

Ordinary Meeting

Meeting Date: Tuesday, 31 January, 2017
Location: Council Chambers, City Administrative Building, Bridge Road, Nowra

Attachments (Under Separate Cover)

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Monthly Report

Shoalhaven City Council

December 2016

CL17.17 - Attachment 1



Market

We refer to our more detailed *Economic Commentary* for the month.

International Markets

Markets continued to gain following the US elections, with the S&P500 +1.82%. The MSCI World ex-AUS gained +2.78% but the MSCI Emerging Markets Index finished -0.06% lower (both in local currency). The UK's FTSE100 finished +5.29% higher as Q3 GDP showed no Brexit impact.

US 10-year bonds sold off again to 2.45% (+8bp).

Oil jumped +9.7% to \$53.72/bbl on OPEC cuts, with iron ore also sharply higher. Base metals and gold slumped, dragged the \$A down -2.4% to US72.3c.

Domestic

The ASX200 gained +4.38% higher, on higher iron ore and Wall St lead. 10-year bond yields finished +9bp higher at 2.76%. The RBA left its official cash rate unchanged at 1.5%, citing low inflation.

Q3 GDP was an outlier at -0.5%, but even adjusting for an election effect the underlying result was very weak. The mid-year MYEFO review showed government revenue was again overestimated. The next Budget could well see loss of the AAA rating, as a target budget balance in 2021 is dependent on measures blocked in the Senate.

The NAB Business confidence index of +5 in November was up +1. Retail sales gained +0.5%. +39,100 jobs were added in November, but unemployment ticked up +0.1% to 5.7% on a +0.2% rebound in participation. The current account improved 29% to \$12bn in Q3, with a 37% narrowing of the trade balance – primarily from metals prices.

Indian energy giant Adani gained approval for the controversial Carmichael coal mine in central Queensland.

Residential property prices in Australia rose +1.5% in Q3 2016 (from +2% in Q2), missing expectations. They fell in Q3, and over the year, in Perth and Darwin. Construction fell a further -5.7% in Q3, to be down -24.3% on the year.

Other Markets

The US Federal Reserve raised the federal funds rate by 25bp as expected, but anaemic growth forecasts and their interest rate guidance did not change post-election.

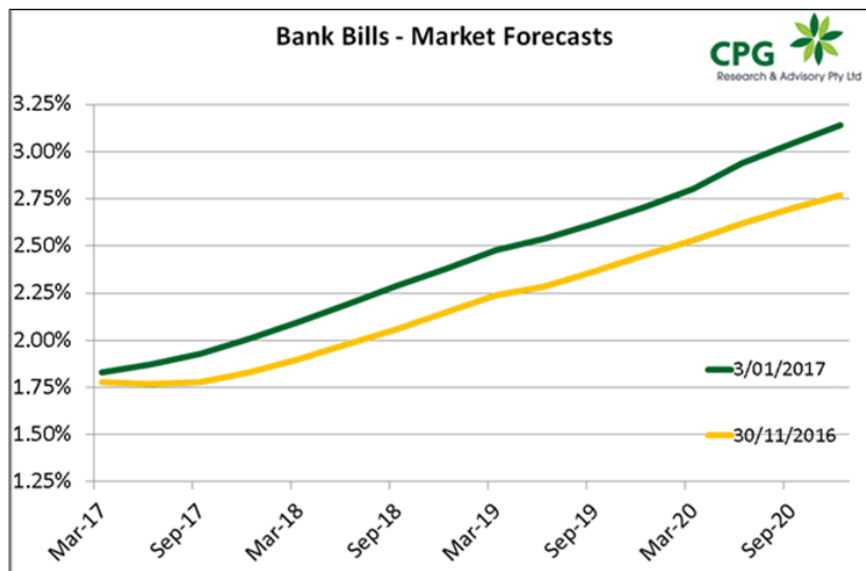
US unemployment fell to 4.6% in November (-0.3%) - a decade low, although with participation lower. US Non-Farm Payrolls increased +178,000 in November, from +142,000 (revised) in October. The PMI index rose to 57.2 (+2.4) in November.

After reaching a settlement with Deutsche Bank, the US Justice Department sued Barclays over alleged fraud in the sale of mortgage-backed securities to 2008.

Italian PM Renzi resigned after the crushing defeat of his proposed constitutional reforms at referendum. Still, Italy allocated EUR29bn to bank rescues, as Monte Paschi required junior debt bailed in during a EUR9bn recapitalisation.



Bill futures followed bonds, indicating a dramatically revised outlook for rates across all terms and expectations of the interest rate cycle turning as soon as Q4 2017 – we find it difficult to accept such an early increase as a base-case expectation:



Credit Market

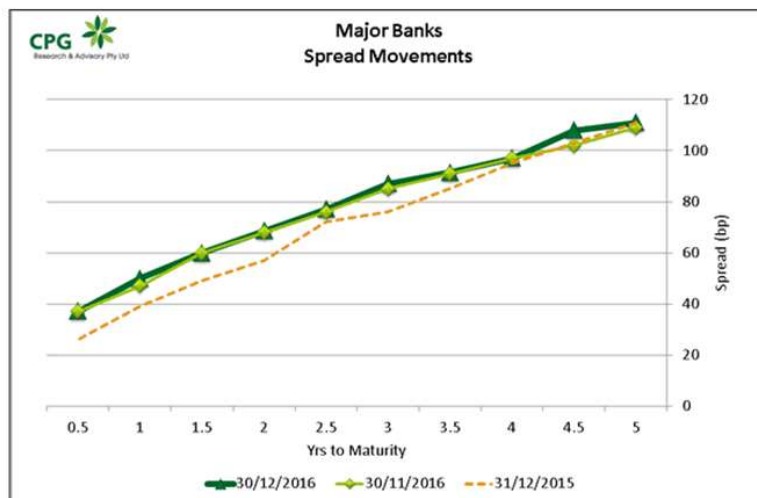
Credit spreads tightened, as sentiment improved globally – there was a surge in consumer optimism in the US, and Europe took steps to address the Italian banking crisis. Markets took the US interest rate increase in their stride. Credit indices tightened by 5-7bp, with the European iTraxx rallying the most.

