

11.4 INVESTMENT REPORT AS AT 30 SEPTEMBER 2021

Attachments: 1. Investment Statistics as at 30 September 2021

RECOMMENDATION:

That Council NOTES the Investment Statistics for the month ended 30 September 2021 as detailed in Attachment 1.

PURPOSE OF REPORT:

To advise Council of the nature and value of the City's Investments as at 30 September 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 National Australia Bank and Bank of Queensland.

Three (3) transactions were undertaken in September as follows:

- \$6,100,000 relating to Municipal funds; and
- \$1,955,669.15 relating to Leederville Gardens Inc Trust

The City's non-fossil fuel exposure has been maintained at low levels for the past few months due to the following reasons:

- 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. This is impacting the City's ability to provide investment preference to these organisations.

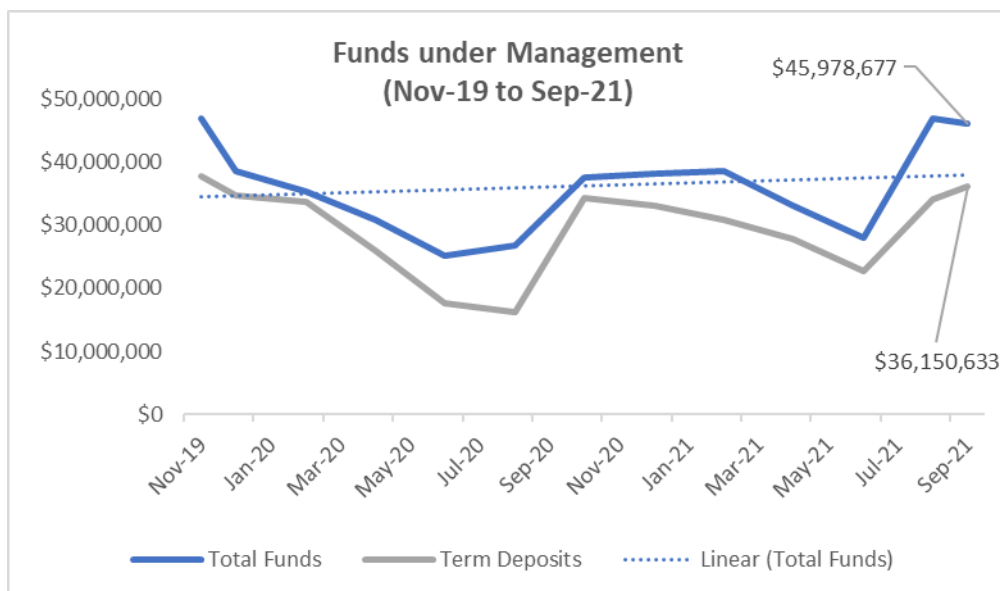
Investment Status

As of 30 September 2021, the total funds held in the City's operating account (including on call) is \$45,978,677 compared to \$38,460,372 for the period ending 30 September 2020. The non-interest bearing account is higher than usual due to term deposits maturing closer to the reporting period.

Interest bearing term deposits account for \$41,236,105, non-interest bearing account for \$4,731,572 and the remaining \$11,000 is held in equity shares.

The total term deposit investments for the period ending 30 September 2021 are \$36,150,633 compared to \$23,921,321 for the period ending 31 September 2020.

The following chart shows funds under management from November 2019 to September 2021.



Interest Status

Total accrued interest earned on investments at 30 September 2021 is:

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$9,596	\$ 13,708	142.85%
Reserve	\$100,000	\$21,640	\$11,240	51.94%
Subtotal	\$200,000	\$31,236	\$24,948	79.87%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$21,348	0.00%
Total	\$200,000	\$31,236	\$46,296	148.22%

*Interest estimates for Leederville Gardens Inc. Surplus Trust were not included in the 2020/21 Budget as actual interest earned is restricted.

The City has a weighted average interest rate of 0.38% for current investments whereas the Reserve Bank 90 days accepted bill rate for September 2021 is 0.02%. The online Saver interest rate has been maintained at 0.2% and is subject for review by CommBank in November 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%	21.3%	90%	39.3%
A-1	25%	6.6%	90%	6.5%
A-2	20%	10.7%	90%	54.2%

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.

Equity Shares

The City of Vincent holds 11,000 shares for Bendigo Bank, purchased as North Perth Community Bank at \$1/share on 23 November 2021. These shares are trading at \$9.31 per share at 1 October 2021.

Bendigo Bank has no record of lending to coal and coal seam gas sectors since 2016 and meets the City's objective to invest in non-fossil fuel investments.

The performance of these shares, and the City's shareholding, will be reviewed as a component of our Investment Strategy, for consideration later this financial year.

