

## Ordinary Meeting

**Meeting Date:** Monday, 12 August, 2024  
**Location:** Council Chambers, City Administrative Building, Bridge Road, Nowra  
**Time:** 5.30pm

**Membership** (Quorum - 7)  
All Councillors

## Addendum Agenda

### Reports

#### City Performance

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## CL24.264 Investment Report - July 2024

**HPERM Ref:** D24/328889

**Department:** Finance

**Approver:** Kerrie Hamilton, Director City Performance

**Attachments:** 1. Shoalhaven Monthly Investment Report - July 2024 [↓](#)

### Reason for Report

The reason for this report is to inform the Councillors and the Community on Council's investment returns. The report also ensures compliance with Section 625 of the Local Government Act 1993 and Clause 212 of the Local Government (General) Regulation 2021, that requires a written report is provided to Council setting out the details of all funds it has invested.

### Recommendation

That Council:

1. Receive the Record of Investments for the period to 31 July 2024.
2. Note that Council's total Investment Portfolio returned 5.13% per annum for the month of July 2024, outperforming the benchmark AusBond Bank Bill Index (4.49% pa) by sixty-four basis points (0.64%).

### Options

1. The report on the Record of Investments for the period to 31 July 2024 be received for information.

Implications: Nil

2. Further information regarding the Record of Investments for the period to 31 July 2024 be requested.

Implications: Nil

3. The report of the record of Investments for the period to 31 July 2024 be received for information, with any changes requested for the Record of Investments to be reflected in the report for the period to 31 August 2024.

Implications: Nil

### Background

Please refer to the attached monthly reports provided by Council's Independent Investment Advisor, Arlo Advisory Pty Ltd (formally Imperium Markets Pty Ltd).

### Portfolio Return

The investment returns were a stable 5.13% p.a. in July 2024, outperforming the benchmark AusBond Bank Bill Index (4.49 p.a.) by sixty-four basis points (0.64%).

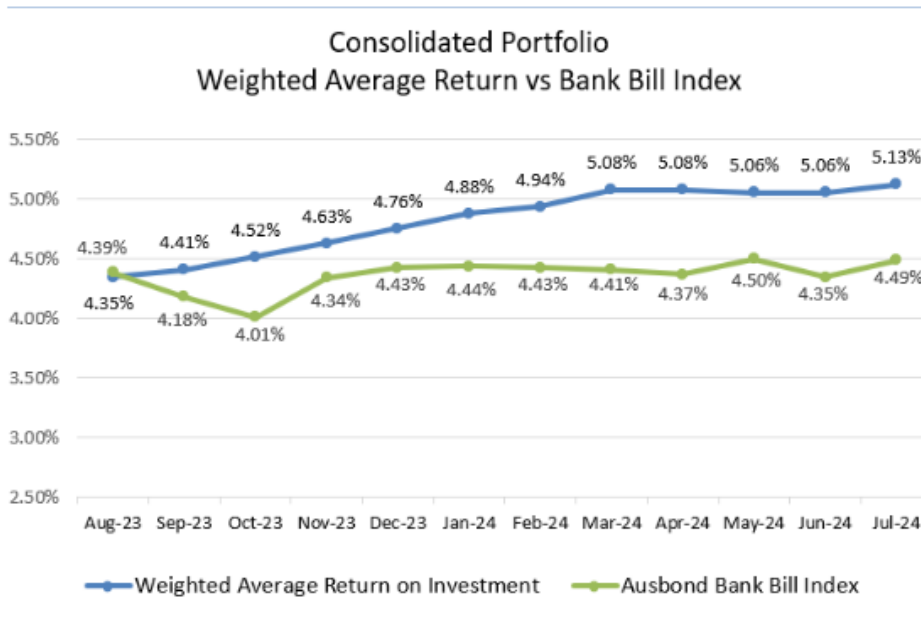
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The Reserve Bank has made the logical decision at its August meeting to keep the cash rate on hold at 4.35% due to the inflation tenaciously remains above RBA’s target.

**Investments**

**Graph 1** below, shows the performance of Council’s Investment Portfolio against the benchmark on a rolling 12-month basis.