Credit Indices	31 Dec 16	30 Nov 16	31 Dec 15
iTraxx Australia 5 Yr CDS	103bp	109bp	127bp
iTraxx European 5 Yr CDS	72bp	79bp	77bp
CDX North American 5 Yr CDS	68bp	73bp	88bp

Source: MarkIt

A year earlier, the worsening credit bear market was reaching its low point. Since then, little has fundamentally changed but the market has become acclimatised to European bank strains, slowly rising US interest rates, and other issues that had previously caused alarm.

In the physical market, senior spreads were marginally wider in the longer-end and comparable to a year earlier:

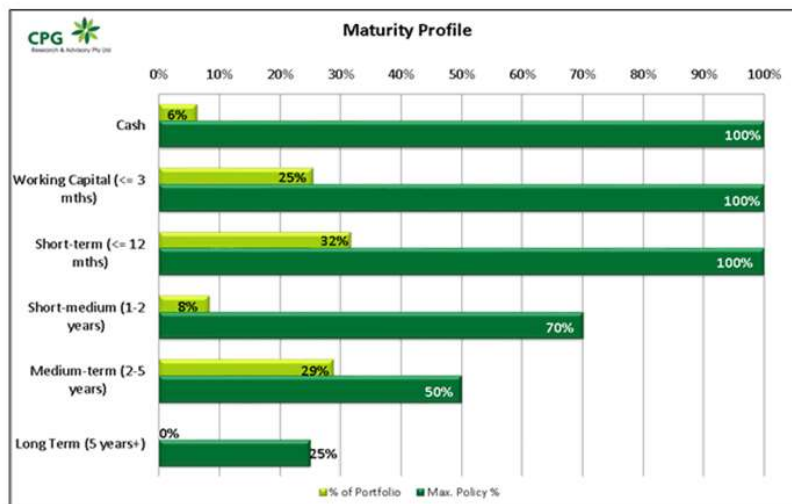


Council's Portfolio

The portfolio has 6% of investments available at-call and a further 25% of assets maturing within 3 months. Additional short-dated funds have been gradually redeployed into a portfolio now well diversified by term – ahead of what has been a considerable decline in deposit rates.

Approximately 29% of the portfolio is now in medium-term assets, with capacity now freed up after previously being close to the maximum limits.

We currently recommend that this be deployed to a mixture of fixed deposits and new FRN issues as they are launched.





Council's portfolio is dominated by term deposits across a broad range of counterparties; credit assets are around 22% of the portfolio and gradually increasing.

Council's longer-dated investments from 2014 are now well above market returns, through significantly extending duration.

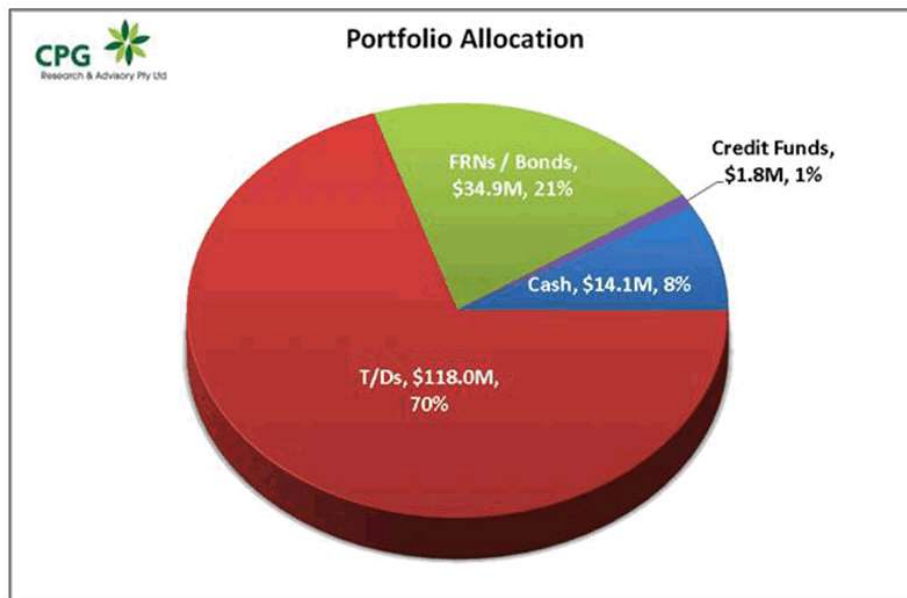
The greater role for FRNs reflects two aspects – the desire for liquid assets in a portfolio in case of emergency or major spending, and the view that the interest rate cycle is now fully priced into the shorter deposits.

FRNs opened the year with some price weakness but **that weakness has since reversed as prices have generally firmed somewhat**. The recovery (since Feb 2016) is now around 11 months old, and prices have been robust through periods of substantial weakness (such as around the Brexit referendum) **although without rallying so far that we would freeze new recommendations**.

Given the significant re-rating of other risk assets (for example shares and high-yield credit), bank senior has somewhat lagged and represents good relative value.

