**Report to General Manager**

Attachments:
1. Investment Portfolio as at 31 January 2017
2. Monthly Investment Report – January 2017

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**SUBJECT:** Investments and Loan Borrowings Held as at 31 January 2017

**AUTHOR:** Garry Ross, Manager Financial Services (Responsible Accounting Officer)

**ENDORSED BY:** Sandra Moore, Acting Director Corporate Services

**EXECUTIVE SUMMARY:**

This report provides details of the performance of Council's investment portfolio and borrowing limits for the period ending 31 January 2017.

Investment Portfolio:
The portfolio provided an annualised return of 3.46% for the year to date as at 31 January 2017, 1.60% above the reportable benchmark (BBSW Bank Bill Index). Interest returns remain consistently above the benchmark. This was attributed to additional funds being made available for investment and prudent selection and allocation of these funds to the financial institutions which make up the investment portfolio.

Borrowing Limits:
Council has commenced a $30 million debt facility and as at the reporting date, has drawn down $9.5 million for capital works projects. Council continues to monitor interest rate risk whenever it borrows, regardless of whether the interest rates are fixed or variable.

**FINANCIAL IMPLICATIONS:**

Any surplus funds generated in excess of adopted estimates will be transferred to Council's internally restricted reserves.

**Comment by Responsible Accounting Officer:**

Investments and Loan borrowings funding comply with Council's Financial Management Policy.

**Local Government Act 1993: Section 23A Guidelines - Council Decision Making During Merger Proposal Period**
The Guidelines have been considered in the preparation of this report and are not applicable.

**RECOMMENDATION:**

**1. THAT** the report be received.

## LINK TO DELIVERY PROGRAM

The relationship with the Delivery Program is as follows:

Direction: 5. Our Civic Leadership

Outcome: 5.2 Council is financially sustainable

## BACKGROUND

The Responsible Accounting Officer must provide Council with a monthly report detailing all funds:

a. 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, the revised Investment Order issued by the Minister for Local Government and Council's Financial Investment Policy.
b. Borrowed under Section 624 of the Local Government Act. This report must comply with the borrowings Order issued by the Minister for Local Government and Council's Debt Management Policy.

## CONSULTATION REQUIREMENTS

Community engagement is not required.

## SUSTAINABILITY STATEMENT

The following table provides a summary of the key sustainability implications:

| QBL Pillar | Implications |
|---|---|
| Environment | • There are no perceived short or long-term environmental implications. |
| Social | • There are no perceived short or long-term social implications. |
| Economic | • Provides Council with a significant source of income. |
| Governance | • Compliance with all legislative requirements and statutory obligations. |

## DETAIL

### Investment Portfolio

The following table provides details of the performance of Council's investment portfolio against the benchmark for the month of January 2017.

| | January 2017 | YTD as at 31 January 2017 |
|---|---:|---:|
| **Actual Return** | 3.46% | 3.55% |
| **Benchmark** | 1.86% | 1.85% |
| **Variance** | 1.60% | 1.70% |

The following table shows the actual cash inflows received from the portfolio for the month of January 2017 and for the year to date as at 31 January 2017.

| | January 2017 | YTD as at 31 January 2017 |
|---|---|---|
| **Capital Guaranteed** | $0.00 | $0.00 |
| **Cash Enhanced Funds** | $0.00 | $0.00 |
| **Fixed Cash Fund** | $0.00 | $0.00 |
| **Senior Bonds** | $63,940.01 | $649,310.05 |
| **Term Deposits** | $18,082.19 | $1,780,928.77 |
| **Trading Accounts** | $5,088.38 | $58,490.10 |
| | **$87,110.58** | **$2,488,728.92** |

**Investment Performance**

Investment returns continue to exceed the indicative benchmark (BBSW Bank Bill Index). All funds invested have been done so in accordance with the Act and the Regulations made thereunder and with Council's Financial Investment Policy. Further, 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. These restrictions have placed greater emphasis on obtaining competitive investment options and the need for sound investment advice from Council's independent advisor.

Council continues to seek independent advice for all investments and is actively managing the portfolio to ensure that returns are maximised, taking into account diversification and risk.

**Summary of Returns from Investments:**

| Year | Original Budget | Revised Budget | YTD/Annual Actual (January) | YTD Budget Variance (January) |
|---|---|---|---|---|
| **2016/17** | **$2,000,000** | **$3,000,000** | **$2,015,746** | **$265,746** |
| | | | | |
| 2015/16 | $2,320,000 | $3,640,000 | $4,105,146 | $465,146 |
| 2014/15 | $3,400,000 | $4,150,000 | $4,414,692 | $264,692 |
| 2013/14 | $2,700,000 | $3,400,000 | $3,983,515 | $583,515 |
| 2012/13 | $2,000,000 | $2,887,751 | $4,238,785 | $1,353,069 |
| 2011/12 | $2,000,000 | $3,400,000 | $3,728,080 | $328,080 |

