

9.3. Investment and Loan Borrowings Report as at 30 April 2026

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|--------------------|--|
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| ATTACHMENTS | 1. North Sydney Monthly Report April 2026 [9.3.1 - 21 pages] |
| CSP LINK | Outcome 8 – An effective, accountable and sustainable Council that serves the community G8. Manage Council’s finances through robust long-term planning and ongoing financial management |

PURPOSE:

The purpose of this report is to provide details of the performance of Council’s investments and loans for the month ending 30 April 2026.

EXECUTIVE SUMMARY:

- All investments have been made in accordance with the Local Government Act and Regulations and Council’s *Financial Investments Policy*.
- For the month of April, the total investment portfolio (which includes Term Deposits and Bonds) provided a return of +0.35% (actual), or +4.31% p.a. (annualised), outperforming the AusBond Bank Bill Index return of +0.34% (actual) or +4.24% p.a. (annualised).
- Returns on investments exceeded the April YTD budget by \$285,902. This result includes fees paid to Council’s investment advisers for the period.

RECOMMENDATION:

1. THAT the report on investments held at 30 April 2026, prepared in accordance with clause 212 of the Local Government (General) Regulation 2021, and the information on Loan Borrowings, be received.

Background

Clause 212 of the Local Government (General) Regulation 2021, states that the Responsible Accounting Officer must provide Council with a monthly report detailing all funds invested under Section 625 of the Local Government Act 1993. This report must include certification that the investments have been made in accordance with the Act and the Regulations made thereunder, also the revised Investment Order issued by the Minister for Local Government and Council's *Financial Investment Policy*.

It is also prudent to report loan balances and compliance with borrowing orders issued by the Minister for Local Government and Council's *Loan Borrowing Policy*.

Total Cash and Investment Balance and Reserves

The total cash and investment balances are \$162,229,516. Most of this balance is held in reserves to be spent on certain activities and projects, in accordance with Council's *Restricted Reserves Policy*.

Reserves fall into one of two categories:

- external restrictions (Council is obliged by legislation, or contract, to spend the funds on certain projects and activities); and
- internal allocations (Council has resolved to spend the funds on certain projects and activities).

The following table details the reserves held. Council had an unrestricted cash balance of \$17,259,344. The unrestricted cash balance decreased by \$3.75 million compared to March 2026, primarily because of the loan repayments, the timing of capital expenditure, and rate instalment receipts.

Despite the decrease, the unrestricted cash balance remains higher than the adopted budget of \$11.52 million. To enhance returns on investment, Council has increased its allocation to short-term term deposits.

All movements in reserves are in accordance with Council's Restricted Reserve Policy.

Cash and Cash at call balance as of 30 April was \$27,229,516. Council held higher than usual cash balances due to anticipated variations for the North Sydney Olympic Pool project towards the end of the project's completion.

| External Restrictions and Internal Allocations | Mar-26 | Net Movement | Apr-26 |
|---|---------------|---------------------|---------------|
| External restrictions | | | |
| Developer contributions | \$61,334,902 | \$370,372 | \$61,705,274 |
| Domestic waste management | \$19,532,830 | \$697,702 | \$20,230,532 |
| Stormwater management charges | \$145,599 | -\$24,238 | \$121,361 |
| Unexpended Special Rates | \$1,976,251 | -\$439,998 | \$1,536,253 |
| Specific purpose grants | \$4,229,074 | -\$414,221 | \$3,814,853 |

| External Restrictions and Internal Allocations | Mar-26 | Net Movement | Apr-26 |
|---|----------------------|---------------------|----------------------|
| Other specific purpose contributions | \$2,024,537 | \$2,221 | \$2,026,758 |
| Bradfield Park TfNSW Lease Reserve | \$857,844 | \$0 | \$857,844 |
| Cammeray Park TfNSW Lease Reserve | \$1,060,142 | \$0 | \$1,060,142 |
| Victoria Cross TfNSW Reserve | \$1,500,000 | \$0 | \$1,500,000 |
| Olympic Pool Redevelopment | \$20,957,268 | -\$410,973 | \$20,546,294 |
| Total external restrictions | \$113,618,446 | -\$219,135 | \$113,399,311 |
| Internal allocations | | | |
| Project carry-forward balances | \$30,711 | -\$30,711 | \$0 |
| Community Housing - Capital Purchases | \$1,010,000 | \$0 | \$1,010,000 |
| Community Housing - Major Maintenance | \$491,000 | \$0 | \$491,000 |
| Deposits, retentions, and bonds | \$16,924,377 | \$28,396 | \$16,952,773 |
| Employees leave entitlement | \$7,127,000 | \$0 | \$7,127,000 |
| Income Producing Projects | \$498,000 | \$0 | \$498,000 |
| I.T. hardware and software | \$947,996 | -\$29,188 | \$918,808 |
| Plant and vehicle replacement | \$4,256,008 | \$15,690 | \$4,271,698 |
| Financial Assistance Grant | \$0 | \$0 | \$0 |
| Kirribilli Neighbourhood Centre Reserve | \$61,077 | \$0 | \$61,077 |
| Crows Nest Centre Reserve | \$240,505 | \$0 | \$240,505 |
| Total internal allocations | \$31,586,674 | -\$15,813 | \$31,570,861 |
| Total Restrictions and Allocations | \$145,205,120 | -\$234,948 | \$144,970,172 |
| Unrestricted Cash and Investments | \$21,011,478 | -\$3,752,134 | \$17,259,344 |
| Total Cash and Investments | \$166,216,598 | -\$3,987,082 | \$162,229,516 |

Investment Portfolio

The following tables detail the performance of Council's investment portfolio (excluding cash deposits) to the benchmark for the month of April 2026 - and annualised for the year-to-date (including investments that have matured prior to that date).

| | April | Annualised YTD |
|----------------------|--------------|-----------------------|
| Actual Return | 0.35% | 4.31% |
| Benchmark | 0.34% | 4.24% |
| Variance | +0.01% | +0.07% |

| Asset Type | Market Value | Portfolio Breakdown |
|-------------------|----------------------|----------------------------|
| Term Deposits | \$132,000,000 | 81.37% |
| Cash | \$27,229,516 | 16.78% |
| Fixed Bonds | \$3,000,000 | 1.85% |
| | \$162,229,516 | 100.00% |

Council's average duration of term deposits, which comprised 81.37% of the investment portfolio, is approximately 134 days. The average duration aligns maturities with the expected outflows of the capital works program.

Council is holding higher-than-usual cash and deposit-at-call balances in anticipation of the funding requirements associated with the completion of the North Sydney Olympic Pool project.

All funds have been invested in accordance with the Act and the Regulations made thereunder. Council’s investment portfolio complies with the revised Investment Order issued by the Minister for Local Government, which places restrictions on the type of investments permitted. All investments accord with Council’s *Financial Investments Policy*.

Council continues to seek independent advice for investments and are actively managing the portfolio to ensure that returns are maximised, considering diversification and risk. A complete analysis of the performance is covered in the Monthly Investment Reports (Attachment 1) prepared by Council’s investment advisor, Arlo Advisory. The report contains advice about optimal investment options but also notes that Council’s scope to act on that advice is limited by its cash flow requirements. Council has considerable requirements for short term investments and deposits at call to fund its Capital Works budget including the North Sydney Olympic Pool project.