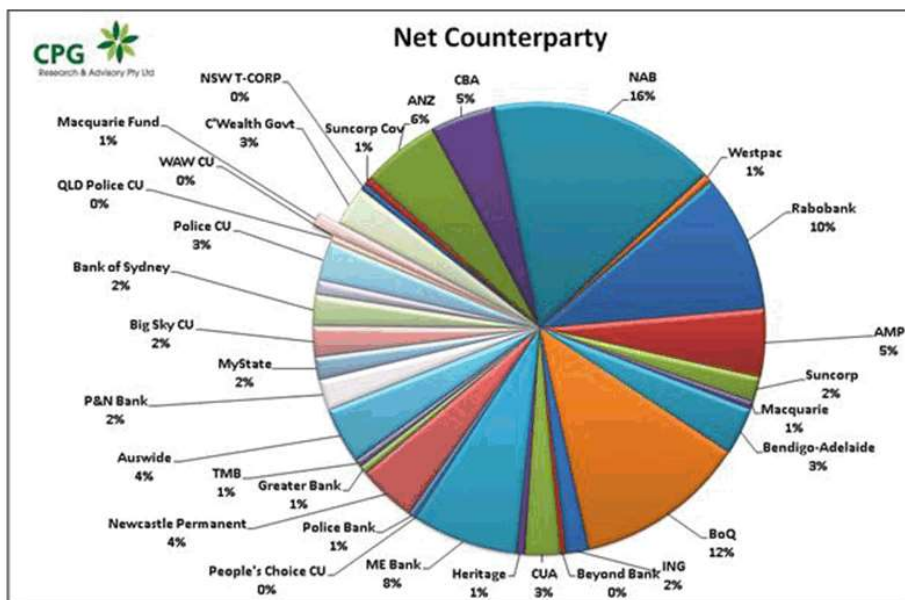
The past few months has also seen a severe sell-off in bonds, accelerating from November – with the RBA at least as responsible as the US voters. While worse at the long end, medium term bond yields are also higher, and deposits have tracked them. After we paused on 5-year T/D recommendations in Q3, **the spike in yields created a much steeper curve and rates that more clearly reward for the likely interest rate outlook**.

Currently we see value in both longer deposits and FRNs. At the long end, rates have risen over ½% from their lows for a 5 year deposit. FRNs also offer solid initial yields with the prospect of additional gains. **We have a positive view on increasing the Medium Term allocation in either major category.**





The investment portfolio is well diversified in complying assets across the entire credit spectrum, with the major banks and Rabobank dominant:



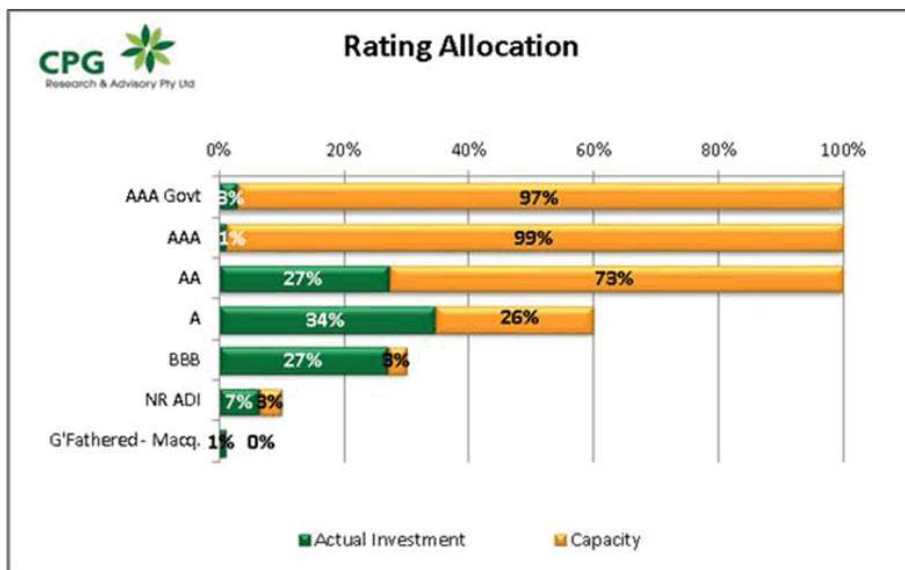
Credit Quality

The portfolio is diversified from a rating perspective. Credit quality is diversified and is predominately invested amongst the investment grade ADIs (BBB- or higher), with a smaller allocation to unrated ADIs.

Only the Macquarie credit fund is now classified as a "Grandfathered" legacy asset.

There is still high capacity to invest across the higher rated counterparties ("A" or higher).

Rating Category	Actual	Per C/Party	Aggregate	Rating Category	Actual Investment	Capacity
AAA Govt	3%	100%	100%	AAA Govt	3%	97%
AAA	1%	40%	100%	AAA	1%	99%
AA	27%	30%	100%	AA	27%	73%
A	34%	15%	60%	A	34%	26%
BBB	27%	10%	30%	BBB	27%	3%
NR ADI	7%	5%	10%	NR ADI	7%	3%
G'Fathered - Macq.	1%	1%	1%	G'Fathered - Macq.	1%	0%



All of these are well within Policy limits.

From time to time, broker specials continue to be offered with some BBB rated and unrated Credit Unions paying an additional premium above leading direct rates – **pricing is generally quite favourable, but often for short terms and/or restricted in parcel size.** Smaller institutions are also more inclined to publish “good until filled” orders, rather than publishing a rate for the day. This is covered in the daily emails and our advice at the time of investment.



Compliance

We have tested the portfolio provided against Council's current investment policy and report the following:

Individual counterparty exposures comply with the Policy.

