

## 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**

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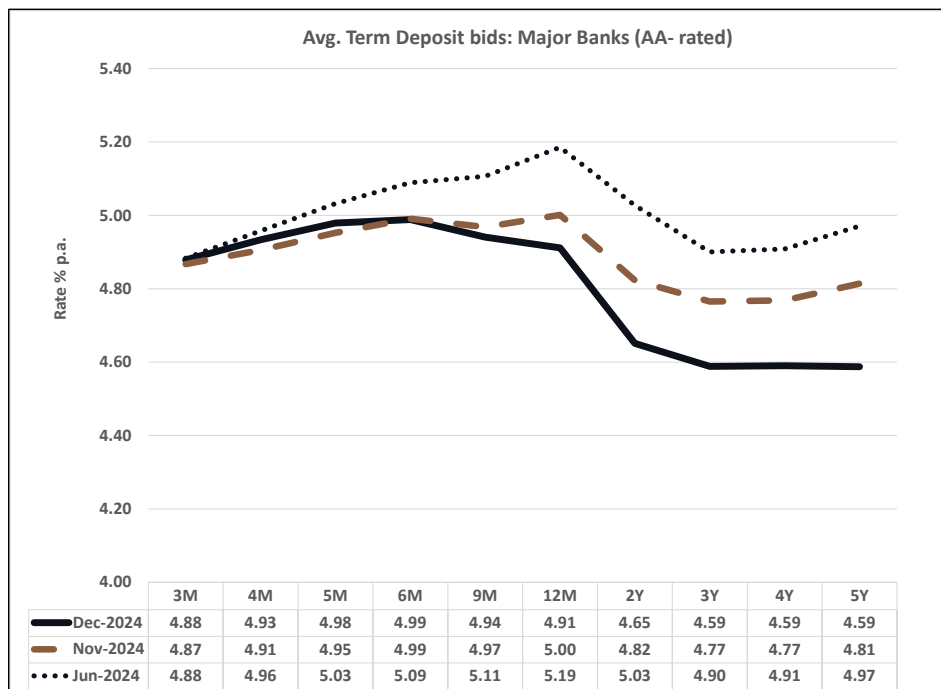
CL25.21 - Attachment 1



## 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).



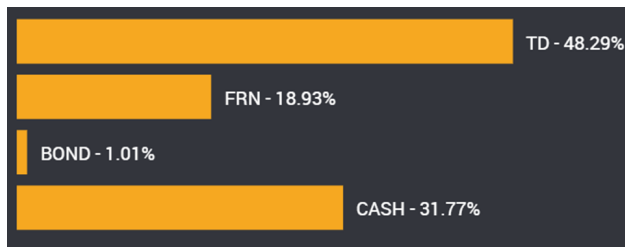
## Shoalhaven City Council 's Portfolio & Compliance

### 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
		<b>\$198,783,922</b>	<b>100.00%</b>			



### 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
			<b>\$198,783,922</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.



### 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
		<b>\$198,783,922</b>	<b>100.00%</b>		



### Performance

Council's performance for the month ending December 2024 (excluding cash) is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	0.36%	1.08%	2.17%	2.17%	4.36%
AusBond Bank Bill Index	0.38%	1.12%	2.24%	2.24%	4.47%
T/D Portfolio	0.43%	1.27%	2.55%	2.55%	5.07%
FRN Portfolio	0.45%	1.31%	2.62%	2.62%	5.23%
Bond Portfolio	0.10%	0.28%	0.55%	0.55%	1.09%
Council's Fixed Interest <sup>^</sup>	0.43%	1.25%	2.50%	2.50%	4.95%
Council's Total Portfolio <sup>^^</sup>	0.43%	1.28%	2.57%	2.57%	5.85%
Relative (to Bank Bills)	0.05%	0.16%	0.32%	0.32%	1.38%

<sup>^</sup>Council's Fixed Interest portfolio returns excludes Council's cash account holdings.

<sup>^^</sup> Total portfolio returns includes historical holdings in the TCorp LTGF.

Performance (Annualised)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	4.35%	4.35%	4.35%	4.35%	4.36%
AusBond Bank Bill Index	4.53%	4.50%	4.50%	4.50%	4.47%
T/D Portfolio	5.22%	5.14%	5.13%	5.13%	5.07%
FRN Portfolio	5.42%	5.30%	5.27%	5.27%	5.23%
Bond Portfolio	1.17%	1.11%	1.10%	1.10%	1.09%
Council's Fixed Interest <sup>^</sup>	5.17%	5.05%	5.02%	5.02%	4.95%
Council's Total Portfolio <sup>^^</sup>	5.17%	5.16%	5.16%	5.16%	5.85%
Relative (to Bank Bills)	0.64%	0.66%	0.66%	0.66%	1.38%

<sup>^</sup>Council's Fixed Interest portfolio returns excludes Council's cash account holdings.

<sup>^^</sup> Total portfolio returns includes historical holdings in the TCorp LTGF.

For the month of December, the total portfolio (excluding cash) provided a return of +0.43% (actual) or +5.17% p.a. (annualised), outperforming the benchmark AusBond Bank Bill Index return of +0.38% (actual) or +4.53% p.a. (annualised). The longer-term positive performance continues to be anchored by the handful of deposits that were originally placed for terms greater than 12 months.





## Recommendations for Council

### **AMP Business Saver & Notice Account**

We note the AMP Business Saver and AMP 31 Day Notice Account are now sub optimal investments given the rise in deposit yields in recent months. We recommend switching into short-dated fixed deposits with the major banks yielding a considerably higher rate of return, or simply just redeem to replenish capital reserves.

### **Term Deposits**

As at the end of December 2024, Council's **deposit** portfolio was yielding 5.04% p.a. (down 4bp from the previous month), with a weighted average duration of ~235 days (~8 months).

Going forward, once immediate capital projects are completed, a more optimal strategy would be staggering deposits across 9-24 months terms – this is likely to earn up to ¼-½% p.a. higher compared to shorter tenors in a normal market environment. There is growing belief that interest rate cuts and a global economic downturn is imminent and so locking in rates above 4% p.a. across 1-5 year tenors may provide some income protection against a lower rate environment.

Please refer to the section below for further details on the Term Deposit market.

### **Securities**

Primary (new) Senior FRNs (with maturities between 3-5 years) continue to be appealing (particularly for those investors with portfolios skewed towards fixed assets) and should be considered on a case by case scenario. Please refer to the section below for further details on the FRN market.

