

11.3 INVESTMENT REPORT AS AT 31 JANUARY 2022

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

RECOMMENDATION:

That Council NOTES the Investment Statistics for the month ended 31 January 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 January 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**

- No funds have been invested in January to ensure cash flows are maintained at an optimum level and due to some term deposits maturing closer to the reporting period.

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

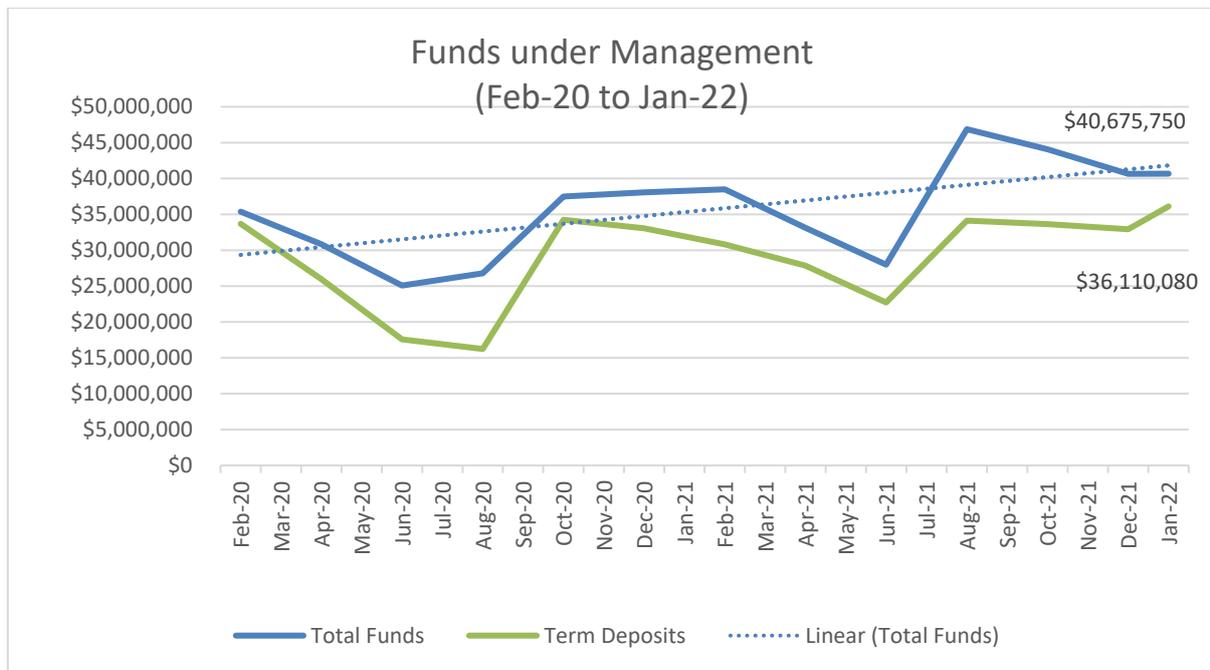
The City's investment portfolio is diversified across several accredited financial institutions.

As of 31 January 2022, the total funds held in the City's operating account (including on call) is \$40,675,750 compared to \$38,678,150 for the period ending 31 January 2021.

Interest bearing term deposits and saver account for \$37,407,064, non-interest bearing account for \$3,257,687 and the remaining \$11,000 is held in equity shares.

The total term deposit investments for the period ending 31 January 2022 are \$36,110,080 compared to \$28,391,722 for the period ending 30 January 2021.

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



Interest Status

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

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$41,372	\$49,770	120.30%
Reserve	\$100,000	\$56,039	\$27,050	48.30%
Subtotal	\$200,000	\$97,411	\$76,821	78.90%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$45,956	0.00%
Total	\$200,000	\$68,892	\$122,777	126.00%

*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 0.42% for current investments whereas the Reserve Bank 90 days accepted bill rate for January 2022 is 0.07%. The online Saver interest rate has been maintained at 0.20% and is subject for review by CommBank in March 2022.