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 SEPTEMBER 2021**

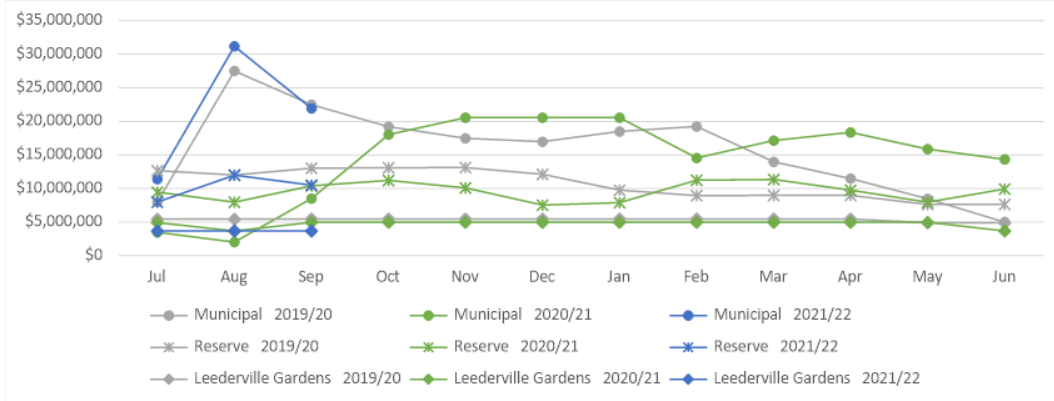
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	4,731,572	0	0	4,731,572	10.3%
Online Saver	5,085,472	0	0	5,085,472	11.1%
Term Deposits	21,946,244	10,496,592	3,707,797	36,150,633	78.6%
Equity Shares	11,000	0	0	11,000	0.0%
	31,774,288	10,496,592	3,707,797	45,978,677	100.0%
BY INSTITUTION					
Bank of Queensland	10,676,244	4,500,000	899,629	16,075,873	35.0%
Commonwealth Bank of Australia	9,817,044	0	0	9,817,044	21.3%
Members Equity Bank Ltd.	0	1,805,262	852,499	2,657,761	5.8%
National Australia Bank	6,300,000	0	1,955,669	8,255,669	18.0%
North Perth Community Bank	11,000	0	0	11,000	0.0%
AMP Bank	2,970,000	2,000,000	0	4,970,000	10.7%
Macquarie Bank	2,000,000	1,000,000	0	3,000,000	6.6%
Defense Bank	0	1,191,330	0	1,191,330	2.6%
	31,774,288	10,496,592	3,707,797	45,978,677	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	16,117,044	0	1,955,669	18,072,713	39.4%
A-1	2,000,000	1,000,000	0	3,000,000	6.5%
A-2	13,657,244	9,496,592	1,752,128	24,905,964	54.1%
	31,774,288	10,496,592	3,707,797	45,978,677	100.0%
BY TERMS					
0-30 days	9,817,044	0	0	9,817,044	21.4%
31-90 days	0	3,500,000	0	3,500,000	7.6%
91-180 days	1,000,000	0	0	1,000,000	2.2%
181-270 days	14,123,756	5,996,592	852,499	20,972,847	45.5%
270-365 days	4,876,244	1,000,000	2,855,298	8,731,542	19.0%
> 1 year	1,957,244	0	0	1,957,244	4.3%
	31,774,288	10,496,592	3,707,797	45,978,677	100.0%
BY MATURITY					
0-30 days	12,317,044	0	0	12,317,044	26.8%
31-90 days	11,000	5,691,330	899,629	6,601,959	14.4%
91-180 days	989,000	2,805,262	852,499	4,646,761	10.1%
181-270 days	4,876,244	0	1,955,669	6,831,913	14.9%
270-365 days	13,570,000	0	0	13,570,000	29.4%
> 1 Year	11,000	2,000,000	0	2,011,000	4.4%
	31,774,288	10,496,592	3,707,797	45,978,677	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Lending	31,763,288	7,500,000	2,855,298	42,118,586	91.6%
Non Fossil Fuel Lending	11,000	2,996,592	852,499	3,860,091	8.4%
	31,774,288	10,496,592	3,707,797	45,978,677	100.0%