### Council's FRN Portfolio

We recommend that Council retains most its FRNs at this stage. We will continue to monitor them individually and will advise when it is appropriate to sell to boost the overall returns of the portfolio in future.

Should there be a compelling new issue available (or in the case of an emergency), the following FRNs are up for consideration to be sold over the next few months:

Issuer	Rating	Maturity Date	ISIN	Face Value	Trading Margin	~Capital Price (\$)	~Unrealised Gain (\$)
Macq.	A+	09/12/2025	AU3FN0057709	\$4,000,000	+46.0bp	\$100.160	\$6,388
CBA	AA-	14/01/2027	AU3FN0065579	\$2,750,000	+58.0bp	\$100.203	\$5,572
NAB	AA-	25/02/2027	AU3FN0066528	\$4,000,000	+60.0bp	\$100.208	\$8,336
DBS	AAA	16/08/2027	AU3FN0080313	\$1,000,000	+63.5bp	\$100.371	\$3,710



### Council's Senior Fixed Bonds

In August 2021, Council invested into the following NTTC (AA-) fixed bond:

Investment Date	Maturity Date	Principal	Rate % p.a.	Interest Paid
27/08/2021	15/12/2025	\$2,000,000	1.20%	Annually

We believe this was prudent at the time of investment given the low rate environment and particularly after the RBA's easing decision in early November 2020 to 0.10% and their forward guidance towards official interest rates (no rate rises "until at least 2024").

The NTTC bond is a 'retail' offering and not a 'wholesale' issuance. Given the lack of liquidity and high penalty costs if they were to be sold/redeemed prior to the maturity date, it is considered to be a hold-to-maturity investment and will be marked at par value (\$100.00) throughout the term of investment.



## Term Deposit Market Review

### Current Term Deposits Rates

As at the end of December, we see value in the following:

ADI	LT Credit Rating	Term	Rate % p.a.
ING Bank	A	5 years	4.92%
BoQ	A-	5 years	4.85%
Westpac	AA-	5 years	4.68%
ING Bank	A	4 years	4.84%
BoQ	A-	4 years	4.80%
Westpac	AA-	4 years	4.64%
ING Bank	A	3 years	4.79%
Suncorp	AA-	3 years	4.69%
Westpac	AA-	3 years	4.59%
ING Bank	A	2 years	4.80%
Suncorp	AA-	2 years	4.72%
BoQ	A-	2 years	4.60%
Westpac	AA-	2 years	4.59%
NAB	AA-	2 years	4.55%

The above deposits are suitable for investors looking to maintain diversification and lock-in a slight premium compared to purely investing short-term.

For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (*we stress that rates are indicative, dependent on daily funding requirements and different for industry segments*):



ADI	LT Credit Rating	Term	Rate % p.a.
AMP	BBB+	12 months	4.95%
ING	A	12 months	4.93%
NAB	AA-	12 months	4.90%
ICBC Sydney	A	12 months	4.86%
Suncorp	AA-	12 months	4.90%
Westpac	AA-	12 months	4.68%
BankVIC	BBB+	9 months	5.11%
BoQ	A-	9 months	5.05%
AMP	BBB+	9 months	5.00%
NAB	AA-	9 months	4.95%
Suncorp	AA-	9 months	4.90%
BoQ	A-	6 months	5.20%
Bendigo-Adelaide	A-	6 months	5.05%
NAB	AA-	6 months	4.95%
Suncorp	AA-	6 months	4.92%
NAB	AA-	3 months	5.00%
Westpac	AA-	3 months	4.92%

For those investors that do not require high levels of liquidity and can stagger their investments longer term, they will be rewarded over a longer-term cycle if they roll for an average min. term of 12 months, with a spread of investments out to 5 years (this is where we see current value). In a normal market environment (upward sloping yield curve), investors could earn over a cycle, on average, up to ¼-½% p.a. higher compared to those investors that entirely invest in short-dated deposits.

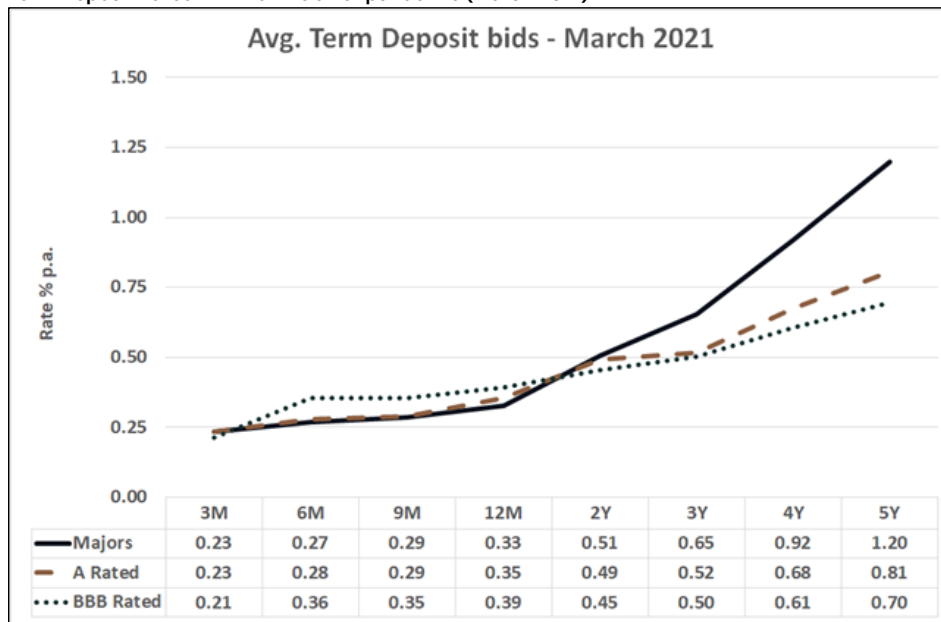
With rate cuts and a global economic downturn priced in over the next few years, investors should consider allocating some longer-term surplus funds and undertake an insurance policy by investing across 1-5 year fixed deposits and locking in rates above 4% p.a. This will provide some income protection if the RBA decides to start cutting rates over the second half of 2025.



