2021	92	0.40%	1,000,000.00
Municipal	AMP Bank	30/08/2021	01/03/2022	183	0.35%	1,023,756.00
Municipal	Bank of Queensland	30/08/2021	29/03/2022	211	0.33%	3,500,000.00
Municipal	Bank of Queensland	30/08/2021	02/06/2022	276	0.35%	4,876,244.00
Total Term Deposits						34,165,112
Total Investment Including At Call						46,906,029

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 31 AUGUST 2021**

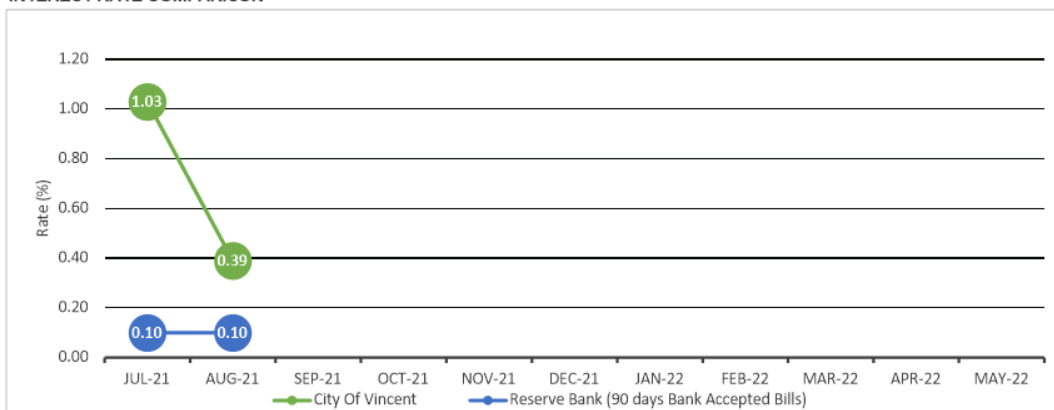
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

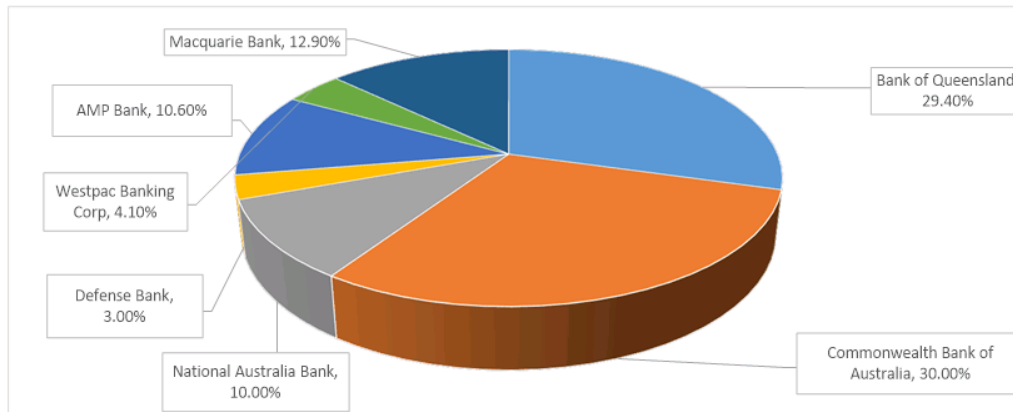


INTEREST RATE COMPARISON

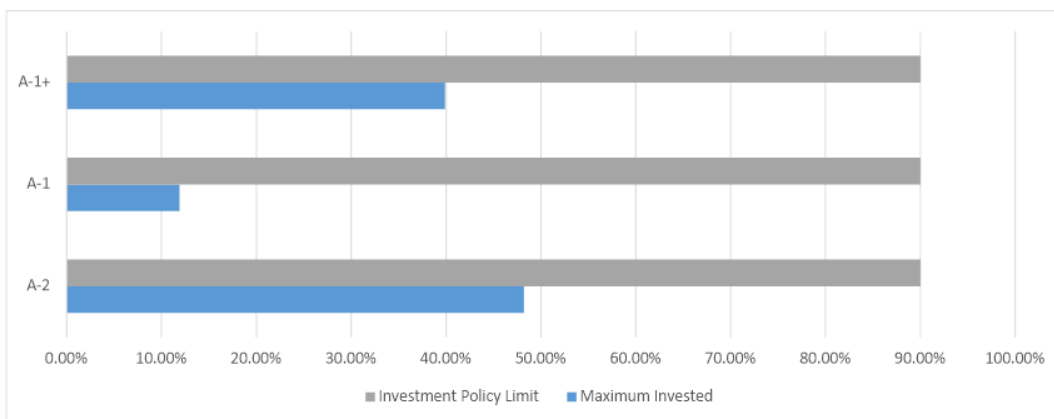


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 AUGUST 2021**

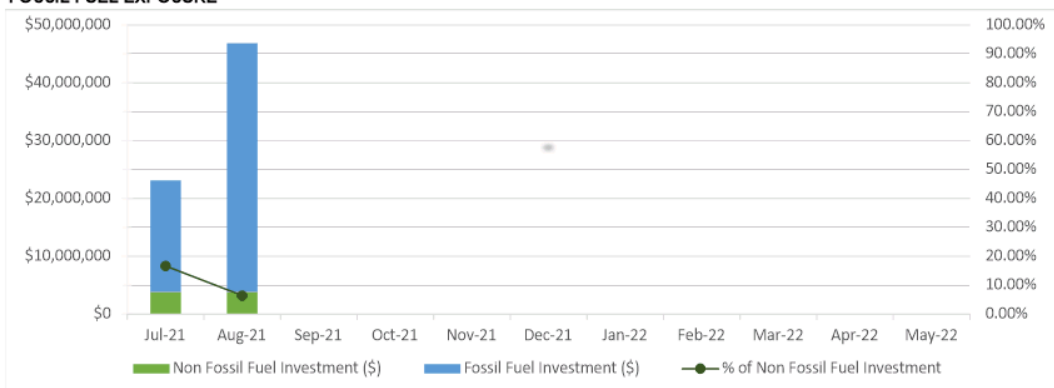
TOTAL PORTFOLIO EXPOSURE



TOTAL 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 AUGUST 2021**

	YTD 31/08/2021	YTD 31/08/2020	FY 2021/22	FY 2020/21
	\$	\$	\$	\$
MUNICIPAL FUNDS				
Budget	8,721	8,793	8,721	70,000
Interest Earnings	15,083	11,195	15,083	69,957
% Income to Budget	172.95%	127.32%	172.95%	99.94%
RESERVE FUNDS				
Budget	15,023	32,096	15,023	90,000
Interest Earnings	28,914	20,766	24,879	79,826
% Income to Budget	192.47%	64.70%	165.61%	88.70%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	18,189	10,645	18,189	58,921
% Income to Budget	0.00%	0.00%	0.00%	0.00%
TOTAL				
Budget	23,744	40,889	23,744	160,000
Interest Earnings	62,186	42,606	58,151	208,704
% Income to Budget	261.90%	104.20%	244.91%	130.44%
Variance	38,442	1,717	34,407	48,704
% Variance to Budget	161.90%	4.20%	144.91%	30.44%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	23,744	40,889	23,744	160,000
Interest Earnings	43,997	31,961	39,962	149,783
% Income to Budget	185.30%	78.17%	168.30%	93.61%
Variance	20,253	(8,928)	16,218	(10,217)
% Variance to Budget	85.30%	-21.83%	68.30%	-6.39%