Counterparties	Exposure \$M	FCS	Net	Rating	Policy Limit	Actual	Capacity
NSW T-CORP	\$1.03M	\$0.25M	\$0.78M	AAA	40%	0%	\$66.77M
Suncorp Cov	\$1.00M	\$0.00M	\$1.00M	AAA	40%	1%	\$66.54M
ANZ	\$9.60M	\$0.25M	\$9.35M	AA-	30%	6%	\$41.31M
CBA	\$8.00M	\$0.25M	\$7.75M	AA-	30%	5%	\$42.91M
NAB	\$27.94M	\$0.25M	\$27.69M	AA-	30%	16%	\$22.96M
Westpac	\$1.00M	\$0.00M	\$1.00M	AA-	30%	1%	\$49.66M
Rabobank	\$17.00M	\$0.25M	\$16.75M	A+	15%	10%	\$8.58M
AMP	\$8.38M	\$0.25M	\$8.13M	A+	15%	5%	\$17.20M
Suncorp	\$3.00M	\$0.00M	\$3.00M	A+	15%	2%	\$22.33M
Macquarie	\$1.00M	\$0.00M	\$1.00M	A	15%	1%	\$24.33M
Bendigo-Adelaide	\$6.00M	\$0.25M	\$5.75M	A-	15%	3%	\$19.58M
BoQ	\$21.00M	\$0.25M	\$20.75M	A-	15%	12%	\$4.58M
ING	\$3.00M	\$0.25M	\$2.75M	A-	15%	2%	\$22.58M
Beyond Bank	\$0.90M	\$0.25M	\$0.65M	BBB+	10%	0%	\$16.24M
CUA	\$4.25M	\$0.00M	\$4.25M	BBB+	10%	3%	\$12.64M
Heritage	\$1.00M	\$0.00M	\$1.00M	BBB+	10%	1%	\$15.89M
ME Bank	\$13.00M	\$0.25M	\$12.75M	BBB+	10%	8%	\$4.14M
People's Choice CU	\$0.00M	\$0.00M	\$0.00M	BBB+	10%	0%	\$16.89M
Police Bank	\$1.00M	\$0.00M	\$1.00M	BBB+	5%	1%	\$7.44M
Newcastle Permanent	\$7.00M	\$0.00M	\$7.00M	BBB+	10%	4%	\$9.89M
Greater Bank	\$1.00M	\$0.00M	\$1.00M	BBB+	10%	1%	\$15.89M
TMB	\$1.00M	\$0.00M	\$1.00M	BBB+	10%	1%	\$15.89M
Auswide	\$7.00M	\$0.25M	\$6.75M	BBB	10%	4%	\$10.14M
P&N Bank	\$4.00M	\$0.25M	\$3.75M	BBB	10%	2%	\$13.14M
MyState	\$3.00M	\$0.25M	\$2.75M	BBB	10%	2%	\$14.14M
Big Sky CU	\$4.00M	\$0.25M	\$3.75M	BBB	10%	2%	\$13.14M
Bank of Sydney	\$4.00M	\$0.25M	\$3.75M	NR	5%	2%	\$4.69M
Australian Military Bank	\$2.00M	\$0.25M	\$1.75M	NR	5%	1%	\$6.69M
Police CU	\$5.00M	\$0.25M	\$4.75M	NR	5%	3%	\$3.69M
QLD Police CU	\$1.00M	\$0.25M	\$0.75M	NR	5%	0%	\$7.69M
WAW CU	\$0.00M	\$0.00M	\$0.00M	NR	5%	0%	\$8.44M
Macquarie Fund	\$1.75M	\$0.00M	\$1.75M	NR	1%	1%	\$0.00M
	\$168.85M		\$164.10M			97%	
C'wealth Govt		\$4.8M	\$4.75M	AAA	100%	3%	
Total	\$168.85M		\$168.85M			100%	
Check	\$0.00M		\$0.00M				

Subsidiaries such as Rural Bank are grouped in the exposures of the parent (Bendigo-Adelaide Bank, rated A-).

From May 2015, new Rabobank Australia deposits are not guaranteed by the global group and further restructures to their banking licences have followed, but existing deposits have their guarantee grandfathered.



Returns - Accrual

Actual								
	1 month	3 months	6 months	FYTD	1 year	2 years	3 years	4 years
Official Cash Rate	0.13%	0.35%	0.77%	0.77%	1.73%	1.92%	2.11%	2.27%
Avg. 3m BBSW	0.15%	0.44%	0.90%	0.90%	1.99%	2.12%	2.31%	2.43%
AusBond Bank Bill Index	0.15%	0.44%	0.92%	0.92%	2.07%	2.20%	2.37%	2.49%
Council Cash	0.17%	0.50%	1.04%	1.04%	2.30%	2.52%	2.70%	2.77%
Council T/DS	0.30%	0.86%	1.77%	1.77%	3.64%	3.74%	3.80%	3.89%
Council FRNs / Bonds	0.25%	0.77%	1.54%	1.54%	3.25%	3.43%	-	-
Council Credit Funds	0.55%	0.46%	2.55%	2.55%	3.69%	2.52%	2.78%	3.92%
Council Total Portfolio	0.27%	0.78%	1.62%	1.62%	3.38%	3.51%	3.61%	3.75%
Annualised								
	1 month	3 months	6 months	FYTD	1 year	2 years	3 years	4 years
Official Cash Rate	1.50%	1.50%	1.54%	1.54%	1.73%	1.92%	2.11%	2.27%
Avg. 3m BBSW	1.78%	1.76%	1.78%	1.78%	1.99%	2.12%	2.31%	2.43%
AusBond Bank Bill Index	1.72%	1.74%	1.84%	1.84%	2.07%	2.20%	2.37%	2.49%
Council Cash	1.99%	2.02%	2.07%	2.07%	2.30%	2.52%	2.70%	2.77%
Council T/DS	3.53%	3.48%	3.54%	3.54%	3.64%	3.74%	3.80%	3.89%
Council FRNs / Bonds	2.96%	3.08%	3.08%	3.08%	3.25%	3.43%	-	-
Council Credit Funds	6.66%	1.83%	5.12%	5.12%	3.69%	2.52%	2.78%	3.92%
Council Total Portfolio	3.18%	3.15%	3.25%	3.25%	3.38%	3.51%	3.61%	3.75%

The investment portfolio had a solid month, **returning +3.18% p.a. annualised**, outperforming the AusBond Bank Bill Index¹ which returned +1.72% p.a.

The Macquarie Fund regained its weakness of early in the quarter, returning +0.55% (net actual). Despite some volatility over the past year, the fund is **now above benchmark across all investment horizons**, and pleasingly, a strong performing asset over the longer-term (Council's best performing asset over 4 years but also over 1 year).

Council's returns, while lower in absolute terms than historically the case, remains very strong compared to short deposits now rolling in the mid 2%'s.