**Graph 1 - Performance of Council’s Investment Portfolio against the benchmark on a rolling 12 month basis**



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**Investment Interest Earned – July 2024**

**Table 1** below, shows the interest earned for the month of July 2024.

**Table 1- Interest Earned for the Month of July 2024**

Fund	Monthly Revised Budget \$	Actual Earned \$	Difference \$
General	296,224	453,518	157,294
Water	140,754	246,693	105,939
Sewer	54,485	95,494	41,009
<b>Total</b>	<b>491,463</b>	<b>795,705</b>	<b>304,242</b>

The interest earned for the month of July, was \$795,705 compared to the July monthly budget of \$491,463.

**Investment Interest Earned - Year to Date**

**Table 2** below, demonstrates how the actual amount of interest earned year to date has performed against the total budget.

**Table 2 - Amount of interest earned year to date, against the total budget.**

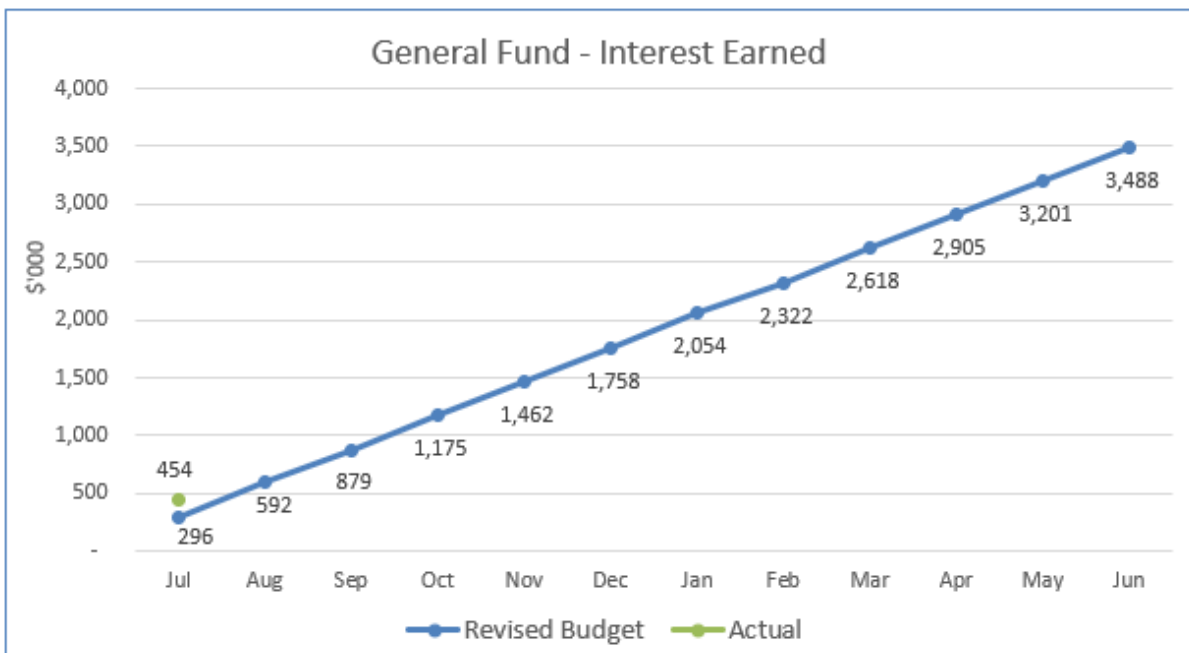
Fund	Total Annual Budget \$	Actual YTD \$	% Achieved

Fund	Total Annual Budget \$	Actual YTD \$	% Achieved
General	3,487,804	453,518	13.00%
Water	1,657,263	246,693	14.89%
Sewer	641,521	95,494	14.89%
<b>Total</b>	<b>5,786,588</b>	<b>795,705</b>	<b>13.75%</b>

The cumulative interest earned for the year (July to July) was \$795,705 which is 13.75% of the current full year revised budget.