**CITY OF VINCENT
CURRENT INVESTMENT HOLDING
AS AT 30 SEPTEMBER 2021**

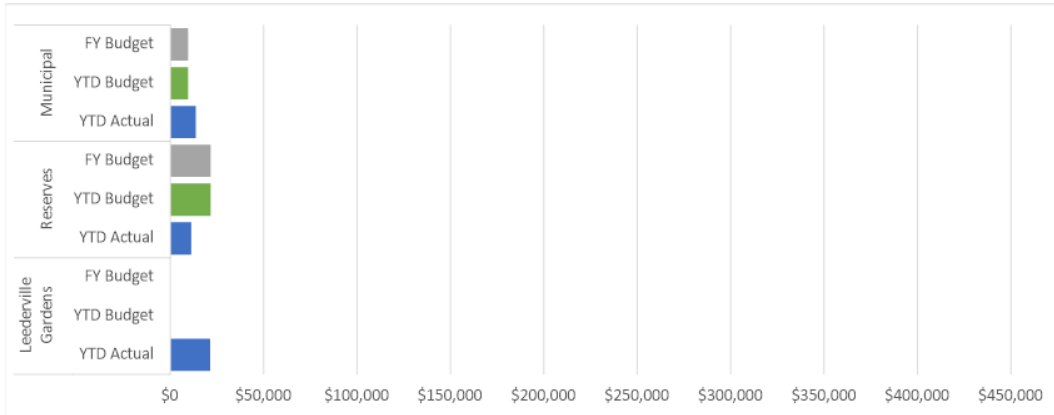
Funds	Institution	Investment Date	Maturity Date	Term	Interest Rate	Principal \$
OPERATING ACCOUNTS						
Municipal	Commonwealth Bank of Australia				0.00%	4,731,572
Municipal	Commonwealth Bank of Australia		Ongoing		0.20%	5,085,472
Total Operating Funds						9,817,044
EQUITY SHARES						
	North Perth Community Bank	23/11/2001				11,000
Total Equity Shares						11,000
TERM DEPOSITS						
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
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
Municipal	AMP Bank	20/08/2021	20/08/2022	365	0.75%	1,946,244.00
Reserve	AMP Bank	20/08/2021	18/08/2022	363	0.75%	2,000,000.00
Reserve	Bank of Queensland	20/08/2021	17/11/2021	89	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
Municipal	Bank of Queensland	17/09/2021	18/03/2022	182	0.33%	2,300,000.00
Municipal	National Australia Bank	17/09/2021	18/03/2022	182	0.28%	3,800,000.00
Leederville Gardens Inc Surplus Trust	National Australia Bank	17/09/2021	18/06/2022	274	0.32%	1,955,669.00
Total Term Deposits						36,150,633
Total Investment Including At Call						45,978,677

**CITY OF VINCENT
INVESTMENT PERFORMANCE
AS AT 30 SEPTEMBER 2021**

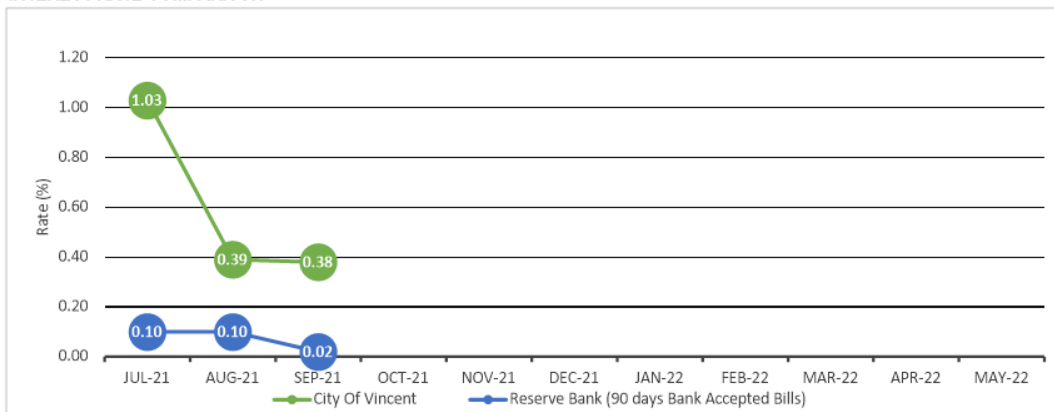
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