**Investments held for January (Annualised):**

| Investment Type | %Portfolio | January 2017 (Purchase Value) | January 2017 (Market Value) | January 2017 % Return | January 2017 YTD% Return |
|---|---|---|---|---|---|
| Fixed Cash Fund | 0.0% | $0.00 | $0.00 | 0.00% | 0.00% |
| Senior Bonds | 31.0% | $30,000,000.00 | $30,170,980.00 | 2.97% | 3.01% |
| Term Deposits | 63.0% | $61,500,000.00 | $61,500,000.00 | 3.74% | 3.75% |
| Trading Accounts | 6.0% | $5,549,344.99 | $5,549,344.99 | 1.17% | 1.38% |

| S & P Rating | Investments Market Value | % of Portfolio (January) |
|---|---|---|
| AAA | **$0.00** | **0.00%** |
| | | |
| AA | $0.00 | 0.00% |
| AA- | $12,529,952.85 | 13.0% |
| | **$12,529,952.85** | **13.0%** |
| | | |
| A+ | $18,065,952.14 | 19.0% |
| A | $0.00 | 0.0% |
| A- | $27,533,570.00 | 28.0% |
| | **$45,599,522.14** | **47.0%** |
| | | |
| BBB+ | $27,090,850.00 | 28.0% |
| BBB | $3,000,000.00 | 3.0% |
| BBB- | 0.00 | 0.0% |
| | **$30,090,850.00** | **31.0%** |
| | | |
| NR | **$9,000,000.00** | **9.0%** |
| | | |
| | **$97,220,324.99** | **100.00%** |

**Financial Investment Policy**

The maximum holding limit in each rating category and the target credit quality weighting for Council's portfolio shall be:

| Long Term Rating Range | Maximum Holding |
|---|---|
| AAA Category | 100.00% |
| AA Category | 100.00% |
| A Category | 60.00% |
| BBB Category | 35.00% |
| Unrated ADIs | 10.00% |

The policy has been independently reviewed by Council's investment advisors. Risk management guidelines and investment decision criteria have been amended. The main changes are:

- Compliance with other Council policies, those being Fraud Corruption and prevention Policy, Code of Conduct Policy and Financial Management Policy; and
- Investment decision criteria, in particular, the review mechanism associated with a rating down grade.

**Loan Borrowings**

Council has implemented an expanded capital works program which requires alternate sources of funding, both internal and from financial institutions. Council has been debt free for a considerable period, which has prompted the need for a loan borrowing program to ensure that there is intergenerational equity in the provision of essential infrastructure and other major capital projects.

Council's Debt Management Policy provides the framework for Council's borrowing activities and defines key responsibilities and the operating parameters within which borrowing and related risk management activities are to be carried out.

The Policy's objective is to control Council's exposure to movements in interest rates through the application of fixed, floating or a combination of both in order to maintain its risk averse strategy.

Loan borrowing will be undertaken in line with the following principles:

a) That the capital cost of infrastructure be recognised over the period during which the benefits will be enjoyed;

b) That loan funds are a resource to fund the replacement and upgrading of existing infrastructure and fund the creation of new infrastructure.

c) That loan funds will be limited:
   - To the acquisition or enhancement of income producing assets;
   - To the construction and/or upgrading of buildings;
   - To infrastructure assets that have a life expectancy of greater than 10 years.

**The Current Debt Facility is as follows:**

Bank loan via the NAB Corporate Market loan (Variable Rate Option)
Facility Limit: $30 million (Initial offer)

Capital projects purposes only (refer to loan funded projects list)
3-year tenor with facility to be reviewed annually

Interest rate linked to 90 day BBSY index + drawn margin %
Drawn margin: 0.57%
Facility Fee: 0.24%
Facility expiry date: 31 January 2018
Facility Utilisation: 31.7% ($9.5m of $30m)

The estimated Debt Service Cover Ratio this financial year is approximately 24% compared to the Local Government industry benchmark of greater than or equal to 2%.

This ratio measures Council's availability of operating cash to service debt liabilities.

Council has no fixed interest rate loans. This situation will be reviewed when additional borrowings are required or when interest rates move from their current low level.

**Loan Funded Capital Projects as at 31 January 2017**

**Project 1: Upgrading the car park in Alexander Street, Crows Nest**

A **$5 million** loan has been sourced to fund this project.
Current length of Loan as per LTFP: 20 years to 2035/36

**Project 2: Upgrading of On-Street Parking Management System**

A **$4.5 million** loan has been sourced to fund this project.
Current length of Loan as per LTFP: 20 years to 2035/36

**Loan Borrowings Summary 2016/17**

| | Interest & Fee Details | Amount | Applicable Dates | Rate Charge | Applicable Rate | Charge Date | Interest & Fee Charges YTD |
|---|---|---|---|---|---|---|---|
| **Interest Charges** | Floating Rate | $9,500,000.00 | 14 June 16 - 14 Sept 16 | BBSY Rate: 2.0717% Drawn Margin: 0.5700% | 2.6417% | 15 Sept 2016 | $63,256.05 |
| | Floating Rate | $9,500,000.00 | 14 Sept 16 - 14 Dec 16 | BBSY Rate: 1.7933% Drawn Margin: 0.5700% | 2.3633% | 15 Dec 2016 | $55,974.60 |
| | Floating Rate | $9,500,000.00 | 14 Dec 16 - 14 Mar 17 | BBSY Rate: 1.8200% Drawn Margin: 0.5700% | 2.3900% | 15 Mar 2017 | $55,984.93 |
| **Total** | | | | | | | **$175,215.58** |
| **Fee and Premium Charges** | Facility Fee (%) | $30,000,000.00 | 14 June 16 - 14 Sept 16 | | 0.2400% | 14 Sept 2016 | $18,147.94 |
| | Facility Fee (%) | $30,000,000.00 | 14 Sept 16 - 14 Dec 16 | | 0.2400% | 14 Dec 2016 | $17,950.68 |
| | Facility Fee (%) | $30,000,000.00 | 14 Dec 16 - 14 Mar 17 | | 0.2400% | 14 Mar 2017 | $17,753.42 |
| **Total** | | | | | | | **$53,852.04** |

The next loan repayment is due on 14 March 2017.