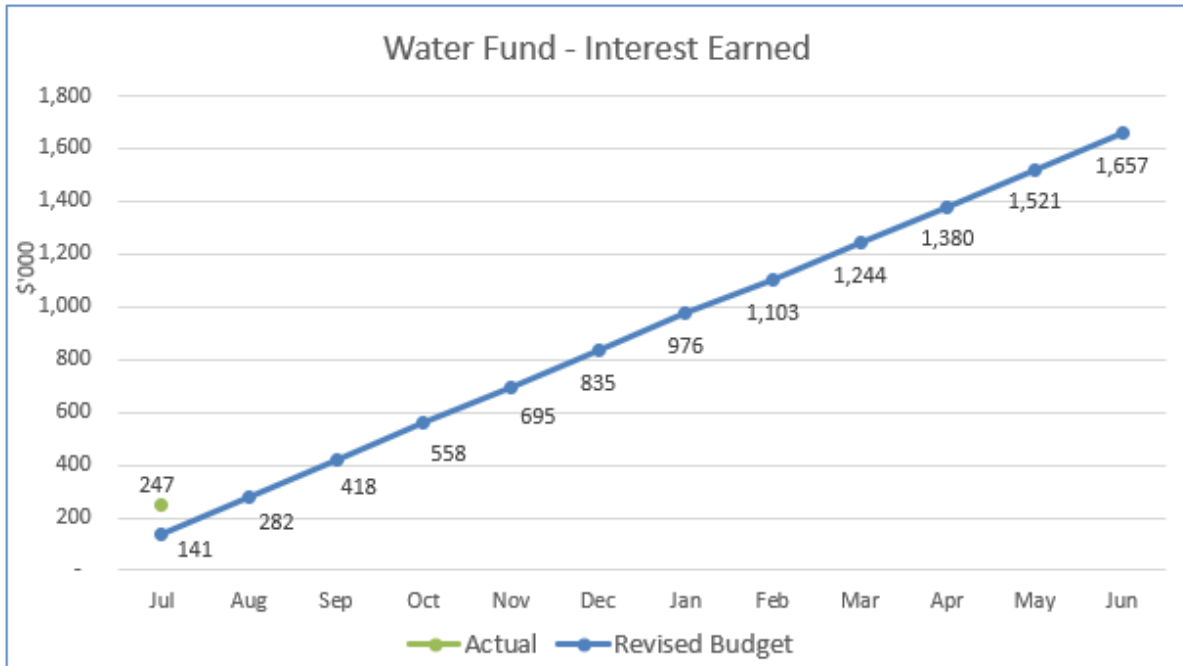
**Graph 2** (3 separate graphs) below, illustrates the cumulative interest earned for the year for each fund (General, Water and Sewer) against budget:

**Graph 2.1 - Cumulative interest earned for the year for each fund against budget.**

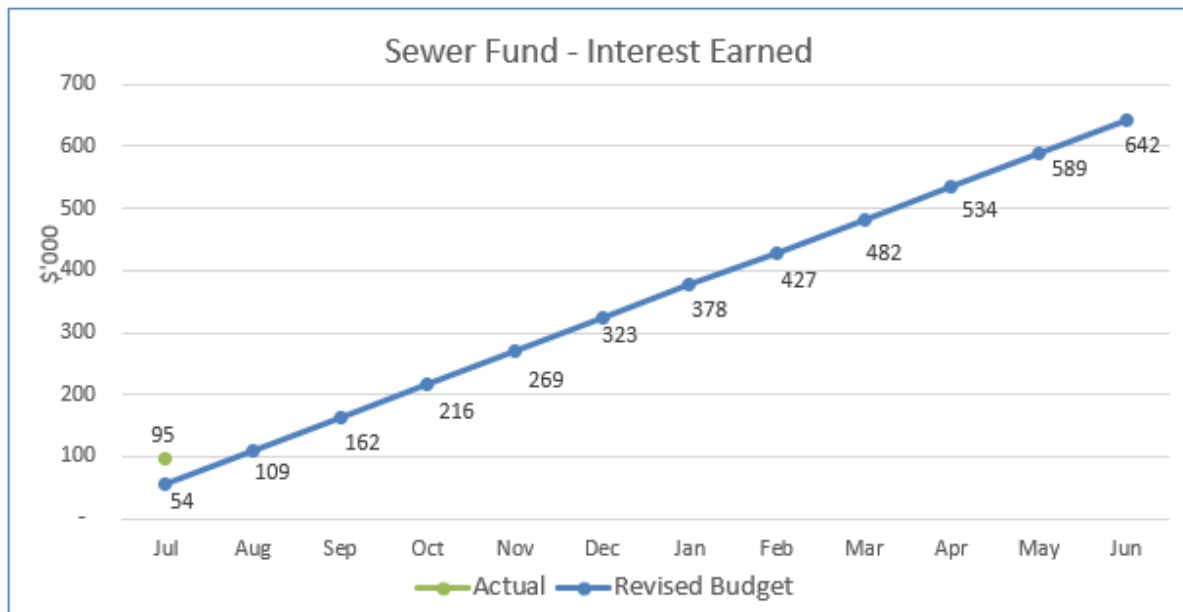


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**Graph 2.2 - Cumulative interest earned for the year for each fund against budget.**