Summary of Returns from Investments (includes Fair Value adjustments)

The actual investment returns for the year-to-date 30 April 2026 are \$285,902 more than the revised year-to-date budget.

| Year | Original Annual Budget | Revised Annual Budget | YTD Budget | YTD Interest | YTD Actual FV adjustment | YTD Budget to Actual Variance |
|-----------------------|------------------------|-----------------------|-------------|-----------------------|----------------------------|---------------------------------|
| 2025/26 | \$3,912,000 | \$6,324,246 | \$4,560,903 | \$4,846,805 | \$0 | \$285,902 |
| Previous Years | | | | | | |
| Year | Original Annual Budget | Revised Annual Budget | | Final Result Interest | Final Result FV adjustment | Final Budget to Actual Variance |
| 2024/25 | \$2,534,059 | \$5,234,059 | | \$5,518,399 | -\$1,596 | \$282,744 |
| 2023/24 | \$2,490,000 | \$5,490,000 | | \$5,425,310 | \$5,334 | -\$71,356 |
| 2022/23 | \$1,384,350 | \$3,340,000 | | \$3,697,634 | \$4,647 | \$350,281 |

Floating Rate Notes (FRNs) are required to be revalued each month using the Fair Value (FV) method, which estimates the market value of the investment. There has been no FRN since February 2025, therefore no disclosure is required.

Council will focus on shorter-term term deposits to meet cash flow needs.

Financial Investment Policy

All categories are within the Policy limits for credit ratings. The portfolio remains well diversified, with credit quality rated as A, or higher. The maximum holding limit in each rating category and the target credit quality weighting for Council’s portfolio are:

| Long Term Rating Range (Standard & Poor's) | Invested | Maximum Policy Holding | Distribution |
|--|---------------|------------------------|--------------|
| AA Category | \$128,229,516 | 100.00% | 79.04% |
| A Category | \$18,000,000 | 60.00% | 11.10% |
| BBB Category | \$16,000,000 | 35.00% | 9.86% |
| Unrated ADIs (NR) | \$0 | 10.00% | 0.00% |

Loan Borrowings

Council's *Loan Borrowing Policy* is the framework for Council's borrowing activities. This defines responsibilities and parameters for borrowing and related risk management activities. The Policy's objective is to control Council's exposure to movements in interest rates through the application of fixed, floating, or a combination thereof, to maintain a risk averse strategy.

Loan borrowings are in line with the following principles:

- That the capital cost of infrastructure be recognised over the period during which the benefits will be enjoyed.
- That loan funds are a resource to fund the replacement and upgrading of existing infrastructure and fund the creation of new infrastructure.

That loan funds will be limited to:

- acquisition or enhancement of income producing assets;
- construction and/or upgrading of buildings; and
- infrastructure assets that have a life expectancy greater than 10 years.

Council has four debt facilities:

Alexander Street Carpark and On-Street Carparking Management System Loan

This is a fixed loan financing option, fully amortising the drawn down amount of \$9,500,000 over 10 years, fixed interest rate, with quarterly repayments of interest and principal. The loan details are:

| | | | | |
|-----------------------|------------------------------|-----------------|------------------|----------------|
| Loan amount: | \$ 9,500,000.00 | | | |
| Loan term: | 10 years | | | |
| From: | 31/07/2018 | | | |
| To: | 31/07/2028 | | | |
| Interest rate: | 4.02%p.a.(fixed) | | | |
| Repayment: | Quarterly | | | |
| Dates | Principal Outstanding | Interest | Principal | Payment |
| 1/07/2025 | \$3,513,002 | | | |
| 31/07/2025 | \$3,258,958 | \$35,596 | \$254,044 | \$289,640 |
| 31/10/2025 | \$3,002,340 | \$33,022 | \$256,618 | \$289,640 |
| 30/01/2026 | \$2,742,791 | \$30,091 | \$259,549 | \$289,640 |
| 30/04/2026 | \$2,480,339 | \$27,188 | \$262,452 | \$289,640 |

Loan Funded Capital Projects

Project 1: Upgrading the Car Park in Alexander Street, Crows Nest

\$5 million loan was sourced to fund project.

Current length of Loan as per the Long-Term Financial Plan (LTFP): 10 years to 2028

Project 2: Upgrading of On-Street Parking Management System

\$4.5 million loan was sourced to fund project.

Current length of Loan as per LTFP: 10 years to 2028

Loans for North Sydney Olympic Pool Redevelopment

In February 2022, Council established a \$31 million TCorp loan facility to partially fund the redevelopment of North Sydney Olympic Pool. Drawdown on the facility was processed on 28 April 2022. The funds were restricted and released, as required, to fund project cash outflows. These loan funds had been fully expended.

This loan is a fixed loan financing option, fully amortising the drawn down amount of \$31,000,000 over 20 years, fixed interest rate with semi-annual repayments of interest and principal. The loan details are:

| | | | | |
|-----------------------|------------------------------|-----------------|------------------|----------------|
| Loan amount: | \$31,000,000 | | | |
| Loan term: | 20 years | | | |
| From: | 28/04/2022 | | | |
| To: | 28/04/2042 | | | |
| Interest rate: | 4.24%p.a.(fixed) | | | |
| Repayment: | Semi-Annual | | | |
| Dates | Principal Outstanding | Interest | Principal | Payment |
| 01/07/2025 | \$27,836,354 | | | |
| 28/10/2025 | \$27,269,273 | \$590,131 | \$567,082 | \$1,157,213 |
| 28/04/2026 | \$26,690,169 | \$578,109 | \$579,104 | \$1,157,213 |

In July 2024, Council established a \$20 million TCorp loan facility to fund further budget requirements of the redevelopment of North Sydney Olympic Pool. Drawdown on the facility was processed on 27 July 2024. The funds were invested with a maturity profile to match cash flow requirements of the project. The funds were restricted and are being released, as required, to fund project cash outflows.

This loan is a fixed loan financing option, fully amortising the drawn down amount of \$20,000,000 over 10 years, fixed interest rate with semi-annual repayments of interest and principal.

The loan details are:

| | | | | |
|-----------------------|------------------------------|-----------------|------------------|----------------|
| Loan amount: | \$20,000,000 | | | |
| Loan term: | 10 years | | | |
| From: | 26/07/2024 | | | |
| To: | 26/07/2034 | | | |
| Interest rate: | 5.29%p.a.(fixed) | | | |
| Repayment: | Semi-Annual | | | |
| Dates | Principal Outstanding | Interest | Principal | Payment |
| 01/07/2025 | \$19,228,419 | | | |
| 28/07/2025 | \$18,436,431 | \$508,592 | \$791,989 | \$1,300,581 |
| 27/01/2026 | \$17,623,494 | \$487,644 | \$812,937 | \$1,300,581 |

In May 2025, Council established a \$10 million TCorp loan facility to fund further budget requirements of the redevelopment of North Sydney Olympic Pool. Drawdown on the facility was processed on 14 November 2025. The funds were invested with a maturity profile to match cash flow requirements of the project. The funds were restricted and are being released, as required, to fund project cash outflows.

This loan is a fixed loan financing option, fully amortising the drawn down amount of \$10,000,000 over 10 years, fixed interest rate with semi-annual repayments of interest and principal.

The loan details are:

| | | | | |
|-----------------------|------------------------------|-----------------|------------------|----------------|
| Loan amount: | \$10,000,000 | | | |
| Loan term: | 10 years | | | |
| From: | 14/11/2025 | | | |
| To: | 14/11/2035 | | | |
| Interest rate: | 5.06%p.a.(fixed) | | | |
| Repayment: | Semi-Annual | | | |
| Dates | Principal Outstanding | Interest | Principal | Payment |
| 15/11/2025 | \$10,000,000 | | | |
| 14/05/2026 | \$9,607,654 | \$250,921 | \$392,346 | \$643,267 |

Consultation Requirements

Community engagement is not required.