### Term Deposits Analysis

Pre-pandemic (March 2020), a 'normal' marketplace meant the lower rated ADIs (i.e. BBB category) were offering higher rates on term deposits compared to the higher rated ADIs (i.e. A or AA rated). But due to the cheap funding available provided by the RBA via their Term Funding Facility (TFF) during mid-2020, allowing the ADIs to borrow as low as 0.10% p.a. fixed for 3 years, those lower rated ADIs (BBB rated) did not require deposit funding from the wholesale deposit. Given the higher rated banks had more capacity to lend (as they have a greater pool of mortgage borrowers), they subsequently were offering higher deposit rates. In fact, some of the lower rated banks were not even offering deposit rates at all. As a result, most investors placed a higher proportion of their deposit investments with the higher rated (A or AA) ADIs over the past three years.

#### Term Deposit Rates – 12 months after pandemic (March 2021)



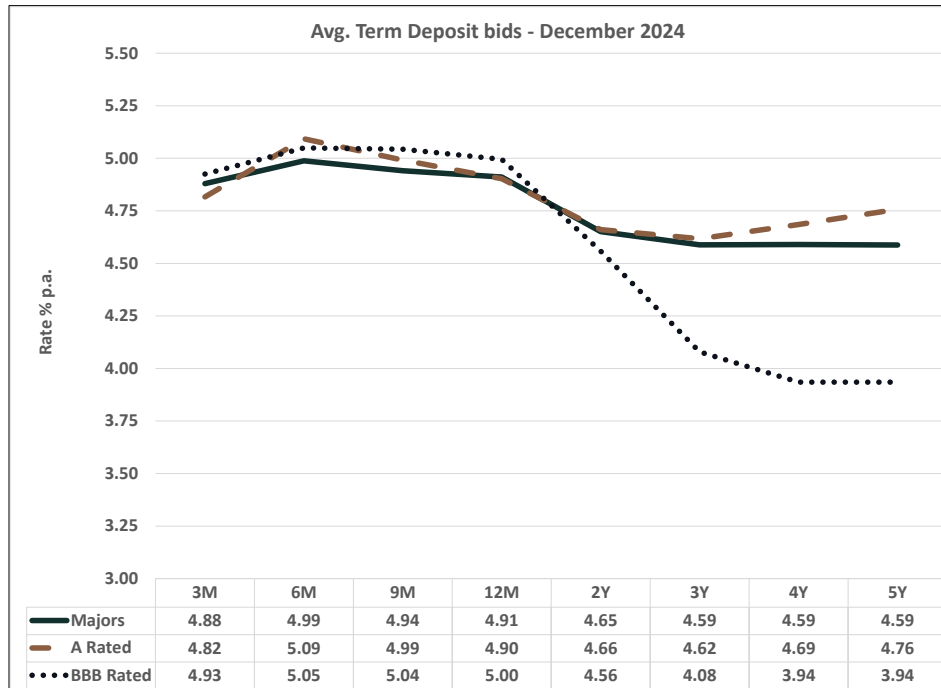
Source: Imperium Markets

The abnormal marketplace experienced during the pandemic is starting to reverse as the competition for deposits slowly increases, partially driven by the RBA's term funding facility coming to an end. In recent months, we have started to periodically see some of the lower rated ADIs ("A" and "BBB" rated) offering slightly higher rates compared to the domestic major banks ("AA" rated) on different parts of the curve (i.e. pre-pandemic environment). Some of this has been attributed to lags in adjusting their deposit rates as some banks (mainly the lower rated ADIs) simply set their rates for the week.



Going forward, investors should have a larger opportunity to invest a higher proportion of its funds with the lower rated institutions (up to Policy limits), from which the majority are not lending to the Fossil Fuel industry or considered 'ethical'. We are slowly seeing this trend emerge, although the major banks always seem to react more quickly than the rest of the market during periods of volatility:

**Term Deposit Rates – Currently (December 2024)**



Source: Imperium Markets

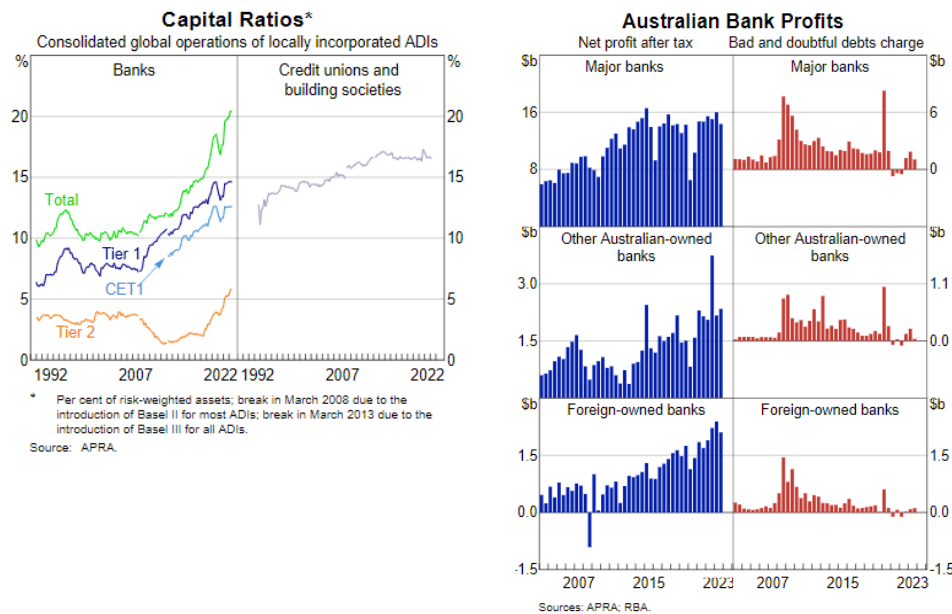
**Financial Stability of the Banking (ADI) Sector**

The RBA's latest Financial Stability report of 2024 reaffirms the strong balance sheet across the ADI sector. They noted that the risk of widespread financial stress remains limited due to the generally strong financial positions of most (individual) borrowers. Very few mortgage borrowers are in negative equity, limiting the impact on lenders (ADIs) in the event of default and supporting their ability to continue providing credit to the economy. Most businesses that have entered insolvency are small and have little debt, limiting the broader impact on the labour market and thus household incomes, and on the capital position of lenders (ADIs).



Australian banks (collectively the APRA regulated ADIs) have maintained prudent lending standards and are well positioned to continue supplying credit to the economy. A deterioration in economic conditions or temporary disruption to funding markets is unlikely to halt lending activity. Banks have anticipated an increase in loan arrears and have capital and liquidity buffers well above regulatory requirements (see *Capital Ratios chart below*). APRA's mandate is to "protect depositors" and provide "financial stability".

