

11.1 INVESTMENT REPORT AS AT 31 MARCH 2022

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

RECOMMENDATION:

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

- Term deposits were invested with Macquarie & Members Equity Bank in March at maturity periods up to 1 year to secure more attractive interest rates. These investments were made while ensuring cash flows are maintained at an optimum level and factoring other term deposits maturing shortly after the reporting period.
- The City holds 11,000 equity shares in the North Perth Community Bank, purchased at \$1 per share on 23 November 2001. We have expressed interest in accepting an offer to sell (divest) these shares at \$1.25 per share.

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

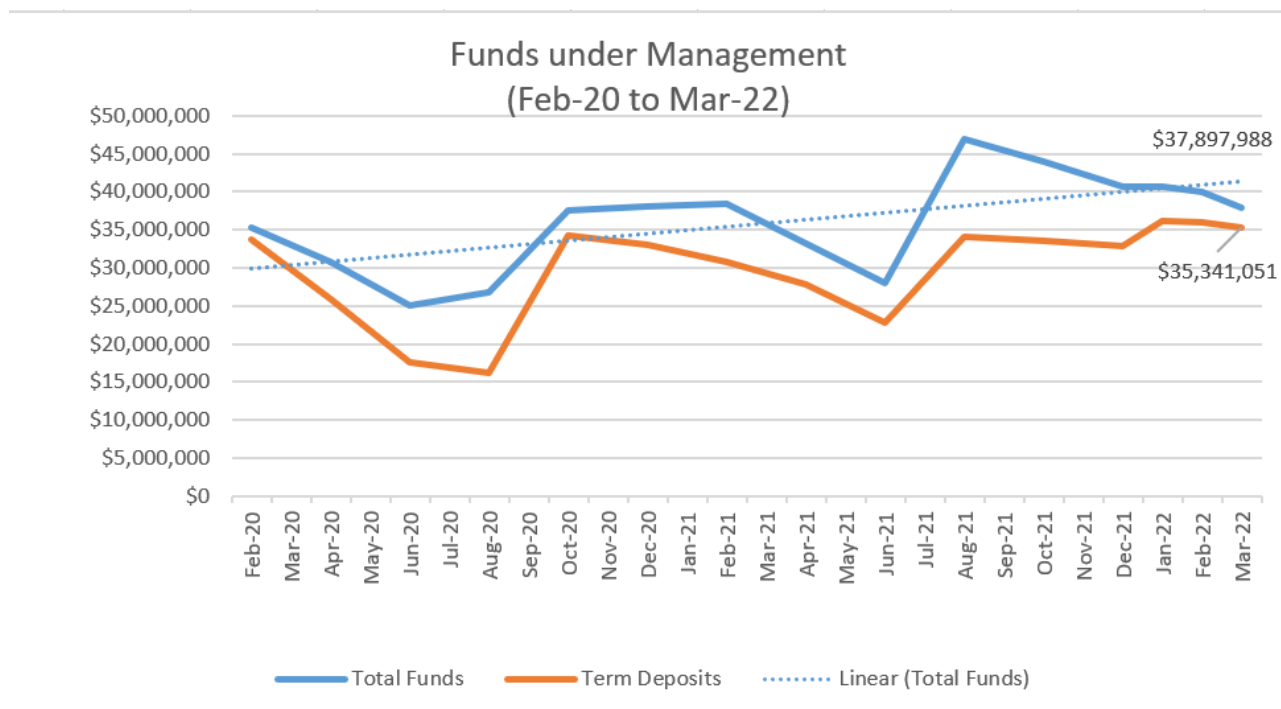
The City's investment portfolio is diversified across several accredited financial institutions.

As of 31 March 2022, the total funds held in the City's operating account (including on call) is \$37,897,988 compared to \$35,043,974 for the period ending 31 March 2021.

Interest bearing term deposits and the online saver represented \$36,641,673 while non-interest bearing amounts were \$1,245,315. The remaining \$11,000 equity shares has been divested on 18 March 2022.

The total term deposit investments for the period ended 31 March 2022 were \$35,351,051 compared to \$31,443,637 for the period ended 31 March 2021.