**Graph 2.3 - Cumulative interest earned for the year for each fund against budget.**



**Statement by Responsible Accounting Officer**

I hereby certify that the investments listed in the attached report have been made in accordance with Section 625 of the Local Government Act 1993, Clause 212 of the Local Government (General) Regulations 2021 and Council's Investments Policy.

*K Buckman*

Katie Buckman

Date: 8 August 2024

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## Monthly Investment Review



July 2024

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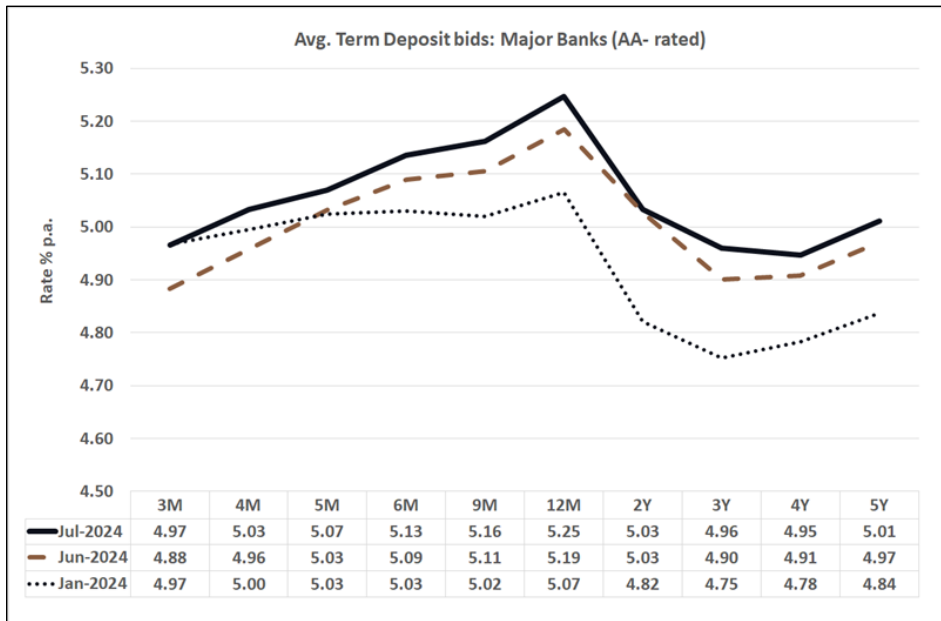
CL24.264 - Attachment 1



### Market Update Summary

In July, risk markets provided modest returns again, boosted by softening inflation and expectations of interest rate cuts in the short to medium term.

In the deposit market, over July, the average deposit rates offered by the major banks increased across most tenors as the market priced the potential of another rate hike prior to the lower than expected inflation print on the last day of July. Notably, the average deposit rates offered by the major banks rose in the 6-12 months tenors by around 5bp, compared to where they were in June. The deposit curve remains inverse with rates peaking at the 12 month tenor and then dipping/flattening across the 2-5 year terms (with the lowest rates offered in the 4 year tenor), with the market still factoring in multiple rate cuts starting next year.



Source: Imperium Markets

With a global economic downturn and interest rate cuts still being priced over the next 18-24 months, investors should consider diversifying and taking an 'insurance policy' against a potentially lower rate environment by investing across 2-5 year fixed deposits, targeting rates above 5% p.a. (small allocation only).



