

Ordinary Meeting

Meeting Date: Tuesday, 28 January, 2025

Location: Council Chambers, City Administrative Building, Bridge Road, Nowra

Attachments (Under Separate Cover)

Index

14. Reports

CL25.21	Investment Report - December 2024	
	Attachment 1 Monthly Investment Review.....	2
	Attachment 2 Statement of Investments.....	25



Monthly Investment Review



December 2024

Arlo Advisory Pty Ltd
ABN: 55 668 191 795
Authorised Representative of InterPrac Financial Planning Pty Ltd
AFSL 246 638
Phone: +61 2 9053 2987
Email: michael.chandra@arloadvisory.com.au / melissa.villamin@arloadvisory.com.au
Level 3, Suite 304, 80 Elizabeth Street, Sydney NSW 2000

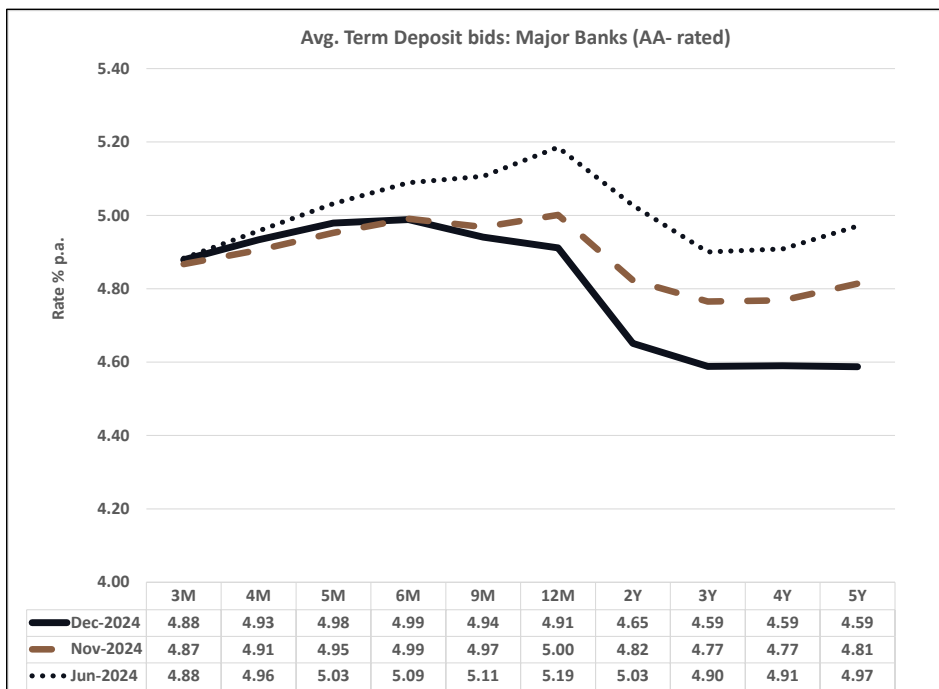
CL25.21 - Attachment 1



Market Update Summary

Risk markets were largely negative in December as financial markets assessed high valuations, uncertainties surrounding tax and tariff policies from the administration of US President-elect Trump, and prospects of global central banks becoming more cautious in 2025 due to sticky inflation.

In the deposit market, over December, at the very short-end of the curve (less than 6 months), the average deposit rates offered by the major banks were relatively unchanged compared to where they were the previous month (November). The biggest moves have been seen at the long-end of the curve. The average rates being offered for 1-5 year terms dropped another 10-23bp compared to where they were in November. The market had reacted after the RBA somewhat pivoted and removed their slight tightening bias in their latest Board meeting in early December.



Source: Imperium Markets

With rate cuts and a global economic downturn priced in over the next few years, investors should consider diversifying and taking an 'insurance policy' against a potentially lower rate environment by investing across 1-5 year fixed deposits and locking in rates above 4% p.a. (small allocation only).