The portfolio's performance continues to be anchored by the longer-dated deposits invested above 4%. FRNs, purchased at attractive margins, have also contributed positively to overall performance.

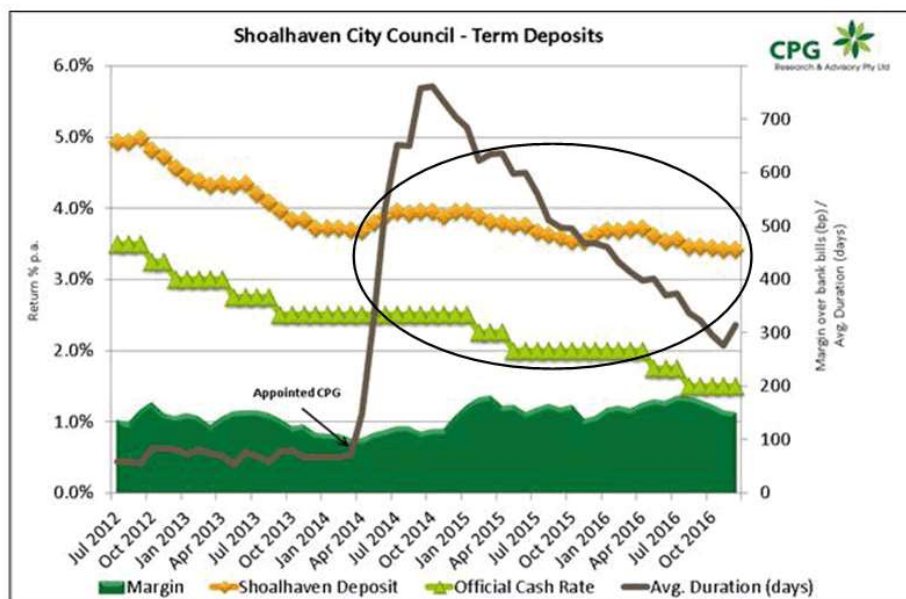
Cash drag has been partially mitigated through the switch into higher yielding accounts (requiring notice in return for the additional yield – they are not a substitute for at-call money).

¹ Previously UBS Bank Bill Index.



Term Deposits

At month-end, deposits accounted for approximately 70% of the total investment portfolio. The weighted average duration of the deposit portfolio stood at approximately **10 months (having peaked at around 2 years)** – both the initial major lengthening, and the subsequent run-down, have been well timed.



Duration management produced a measurable uplift in yield (circled) at a time when deposit rates have plunged, and cushioned the RBA's rate cutting cycle. It will provide good protection to Council's budgeted income for the remainder of FY17.

An average yield of **3.41% p.a.** (down 1bp from the previous month) **remains above the highest deposit out to 3 years in today's market, although 5 year rates are again accretive to overall returns.** Deposit yields today remain close to when CPG was appointed – *despite 4 rate cuts in the past two years.*

At the top end, the highest 5 year rate has risen by around 50bp over the past two months to be above 3%.

During the month, apart from a handful of short-dated deposits to meet ongoing cash flow requirements, two longer-dated deposits were placed with Police & Nurses (4 years at 3.50%) and BoQ (5 years at 3.85%). **We continue to encourage Council to lengthen deposits as the ability to do so arises,** and this process has recommenced in the latest period.

Relevant portfolio data follows:



Term Deposit Statistics

Percentage of total portfolio	70%
Weighted Average Yield	3.41%
Weighted Average Duration	315 days

Credit Quality of Deposits

AAA^	1%
AA	26%
A	34%
BBB	30%
Unrated ADI	10%
Total	100%

^ Calculation excludes the Financial Claims Scheme (FCS)

Across the longer-end of the curve, the highest 4 and 5 year fixed deposit margins held at around +125bp over bank bills, but absolute terms have risen significantly with the rise in the bond market. Given the longer-term interest rate outlook, **we believe there is good value and visibility by locking in the top 4 year rate of around 3.65% p.a. offered by BoQ (A-).**

This has seen the deposit curve steepen sharply over the past few months and investors are rewarded for illiquidity, with some medium-term durations factoring in significantly more upside risk than we build into cash rate scenarios. **We recommend medium-term T/Ds at current levels, after a period of a “Neutral” view.**

Having put in place a 20% allocation to FRNs during the period of low deposit yields, the portfolio is again very liquid. This should facilitate renewed deposit investment.

Some above market rates (“specials”) continue to be offered by the “BBB” and unrated ADIs, often through the broker intermediaries.

We refer to the detailed analysis in our December *Fixed Interest Analytics*.



Fixed Bonds & FRNs

The long-end of the curve amongst the wholesale senior bank FRNs widened at the 4½ year point by as much as 4bp over December, but was generally little changed. Overall, they remain attractive value through the cycle – around mid-range when assessed against the post-GFC trading range.

Compared to a year earlier, the new issue level is comparable but the curve somewhat flatter after a rise in spreads at the short end.

We recommend selling any senior major bank FRNs maturing in or before 2018 as most are marked less than +70bp and the curve remains relatively steep. Lower rated institutions tend to see spreads converge only as they shorten very close to maturity – we flag the final year as the likely exit point for those. Still, switching may well be recommended opportunistically.

Apart from providing diversification and additional liquidity in a portfolio, an FRN strategy has been lucrative. Issue yields have fluctuated, but the tightening towards maturity has worked consistently. With 5-year FRNs at a similar level, a security issued a year ago (such as the CBA Jan 2021s) trade around \$100.40 and have **significantly outperformed their running yield.**

Primary issues continue to be favoured over secondary market offers in the wholesale market. NAB was the latest to issue a new 5 year senior FRN at +105bp in October, which has widened slightly to around +111bp. A new issue would likely be around the +115-118bp margin.

For new issues, the regional ADIs (rated A or BBB) naturally offer a higher spread compared to the major banks due to their lower credit rating. Our FRN analytics suggest that the respective curves are relatively fair, with higher spread but greater difficulty extracting capital gains from regional bank FRNs. However, again the new issue discount provides additional value to investors.