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%	45%
A-1	25%	0.0%	90%	0.0%
A-2	20%	26.2%	90%	55%

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 in North Perth Community Bank purchased at \$1/share on 23 November 2001.

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 31 JANUARY 2022**

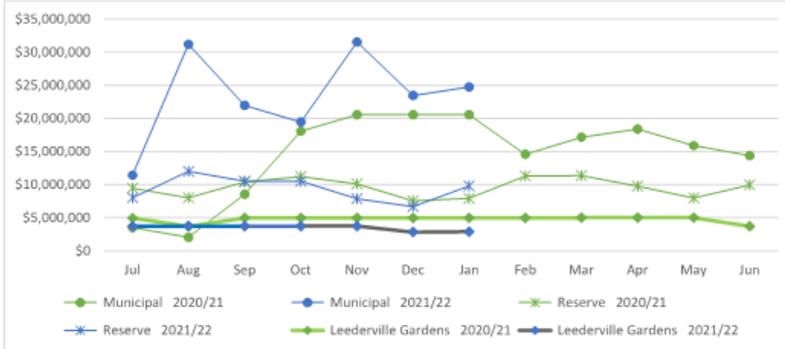
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	3,257,687	0	0	3,257,687	8.0%
Online Saver	1,296,984	0	0	1,296,984	3.2%
Term Deposits	23,446,244	9,786,747	2,877,089	36,110,080	88.8%
Equity Shares	11,000	0	0	11,000	0.0%
	28,011,914	9,786,747	2,877,089	40,675,750	100.0%
BY INSTITUTION					
Bank of Queensland	10,676,244	0	0	10,676,244	26.2%
Commonwealth Bank of Australia	4,554,670	0	0	4,554,670	11.2%
Members Equity Bank	0	2,742,887	0	2,742,887	6.8%
National Australia Bank	5,671,590	2,191,330	2,858,029	10,720,949	26.3%
North Perth Community Bank	11,000	0	0	11,000	0.0%
AMP Bank	5,074,654	3,852,530	19,060	8,946,244	22.0%
Macquarie Bank	2,023,756	1,000,000	0	3,023,756	7.5%
	28,011,914	9,786,747	2,877,089	40,675,750	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	12,250,016	3,191,330	2,858,029	18,299,375	45.0%
A-2	15,761,898	6,595,417	19,060	22,376,375	55.0%
	28,011,914	9,786,747	2,877,089	40,675,750	100.0%
BY TERMS					
0-30 days	4,554,670	0	0	4,554,670	11.2%
31-90 days	0	0	0	0	0.0%
91-180 days	5,000,000	7,786,747	19,060	12,805,807	31.5%
181-270 days	11,623,756	2,000,000	0	13,623,756	33.5%
271-365 days	4,876,244	0	1,955,669	6,831,913	16.8%
> 1 year	1,957,244	0	902,360	2,859,604	7.0%
	28,011,914	9,786,747	2,877,089	40,675,750	100.0%
BY MATURITY					
0-30 days	4,554,670	0	0	4,554,670	11.2%
31-90 days		4,742,887	0	4,742,887	11.7%
91-180 days	5,000,000	3,043,860	1,974,729	10,018,589	24.6%
181-270 days	1,946,244	2,000,000	0	3,946,244	9.7%
271-365 days	16,500,000	0	902,360	17,402,360	42.8%
> 1 Year	11,000	0		11,000	0.0%
	28,011,914	9,786,747	2,877,089	40,675,750	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Investments	28,000,914	7,043,860	2,877,089	37,921,863	93.2%
Non Fossil Fuel Investments	11,000	2,742,887	0	2,753,887	6.8%
	28,011,914	9,786,747	2,877,089	40,675,750	100.0%