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



Interest Status

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

Total Accrued Interest Earned on Investment	Budget Adopted	Budget YTD	Actual YTD	% of FY Budget
Municipal	\$100,000	\$64,824	\$67,361	67.36%
Reserve	\$100,000	\$89,625	\$44,801	44.80%
Subtotal	\$200,000	\$154,449	\$112,163	56.08%
Leederville Gardens Inc Surplus Trust*	\$0	\$0	\$45,956	0.00%
Total	\$200,000	\$154,449	\$158,118	79.06%

*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 0.70% for current investments whereas the Reserve Bank 90 days accepted bill rate for March 2022 is 0.17%. The online Saver interest rate has been maintained at 0.20% and is subject for review by CommBank in July 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%	21.10%	90%	46.10%
A-1	25%	0.0%	90%	0.0%
A-2	20%	23.61%	90%	53.90%

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 MARCH 2022**

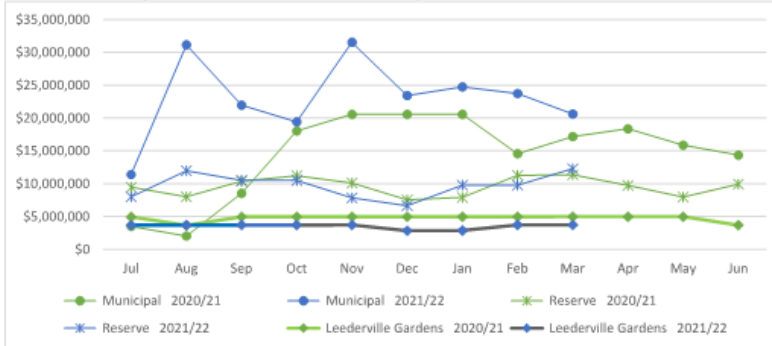
	Municipal	Reserve	Leederville Gardens Inc Surplus Trust	Total	Total
	\$	\$	\$	\$	%
BY INVESTMENT HOLDINGS					
Municipal Account	1,245,315	0	0	1,245,315	3.3%
Online Saver	1,300,622	0	0	1,300,622	3.4%
Term Deposits	19,322,488	12,286,747	3,731,816	35,341,051	93.3%
Equity Shares	11,000	0	0	11,000	0.0%
	21,879,425	12,286,747	3,731,816	37,897,988	100.0%
BY INSTITUTION					
Bank of Queensland	4,876,244	0	0	4,876,244	12.86%
Commonwealth Bank of Australia	2,545,937	0	0	2,545,937	6.72%
Members Equity Bank	3,000,000	2,742,887	854,727	6,597,614	17.41%
National Australia Bank	1,871,590	2,191,330	2,858,029	6,920,949	18.26%
North Perth Community Bank	11,000	0	0	11,000	0.03%
AMP Bank	5,074,654	3,852,530	19,060	8,946,244	23.61%
Macquarie Bank	4,500,000	3,500,000	0	8,000,000	21.11%
	21,879,425	12,286,747	3,731,816	37,897,988	100.0%
BY CREDIT RATINGS (SHORT-TERM ISSUE)					
A-1+	8,917,527	5,691,330	2,858,029	17,466,886	46%
A-2	12,961,898	6,595,417	873,787	20,431,102	54%
	21,879,425	12,286,747	3,731,816	37,897,988	100.0%
BY TERMS					
0-30 days	2,545,937	0	0	2,545,937	6.7%
31-90 days	0	0	0	0	0.0%
91-180 days	5,000,000	7,786,747	19,060	12,805,807	33.8%
181-270 days	1,000,000	2,000,000	0	3,000,000	8.0%
271-365 days	13,322,488	2,500,000	3,712,756	19,535,244	51.5%
> 1 year	11,000	0	0	11,000	0.0%
	21,879,425	12,286,747	3,731,816	37,897,988	100.0%
BY MATURITY					
0-30 days	5,045,937	4,742,887	0	9,788,824	25.8%
31-90 days	7,376,244	3,043,860	1,974,729	12,394,833	32.7%
91-180 days	1,946,244	2,000,000	0	3,946,244	10.4%
181-270 days	1,000,000	0	854,727	1,854,727	5.0%
271-365 days	6,500,000	2,500,000	902,360	9,902,360	26.1%
> 1 Year	11,000	0	0	11,000	0.0%
	21,879,425	12,286,747	3,731,816	37,897,988	100.0%
BY FOSSIL FUEL EXPOSURE (as determined by www.marketforces.org.au)					
Fossil Fuel Investments	18,868,425	9,543,860	2,877,089	31,289,374	82.6%
Non Fossil Fuel Investments	3,011,000	2,742,887	854,727	6,608,614	17.4%
	21,879,425	12,286,747	3,731,816	37,897,988	100.0%