## North Sydney Council Investment Portfolio as at 31 January 2017

| | Investment Face Value | Investment Market Value | % | S&P Rating # | Net Returns - 1 Month Return* | Net Returns - 1 Month Income^ | Net Returns - FYTD Return | Net Returns - FYTD Income^ | Maturity |
|---|---|---|---|---|---|---|---|---|---|
| **Trading Account:** | | | | | | | | | |
| CBA Trading Account - General Fund | 2,509,794.40 | 2,509,794.40 | 3% | AA- | 0.80 | 1,484.62 | 1.14 | 10,299.28 | At Call |
| CBA Business On-Line Saver | 2,000,000.00 | 2,000,000.00 | 2% | AA- | 1.05 | 1,672.60 | 1.05 | 25,570.70 | At Call |
| AMP 31-day Notice Account | 1,034,952.14 | 1,034,952.14 | 1% | A+ | 2.30 | 1,929.21 | 2.59 | 14,115.10 | 3-Mar-17 |
| CBA Cash Management Account | 4,598.45 | 4,598.45 | 0% | AA- | 1.65 | 1.95 | 1.71 | 12.01 | At Call |
| | 5,549,344.99 | 5,549,344.99 | 6% | | 1.17 | 5,088.38 | 1.38 | 49,997.09 | |
| **Term Deposits:** | | | | | | | | | |
| CUA @ 3.05% | 2,000,000.00 | 2,000,000.00 | 2% | BBB+ | 3.05 | 5,180.82 | 3.05 | 35,931.50 | 23-Mar-17 |
| Rabobank @ 5.70% | 2,000,000.00 | 2,000,000.00 | 2% | A+ | 5.70 | 9,682.19 | 5.70 | 67,150.67 | 6-Jun-17 |
| Auswide Bank @ 2.90% | 3,000,000.00 | 3,000,000.00 | 3% | BBB | 2.90 | 7,389.04 | 2.90 | 35,038.35 | 7-Jun-17 |
| AMP @ 2.90%~ | 1,000,000.00 | 1,000,000.00 | 1% | A+ | 2.90 | 2,463.01 | 2.90 | 17,082.17 | 28-Aug-17 |
| BoQ @ 4.90% | 3,000,000.00 | 3,000,000.00 | 3% | A- | 4.90 | 12,484.93 | 4.90 | 86,589.03 | 28-Aug-17 |
| BCU @ 4.00% | 2,000,000.00 | 2,000,000.00 | 2% | NR | 4.00 | 6,794.52 | 4.00 | 47,123.28 | 28-Aug-17 |
| Bendigo TD @ 2.90% | 3,000,000.00 | 3,000,000.00 | 3% | A- | 2.90 | 7,389.04 | 2.90 | 51,246.56 | 30-Aug-17 |
| Bendigo TD @ 2.90% | 3,000,000.00 | 3,000,000.00 | 3% | A- | 2.90 | 7,389.04 | 2.90 | 51,246.56 | 4-Sep-17 |
| CUA @ 3.75% | 3,000,000.00 | 3,000,000.00 | 3% | BBB+ | 3.75 | 9,554.79 | 3.75 | 66,267.11 | 11-Sep-17 |
| Bendigo TD @ 2.92% | 2,000,000.00 | 2,000,000.00 | 2% | A- | 2.92 | 4,960.00 | 2.92 | 34,400.00 | 15-Sep-17 |
| BoQ @ 4.70% | 1,000,000.00 | 1,000,000.00 | 1% | A- | 4.70 | 3,991.78 | 4.70 | 27,684.92 | 27-Sep-17 |
| BoQ Specialist @ 5.60% | 500,000.00 | 500,000.00 | 1% | A- | 5.60 | 2,378.08 | 5.60 | 16,493.14 | 2-Nov-17 |
| AMP @ 3.20%~ | 4,000,000.00 | 4,000,000.00 | 4% | A+ | 3.20 | 10,871.23 | 3.20 | 75,397.25 | 5-Mar-18 |
| Community Alliance CU @ 2.90% | 2,000,000.00 | 2,000,000.00 | 2% | NR | 2.90 | 4,926.03 | 2.90 | 22,564.39 | 13-Mar-18 |
| RaboDirect @ 4.25% | 2,000,000.00 | 2,000,000.00 | 2% | A+ | 4.25 | 7,219.18 | 4.25 | 50,068.50 | 20-Aug-18 |
| Rabobank @ 4.05% | 6,000,000.00 | 6,000,000.00 | 6% | A+ | 4.05 | 20,638.36 | 4.05 | 143,137.00 | 28-Aug-18 |
| BCU @ 3.00% | 1,000,000.00 | 1,000,000.00 | 1% | NR | 3.00 | 2,547.95 | 3.00 | 12,821.93 | 29-Aug-18 |
| Defence Bank @ 2.90% | 3,000,000.00 | 3,000,000.00 | 3% | BBB+ | 2.90 | 7,389.04 | 2.90 | 35,038.35 | 7-Sep-18 |
| Police CU @ 2.90% | 2,000,000.00 | 2,000,000.00 | 2% | NR | 2.90 | 4,926.03 | 2.90 | 23,358.91 | 7-Sep-18 |