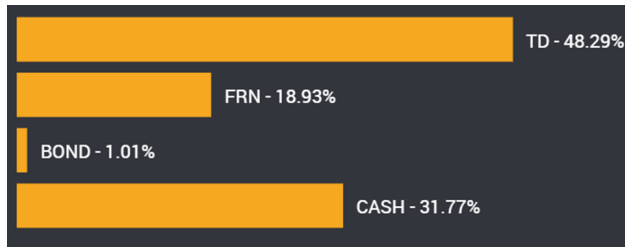
Shoalhaven City Council 's Portfolio & Compliance

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 are starting to become slightly expensive on a historical basis, although new issuances should continue to be considered on a case by case scenario. In the interim, staggering a mix of fixed deposits between 12 months to 3 years remains a more optimal strategy to maximise returns over a longer-term cycle.

With multiple 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 1-5 year fixed deposits, locking in and targeting yields above 4% p.a. Should inflation be within the RBA's target band of 2-3% over the longer-term, returns around 4% p.a. or higher should outperform benchmark.





Term to Maturity

All maturity limits (minimum and maximum) comply with the Investment Policy. Short-Medium Term (1-2 years) assets account for around 5% of the total investment portfolio, with capacity of ~\$129m 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	\$81,260,152	40.88%	0%	100%	\$117,523,770
✓	91 - 365 days	\$75,006,388	37.73%	0%	100%	\$123,777,534
✓	1 - 2 years	\$10,098,459	5.08%	0%	70%	\$129,050,287
✓	2 - 5 years	\$32,418,923	16.31%	0%	50%	\$66,973,038
✓	5 - 10 years	\$0	0.00%	0%	25%	\$49,695,981
		\$198,783,922	100.00%			



Counterparty

As at the end of December 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	\$1,003,710	0.50%	100.00%	\$197,780,212
✓	ANZ (Sunc.) Cov	AAA	\$2,018,988	1.02%	100.00%	\$196,764,934
✓	ANZ	AA-	\$31,582,032	15.89%	100.00%	\$167,201,890
✓	CBA	AA-	\$57,827,374	29.09%	100.00%	\$140,956,549
✓	HSBC Bank	AA-	\$2,017,374	1.01%	100.00%	\$196,766,548
✓	NAB	AA-	\$56,508,816	28.43%	100.00%	\$142,275,106
✓	Northern Terr.	AA-	\$2,000,000	1.01%	100.00%	\$196,783,922
✓	NSW (SIRA)	AA+	\$6,675,000	3.36%	100.00%	\$192,108,922
✓	Macquarie	A+	\$4,006,388	2.02%	100.00%	\$194,777,534
✓	Rabobank	A+	\$5,313,674	2.67%	100.00%	\$193,470,248
✓	ING Bank	A	\$24,710,155	12.43%	100.00%	\$174,073,767
✓	Bendigo	A-	\$600,828	0.30%	20.00%	\$39,155,956
✓	AMP Bank	BBB+	\$2,419,378	1.22%	5.00%	\$7,519,818
✓	Newcastle PBS	BBB+	\$2,100,206	1.06%	5.00%	\$7,838,990
			\$198,783,922	100.00%		

On 31st 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.



Credit Quality

The portfolio is well diversified from a credit ratings perspective. The portfolio is entirely invested amongst the investment grade ADIs (BBB+ or higher). There is no exposure to Unrated assets now following the disposal of the TCorp Long-Term Growth Fund earlier this year.

All ratings categories are within the Policy limits:

Compliant	Credit Rating	Invested (\$)	Invested (%)	Max. Limit (%)	Available (\$)
✓	AAA Category	\$3,022,698	2%	100%	\$195,761,224
✓	AA Category	\$156,610,596	79%	100%	\$42,173,327
✓	A+ to A Category	\$34,030,216	17%	100%	\$164,753,706
✓	A- Category	\$600,828	0%	40%	\$78,912,741
✓	BBB+ to BBB Category	\$4,519,584	2%	30%	\$55,115,592
✓	BBB- & NR Category	\$0	0%	5%	\$9,939,196
✓	NSW TCorp LTGF	\$0	0%	100%	\$198,783,922
		\$198,783,922	100.00%		