Financial/Resource Implications

Based on the year-to-date investment results, Council has exceeded its investment return target, primarily due to higher-than-expected cash balances and interest rates.

Legislation

Section 625 of the Local Government Act (NSW) allows councils to invest money that is not currently required for any other purpose. It further specifies how councils may invest. It specifies investments must be in accordance with the local government minister's orders. Clause 212 of the Local Government Regulation (NSW) 2021 requires that the Responsible Accounting Officer must make a monthly report to Council, setting out all details of money invested under Section 625 of the Local Government Act.

Sections 621 to 624 of the Local Government Act give councils the ability to borrow money and specify some further regulations on that borrowing. Council's staff consider it prudent to provide monthly reporting of loans.



Monthly Investment Review



April 2026

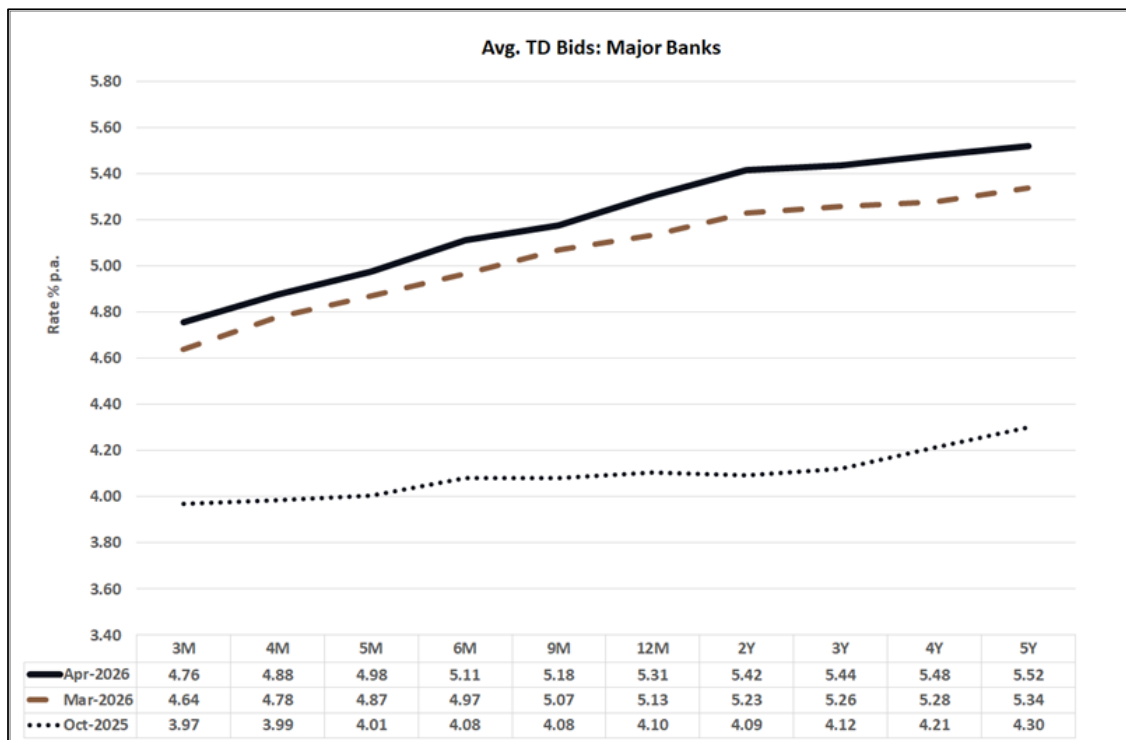
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Market Update Summary

Financial markets rebounded strongly in April despite the stalemate between the US and Iran continuing. US President Trump said the blockade of the Strait of Hormuz would remain in place until Iran relents in its nuclear program. Markets remain strongly focussed on the impacts on inflation, with central bank expectations and global bond yields repricing sharply in recent months.

In the deposit market, over April, at the short-end of the curve (12 months and less), the average deposit rates offered by the domestic major banks was up to 10bp higher compared to where they were the previous month (April). Despite Middle East tensions somewhat easing over the month during the 'ceasefire', markets are still pricing in another two rate hikes for 2026. At the longer-end of the curve (2-5 years), the average rates were up to 20bp higher compared to where they were the previous month.



Source: Imperium Markets



North Sydney Council' Portfolio & Compliance

Asset Allocation

As at the end of March 2026, the portfolio was mainly directed to fixed term deposits (~81%). The remaining portfolio is directed to fixed bonds (~2%) and overnight cash accounts (~17%).



Senior FRNs remain marginally 'expensive' on a historical basis but new issuances should continue to be considered on a case by case scenario for diversification purposes (duration and asset type). In the interim, staggering a mix of fixed deposits between 9 months to 3 years remains a more optimal strategy for the 'core' assets to maximise returns over a longer-term cycle, which can be supplemented by investing a small proportion of surplus funds in senior FRNs.

Should inflation be within the RBA's target band of 2-3% over the longer-term, fixed assets yielding above 5¼-5½% p.a. for 1-3 years or higher should outperform benchmark.

However, noting the significant capital outflows expected in the near term, Council is currently largely restricted to investing into very short-term investments (under 6-12 months). This is suitable to invest in short-dated fixed term deposits or high yielding cash accounts.



Term to Maturity

Overall, the portfolio remains highly liquid from a maturity perspective. The whole portfolio is directed to short-term assets (less than 12 months), there is still high capacity to invest in the short-medium term horizon (1-2 years), with approximately \$113m at month-end.

Where liquidity permits (once immediate capital projects are finalised), we recommend new surplus funds be directed to fixed deposits between 9 months to 3 years given this will help optimise returns over the long-run. We suggest this be allocated to any remaining attractive fixed term deposits.

In the interim, given the large ongoing capital expenditure flagged in the short-term, Council is likely to invest across shorter-tenors to match the capital program's cash flow requirements.

| Compliant | Horizon | Invested (\$) | Invested (%) | Min Limit (%) | Max Limit (%) | Available (\$) |
|-----------|---------------|----------------------|----------------|---------------|---------------|----------------|
| ✓ | 0 - 90 days | \$62,229,516 | 38.36% | 10% | 100% | \$100,000,000 |
| ✓ | 91 - 365 days | \$100,000,000 | 61.64% | 20% | 100% | \$62,229,516 |
| ✓ | 1 - 2 years | \$0 | 0.00% | 0% | 70% | \$113,560,661 |
| ✓ | 2 - 5 years | \$0 | 0.00% | 0% | 50% | \$81,114,758 |
| ✓ | 5 - 10 years | \$0 | 0.00% | 0% | 25% | \$40,557,379 |
| | | \$162,229,516 | 100.00% | | | |



Counterparty

As at the end of April, all individual limits comply with the Policy. We remind Council exposures to individual ADIs are driven by the portfolio's movements throughout any month. Overall, the portfolio is lightly diversified across the investment grade spectrum, with no exposure to the unrated ADIs (high credit quality).