| Police CU @ 3.05% | 1,000,000.00 | 1,000,000.00 | 1% | NR | 3.05 | 2,590.41 | 3.05 | 17,965.75 | 10-Sep-18 |
| BoQ @ 5.00% | 3,000,000.00 | 3,000,000.00 | 3% | A- | 5.00 | 12,739.73 | 5.00 | 88,356.19 | 29-Oct-18 |
| WAW CU @ 3.10% | 1,000,000.00 | 1,000,000.00 | 1% | NR | 3.10 | 2,632.88 | 3.10 | 4,331.51 | 12-Dec-18 |
| ME Bank @ 5.10% | 3,000,000.00 | 3,000,000.00 | 3% | BBB+ | 5.10 | 12,994.52 | 5.10 | 90,123.28 | 14-Feb-19 |
| ING @ 4.95% | 3,000,000.00 | 3,000,000.00 | 3% | A- | 4.95 | 12,612.33 | 4.95 | 87,472.61 | 18-Feb-19 |
| Newcastle PBS @ 2.90% | 2,000,000.00 | 2,000,000.00 | 2% | BBB+ | 2.90 | 4,926.03 | 2.90 | 23,358.91 | 6-Sep-19 |
| NAB Flexi Deposit @ 3m BBSW +1.05% | 1,000,000.00 | 1,000,000.00 | 1% | AA- | 2.82 | 2,395.07 | 3.56 | 19,455.61 | 12-Dec-19 |
| BoQ @ 3.55% | 2,000,000.00 | 2,000,000.00 | 2% | A- | 3.55 | 6,030.14 | 3.55 | 9,920.55 | 11-Dec-20 |
| ***Expired Deposits - Financial Year*** | - | - | - | - | - | 1,657.53 | - | 121,447.81 | Expired |
| | 61,500,000.00 | 61,500,000.00 | 63% | | 3.74 | 196,753.70 | 3.75 | 1,361,071.84 | |
| **Senior Bonds:** | | | | | | | | | |
| CUA FRN @ 3m BBSW + 1.20% | 2,000,000.00 | 2,008,960.00 | 2% | BBB+ | 2.99 | 5,087.40 | 3.03 | 35,916.73 | 22-Dec-17 |
| TMB FRN @ 3m BBSW + 1.05% | 2,000,000.00 | 2,009,040.00 | 2% | BBB+ | 2.82 | 4,790.14 | 2.85 | 33,750.14 | 4-Dec-17 |
| Credit Suisse FRN @ 3m BBSW + 1.05% | 0.00 | 0.00 | 0% | A | *1.55* | 2,668.77 | 2.65 | 32,543.87 | 24-Aug-18 |
| Newcastle PBS FRN @ 3m BBSW + 1.60% | 5,000,000.00 | 5,056,400.00 | 5% | BBB+ | 3.39 | 14,417.12 | 3.43 | 101,572.60 | 22-Mar-19 |
| CUA FRN @ 3m BBSW + 1.60% | 3,000,000.00 | 3,019,110.00 | 3% | BBB+ | 3.40 | 8,651.51 | 3.44 | 60,476.72 | 1-Apr-19 |
| Westpac FRN @ 3m BBSW + 1.00% | 0.00 | 0.00 | 0% | AA- | - | 0.00 | - | 1,665.75 | 10-May-19 |
| CBA FRN @ 3m BBSW + 0.98% | 0.00 | 0.00 | 0% | AA- | - | 0.00 | - | 36,233.65 | 18-Jul-19 |
| Bendigo FRN @ 3m BBSW + 0.93% | 2,000,000.00 | 2,002,220.00 | 2% | A- | 2.71 | 4,611.78 | 2.75 | 32,631.22 | 17-Sep-19 |
| Newcastle PBS FRN @ 3m BBSW + 1.35% | 2,000,000.00 | 1,997,340.00 | 2% | BBB+ | 3.13 | 5,294.79 | 3.19 | 37,708.49 | 7-Apr-20 |
| NAB FRN @ 3m BBSW + 0.80% | 5,000,000.00 | 5,012,300.00 | 5% | AA- | 2.57 | 10,913.70 | 2.61 | 77,102.74 | 3-Jun-20 |
| Westpac FRN @ 3m BBSW + 0.90% | 2,000,000.00 | 2,003,260.00 | 2% | AA- | 2.67 | 4,503.56 | 2.70 | 32,385.48 | 28-Jul-20 |
| Bendigo FRN @ 3m BBSW + 1.10% | 5,000,000.00 | 5,031,350.00 | 5% | A- | 2.86 | 12,123.97 | 2.89 | 85,526.49 | 18-Aug-20 |
| AMP FRN @ 3m BBSW + 1.35% | 2,000,000.00 | 2,031,000.00 | 2% | A+ | 3.08 | 5,274.25 | 3.12 | 37,163.56 | 24-May-21 |
| | 30,000,000.00 | 30,170,980.00 | 31% | | 2.97 | 78,336.99 | 3.01 | 604,677.44 | |
| **TOTAL PORTFOLIO **** | **97,049,344.99** | **97,220,324.99** | **100%** | | **3.46** | **280,179.07** | **3.55** | **2,015,746.37** | |
| **BENCHMARK** | | | | | **1.86** | | **1.85** | | |