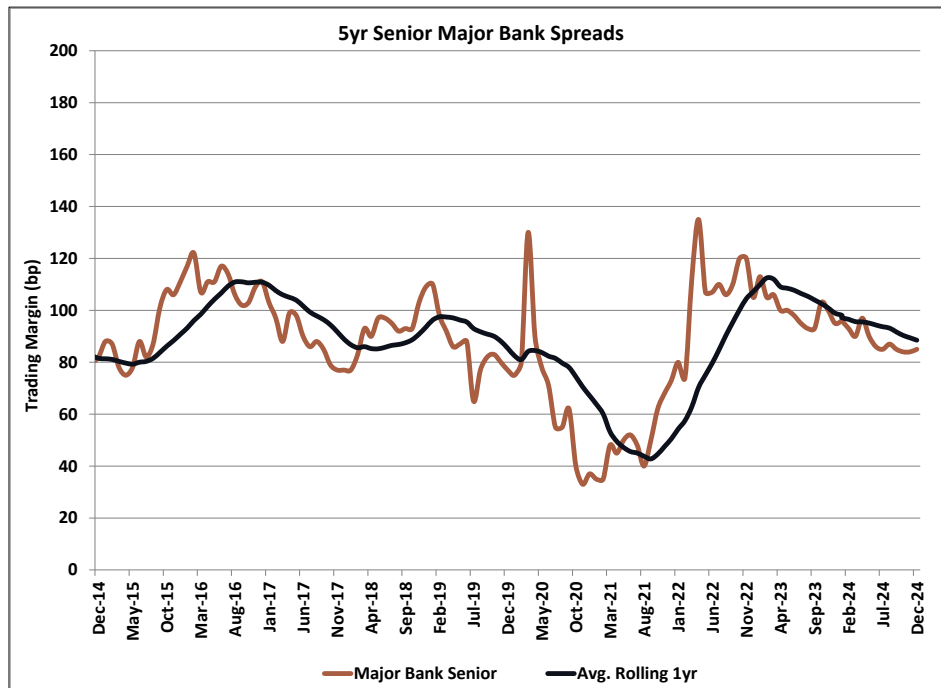
Over the past two decades, both domestic and international banks continue to operate and demonstrate high levels of profitability (see *Australian Bank Profits chart below*), which also includes two stress-test environments being the GFC (September 2008) and the COVID pandemic (March 2020):





## Senior FRNs Market Review

Over December, amongst the senior major bank FRNs, physical credit securities slightly widened at the long-end of the curve. Long-term major bank senior securities are approaching the 'expensive' territory especially if the 5yr margin tightens towards +80bp. During the month, Westpac (AA-) issued a 1 year senior deal at +40bp.



Source: IBS Capital

During December, there was a lack of new issuances from the ADIs heading into the holiday period, with only the following notable issuance:

- Bank of Queensland (A-) 1 year senior FRN at +65bp

Amongst the "A" rated sector, the securities widened by around 5bp at the longer-end of the curve, whilst the "BBB" was wider by around 8bp and is marked at a relatively attractive level. Overall, credit securities remain fair value on a historical basis without being overly exciting. FRNs will continue to play a role in investors' portfolios mainly based on their liquidity and the ability to roll down the curve and gross up returns over ensuing years (in a relatively stable credit environment), whilst also providing some diversification to those investors skewed towards fixed assets.





Senior FRNs (ADIs)	31/12/2024	29/11/2024
"AA" rated – 5yrs	+85bp	+84bp
"AA" rated – 3yrs	+70bp	+68bp
"A" rated – 5yrs	+100bp	+95bp
"A" rated – 3yrs	+83bp	+80bp
"BBB" rated – 3yrs	+118bp	+110bp

Source: IBS Capital

We now generally recommend switches ('benchmark' issues only) into new primary issues, out of the following senior FRNs that are maturing:

- On or before early 2027 for the "AA" rated ADIs (domestic major banks);
- On or before early 2026 for the "A" rated ADIs; and
- Within 6–9 months for the "BBB" rated ADIs (consider case by case).

Investors holding onto the above senior FRNs ('benchmark' issues only) in their last few years are now generally holding sub optimal investments and are not maximising returns by foregoing realised capital gains. In the current challenging economic environment, any boost in overall returns should be locked in when it is advantageous to do so, particularly as switch opportunities become available.



### Senior Fixed Bonds – ADIs (Secondary Market)

With global inflation still high by historical standards, this has seen a significant lift in longer-term bond yields over the past 3 years (valuations have fallen) as markets have reacted sharply.

This has resulted in some opportunities in the secondary market. We currently see value in the following fixed bond lines, with the majority now being marked at a significant discount to par (please note supply in the secondary market may be limited on any day):

ISIN	Issuer	Rating	Capital Structure	Maturity Date	~Remain. Term (yrs)	Fixed Coupon	Indicative Yield
AU3CB0278174	UBS	A+	Senior	26/02/2026	1.16	1.1000%	4.60%
AU3CB0280030	BoQ	A-	Senior	06/05/2026	1.35	1.4000%	4.80%
AU3CB0299337	Bendigo	A-	Senior	15/05/2026	1.37	4.7000%	4.77%
AU3CB0296168	BoQ	A-	Senior	27/01/2027	2.08	4.7000%	4.85%



## Economic Commentary

### International Market

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.

Across equity markets, the S&P 500 Index fell -2.50%, whilst the NASDAQ added +0.48%. Europe's main indices were mixed, with gains for both France's CAC (+2.01%) and Germany's DAX (+1.44%), while dropping for UK's FTSE (-1.38%).

As widely expected, the US Federal Reserve cut interest rates by 25bps to a range of 4.25%-4.50%. This marks a total of 100bp in cumulative rate cuts since September 2023. However, the Fed is now signalling a more gradual pace of reductions going forward, with a total of 50bp of cuts expected in 2025 (compared to the 100bp projected in September).

There were other central banks that made key decisions, including a 25bp cut from both the European Central Bank and Sweden's Riksbank, and a 50bp cut from Bank of Canada; while there was no change from both the Bank of England and Bank of Japan.

Europe's core CPI was +2.7% y/y vs. +2.8% expected, and headline CPI was +2.3% y/y vs. +2.3% expected.

The November US CPI rose by +0.3% m/m, matching the consensus. The core reading also increased by +0.3%, in line with expectations. This was the fourth consecutive month the core CPI printed with a +0.3% handle, implying a y/y running rate of +3.6%.