Private placement FRNs or secondary market ‘taps’ can sometimes be offered, usually at a premium yield to the wholesale secondary market although we note they are generally less liquid due to their smaller issue sizes and daily turnover. The most recent example was Greater Bank’s (BBB+) new 3 year private placement FRN at +150bp, issued in late November.

Heritage retail trade in a volatile range, but **at time of writing are extremely cheap.** With just under 6 months to run, brokerage knocks 10-15bp out of the return, with the bigger problem being to secure volume without unduly moving a lightly traded security. At current levels, we suggest investors buy as a higher risk-return current asset, although it is **better suited to existing holders** given the risk of being left with a small parcel if an order only partly fills. The security has swung wildly in both directions recently, on low volume, particularly during its “ex-interest” period.

We recommend that Council retains the remainder of its FRN portfolio at this stage, and add to it in combination with longer deposits.



Other Credit

The Macquarie Global Income Opportunities Fund returned +0.55% (net actual) in December, strongly outperforming the AusBond Bank Bill Index return of +0.15%.

The underlying valuations of the Fund's holdings of domestic and offshore credit rose this month, as global credit markets continued to benefit from the outset of the US election.

Despite a volatile and difficult environment for credit over the past year, it has performed well over the longer-term, as evidenced by its **4 year return of +3.92% p.a. and making Credit Council's strongest asset class for 2016.**

The Fund continues to hold a diverse range of securities across the global credit market. The manager has maintained modest credit hedges, seeking to minimise the effect of volatility on the Fund. Any spread contraction going forward allows credit and asset-backed holdings to enjoy significant capital gains. These have reduced returns but also significantly reduced risk.

Macquarie has performed strongly over the longer-term and the manager feels they are well positioned going forward. We regard Macquarie's credit team as having strong research capabilities and a proven defensive style outperforming peers in down markets. At times, the fund has sacrificed some upside to protect against extreme events.

We are pleased to see a better upside capture during the strong markets of Q2 and to a lesser extent Q3.

Given the solid running yield of the Fund at ~3½% p.a., and the additional liquidity it provides, we recommend Council retain this Fund. (Its performance relative to index and to peers is covered in our monthly *Performance Survey*).

We note that 2017 is likely to have less supportive macro conditions than 2016.

Fixed Interest Market Background

Central banks shifted their rhetoric to one of somewhat faster growth, lower unemployment and US inflation just under the Fed's 2% target. An *"improved economic environment"* was used to justify the December US rate increase.

The Fed's median outlook for rates rose to three 25bp increases in 2017 from two as of September. That would be followed by another three increases in both 2018 and 2019 before the rate levels off at a long-run "normal" 3.0%.

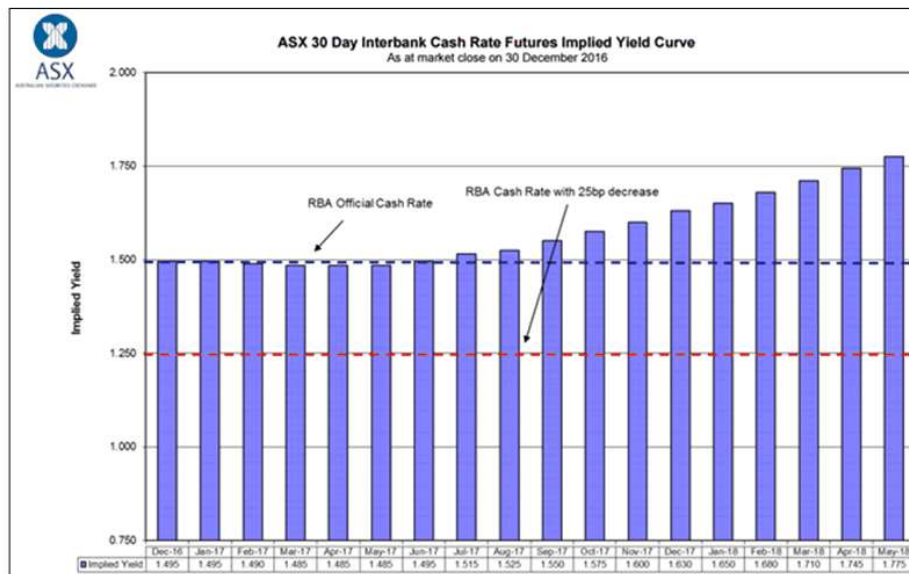
But their accompanying forecast tables do not reflect either economic improvement, or a Trump stimulus effect, and **based on this we are sceptical about the guided path for interest rates:**

Variable	Median ¹					Central tendency ²					Range ³				
	2016	2017	2018	2019	Longer run	2016	2017	2018	2019	Longer run	2016	2017	2018	2019	Longer run
Change in real GDP	1.9	2.1	2.0	1.9	1.8	1.8-1.9	1.9-2.3	1.8-2.2	1.8-2.0	1.8-2.0	1.8-2.0	1.7-2.4	1.7-2.3	1.5-2.2	1.6-2.2
September projection	1.8	2.0	2.0	1.8	1.8	1.7-1.8	1.9-2.2	1.8-2.1	1.7-2.0	1.7-2.0	1.7-2.0	1.6-2.5	1.5-2.3	1.6-2.2	1.6-2.2
Unemployment rate	4.7	4.5	4.5	4.5	4.8	4.7-4.8	4.5-4.8	4.5-4.7	4.3-4.5	4.3-4.5	4.7-4.8	4.4-4.7	4.2-4.7	4.1-4.8	4.5-5.0
September projection	4.5	4.6	4.5	4.6	4.8	4.7-4.9	4.5-4.7	4.4-4.7	4.4-4.8	4.7-5.0	4.7-4.9	4.4-4.8	4.3-4.9	4.2-5.0	4.5-5.0
PCE inflation	1.5	1.9	2.0	2.0	2.0	1.5	1.7-2.0	1.9-2.0	2.0-2.1	2.0	1.5-1.6	1.7-2.0	1.8-2.2	1.8-2.2	2.0
September projection	1.3	1.9	2.0	2.0	2.0	1.2-1.4	1.7-1.9	1.8-2.0	1.9-2.0	2.0	1.1-1.7	1.5-2.0	1.8-2.0	1.8-2.1	2.0
Core PCE inflation*	1.7	1.8	2.0	2.0	2.0	1.7-1.8	1.8-1.9	1.9-2.0	2.0	2.0	1.6-1.8	1.7-2.0	1.8-2.2	1.8-2.2	2.0
September projection	1.7	1.8	2.0	2.0	2.0	1.6-1.8	1.7-1.9	1.9-2.0	2.0	2.0	1.5-2.0	1.6-2.0	1.8-2.0	1.8-2.1	2.0