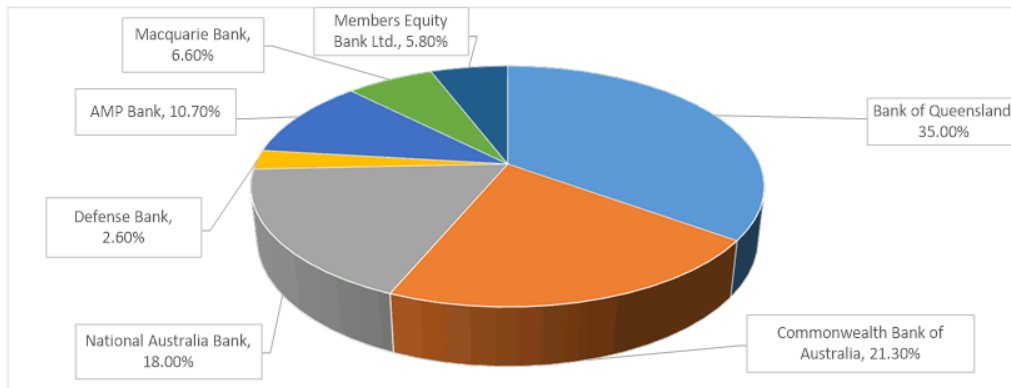


INTEREST RATE COMPARISON

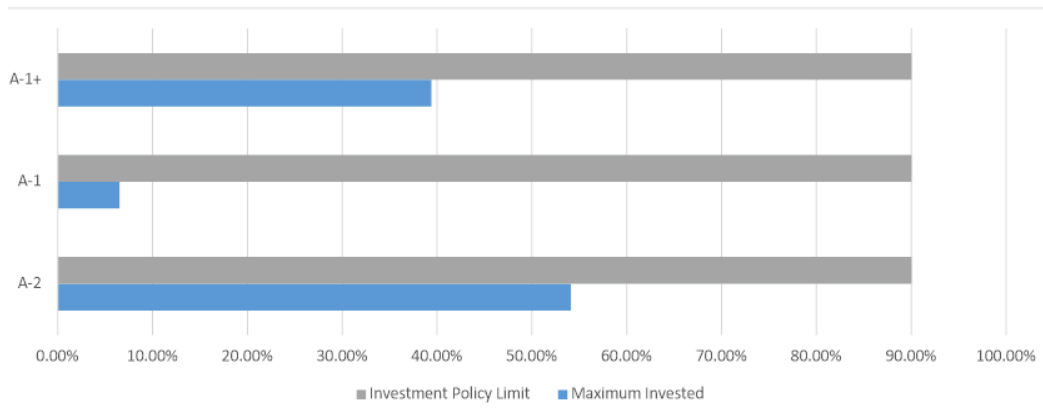


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 30 SEPTEMBER 2021**

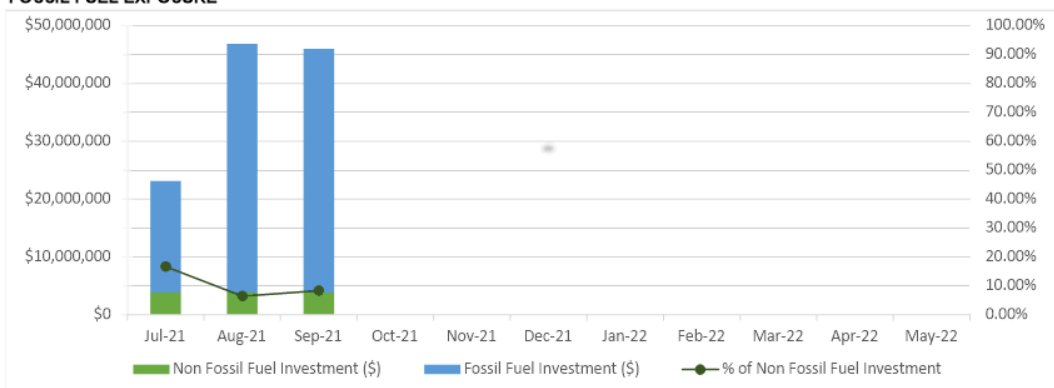
TOTAL PORTFOLIO EXPOSURE



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 30 SEPTEMBER 2021**

	YTD 30/09/2021 \$	YTD 30/09/2020 \$	FY 2021/22 \$	FY 2020/21 \$
MUNICIPAL FUNDS				
Budget	9,596	57,501	9,596	70,000
Interest Earnings	13,708	12,318	13,708	69,957
% Income to Budget	142.85%	21.42%	142.85%	99.94%
RESERVE FUNDS				
Budget	21,640	45,051	21,640	90,000
Interest Earnings	11,240	29,912	11,240	79,826
% Income to Budget	51.94%	66.40%	51.94%	88.70%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	21,348	14,390	21,348	58,921
% Income to Budget	0.00%	0.00%	0.00%	0.00%
TOTAL				
Budget	31,236	102,552	31,236	160,000
Interest Earnings	46,297	56,620	46,296	208,704
% Income to Budget	148.22%	55.21%	148.21%	130.44%
Variance	15,061	(45,932)	15,060	48,704
% Variance to Budget	48.22%	-44.79%	48.21%	30.44%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	31,236	102,552	31,236	160,000
Interest Earnings	24,948	42,230	24,948	149,783
% Income to Budget	79.87%	41.18%	79.87%	93.61%
Variance	(6,288)	(60,322)	(6,288)	(10,217)
% Variance to Budget	-20.13%	-58.82%	-20.13%	-6.39%