The US economy expanded at an annualised rate of +3.1% in Q4 2024, up from the previous estimate of +2.8%. Consumer spending increased by +3.7% during the quarter (the fastest pace since early 2023) driven by +5.6% surge in goods consumption and +2.8% rise in services spending.

The US unemployment rate ticked higher to 4.2% in November (the median forecast was 4.1%), with payrolls rising +227k, in line with consensus for 220k.

Canada's employment growth was a solid +50k, but it was a 0.3% rise in the unemployment rate to 6.8%.

The MSCI World ex-Aus Index fell -2.59% for the month of December:

Index	1m	3m	1yr	3yr	5yr	10yr
S&P 500 Index	-2.50%	+2.07%	+23.31%	+7.26%	+12.73%	+11.07%
MSCI World ex-AUS	-2.59%	-0.18%	+17.41%	+4.80%	+9.64%	+8.21%
S&P ASX 200 Accum. Index	-3.15%	-0.80%	+11.44%	+7.41%	+8.06%	+8.51%

Source: S&P, MSCI



### Domestic Market

The RBA kept rates on hold in its final meeting for 2024. However, of more importance is the growing confidence that the RBA has in its November inflation track (*"Board is gaining some confidence"*). They removed the prior hawkish language that *"policy will need to be sufficiently restrictive"*.

Australia's GDP rose by +0.3% q/q (+0.8% y/y) in Q3, weaker than consensus (+0.5%) and the RBA at +0.5% q/q. Overall, growth remains very soft in annual terms and is still around its weakest (ex. COVID) since the early 1990s. Public sector spending remains an important support, with private sector growth flat.

Unemployment in November surprised sharply, falling 0.2% to 3.9% from 4.1% (consensus 4.2%). The unemployment rate is now back to its equal lowest since March 2024. Underemployment (those employed but wanting and able to work more hours) fell a 0.1% to 6.1%, its equal lowest since April 2023.

Retail Sales for October were better than expected at +0.6% m/m vs. +0.4% consensus.

Australian consumer sentiment fell by -2% m/m in December, reflecting renewed pessimism surrounding the economic outlook. The sub-indices for "economic outlook (next 12 months)" and "economic outlook (next 5 years)" declined -9.6% and -7.9%, respectively (with both metrics retracing half of their gains from the past two months).

Dwelling prices in November rose +0.1% m/m nationally and are up +5.5% y/y according to CoreLogic. Dwelling price growth remains strong in Brisbane (+0.6% m/m), Adelaide (+0.8% m/m) and Perth (+1.1% m/m). Growth has slowed in Sydney with a small negative being seen in October and again in November (-0.2% m/m). Affordability remains challenged in Sydney.

The goods trade surplus beat expectations at \$5.95bn vs. \$4.5bn consensus.

The Australian dollar fell around -5.05%, finishing the month at US61.88 cents (from US65.17 cents the previous month).

### Credit Market

The global credit indices marginally widened during the month. They remain near the levels seen in early 2022 (prior to the rate hike cycle from most central banks):

Index	December 2024	November 2024
CDX North American 5yr CDS	49bp	48bp
iTraxx Europe 5yr CDS	57bp	57bp
iTraxx Australia 5yr CDS	67bp	66bp

Source: Markit



## Fixed Interest Review

### Benchmark Index Returns

Index	December 2024	November 2024
Bloomberg AusBond Bank Bill Index (0+YR)	+0.38%	+0.36%
Bloomberg AusBond Composite Bond Index (0+YR)	+0.51%	+1.14%
Bloomberg AusBond Credit FRN Index (0+YR)	+0.43%	+0.37%
Bloomberg AusBond Credit Index (0+YR)	+0.71%	+0.86%
Bloomberg AusBond Treasury Index (0+YR)	+0.37%	+1.17%
Bloomberg AusBond Inflation Gov't Index (0+YR)	-0.26%	+1.34%

Source: Bloomberg

### Other Key Rates

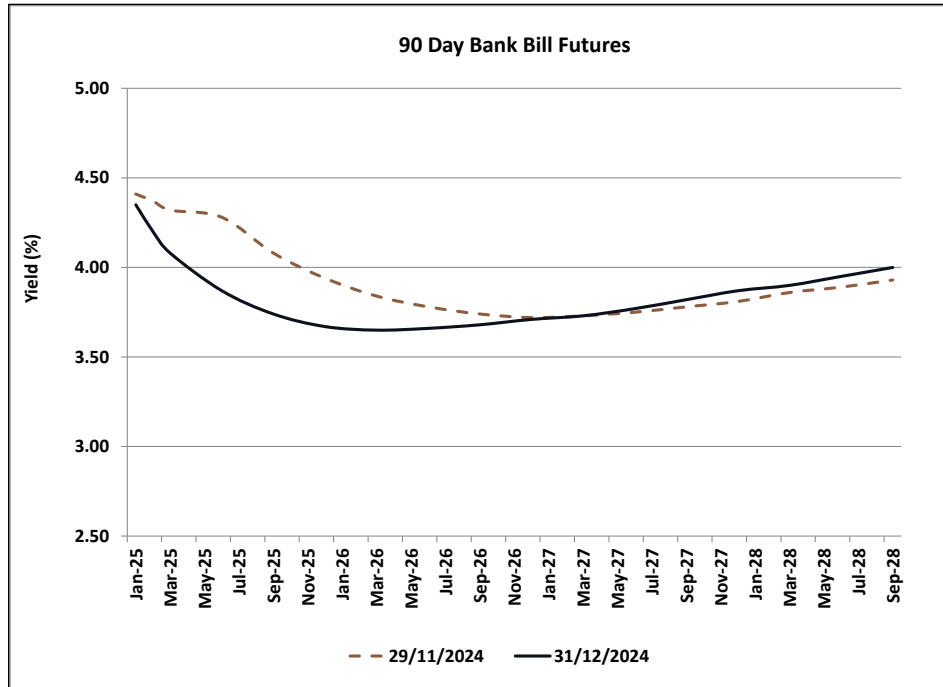
Index	December 2024	November 2024
RBA Official Cash Rate	4.35%	4.35%
90 Day (3 month) BBSW Rate	4.42%	4.43%
3yr Australian Government Bonds	3.82%	3.91%
10yr Australian Government Bonds	4.38%	4.34%
US Fed Funds Rate	4.25%-4.50%	4.50%-4.75%
2yr US Treasury Bonds	4.25%	4.13%
10yr US Treasury Bonds	4.58%	4.18%