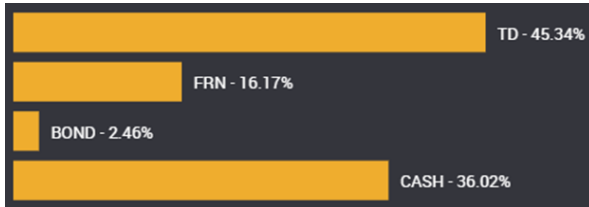
## Shoalhaven City Council 's Portfolio & Compliance

### Asset Allocation

The majority of the portfolio is directed to fixed term deposits and cash or cash notice accounts. The remainder of the portfolio is directed to liquid senior FRNs and fixed bonds.

Senior FRNs remain relatively attractive as spreads have generally widened over the past 2-3 years. New issuances may be considered again on a case by case scenario. In the interim, staggering a mix of fixed deposits between 9-12 months to 3 years remains a more optimal strategy to maximise returns over a longer-term cycle.

With interest rate cuts and a global economic downturn being priced in coming years, investors can choose to allocate a small proportion of longer-term funds and undertake an insurance policy against any potential future rate cuts by investing across 2-5 year fixed deposits, locking in and targeting yields above 5% p.a.







**Term to Maturity**

All maturity limits (minimum and maximum) comply with the Investment Policy. Short-Medium Term (1-2 years) assets account for around 8½% of the total investment portfolio, with capacity of ~\$125m remaining.

Once the immediate capital projects are completed, we recommend a proportion of longer-dated funds be allocated to 1-3 year fixed term deposits in combination with any attractive new FRNs (3-5 years) as they come to market (refer to respective sections below).

Compliant	Horizon	Invested (\$)	Invested (%)	Min. Limit (%)	Max. Limit (%)	Available (\$)
✓	0 - 90 days	\$100,088,944	49.33%	0%	100%	\$102,804,866
✓	91 - 365 days	\$58,101,596	28.64%	0%	100%	\$144,792,213
✓	1 - 2 years	\$17,093,230	8.43%	0%	70%	\$124,932,436
✓	2 - 5 years	\$27,610,040	13.61%	0%	50%	\$73,836,865
✓	5 - 10 years	\$0	0.00%	0%	25%	\$50,723,452
		<b>\$202,893,809</b>	<b>100.00%</b>			

CL24.264 - Attachment 1



**Counterparty**

As at the end of July 2024, all counterparty exposures comply within the Policy limits. Capacity limits are also dependent on the movement in the cash balances. Overall, the portfolio is well diversified across the entire credit spectrum, including some exposure to the regional bank (lower rated) ADIs.

Compliant	Issuer	Rating	Invested (\$)	Invested (%)	Max. Limit (%)	Available (\$)
✓	DBS Cov	AAA	\$1,004,123	0.49%	100.00%	\$201,889,686
✓	ANZ (Sunc.) Cov	AAA	\$2,018,494	0.99%	100.00%	\$200,875,315
✓	ANZ	AA-	\$34,577,005	17.04%	100.00%	\$168,316,805
✓	CBA	AA-	\$69,805,785	34.41%	100.00%	\$133,088,024
✓	HSBC Bank	AA-	\$2,017,136	0.99%	100.00%	\$200,876,673
✓	NAB	AA-	\$44,009,432	21.69%	100.00%	\$158,884,377
✓	Northern Terr.	AA-	\$5,000,000	2.46%	100.00%	\$197,893,809
✓	NSW (SIRA)	AA+	\$6,675,000	3.29%	100.00%	\$196,218,809
✓	Macquarie	A+	\$3,996,296	1.97%	100.00%	\$198,897,513
✓	Rabobank	A+	\$5,317,632	2.62%	100.00%	\$197,576,178
✓	ING Bank	A	\$19,000,000	9.36%	100.00%	\$183,893,809
✓	BoQ	A-	\$5,000,000	2.46%	20.00%	\$35,578,762
✓	AMP Bank	BBB+	\$2,371,311	1.17%	5.00%	\$7,773,380
✓	Newcastle PBS	BBB+	\$2,101,596	1.04%	5.00%	\$8,043,094
			<b>\$202,893,809</b>	<b>100.00%</b>		

On 31<sup>st</sup> July 2024, ANZ’s takeover of Suncorp Bank was formalised, and ratings agency S&P upgraded Suncorp’s long-term credit rating to that of its parent company immediately (now rated AA-). Investor’s exposure to Suncorp is now reflected under the parent company being ANZ.







