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

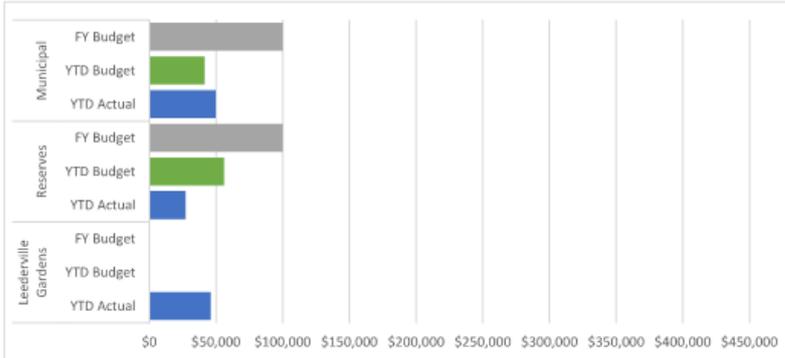
Funds	Institution	Investment Date	Maturity Date	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>					
Municipal	Commonwealth Bank of Australia			0.00%	3,257,687
Municipal	Commonwealth Bank of Australia	Ongoing		0.20%	1,296,984
Total Operating Funds					4,554,670
<u>EQUITY SHARES</u>					
	North Perth Community Bank	23/11/2001			11,000
Total Equity Shares					11,000
<u>TERM DEPOSITS</u>					
Reserve	Members Equity Bank	12/01/2022	13/04/2022	0.25%	2,742,887
Reserve	National Australia Bank	12/01/2022	13/04/2022	0.43%	1,000,000
Reserve	Macquarie Bank	13/01/2022	14/04/2022	0.35%	1,000,000
Reserve	National Australia Bank	12/01/2022	13/05/2022	0.45%	1,191,330
Municipal	AMP Bank	11/11/2021	11/04/2022	0.85%	2,500,000
Leederville Gardens Inc Surplus Trust	AMP Bank	11/11/2021	09/05/2022	0.85%	19,060
Reserve	AMP Bank	11/11/2021	09/05/2022	0.85%	1,852,530
Municipal	AMP Bank	11/11/2021	09/05/2022	0.85%	628,410
Municipal	National Australia Bank	11/11/2021	09/05/2022	0.32%	1,871,590
Municipal	Bank of Queensland	17/09/2021	18/03/2022	0.33%	2,300,000
Municipal	National Australia Bank	17/09/2021	18/03/2022	0.28%	3,800,000
Municipal	Macquarie Bank	30/08/2021	01/03/2022	0.35%	1,023,756
Reserve	AMP Bank	20/08/2021	18/08/2022	0.75%	2,000,000
Municipal	Macquarie Bank	20/08/2021	21/02/2022	0.40%	1,000,000
Municipal	Bank of Queensland	30/08/2021	29/03/2022	0.33%	3,500,000
Leederville Gardens Inc Surplus Trust	National Australia Bank	17/09/2021	18/06/2022	0.32%	1,955,669
Municipal	Bank of Queensland	30/08/2021	02/06/2022	0.35%	4,876,244
Leederville Gardens Inc Surplus Trust	National Australia Bank	12/01/2022	13/01/2023	0.70%	902,360
Municipal	AMP Bank	20/08/2021	20/08/2022	0.75%	1,946,244
Total Term Deposits					36,110,080
Total Investment Including At Call					40,675,750

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

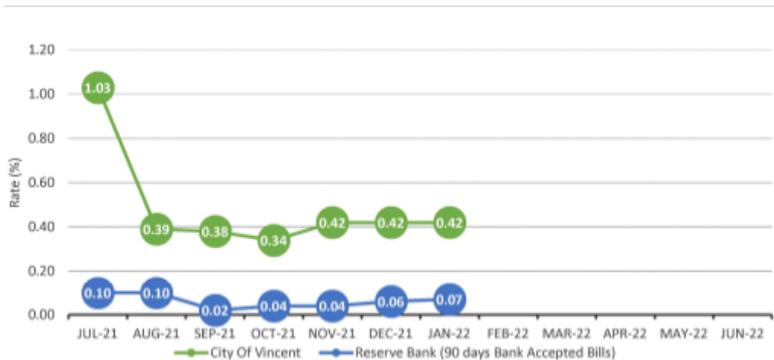
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