Source: RBA, ASX, US Department of Treasury



### 90 Day Bill Futures

Bill futures fell at the short-end of the curve this month, following the movement in the global bond market. The focus from the market remains on when rate cuts will be delivered in 2025:



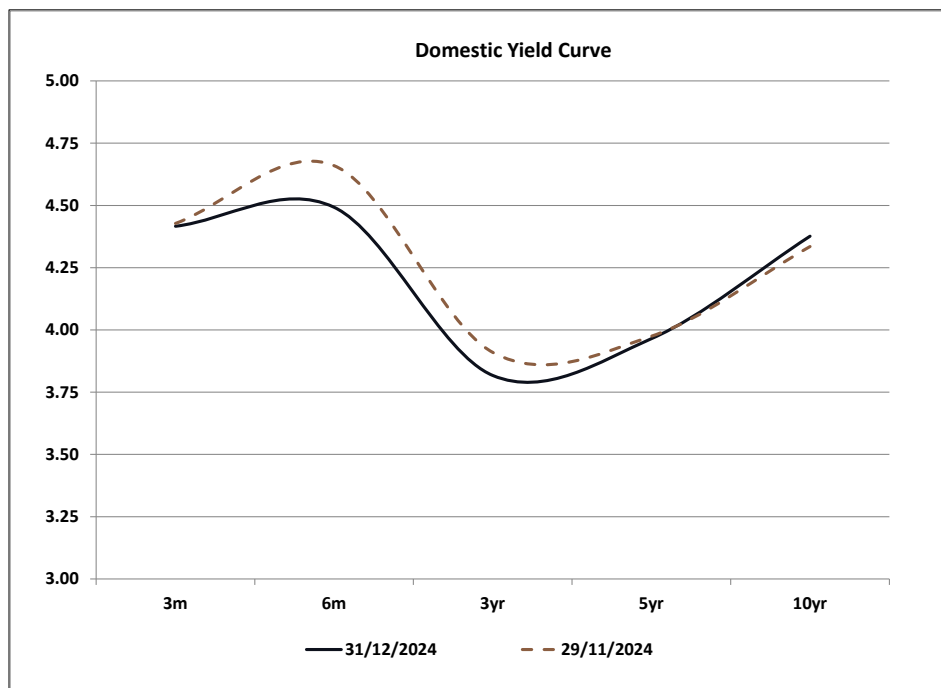
Source: ASX



## Fixed Interest Outlook

In delivering the US central bank's 25bp rate cut during its December meeting, the Fed also signalled it probably would only lower twice more in 2025 (down from the four projected in September), according to the "dot plot" matrix of individual FOMC members' future rate expectations. Fed Chair Powell's press conference also confirmed the Fed is going to be much more cautious in 2025, reflective of sticky inflation combined with President-elect Trump's proposed economic policies (which is expected to exacerbate price pressures).

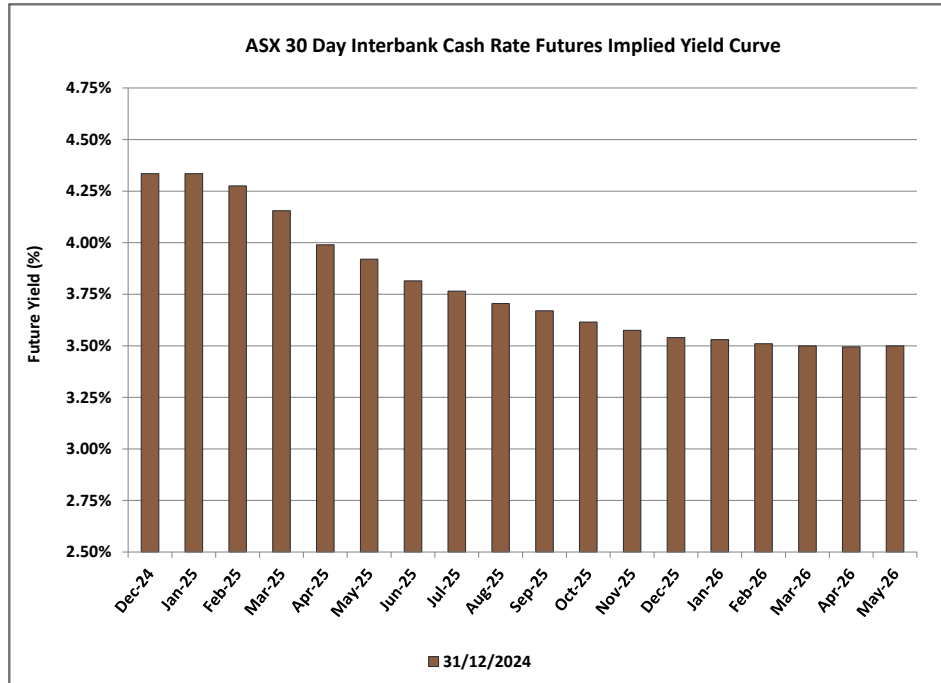
In the RBA Board's December statement, the RBA removed their hawkish stance and commented "*recent data on inflation and economic conditions are still consistent with these forecasts, and the Board is gaining some confidence that inflation is moving sustainably towards target*". Growing confidence in the inflation forecast is important as it lessens the probability of the RBA needing to hold rates for even longer, or the tail risk of them having to hike rates further. Therefore, there is little urgency to adjust policy settings while both inflation and the unemployment rate are evolving gradually. The next quarterly CPI data will be published in late January.



Source: ASX, RBA



Financial markets are currently expecting the first RBA rate cut by March–April, with up to three rate cuts priced in by the end of 2025:



Source: ASX

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# Statement of Investments

as at 31 December 2024

## Portfolio by Asset as at 31/12/2024

### Asset Type: CASH

Issuer	Rating	Type	Allocation	Interest Paid	Purchase Date	Maturity Date	Rate (%)	Capital Value (\$)	Face Value (\$)	Accrued (\$)	Accrued MTD (\$)
State Insurance Regulatory Authority	AA+	CASH	GENERAL	Monthly	31/12/2024	31/12/2024	0.0000	6,675,000.00	6,675,000.00	-	-
AMP Bank	BBB+	CASH	GENERAL	Monthly	31/12/2024	31/12/2024	4.8500	2,418,698.89	2,418,698.89	9,925.16	9,925.16
AMP Bank	BBB+	CASH	GENERAL	Monthly	31/12/2024	31/12/2024	3.0000	679.57	679.57	1.73	1.73
Commonwealth Bank	AA-	CASH	GENERAL	Monthly	31/12/2024	31/12/2024	4.4000	33,791,169.52	33,791,169.52	89,802.72	89,802.72
Commonwealth Bank	AA-	CASH	GENERAL	Monthly	31/12/2024	31/12/2024	0.0000	20,274,398.53	20,274,398.53	-	-
<b>CASH SUBTOTALS</b>								<b>63,159,946.51</b>	<b>63,159,946.51</b>	<b>99,729.61</b>	<b>99,729.61</b>