## North Sydney Council Investment Portfolio as at 31 January 2017

| Term | Market Value | % | Wgt. Avg |
|---|---|---|---|
| Working Capital (0-3 Months) | 7,549,344.99 | 8% | 1.67% |
| Short-Term (3-12 Months) | 27,518,000.00 | 28% | 3.61% |
| Short-Medium Term (1-2 Years) | 25,000,000.00 | 26% | 3.60% |
| Medium Term (2-5 Years) | 37,152,980.00 | 38% | 3.33% |
| Long Term (+5 Years) | 0.00 | 0% | 0.00% |
| **Total** | **97,220,324.99** | **100%** | |

| Performance | Council | AusBond BBI | Outperformance |
|---|---|---|---|
| FYTD | 3.55% | 1.85% | 1.70% |
| 1 year | 3.66% | 2.04% | 1.62% |
| 2 years | 3.90% | 2.15% | 1.74% |
| 3 years | 4.09% | 2.34% | 1.75% |
| 4 years | 4.35% | 2.46% | 1.89% |
| 5 years | 4.73% | 2.74% | 1.99% |

| Benchmark | Investments |
|---|---|
| AusBond Bank Bill Index | Cash, Term Deposits, Senior Fixed and Senior FRN's |

| Investment Horizon | Investments |
|---|---|
| Working Capital (0-3 Months) | At-Call Accounts, Term Deposits |
| Short-Term (3-12 Months) | Term Deposits |
| Short-Medium Term (1-2 Years) | Senior Bonds, Term Deposits |
| Medium Term (2-5 Years) | Senior Bonds, Term Deposits |
| Long Term (+5 Years) | N/A |

| Summary by Credit Rating # | |
|---|---|
| AAA | 0% |
| AA+ | 0% |
| AA | 0% |
| AA- | 13% |
| A+ | 19% |
| A | 0% |
| A- | 28% |
| BBB+ | 28% |
| BBB | 3% |
| BBB- | 0% |
| NR | 9% |
| | **100%** |

# Monthly Investment Report

January 2017

CPG Research & Advisory Pty Ltd

# Market

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

### *International Markets*

The Dow Jones hit 20,000 for the first time ever, finishing the month +0.62% higher. The MSCI World ex-AUS gained +1.34%. US 10-year bond were flat at +2.45%, with losses from Europe and Japan, but credit performed very well.

Incoming President Trump showed his Administration would look exactly like his campaign: Yelling "*Fake News*" at CNN, tweeting announcements, threatening import taxes for offshore manufacture (the Mexican peso plunged). Orders for "*The Wall*," a refugee halt, TPP cancelled, and he sent the $US plunging by complaining about its level. There were protests, and the Attorney General was fired.

Another Greek crisis, with the EU withholding the next instalment. But Italy announced a bailout and guarantee of Banca Monte Paschi, possibly with bail-in. The Brexit vote was sent back to Parliament by the Supreme Court.

US unemployment rose to 4.7% in December after a nine-year low 4.6% in November.US Non-Farm Payrolls increased +156,000 in December.

The Indian stockmarket rebounded after Rp500 and Rp1000 notes were abolished to crackdown on black market transactions.

South Korea conducted impeachment hearings against President Park.

Venezuela's economy shrank -18.6%, with 800% inflation.

### *Domestic*

The ASX200 eased -0.79%, paring back mid-month losses on financial, retail and energy gains.

Unemployment rose to 5.8% in December (+0.1% for the month). +13,500 jobs for the month were offset by higher participation; unemployed persons increased by +14,700.

Australia reported the first trade surplus since March 2014, driven by surging exports amid flat imports. The initial estimate was +$1bn.

There was a +18% rebound in unit approvals.

Australian 10-year bond yields traded –4bp lower at 2.72%. CPI was low, at +0.5% Q4 and +1.5% YoY. Retail sales grew +0.2%.