We continue to encourage Council to diversify its investments with other ADIs as this will not only reduce concentration risk, but in all likelihood, this will increase the overall returns of the portfolio.

| Compliant | Issuer | Rating | Invested (\$) | Invested (%) | Max. Limit (%) | Available (\$) |
|-----------|----------------|--------|----------------------|----------------|----------------|----------------|
| ✓ | ANZ (Suncorp) | AA- | \$5,000,000 | 3.08% | 30.00% | \$43,668,855 |
| ✓ | CBA | AA- | \$27,229,516 | 16.78% | 30.00% | \$21,439,339 |
| ✓ | NAB | AA- | \$47,000,000 | 28.97% | 30.00% | \$1,668,855 |
| ✓ | NTTC Treasury | AA- | \$3,000,000 | 1.85% | 30.00% | \$45,668,855 |
| ✓ | Westpac | AA- | \$46,000,000 | 28.35% | 30.00% | \$2,668,855 |
| ✓ | ICBC Sydney | A | \$18,000,000 | 11.10% | 15.00% | \$6,334,427 |
| ✓ | Bank Australia | BBB+ | \$9,000,000 | 5.55% | 10.00% | \$7,222,952 |
| ✓ | Heritage Bank | BBB+ | \$7,000,000 | 4.31% | 10.00% | \$9,222,952 |
| | | | \$162,229,516 | 100.00% | | |

In December 2025, Bank Australia's acquisition of Australian Unity Bank was completed. As such, Council's exposure to Australian Unity Bank is now reflected under the parent company being Bank Australia.

Credit Quality

The portfolio remains lightly diversified and is of very high quality. As at the end of April 2026, all categories were within the Policy limits, with the majority invested in the AA or A rated categories:

| Compliant | Credit Rating | Invested (\$) | Invested (%) | Max Limit (%) | Available (\$) |
|-----------|----------------------|----------------------|----------------|---------------|----------------|
| ✓ | AA Category | \$128,229,516 | 79.04% | 100% | \$34,000,000 |
| ✓ | A Category | \$18,000,000 | 11.10% | 60% | \$79,337,710 |
| ✓ | BBB Category | \$16,000,000 | 9.86% | 35% | \$40,780,331 |
| ✓ | Unrated ADI Category | \$0 | 0.00% | 10% | \$16,222,952 |
| | | \$162,229,516 | 100.00% | | |



Performance

Council's performance for the month ending April 2026 is summarised as follows:

| Performance (Actual) | 1 month | 3 months | 6 months | FYTD | 1 year | 2 years | 3 years |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Official Cash Rate | 0.33% | 0.97% | 1.87% | 3.11% | 3.77% | 4.03% | 4.09% |
| AusBond Bank Bill Index | 0.34% | 0.95% | 1.87% | 3.11% | 3.79% | 4.12% | 4.16% |
| Council's T/D Portfolio | 0.35% | 1.04% | 2.09% | 3.42% | 4.12% | 4.07% | 3.91% |
| Council's FRN Portfolio | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 2.16% | 3.23% |
| Council's Bond Portfolio | 0.13% | 0.38% | 0.73% | 1.17% | 1.39% | 1.30% | 1.26% |
| Council's Total Portfolio[^] | 0.35% | 1.02% | 2.05% | 3.35% | 4.02% | 3.93% | 3.78% |
| Performance (relative to Bank Bills) | 0.01% | 0.08% | 0.19% | 0.24% | 0.23% | -0.19% | -0.38% |

[^]Total portfolio performance excludes Council's cash account holdings.

| Performance (Annualised) | 1 month | 3 months | 6 months | FYTD | 1 year | 2 years | 3 years |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Official Cash Rate | 4.10% | 4.02% | 3.81% | 3.75% | 3.77% | 4.03% | 4.09% |
| AusBond Bank Bill Index | 4.24% | 3.94% | 3.80% | 3.74% | 3.79% | 4.12% | 4.16% |
| Council TDs | 4.38% | 4.34% | 4.26% | 4.13% | 4.12% | 4.07% | 3.91% |
| Council FRNs | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 2.16% | 3.23% |
| Council's Bond Portfolio | 1.55% | 1.55% | 1.48% | 1.41% | 1.39% | 1.30% | 1.26% |
| Council's Total Portfolio[^] | 4.31% | 4.27% | 4.18% | 4.03% | 4.02% | 3.93% | 3.78% |
| Performance (relative to Bank Bills) | 0.07% | 0.33% | 0.38% | 0.29% | 0.23% | -0.19% | -0.38% |

[^]Total portfolio performance excludes Council's cash account holdings.

For the month of April, the total investment portfolio (excluding cash) provided a solid return of +0.35% (actual) or +4.31% p.a. (annualised), slightly above the AusBond Bank Bill Index return of +0.34% (actual) or +4.24% p.a. (annualised). The relative 'underperformance' over the past few years was due to the unexpected aggressive rate hikes undertaken by the RBA following the aftermath of the pandemic and Russia's invasion of Ukraine, which resulted in spike in global inflation.

Note the period of underperformance is also highly dependent on reinvesting maturing funds at prevailing market rates *beyond 6 month tenors*. With large capital outflows, maturing funds are largely being spent or kept in low yielding short-dated assets. Council should also remind itself it has consistently 'outperformed' over longer-term time periods (last +10yrs).



Recommendations for Council

Term Deposits

As at the end of April 2026, Council's **deposit** portfolio was yielding 4.20% p.a. (down 2bp from the previous month), with a weighted average duration of around 134 days (~4½ months). We recommend Council slightly increases this weighted average duration, should cash flows allow in future.

Despite the possibility of additional rate hikes in 2026, locking in rates above 5¼–5½% p.a. across 1–3 year tenors should still outperform benchmark in the long-run, on assumption that the RBA can get inflation back within their 2–3% target band.

In the immediate future, given the significant outflows anticipated from capital projects, short-dated term deposits are suitable for North Sydney Council's purposes.

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

Securities

Primary (new) **FRNs** (with maturities between 3–5 years) are expensive on a historical basis but remains an option (particularly for those investors with portfolios skewed towards fixed assets) and should be considered on a case by case scenario. **Fixed Bonds** may also provide attractive opportunities from new (primary and secondary) issuances.

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

Council's Senior Bonds

During October 2020, Council placed \$3m in the Northern Territory Treasury Corporation (NTTC), locking in a yield of 1.00% p.a. for a 5 year term. In August 2021, it placed another \$3m parcel with NTTC (AA–), locking in a yield of 1.50% p.a. for a 5 year term. Currently, Council has \$3m in NTTC bond maturing in December 2026.

Council received the full rebated commission of 0.25% on the total face value of investments (i.e. \$6m x 0.25% = \$15,000) as it was introduced by Imperium Markets (sister company of Arlo Advisory). We believe these investments were prudent at the time of investment especially after the rate cut delivered in early December 2020 to 0.10% and the RBA's forward guidance on official interest rates (no rate rises "until at least 2024"). The NTTC bonds are a 'retail' offering and not 'wholesale' issuances. Given the lack of liquidity and high penalty costs if they were to be sold/redeemed prior to the maturity date, they are 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 April, we see value in the following:

| ADI | LT Credit Rating | Term | Rate % p.a. |
|-----------|------------------|---------|-------------|
| Westpac | AA- | 5 years | 5.60% |
| ING | A | 5 years | 5.50% |
| BoQ | A- | 5 years | 5.24% |
| Westpac | AA- | 4 years | 5.50% |
| NAB | AA- | 4 years | 5.50% |
| ANZ | AA- | 4 years | 5.48% |
| ING | A | 4 years | 5.46% |
| NAB | AA- | 3 years | 5.50% |
| NAB | AA- | 3 years | 5.50% |
| ING | A | 3 years | 5.41% |
| BankVic | BBB+ | 3 years | 5.40% |
| Police CU | Unrated | 2 years | 5.75% |
| Westpac | AA- | 2 years | 5.55% |
| BankVic | BBB+ | 2 years | 5.45% |
| ING | A | 2 years | 5.42% |

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. |
|-----------------------|------------------|-----------|-------------|
| Police CU | Unrated | 12 months | 5.55% |
| ICBC, Sydney | A | 12 months | 5.50% |
| Westpac | AA- | 12 months | 5.48% |
| NAB | AA- | 12 months | 5.46% |
| CBA | AA- | 12 months | 5.39% |
| Police CU | Unrated | 9 months | 5.65% |
| NAB | AA- | 9 months | 5.37% |
| SBI, Sydney | BBB | 9 months | 5.35% |
| NAB | AA- | 9 months | 5.29% |
| Suncorp | AA- | 9 months | 5.26% |
| Regional Australia | BBB+ | 6 months | 5.35% |
| NAB | AA- | 6 months | 5.28% |
| Newcastle Grt. | BBB+ | 6 months | 5.25% |
| Bank of China, Sydney | A | 6 months | 5.22% |
| Bendigo-Adelaide | A- | 6 months | 5.21% |
| Aus. Military | BBB+ | 3 months | 5.01% |
| NAB | AA- | 3 months | 5.00% |
| Heritage and P. C. | BBB+ | 3 months | 5.00% |

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.