### Asset Type: TD

Issuer	Rating	Type	Allocation	Interest Paid	Purchase Date	Maturity Date	Rate (%)	Capital Value (\$)	Face Value (\$)	Accrued (\$)	Accrued MTD (\$)
NAB	AA-	TD	GENERAL	At Maturity	26/08/2024	15/01/2025	5.0000	2,000,000.00	2,000,000.00	35,068.49	8,493.15
Suncorp Bank	AA-	TD	GENERAL	At Maturity	09/09/2024	22/01/2025	4.9300	2,000,000.00	2,000,000.00	30,795.62	8,374.25
Suncorp Bank	AA-	TD	GENERAL	At Maturity	09/09/2024	29/01/2025	4.9400	2,000,000.00	2,000,000.00	30,858.08	8,391.23
ING Bank (Australia) Ltd	A	TD	GENERAL	At Maturity	01/03/2024	05/03/2025	5.0800	3,000,000.00	3,000,000.00	127,765.48	12,943.56
ING Bank (Australia) Ltd	A	TD	GENERAL	At Maturity	01/03/2024	12/03/2025	5.0800	3,000,000.00	3,000,000.00	127,765.48	12,943.56
Suncorp Bank	AA-	TD	GENERAL	At Maturity	03/09/2024	19/03/2025	5.0800	2,000,000.00	2,000,000.00	33,402.74	8,629.04

Issuer	Rating	Type	Allocation	Interest Paid	Purchase Date	Maturity Date	Rate (%)	Capital Value (\$)	Face Value (\$)	Accrued (\$)	Accrued MTD (\$)
Suncorp Bank	AA-	TD	GENERAL	At Maturity	03/09/2024	26/03/2025	5.0700	2,000,000.00	2,000,000.00	33,336.99	8,612.05
Suncorp Bank	AA-	TD	GENERAL	At Maturity	03/09/2024	02/04/2025	5.0700	2,000,000.00	2,000,000.00	33,336.99	8,612.05
ING Bank (Australia) Ltd	A	TD	GENERAL	At Maturity	01/03/2024	09/04/2025	5.0800	3,000,000.00	3,000,000.00	127,765.48	12,943.56
Suncorp Bank	AA-	TD	GENERAL	At Maturity	05/07/2024	16/04/2025	5.3100	2,000,000.00	2,000,000.00	52,372.60	9,019.73
NAB	AA-	TD	GENERAL	At Maturity	28/10/2024	23/04/2025	5.0400	2,000,000.00	2,000,000.00	17,950.68	8,561.10
NAB	AA-	TD	GENERAL	At Maturity	28/10/2024	30/04/2025	5.0400	2,000,000.00	2,000,000.00	17,950.68	8,561.10
NAB	AA-	TD	GENERAL	At Maturity	03/12/2024	07/05/2025	5.1000	5,000,000.00	5,000,000.00	20,260.27	20,260.27
Suncorp Bank	AA-	TD	GENERAL	At Maturity	28/10/2024	07/05/2025	5.0100	2,000,000.00	2,000,000.00	17,843.84	8,510.14
Suncorp Bank	AA-	TD	GENERAL	At Maturity	05/07/2024	14/05/2025	5.3200	2,000,000.00	2,000,000.00	52,471.23	9,036.71
Suncorp Bank	AA-	TD	GENERAL	At Maturity	05/07/2024	21/05/2025	5.3200	2,000,000.00	2,000,000.00	52,471.23	9,036.71
NAB	AA-	TD	GENERAL	At Maturity	03/10/2024	18/06/2025	4.9800	5,000,000.00	5,000,000.00	61,397.26	21,147.95
NAB	AA-	TD	GENERAL	At Maturity	14/08/2024	18/06/2025	5.1000	2,000,000.00	2,000,000.00	39,123.29	8,663.01
Suncorp Bank	AA-	TD	GENERAL	At Maturity	03/09/2024	25/06/2025	4.9400	2,000,000.00	2,000,000.00	32,482.19	8,391.23
ING Bank (Australia) Ltd	A	TD	GENERAL	At Maturity	05/07/2024	09/07/2025	5.3700	2,000,000.00	2,000,000.00	52,964.38	9,121.64
NAB	AA-	TD	GENERAL	At Maturity	05/07/2024	16/07/2025	5.4500	2,000,000.00	2,000,000.00	53,753.42	9,257.53
NAB	AA-	TD	GENERAL	At Maturity	02/08/2024	06/08/2025	5.2000	2,000,000.00	2,000,000.00	43,309.59	8,832.88
NAB	AA-	TD	GENERAL	At Maturity	02/08/2024	13/08/2025	5.2000	2,000,000.00	2,000,000.00	43,309.59	8,832.88
NAB	AA-	TD	GENERAL	At Maturity	26/08/2024	27/08/2025	5.0000	2,000,000.00	2,000,000.00	35,068.49	8,493.15
NAB	AA-	TD	GENERAL	At Maturity	02/08/2024	17/09/2025	5.1500	2,000,000.00	2,000,000.00	42,893.15	8,747.95