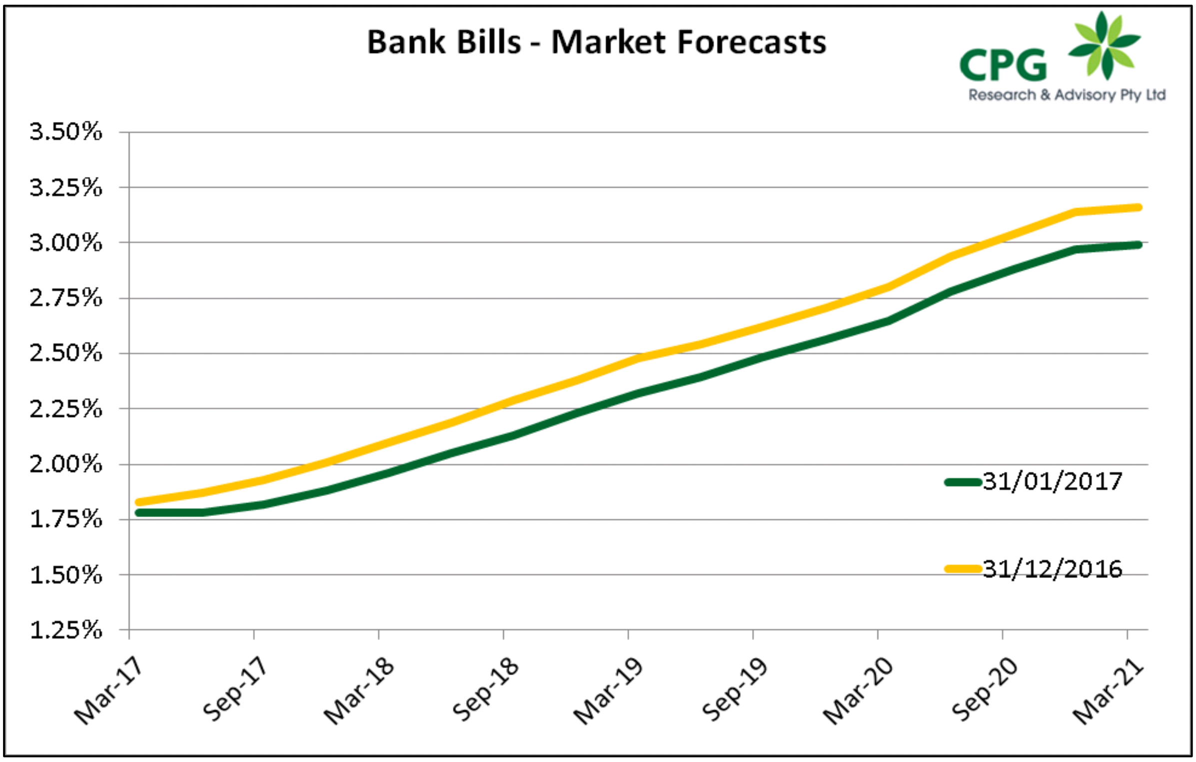
### *Other Markets*

WTI oil finished lower at $52.81/bbl (-1.69%). Iraq cut crude oil production by 200k bbl/d. Gold jumped to US$1209 (+5.13%), recovering December losses. Iron Ore continued to soar, finishing at $82.24 (+9.22%).

Zinc (+11.12%), Copper (+7.63%), and Aluminium (+6.24%) gained; Tin (–4.83%) and Nickel (-1.20%) declined.

The AUD finished +4.57% higher against the $US, exceeding US76 cents.

Bill futures followed bond yields lower, with last month's interest rate path appearing a little overdone:




## *Credit Market*

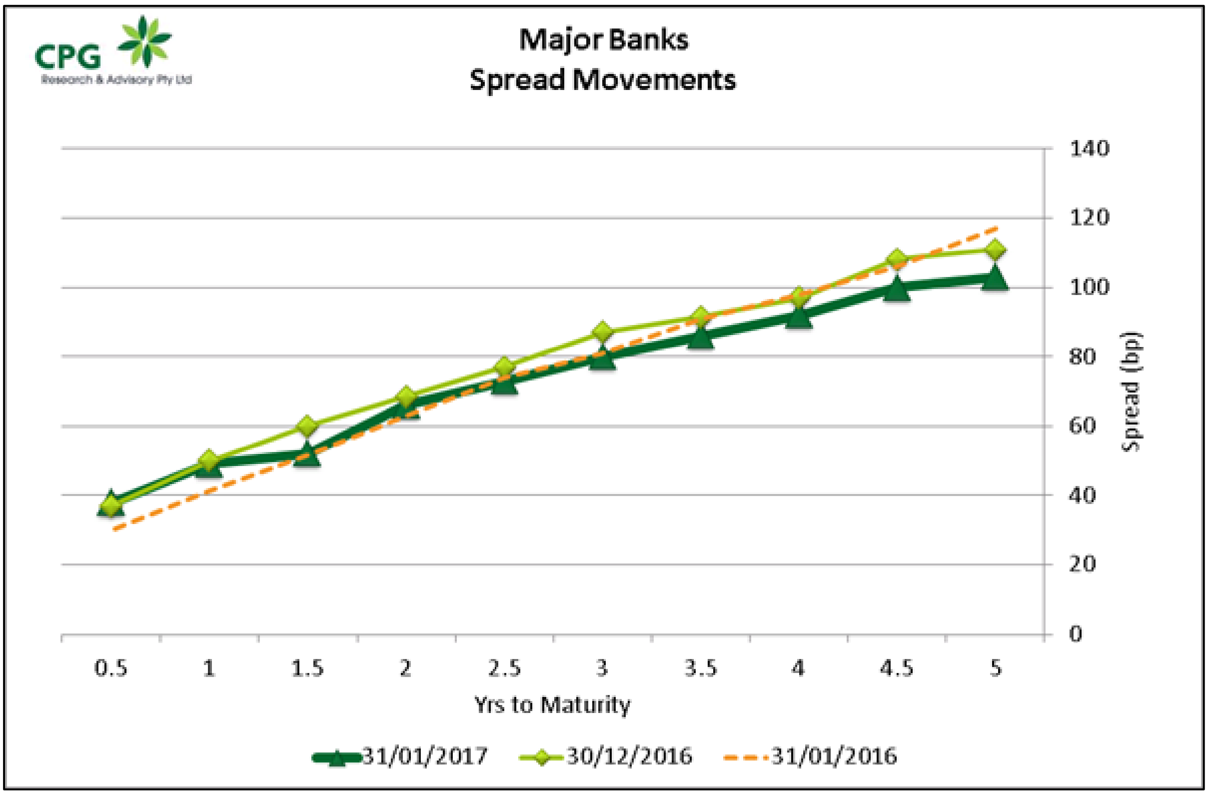
Credit spreads were mixed. Australia's iTraxx rallied, tightening 10bp in a catch-up rally from 2016. Europe and North America was little changed.