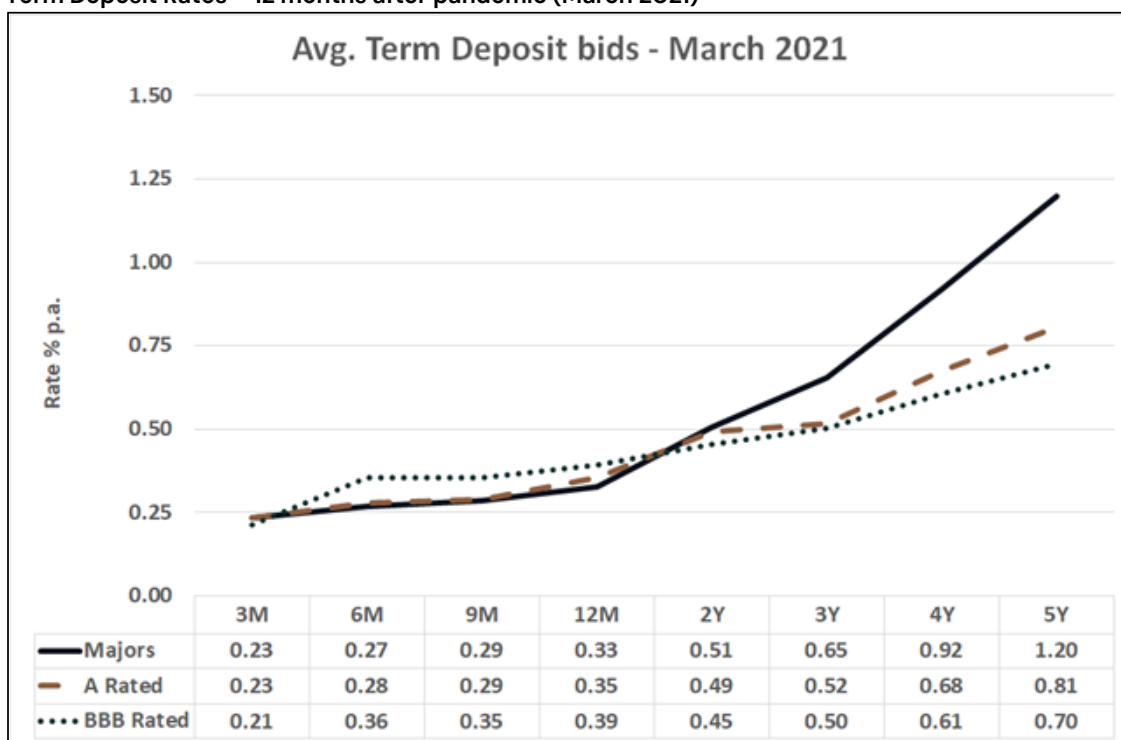
Despite the possibility of additional rate hikes in 2026, investors should consider allocating some longer-term surplus funds for diversification purposes by investing across 1-5 year fixed deposits and locking in rates above 5¼-5½% p.a. Should inflation get under control (be within the RBA's 2-3% target band), yields above these levels should still outperform benchmark.



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)



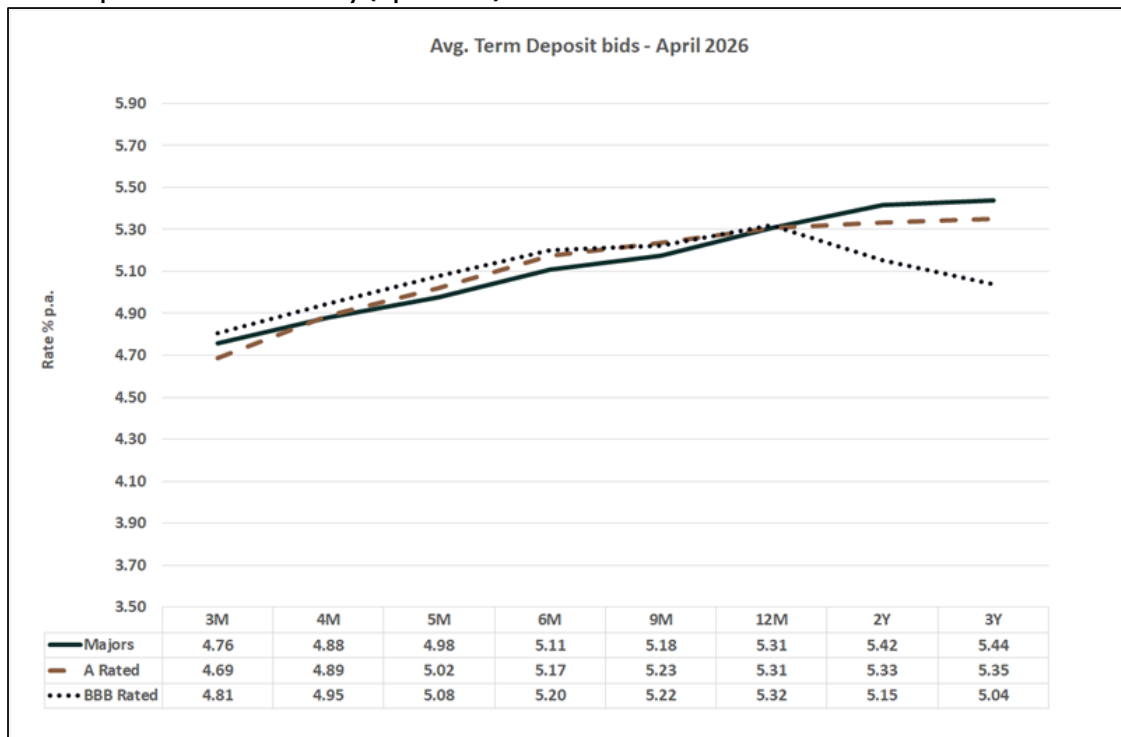
Source: Imperium Markets

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 (April 2026)



