

7.4 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.

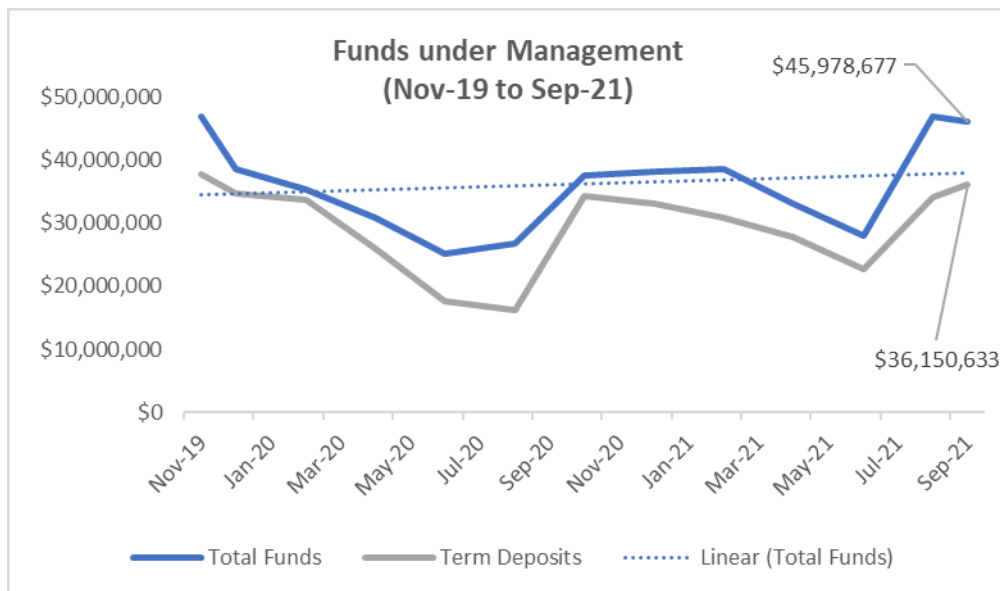
Investment Status

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**

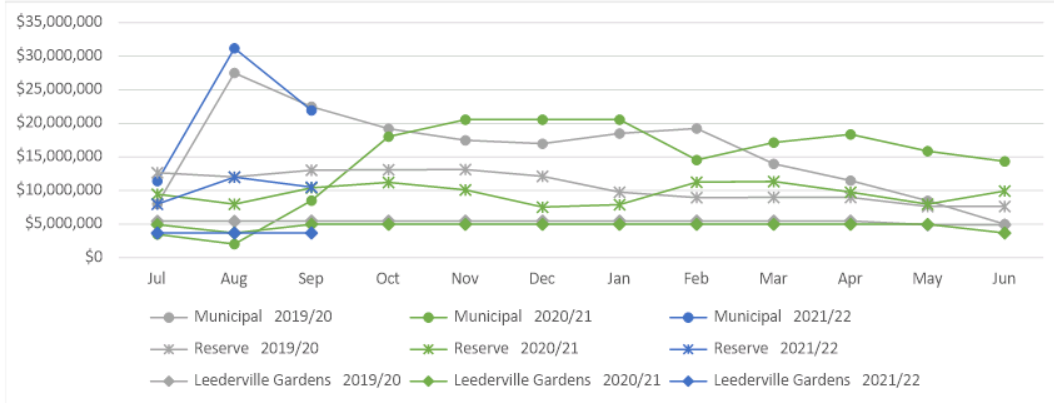
| | Municipal | Reserve | Leederville Gardens Inc Surplus Trust | Total | Total |
|------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|---------------------------------------------|-------------------|---------------|
| | \$ | \$ | \$ | \$ | % |
| 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**

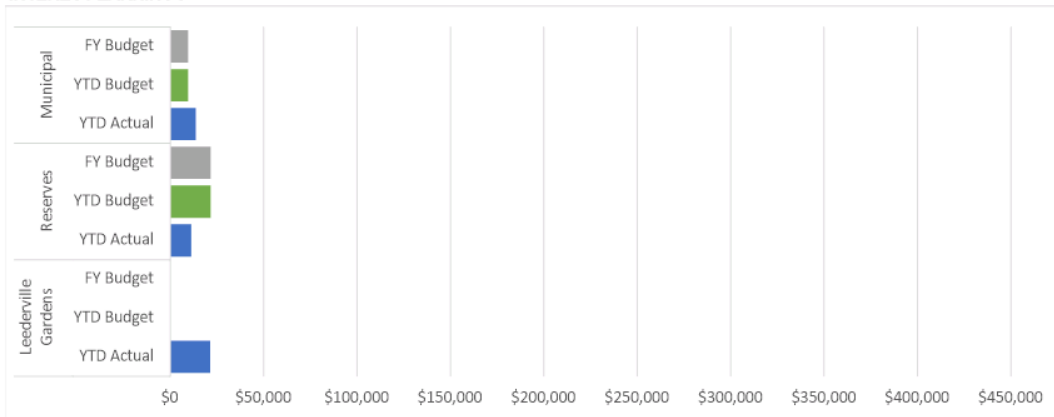
| Funds | Institution | Investment Date | Maturity Date | Term | Interest Rate | Principal \$ |
|-------------------------------------------|--------------------------------|------------------------|----------------------|-------------|----------------------|---------------------|
| OPERATING ACCOUNTS | | | | | | |
| 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**