The Trump Administration began with a flurry of announcements, although the major economic agenda items are yet to come. The "*Trump rally*" in stocks fizzled out, with indices coming off their highs, but Australian credit performed strongly.

| Credit Indices | 31 Dec 17 | 31 Dec 16 | 31 Jan 16 |
|---|---|---|---|
| *iTraxx Australia 5 Yr CDS* | 93bp | 103bp | 141bp |
| iTraxx European 5 Yr CDS | 74bp | 72bp | 92bp |
| CDX North American 5 Yr CDS | 66bp | 68bp | 102bp |

*Source: MarkIt*

In the physical market, senior spreads tightened up to 8bp across the long-end of the curve, as new 5-year issues from CBA and Westpac at +111bp were very well subscribed and indicated that earlier marks may have been dated:


Major Banks
Spread Movements
140
120
100
80
60
40
20
0
Spread (bp)
0.5
1
1.5
2
2.5
3
3.5
4
4.5
5
Yrs to Maturity
31/01/2017
30/12/2016
31/01/2016

# Council's Portfolio

**The portfolio has 8% of investments available at-call and a further 28% of assets maturing within 3 months.** Additional short-dated funds have been gradually redeployed into a portfolio now well diversified by term – ahead of what has been a considerable decline in deposit rates.

Approximately 38% of the portfolio is represented as medium-term assets (2-5 years), with capacity now freed up after previously being close to capacity limits.

Council has a growing number of senior FRNs as additional cover for liquidity requirements (access to funds within 2 business days).

| Term to Maturity | % | Maximum | Capacity |
|---|---|---|---|
| 0-3 months | 8% | 100% | 92% |
| 3-12 months | 28% | 100% | 72% |
| 1-2 years | 26% | 70% | 44% |
| 2-5 years | 38% | 50% | 12% |
| 5+ years | 0% | 25% | 25% |

Council's portfolio is currently mainly directed to term deposits (63%) across a broad range of counterparties; credit assets (senior securities) are around 31% of the portfolio.

Over the past few years, our advice has focused on fixed rate deposits as the core investment theme, supplemented by other fixed rate investments. This has been justified by another significant downtrend in deposit yields, with 2014's longer-dated deposit investments now yielding well above market returns.

***Use of FRNs reflects multiple drivers:***

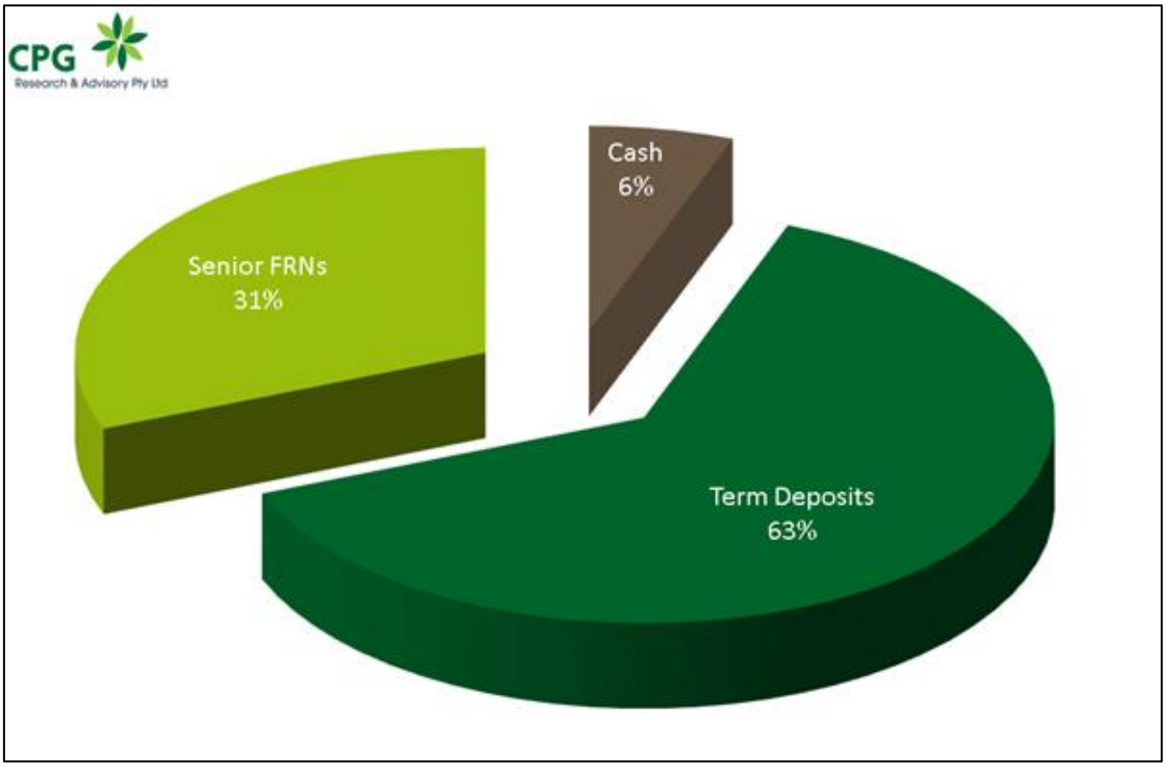
- the desire for **liquid assets** in a portfolio in case of emergency or major spending;
- a view that the **interest rate cycle was fully priced** into shorter deposits;
- **relative spreads** over the holding period (*typically 24-30 months*)

FRNs have been robust through periods of substantial weakness (such as around the Brexit referendum) **although without rallying so far that we would freeze new recommendations**.