Source: Imperium Markets

Financial Stability of the Banking (ADI) Sector

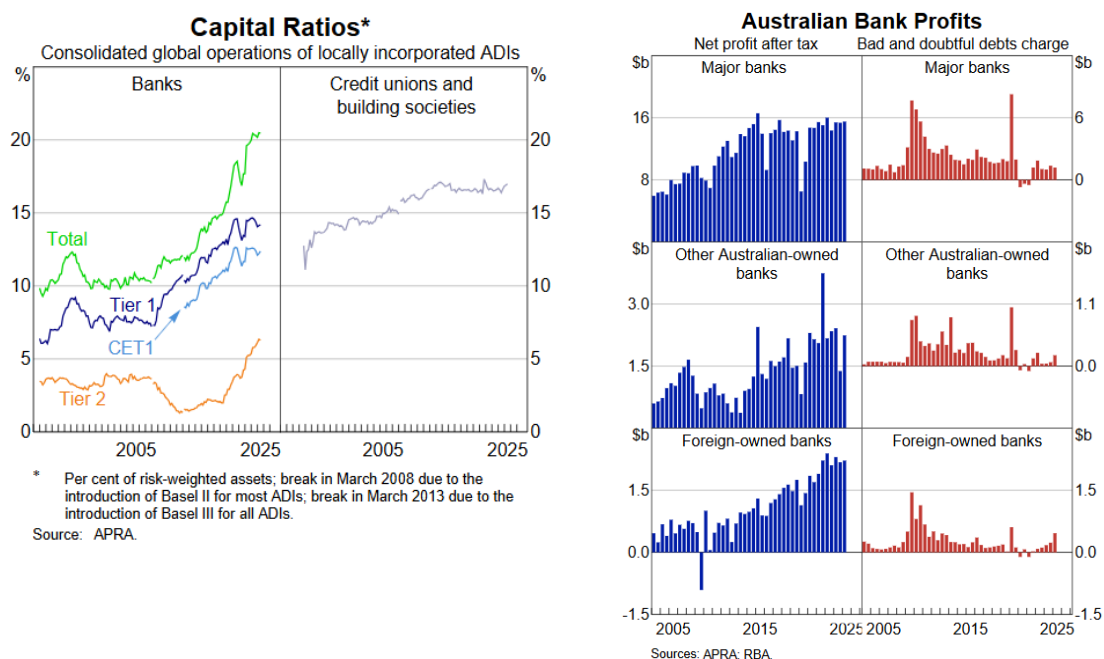
The RBA’s Financial Stability reaffirms the strong balance sheet across the ADI sector. They noted that the risk of widespread financial stress remains limited due to the generally strong financial positions of most (individual) borrowers. Very few mortgage borrowers are in negative equity, limiting 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 covers two stress-test environments being the GFC (September 2008) and the COVID pandemic period (March 2020):



The Council of Financial Regulators (CFR) – being the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Treasury and the Reserve Bank of Australia (RBA), have the ultimate aim of promoting the stability of the financial system, whilst supporting effective and efficient regulation. In their latest quarterly review, the CFR agreed on the following priorities heading into 2026:

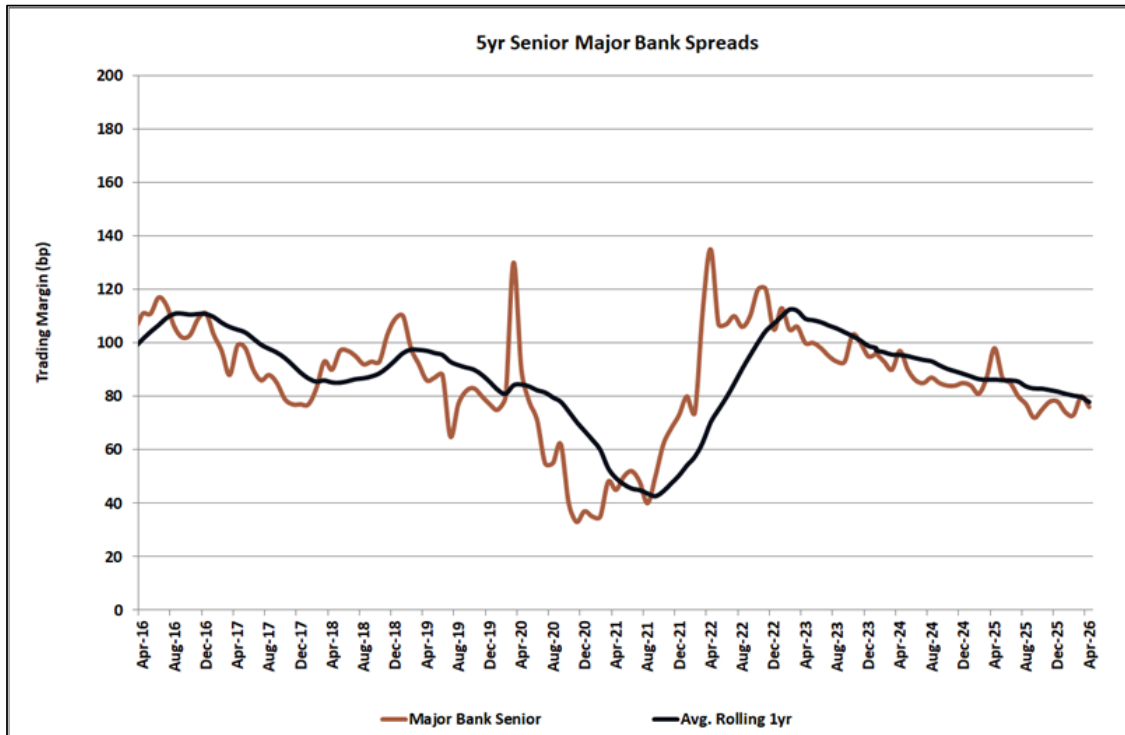
- Improving preparedness for geopolitical risks;
- Operational vulnerabilities, including cyber, third parties and AI;
- Amplification of systemic liquidity risk: further strengthening CFR and industry readiness to respond to systemic liquidity stress events; and
- High household leverage: continuing to closely monitor household leverage and bank lending standards.

The Council noted that in each of these priority areas, CFR agencies are taking forward a number of initiatives to strengthen the resilience of the financial system.



Senior FRNs Market Review

Over April, amongst the senior major bank FRNs, physical credit securities tightened up to 4bp at the long-end of the curve. Long-term major bank senior securities remain 'expensive' on a historical basis, noting the 5yr margin has averaged around the +92bp level over a cycle (currently around +76bp).



Source: IBS Capital



During the month, the regional and international banks were active in the primary market. The main new issuances are summarised as follows:

| Issuer | Rating | Term | Margin |
|------------------|--------|-------|--------|
| MyState | BBB | 3yrs | +115bp |
| Macquarie Bank | A+ | 3yrs | +75bp |
| UBS AG | A+ | 3yrs | +73bp |
| UBS AG | A+ | 5yrs | +86bp |
| Bendigo-Adelaide | A- | 3yrs | +81bp |
| Community First | BBB | 3yrs | +130bp |
| Maitland Mutual | BBB | 3yrs | +140bp |
| Heritage | BBB+ | 5yrs | +128bp |
| MUFG, Sydney | A | 3¼yrs | +67bp |
| Beyond Bank | BBB+ | 3yrs | +115bp |

Amongst the “A” and “BBB” rated sector, the securities tightened up to 3bp at the 3–5 year part of the curve. Overall, credit securities are marginally expensive on a historical basis but remain a good option for diversification purposes. 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 (and especially with the RBA on a tightening bias).

| Senior FRNs (ADIs) | 30/04/2026 | 31/03/2026 |
|--------------------|------------|------------|
| “AA” rated – 5yrs | +76bp | +80bp |
| “AA” rated – 3yrs | +60bp | +63bp |
| “A” rated – 5yrs | +85bp | +88bp |
| “A” rated – 3yrs | +70bp | +70bp |
| “BBB” rated – 3yrs | +115bp | +115bp |

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-2029 for the “AA” rated ADIs (domestic major banks);
- On or before mid-2027 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)

Investors may look at some opportunities in the secondary market. We currently see value in the following fixed bond lines (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 |
|--------------|-----------|--------|-------------------|---------------|---------------------|--------------|------------------|
| AU3CB0314763 | Bendigo | A- | Senior | 24/10/2028 | 2.49 | 4.79% | 5.45% |
| AU3CB0308955 | BoQ | A- | Senior | 30/04/2029 | 3.01 | 5.30% | 5.54% |
| AU3CB0319879 | Nova Sco. | A- | Senior | 21/03/2030 | 3.90 | 5.23% | 5.79% |
| AU3CB0331056 | ING Bank | A | Senior | 13/02/2031 | 4.80 | 5.21% | 5.49% |
| AU3CB0326890 | CBA | AA- | Senior | 09/10/2035 | 9.45 | 5.18% | 5.82% |



Economic Commentary

International Market

Financial markets rebounded strongly in April despite the stalemate between the US and Iran continuing. US President Trump said the blockade of the Strait of Hormuz would remain in place until Iran relents in its nuclear program. Markets remain strongly focussed on the impacts on inflation, with central bank expectations and global bond yields repricing sharply in recent months.