Domestically, the ratings agencies again indicated they are losing patience with the government's strategy to return to budget balance, paving the way for a downgrade after the budget in May. MYEFO showed that again Treasury had overestimated revenue despite a recovery in iron ore and coal prices.

This has added further pressure to the bond market, as longer-term yields have risen around 1% since the record lows set in early August 2016. Having talked up interest rates, the RBA faces an awkward retraction after a terrible GDP number.

Money markets continue to dismiss the poor GDP figure and continue to factor in a rate rise by late 2017:



Source: SFE / ASX

Portfolio Listing

Shoalhaven City Council as at 31/12/2016							
Authorised Deposit-Taking Institution (ADI)	ST Rating	Security Type	Principal/ Current MF Value	Term	Interest Rate	Maturity Date	
ANZ	A1+	FRN	\$1,600,000.00	1827	2.57%	17-Apr-20	
ANZ	A1+	FRN	\$1,000,000.00	1826	2.89%	16-Aug-21	
ANZ	A1+	FRN	\$2,000,000.00	1826	2.61%	11-Nov-19	
Bank of Qld	A2	FRN	\$1,000,000.00	1461	2.96%	26-Oct-20	
Bank of Qld	A2	FRN	\$1,000,000.00	1826	3.00%	18-May-21	
Bank of Qld	A2	FRN	\$1,000,000.00	1826	2.83%	6-Nov-19	
Bendigo Bank	A2	FRN	\$1,000,000.00	1826	2.66%	17-Sep-19	
Bendigo Bank	A2	FRN	\$1,000,000.00	1827	2.86%	18-Aug-20	
Commonwealth Bank Australia	A1+	FRN	\$1,000,000.00	1827	2.65%	17-Jul-20	
Commonwealth Bank Australia	A1+	FRN	\$1,000,000.00	1826	2.96%	12-Jul-21	
Credit Union Australia	A2	FRN	\$2,250,000.00	1096	3.04%	20-Mar-17	
Credit Union Australia	A2	FRN	\$2,000,000.00	1187	2.94%	22-Dec-17	
Greater Bank Limited	A2	FRN	\$1,000,000.00	1095	3.33%	7-Jun-19	
Heritage Bank	A3	FRN	\$1,000,000.00	1096	2.91%	7-May-18	
Macquarie Bank	A1	FRN	\$1,000,000.00	1096	2.79%	26-Oct-18	
Members Equity Bank	A2	FRN	\$1,000,000.00	1461	3.05%	17-Apr-18	
National Australia Bank	A1+	FRN	\$1,000,000.00	1826	2.93%	12-May-21	
National Australia Bank	A1+	FRN	\$2,000,000.00	1827	2.52%	3-Jun-20	
Newcastle Permanent Building Society	A2	FRN	\$1,000,000.00	1095	3.34%	22-Mar-19	
Newcastle Permanent Building Society	A2	FRN	\$2,000,000.00	1827	3.08%	7-Apr-20	
Police Bank	NR	FRN	\$1,000,000.00	1096	2.86%	21-Aug-17	
Rabobank	A1+	FRN	\$2,000,000.00	1826	3.22%	4-Mar-21	
Suncorp Metway Ltd Bank	A1	FRN	\$2,000,000.00	1827	3.00%	20-Oct-20	
Suncorp Metway Ltd Bank	A1	FRN	\$1,000,000.00	1826	2.70%	20-Aug-19	
Suncorp Metway Ltd Bank	A1	FRN	\$1,000,000.00	1826	2.84%	22-Jun-21	
Teachers Mutual Bank Limited	A3	FRN	\$1,000,000.00	1095	3.13%	28-Oct-19	
Westpac Bank	A1+	FRN	\$1,000,000.00	1827	2.65%	28-Jul-20	
ANZ	A1+	TD	\$4,000,000.00	1462	4.15%	27-Jun-18	
ANZ	A1+	TD	\$1,000,000.00	1099	4.01%	3-Jul-17	
Australian Military Bank	NR	TD	\$2,000,000.00	209	3.10%	25-Jan-17	
Auswide Bank	A2	TD	\$1,000,000.00	1096	3.15%	8-Apr-18	
Auswide Bank	A2	TD	\$2,000,000.00	265	2.90%	24-May-17	
Auswide Bank	A2	TD	\$4,000,000.00	132	2.80%	12-Apr-17	
Bank of Qld	A2	TD	\$2,000,000.00	1462	4.10%	3-Sep-18	
Bank of Qld	A2	TD	\$2,000,000.00	1827	4.75%	1-May-19	
Bank of Qld	A2	TD	\$1,000,000.00	1096	4.20%	9-May-17	
Bank of Qld	A2	TD	\$4,000,000.00	222	2.80%	29-Mar-17	
Bank of Qld	A2	TD	\$2,000,000.00	231	2.72%	12-Apr-17	
Bank of Qld	A2	TD	\$3,000,000.00	175	2.75%	22-Feb-17	
Bank of Qld	A2	TD	\$2,000,000.00	208	2.80%	15-Mar-17	
Bank of Qld	A2	TD	\$2,000,000.00	1821	3.85%	15-Dec-21	
Bank of Sydney	NR	TD	\$3,000,000.00	109	2.90%	14-Feb-17	
Bank of Sydney	NR	TD	\$1,000,000.00	154	2.65%	15-Feb-17	
Bendigo Bank	A2	TD	\$1,000,000.00	1097	4.05%	5-Jun-17	
Bendigo Bank	A2	TD	\$2,000,000.00	1099	4.15%	17-May-17	
Beyond Bank Australia	A2	TD	\$900,000.00	731	3.45%	3-Mar-17	
Big Sky Building Society	NR	TD	\$2,000,000.00	733	3.30%	7-Mar-17	
Big Sky Building Society	NR	TD	\$2,000,000.00	146	2.80%	26-Apr-17	
Commonwealth Bank Australia	A1+	TD	\$1,000,000.00	1104	4.05%	17-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$1,000,000.00	1097	4.05%	10-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$500,000.00	1106	4.05%	6-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$1,000,000.00	1097	4.05%	17-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$500,000.00	1105	4.05%	5-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$1,000,000.00	1104	4.05%	24-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$500,000.00	1099	4.05%	29-Jun-17	
Commonwealth Bank Australia	A1+	TD	\$500,000.00	1097	4.05%	27-Jun-17	
ING Bank (Australia) Ltd	A2	TD	\$3,000,000.00	190	2.80%	28-Jun-17	
Members Equity Bank	A2	TD	\$2,000,000.00	1099	4.00%	27-Jul-17	
Members Equity Bank	A2	TD	\$2,000,000.00	1827	4.66%	29-May-19	
Members Equity Bank	A2	TD	\$2,000,000.00	140	2.75%	12-Apr-17	
Members Equity Bank	A2	TD	\$3,000,000.00	119	2.75%	22-Mar-17	
Members Equity Bank	A2	TD	\$2,000,000.00	125	2.77%	22-Mar-17	
Members Equity Bank	A2	TD	\$1,000,000.00	1096	4.25%	9-May-17	
My State Financial	A2	TD	\$3,000,000.00	109	2.73%	14-Feb-17	