Issuer	Rating	Type	Allocation	Interest Paid	Purchase Date	Maturity Date	Rate (%)	Capital Value (\$)	Face Value (\$)	Accrued (\$)	Accrued MTD (\$)
NAB	AA-	TD	GENERAL	At Maturity	03/10/2024	08/10/2025	4.9000	5,000,000.00	5,000,000.00	60,410.96	20,808.22
ING Bank (Australia) Ltd	A	TD	GENERAL	At Maturity	03/10/2024	05/11/2025	4.8400	5,000,000.00	5,000,000.00	59,671.23	20,553.42
NAB	AA-	TD	GENERAL	At Maturity	03/12/2024	03/12/2025	5.0500	5,000,000.00	5,000,000.00	20,061.64	20,061.64
Suncorp Bank	AA-	TD	GENERAL	At Maturity	01/03/2024	11/12/2025	4.9000	3,000,000.00	3,000,000.00	123,238.36	12,484.93
NAB	AA-	TD	GENERAL	At Maturity	19/12/2024	17/12/2025	5.0000	5,000,000.00	5,000,000.00	8,904.11	8,904.11
ING Bank (Australia) Ltd	A	TD	GENERAL	At Maturity	01/03/2024	17/12/2025	5.0000	3,000,000.00	3,000,000.00	125,753.42	12,739.73
NAB	AA-	TD	GENERAL	At Maturity	12/12/2024	07/01/2026	4.9300	5,000,000.00	5,000,000.00	13,506.85	13,506.85
ING Bank (Australia) Ltd	A	TD	GENERAL	At Maturity	01/03/2024	04/03/2026	4.9500	3,000,000.00	3,000,000.00	124,495.89	12,612.33
NAB	AA-	TD	GENERAL	At Maturity	01/03/2024	15/12/2027	4.7000	3,000,000.00	3,000,000.00	118,208.22	11,975.34
<b>TD SUBTOTALS</b>								<b>96,000,000.00</b>	<b>96,000,000.00</b>	<b>1,869,967.95</b>	<b>388,063.01</b>

## Asset Type: FRN

Issuer	Rating	Type	Allocation	Interest Paid	Purchase Date	Maturity Date	Rate (%)	Capital Value (\$)	Face Value (\$)	Accrued (\$)	Accrued MTD (\$)
Newcastle Greater Mutual Group Ltd	BBB+	FRN	GENERAL	Quarterly	04/02/2020	04/02/2025	5.5411	2,100,205.80	2,100,000.00	18,490.57	9,882.89
Macquarie Bank	A+	FRN	GENERAL	Quarterly	09/12/2020	09/12/2025	4.9197	4,006,388.00	4,000,000.00	12,400.34	12,400.34
Suncorp Bank	AA-	FRN	GENERAL	Quarterly	24/02/2021	24/02/2026	4.8651	2,098,458.60	2,100,000.00	10,356.66	8,677.21
Commonwealth Bank	AA-	FRN	GENERAL	Quarterly	14/01/2022	14/01/2027	5.1150	2,755,571.50	2,750,000.00	30,444.76	11,946.68

Issuer	Rating	Type	Allocation	Interest Paid	Purchase Date	Maturity Date	Rate (%)	Capital Value (\$)	Face Value (\$)	Accrued (\$)	Accrued MTD (\$)
Suncorp Bank	AA-	FRN	GENERAL	Quarterly	25/01/2022	25/01/2027	5.1636	2,705,057.10	2,700,000.00	25,973.62	11,840.91
Rabobank Australia Branch	A+	FRN	GENERAL	Quarterly	27/01/2022	27/01/2027	5.1256	2,002,216.00	2,000,000.00	18,255.56	8,706.50
NAB	AA-	FRN	GENERAL	Quarterly	25/02/2022	25/02/2027	5.1351	4,008,336.00	4,000,000.00	20,821.78	17,445.27
DBS Bank	AAA	FRN	GENERAL	Quarterly	16/08/2023	16/08/2027	5.2263	1,003,710.00	1,000,000.00	6,300.20	4,438.78
HSBC Bank, Sydney Branch	AA-	FRN	GENERAL	Quarterly	03/03/2023	03/03/2028	5.4773	2,017,374.00	2,000,000.00	8,703.65	8,703.65
Suncorp Bank	AAA	FRN	GENERAL	Quarterly	12/07/2023	12/07/2028	5.4650	2,018,988.00	2,000,000.00	23,656.71	9,283.01
Commonwealth Bank	AA-	FRN	GENERAL	Quarterly	17/08/2023	17/08/2028	5.3763	1,006,234.00	1,000,000.00	6,481.02	4,566.17
Bendigo and Adelaide	A-	FRN	GENERAL	Quarterly	24/10/2024	24/10/2028	5.3537	600,828.00	600,000.00	6,072.42	2,728.19
ANZ Bank	AA-	FRN	GENERAL	Quarterly	05/02/2024	05/02/2029	5.3706	2,516,127.50	2,500,000.00	20,967.41	11,403.33
Rabobank Australia Branch	A+	FRN	GENERAL	Quarterly	26/02/2024	26/02/2029	5.4479	2,010,770.00	2,000,000.00	10,746.54	9,253.97
Suncorp Bank	AA-	FRN	GENERAL	Quarterly	19/03/2024	19/03/2029	5.4427	1,262,388.75	1,250,000.00	2,423.12	2,423.12
Rabobank Australia Branch	A+	FRN	GENERAL	Quarterly	17/07/2024	17/07/2029	5.2817	1,300,687.70	1,300,000.00	14,296.77	5,831.58
ING Bank (Australia) Ltd	A	FRN	GENERAL	Quarterly	20/08/2024	20/08/2029	5.4400	2,710,154.70	2,700,000.00	16,901.26	12,474.74
NAB	AA-	FRN	GENERAL	Quarterly	14/11/2024	14/11/2029	5.2473	1,500,480.00	1,500,000.00	10,350.84	6,684.92
<b>FRN SUBTOTALS</b>								<b>37,623,975.65</b>	<b>37,500,000.00</b>	<b>263,643.23</b>	<b>158,691.25</b>

**Asset Type: BOND**

Issuer	Rating	Type	Allocation	Interest Paid	Purchase Date	Maturity Date	Rate (%)	Capital Value (\$)	Face Value (\$)	Accrued (\$)	Accrued MTD (\$)
Northern Territory Treasury	AA-	BOND	GENERAL	Semi-Annual	27/08/2021	15/12/2025	1.2000	2,000,000.00	2,000,000.00	1,052.05	1,052.05
BOND SUBTOTALS								2,000,000.00	2,000,000.00	1,052.05	1,052.05

## Portfolio by Asset Totals as at 31/12/2024

Type	Capital Value (\$)	Face Value (\$)	Accrued (\$)	Accrued MTD (\$)
CASH	63,159,946.51	63,159,946.51	99,729.61	99,729.61
TD	96,000,000.00	96,000,000.00	1,869,967.95	388,063.01
FRN	37,623,975.65	37,500,000.00	263,643.23	158,691.25
BOND	2,000,000.00	2,000,000.00	1,052.05	1,052.05
<b>TOTALS</b>	<b>198,783,922.16</b>	<b>198,659,946.51</b>	<b>2,234,392.84</b>	<b>647,535.93</b>