Across equity markets, the US indices rallied strongly, reaching their all-time highs again, with the S&P 500 Index gaining +10.42%, whilst the tech heavy NASDAQ surged +15.29%. Europe's main indices also experienced solid returns, with gains across Germany's DAX (+7.11%), France's CAC (+3.81%) and UK's FTSE (+1.99%).

The US FOMC voted 8-4 to hold rates. There were three FOMC members voting against the easing guidance. The US unemployment rate unexpectedly fell to 4.3% (4.26% unrounded) in March, its lowest level since June 2025.

US inflation jumped to +3.3% y/y in March (its fastest annual pace in nearly two years) driven by surging energy costs and tariff impacts. Monthly CPI rose +0.9%, with core inflation (excluding food/energy) increasing +0.2% over the month, or +2.6% y/y.

The Bank of Canada held rates at the 2.25% cycle low, as expected. Canada's March CPI rose to +2.4% y/y in March from +1.8% y/y, but undershot the +2.6% y/y consensus, while the average of the two core measures eased to +2.25% y/y.

The Bank of Japan kept its policy rate unchanged, as widely expected, though a 6-3 vote was somewhat surprising, with three members voting for a 25bp hike.

China's GDP grew by +5.0% y/y in Q1 2026, exceeding market expectations of +4.8%, and higher from the +4.5% growth recorded for the previous quarter.

New Zealand's Q1 CPI came in stronger than expected, with annual inflation remaining at +3.1% rather than slipping.

The MSCI World ex-Aus Index rose +9.68% for the month of April:

| Index | 1m | 3m | 1yr | 3yr | 5yr | 10yr |
|--------------------------|---------|--------|---------|---------|---------|---------|
| S&P 500 Index | +10.42% | +3.89% | +29.45% | +20.02% | +11.51% | +13.32% |
| MSCI World ex-AUS | +9.68% | +3.49% | +29.81% | +20.37% | +11.89% | +13.31% |
| S&P ASX 200 Accum. Index | +2.18% | -1.22% | +10.12% | +9.66% | +8.36% | +9.31% |

Source: S&P, MSCI



Domestic Market

Monthly CPI was +4.6% y/y in March (consensus +4.8% y/y), up from +3.7% y/y in February, driven by a sharp increase in fuel prices. The monthly trimmed mean was +3.3% y/y in line with consensus. On a quarterly basis, the Q1 trimmed mean was +0.8% q/q and +3.5% y/y, up from +3.4% y/y in Q4.

Australia's unemployment rate held steady at 4.3% over the past two months. Total jobs growth during March was slightly below forecasts, with +17.9k positions added compared to an expected +20k. The participation rate dipped marginally to 66.8% from 66.9%, indicating a slight reduction in labour supply that contributed to the steady unemployment rate in March.

Dwelling prices across the combined capitals have risen +9.3% over the past year. In March, prices rose +0.6% m/m. Mid-size capitals continued to outperform, while Sydney and Melbourne have slowed, with prices declining in the month.

The Australian dollar rose around +3.92%, finishing the month at US71.13 cents (from US68.45 cents the previous month).

Credit Market

The global credit indices tightened significantly during the month as risk assets rebounded strongly. Overall, credit assets remain resilient despite the volatility due to the ongoing geopolitical tensions, with spreads well below longer-term historical averages:

| Index | April 2026 | March 2026 |
|----------------------------|------------|------------|
| CDX North American 5yr CDS | 56bp | 67bp |
| iTraxx Europe 5yr CDS | 60bp | 73bp |
| iTraxx Australia 5yr CDS | 75bp | 92bp |

Source: Markit



Fixed Interest Review

Benchmark Index Returns

| Index | April 2026 | March 2026 |
|--|------------|------------|
| Bloomberg AusBond Bank Bill Index (0+YR) | +0.34% | +0.32% |
| Bloomberg AusBond Composite Bond Index (0+YR) | +0.05% | -1.42% |
| Bloomberg AusBond Credit FRN Index (0+YR) | +0.47% | +0.25% |
| Bloomberg AusBond Credit Index (0+YR) | +0.20% | -1.15% |
| Bloomberg AusBond Treasury Index (0+YR) | -0.08% | -1.36% |
| Bloomberg AusBond Inflation Gov't Index (0+YR) | +0.75% | -0.89% |

Source: Bloomberg

Other Key Rates

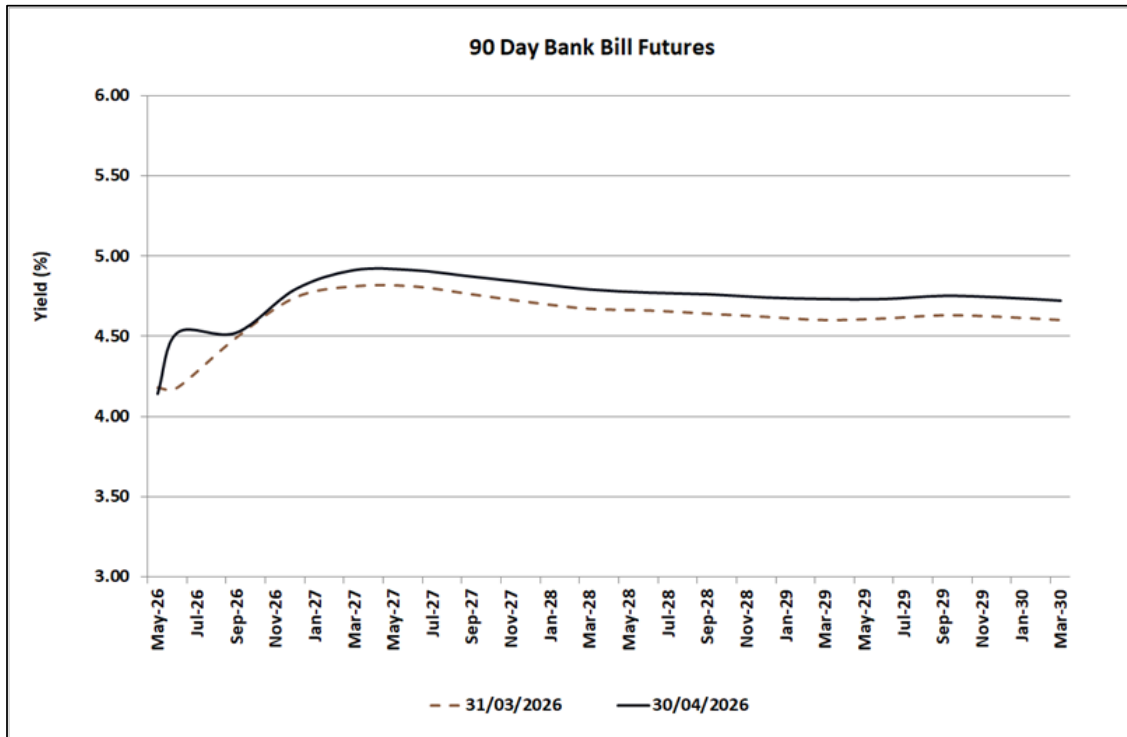
| Index | April 2026 | March 2026 |
|----------------------------------|-------------|-------------|
| RBA Official Cash Rate | 4.10% | 4.10% |
| 90 Day (3 month) BBSW Rate | 4.37% | 4.32% |
| 3yr Australian Government Bonds | 4.76% | 4.66% |
| 10yr Australian Government Bonds | 5.06% | 4.97% |
| US Fed Funds Rate | 3.50%-3.75% | 3.50%-3.75% |
| 2yr US Treasury Bonds | 3.88% | 3.79% |
| 10yr US Treasury Bonds | 4.40% | 4.30% |