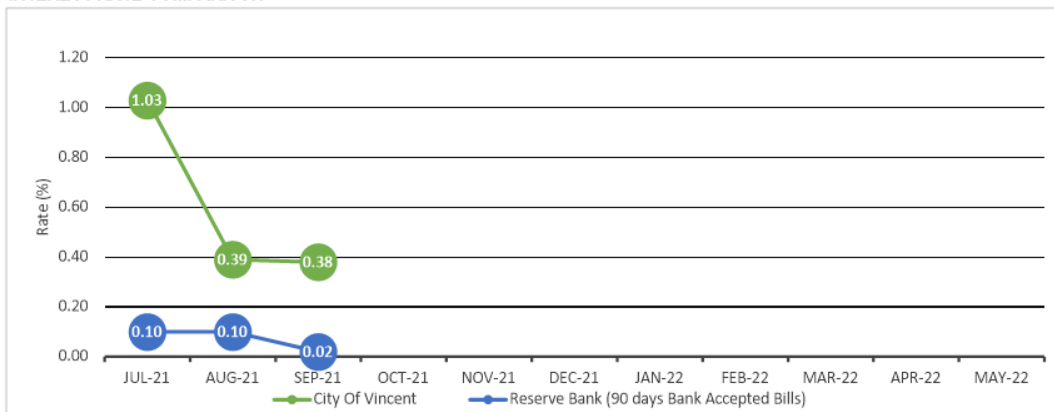
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

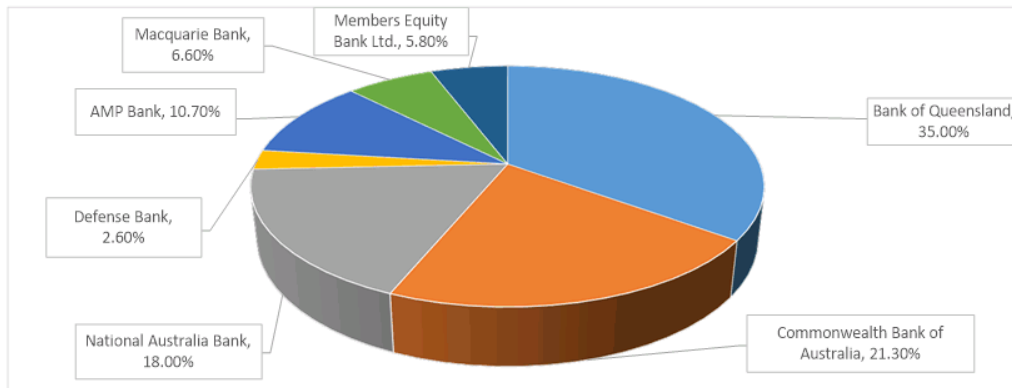


INTEREST RATE COMPARISON

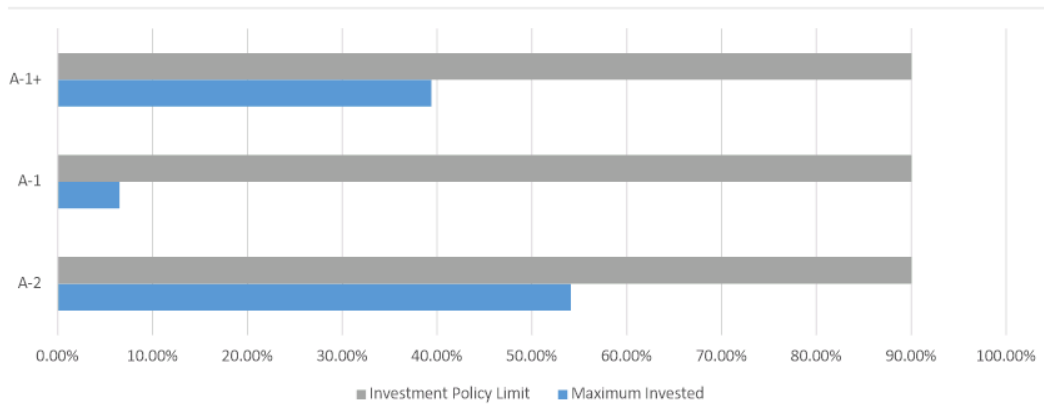


**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 30 SEPTEMBER 2021**

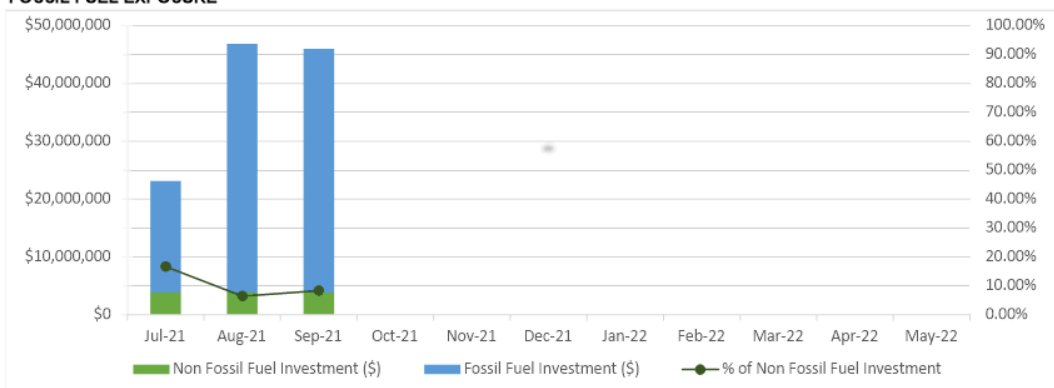
TOTAL PORTFOLIO EXPOSURE



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% |