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

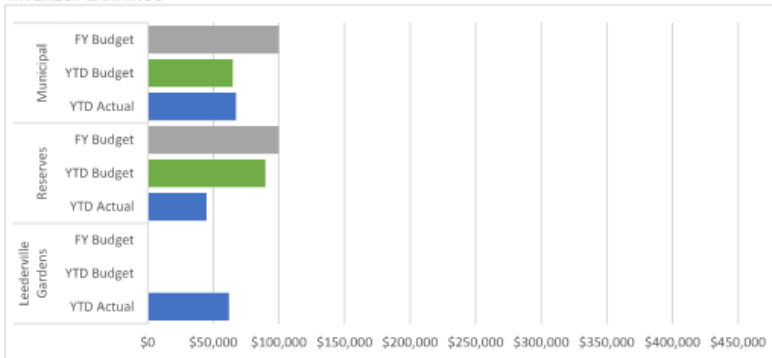
Funds	Institution	Investment Date	Maturity Date	Interest Rate	Principal \$
<u>OPERATING ACCOUNTS</u>					
Municipal	Commonwealth Bank of Australia			0.00%	1,245,315
Municipal	Commonwealth Bank of Australia	Ongoing		0.20%	1,300,622
Total Operating Funds					2,545,937
<u>EQUITY SHARES</u>					
	North Perth Community Bank	23/11/2001			11,000
Total Equity Shares					11,000
<u>TERM DEPOSITS</u>					
Leederville Gardens Inc Surplus Trust	National Australia Bank	17/09/2021	18/06/2022	0.32%	1,955,669
Leederville Gardens Inc Surplus Trust	AMP Bank	11/11/2021	09/05/2022	0.85%	19,060
Leederville Gardens Inc Surplus Trust	National Australia Bank	12/01/2022	13/01/2023	0.70%	902,360
Leederville Gardens Inc Surplus Trust	Members Equity Bank	01/02/2022	01/11/2022	0.65%	854,727
Municipal	AMP Bank	20/08/2021	20/08/2022	0.75%	1,946,244
Municipal	Bank of Queensland	30/08/2021	02/06/2022	0.35%	4,876,244
Municipal	AMP Bank	11/11/2021	11/04/2022	0.85%	2,500,000
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	Macquarie Bank	22/03/2022	22/03/2023	1.25%	4,500,000
Municipal	Members Equity Bank	22/03/2022	20/10/2022	0.90%	1,000,000
Municipal	Members Equity Bank	29/03/2022	04/01/2023	1.20%	2,000,000
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
Reserve	AMP Bank	11/11/2021	09/05/2022	0.85%	1,852,530
Reserve	AMP Bank	20/08/2021	18/08/2022	0.75%	2,000,000
Reserve	Macquarie Bank	29/03/2022	29/03/2023	1.60%	2,500,000
Total Term Deposits					35,341,051
Total Investment Including At Call					37,897,988

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

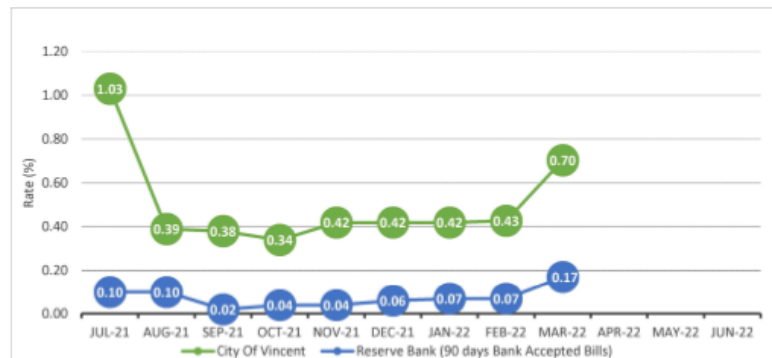
FUNDS INVESTED (ONLINE SAVER AND TERM DEPOSITS)