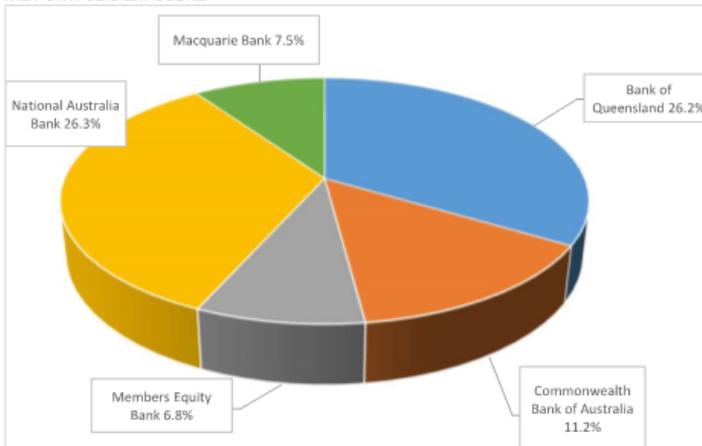


INTEREST RATE COMPARISON



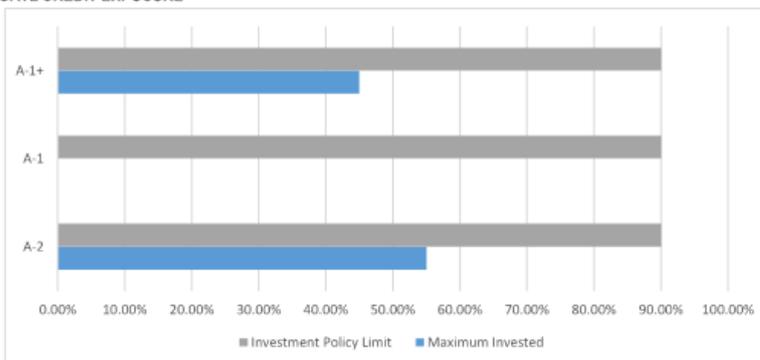
**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 JANUARY 2022**

TOTAL PORTFOLIO EXPOSURE

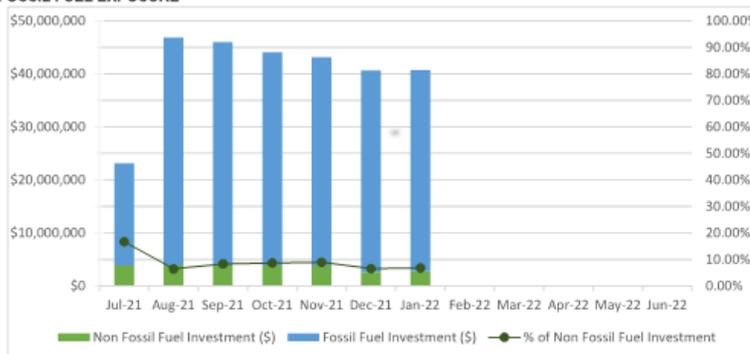


TOTAL CREDIT EXPOSURE

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 JANUARY 2022**

	YTD 31/01/2022	YTD 31/01/2021	FY 2021/22	FY 2020/21
	\$	\$	\$	\$
Budget	41,372	24,730	100,000	70,000
Interest Earnings	49,770	45,892	49,770	69,957
% Income to Budget	120.3%	185.6%	49.8%	99.9%
RESERVE FUNDS				
Budget	56,039	69,443	100,000	90,000
Interest Earnings	27,050	59,045	27,050	79,826
% Income to Budget	48.3%	85.0%	27.1%	88.7%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	45,956	39,684	45,956	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	97,411	94,173	200,000	160,000
Interest Earnings	122,776	144,622	122,776	208,704
% Income to Budget	126.0%	153.6%	61.4%	130.4%
Variance	25,365	50,449	(77,224)	48,704
% Variance to Budget	26.0%	53.6%	(38.6%)	30.4%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	97,411	94,173	200,000	160,000
Interest Earnings	76,820	104,937	76,820	149,783
% Income to Budget	78.9%	111.4%	38.4%	93.6%
Variance	(20,591)	10,764	(123,180)	(10,217)
% Variance to Budget	(21.1%)	11.4%	(61.6%)	(6.4%)