Shoalhaven City Council as at 31/12/2016						
Authorised Deposit-Taking Institution (ADI)	ST Rating	Security Type	Principal/ Current MF Value	Term	Interest Rate	Maturity Date
National Australia Bank	A1+	TD	\$100,408.07	365	2.94%	30-Jun-17
National Australia Bank	A1+	TD	\$75,000.00	365	2.55%	23-Dec-17
National Australia Bank	A1+	TD	\$2,000,000.00	1822	4.11%	29-Aug-19
National Australia Bank	A1+	TD	\$2,000,000.00	194	2.82%	15-Feb-17
National Australia Bank	A1+	TD	\$3,000,000.00	112	2.74%	15-Mar-17
National Australia Bank	A1+	TD	\$2,000,000.00	281	2.81%	24-May-17
National Australia Bank	A1+	TD	\$2,000,000.00	253	2.80%	26-Apr-17
National Australia Bank	A1+	TD	\$2,000,000.00	195	3.02%	11-Jan-17
National Australia Bank	A1+	TD	\$2,000,000.00	201	2.82%	22-Feb-17
National Australia Bank	A1+	TD	\$2,000,000.00	146	2.75%	26-Apr-17
National Australia Bank	A1+	TD	\$1,000,000.00	1097	4.05%	5-Jun-17
National Australia Bank	A1+	TD	\$1,000,000.00	196	2.79%	22-Feb-17
Newcastle Permanent Building Society	A2	TD	\$2,000,000.00	1091	3.20%	22-May-19
Newcastle Permanent Building Society	A2	TD	\$2,000,000.00	190	2.75%	28-Jun-17
NSW Treasury Corp	A1+	TD	\$1,026,000.00	365	2.72%	4-Oct-17
Police and Nurses Bank	A2	TD	\$2,000,000.00	1096	4.00%	18-Sep-17
Police and Nurses Bank	A2	TD	\$2,000,000.00	1459	3.50%	18-Dec-20
Police Credit Union Ltd (SA)	NR	TD	\$2,000,000.00	1827	4.75%	30-May-19
Police Credit Union Ltd (SA)	NR	TD	\$1,000,000.00	1098	4.25%	22-May-17
Police Credit Union Ltd (SA)	NR	TD	\$2,000,000.00	183	2.87%	13-Jun-17
Old Police Credit Union	NR	TD	\$1,000,000.00	1095	4.10%	17-Aug-17
Rabobank	A1+	TD	\$2,000,000.00	1826	4.10%	2-Sep-19
Rabobank	A1+	TD	\$2,000,000.00	1461	4.10%	21-Aug-18
Rabobank	A1+	TD	\$2,000,000.00	1462	3.30%	2-Sep-19
Rabobank	A1+	TD	\$2,000,000.00	1826	4.52%	19-Jun-19
Rabobank	A1+	TD	\$2,000,000.00	1463	4.35%	6-Jun-18
Rabobank	A1+	TD	\$2,000,000.00	1100	4.00%	30-Jun-17
Rabobank	A1+	TD	\$2,000,000.00	1097	4.00%	26-Jun-17
Rabobank	A1+	TD	\$1,000,000.00	1098	4.05%	22-May-17
Rural Bank	A2	TD	\$1,000,000.00	174	2.85%	11-Jan-17
			\$152,951,408.07			
Grandfathered	STRating	SecurityType	Current Valuation			Maturity Date
Macquarie Global Income Opportunities	NR	MF	\$1,753,723.23			T+3
			\$1,753,723.23			
Product	STRating	SecurityType	Current Valuation			Maturity Date
AMP At Call	A1	Cash	\$4,796,544.02			At-Call
AMP Notice Account	A1	Cash	\$3,584,240.53			31 Days
NAB Transaction Account	A1+	Cash	\$5,767,404.15			At-Call
			\$14,148,188.70			
Total Investment Portfolio			\$168,853,320.00			

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