Source: RBA, ASX, US Department of Treasury



90 Day Bill Futures

Domestic bill futures marginally rose across the board this month, consistent with the overall movement in the bond market. Markets have largely already priced in the expected two rates hikes prior to April.



Source: ASX

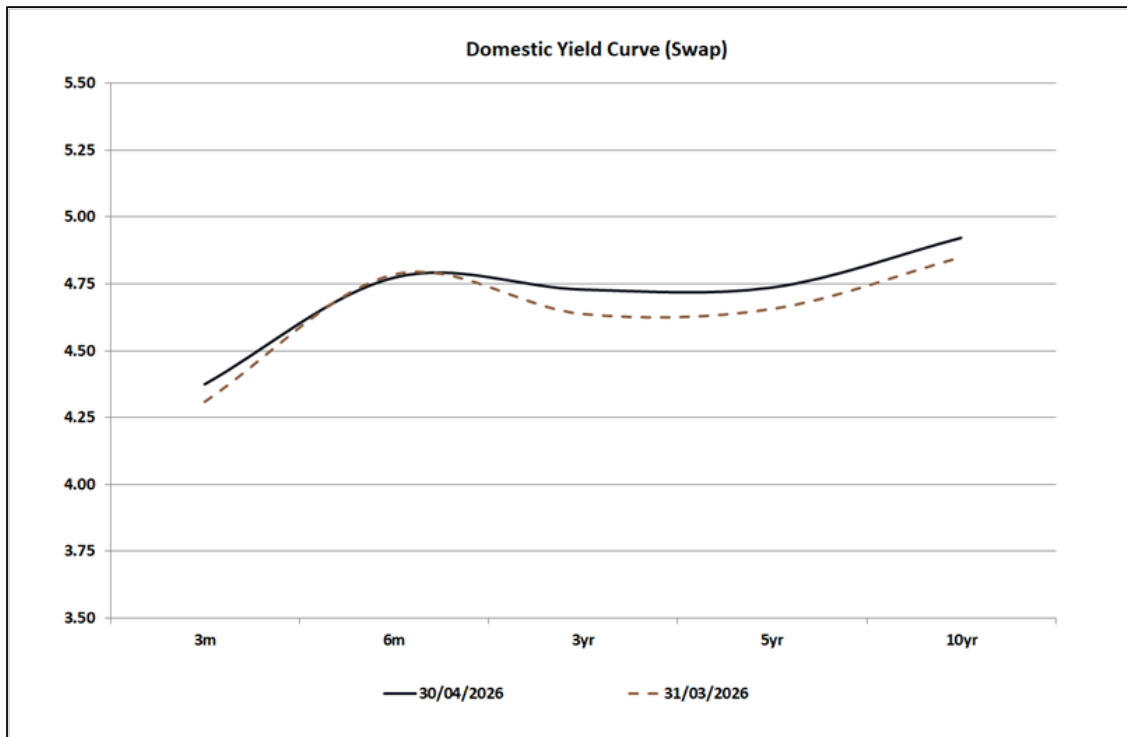


Fixed Interest Outlook

After keeping rate unchanged in April, US Fed Chair Powell said it was “easy to see why” that future decisions between holding and hiking rates would be considered more evenly, especially with core inflation at +3.2% and the full impacts of events in the Middle East are yet to be seen.

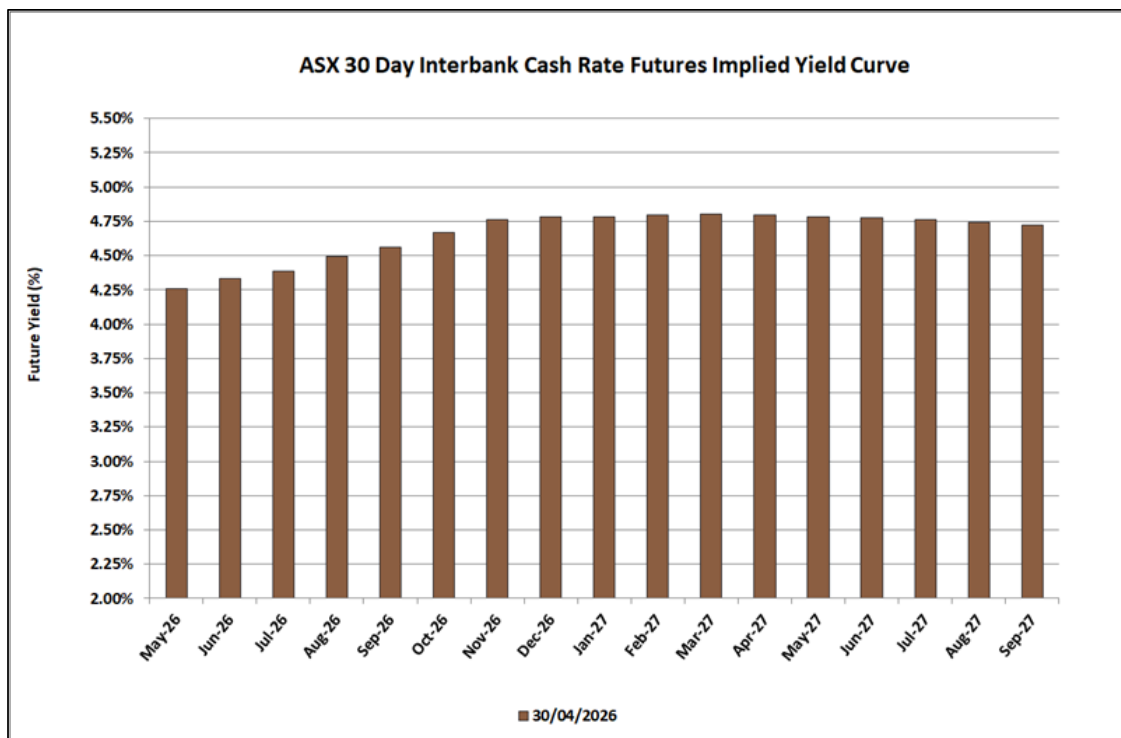
Domestically, the RBA will remain alert to second round effects as higher energy prices flow through to be more evident in Q2 and Q3. The starting point is not a favourable with Q1 core inflation tracking at around +3.5% y/y prior to the shock and the RBA will remain concerned about broad and rapid second round effect pass-through.

Yields rose up to 10bp at the longer-end of the curve this month:



Source: ASX, RBA

Financial markets are currently fully pricing in two more rate hikes in 2026 (by July and October, with the next cut potentially delivered as early 4-5 May). There is also the potential for a further rate hike in early 2027 if inflation continues to spike or remain elevated:



Source: ASX

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