INTEREST EARNINGS

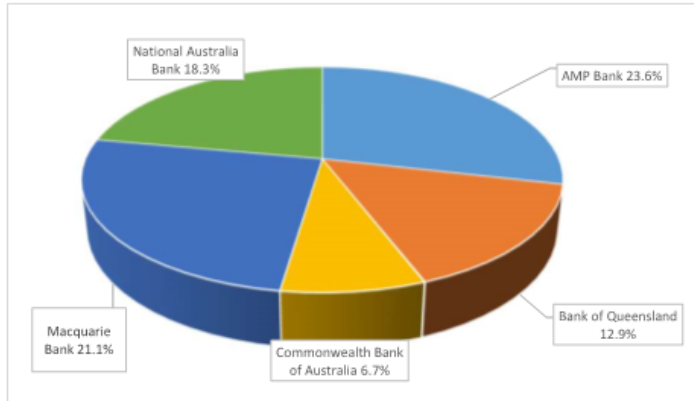


INTEREST RATE COMPARISON



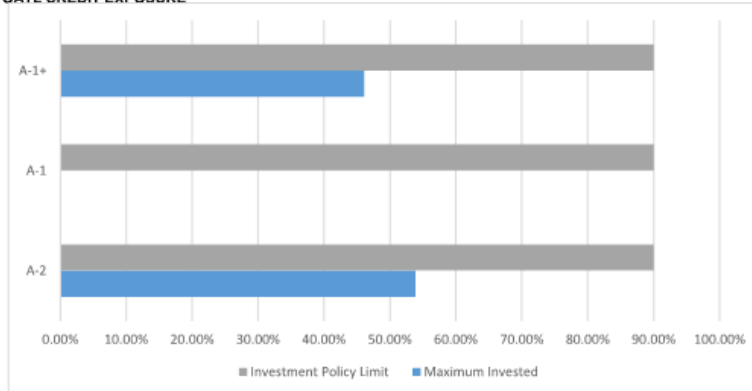
**CITY OF VINCENT
INVESTMENT POLICY COMPLIANCE
AS AT 31 MARCH 2022**

TOTAL PORTFOLIO EXPOSURE

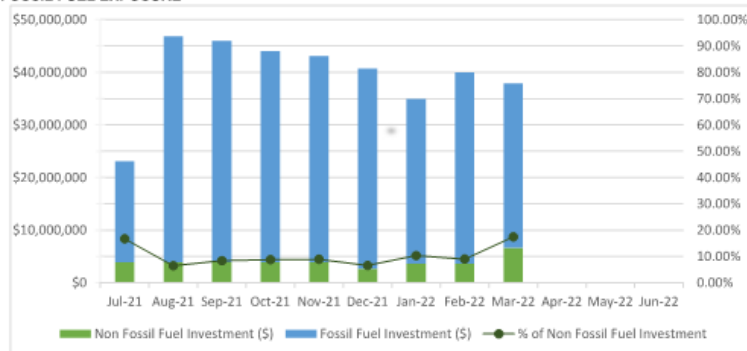


TOTAL CREDIT EXPOSURE

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 MARCH 2022**

	YTD 31/03/2022	PY YTD 31/03/2021	FY 2021/22	PY FY 2020/21
	\$	\$	\$	\$
MUNICIPAL FUNDS				
Budget	64,824	54,840	100,000	70,000
Interest Earnings	67,361	55,575	67,361	69,957
% Income to Budget	103.9%	101.3%	67.4%	99.9%
RESERVE FUNDS				
Budget	89,625	115,865	100,000	90,000
Interest Earnings	44,801	69,339	44,801	79,826
% Income to Budget	50.0%	59.8%	44.8%	88.7%
LEEDERVILLE GARDENS INC SURPLUS TRUST				
Budget	0	0	0	0
Interest Earnings	61,861	81,184	45,956	58,921
% Income to Budget	0.0%	0.0%	0.0%	0.0%
TOTAL				
Budget	154,449	170,705	200,000	160,000
Interest Earnings	174,024	206,098	158,118	208,704
% Income to Budget	112.7%	120.7%	79.1%	130.4%
Variance	19,575	35,393	(41,882)	48,704
% Variance to Budget	12.7%	20.7%	(20.9%)	30.4%
TOTAL (EXCL. LEEDERVILLE GARDENS INC SURPLUS TRUST)				
Budget	154,449	170,705	200,000	160,000
Interest Earnings	112,163	124,914	112,163	149,783
% Income to Budget	72.6%	73.2%	56.1%	93.6%
Variance	(42,286)	(45,791)	(87,837)	(10,217)
% Variance to Budget	(27.4%)	(26.8%)	(43.9%)	(6.4%)