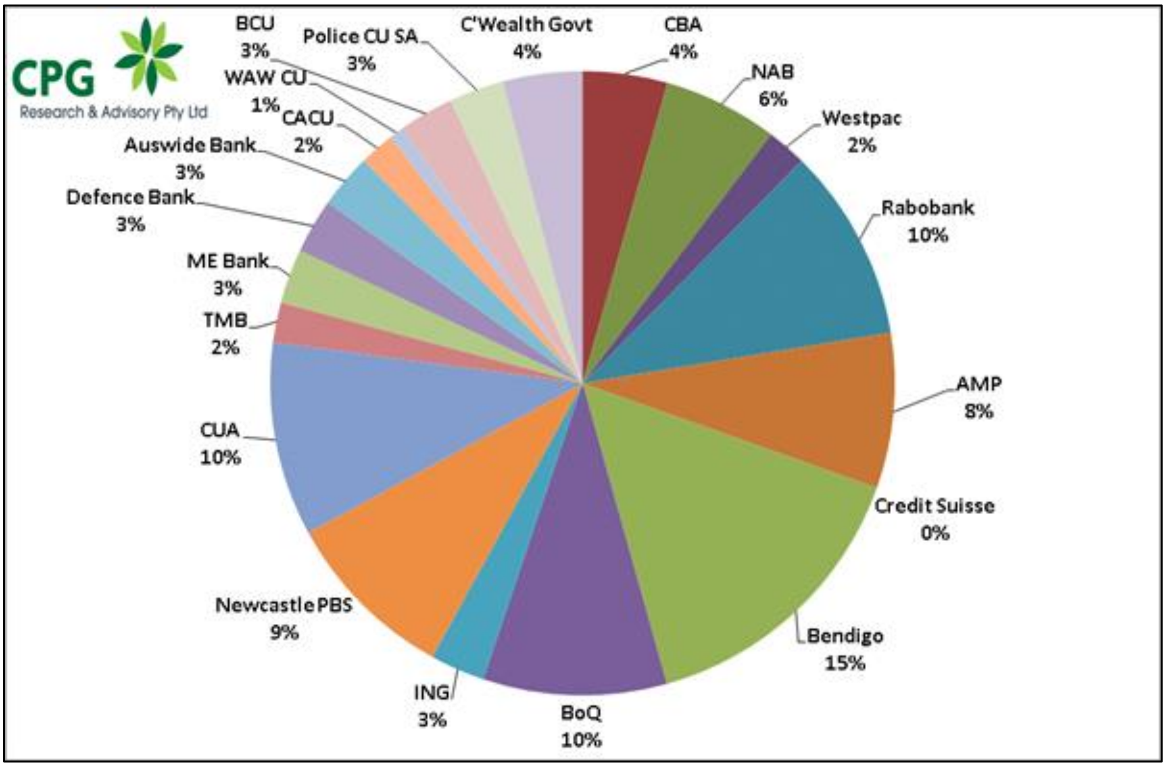
***Given the significant re-rating of other risk assets (for example shares and high-yield credit), bank senior FRNs has somewhat lagged and represents good relative value.***

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

**Currently we see value in <u>both</u> longer deposits and FRNs.** At the long end, rates have risen over ½% from their lows for a 5 year deposit. FRNs also offer solid initial yields with the prospect of additional gains. **We have a positive view on increasing the Medium Term allocation in either major category, although *under the proposed Policy wording this is easier to achieve with FRNs*.**




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



# Credit Quality

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

The aggregate allocation to BBB is now freed up after previously being close to capacity limits. The unrated ADIs however remain close to capacity limits (only 2% remaining).

These allocations will be monitored on an ongoing basis. Future investments may need to be directed to the higher rated ADIs (A or higher), although it is also dependent on the movement in the portfolio's balances.

| Rating Category | Actual | Per C/Party | Aggregate | Capacity |
|---|---|---|---|---|
| AAA Govt | 4% | 100% | 100% | 96% |
| AAA | 0% | 40% | 100% | 100% |
| AA | 12% | 30% | 100% | 88% |
| A | 46% | 15% | 60% | 14% |
| BBB | 30% | 10% | 35% | 5% |
| NR ADI | 8% | 5% | 10% | 2% |

All of these are well within Policy limits.

From time to time, broker specials continue to be offered with some BBB rated and unrated Credit Unions paying an additional premium above leading direct rates – **pricing is generally quite favourable, but for short terms**. This is covered in the daily emails and our advice at the time of investment.

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# Compliance

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

All individual counterparty exposures comply with the Policy, except Bendigo-Adelaide Bank and CUA due to the decrease in the portfolio's balance during the month.

| ADI | Exposure | FCS | Net | Rating | Policy Limit | Actual | Capacity |
|---|---|---|---|---|---|---|---|
| ANZ | $0 | $0 | $0 | AA- | 30% | 0% | $29,165,939 |
| CBA | $4,514,393 | $250,000 | $4,264,393 | AA- | 30% | 4% | $24,901,546 |
| NAB | $6,012,300 | $250,000 | $5,762,300 | AA- | 30% | 6% | $23,403,639 |
| Westpac | $2,003,260 | $0 | $2,003,260 | AA- | 30% | 2% | $27,162,679 |
| Rabobank | $10,000,000 | $250,000 | $9,750,000 | A+ | 15% | 10% | $4,832,969 |
| AMP | $8,065,422 | $250,000 | $7,815,422 | A+ | 15% | 8% | $6,767,547 |
| Suncorp | $0 | $0 | $0 | A+ | 15% | 0% | $14,582,969 |
| Credit Suisse | $0 | $0 | $0 | A | 15% | 0% | $14,582,969 |
| Bendigo | $15,033,570 | $250,000 | $14,783,570 | A- | 15% | 15% | -$200,601 |
| BoQ | $9,500,000 | $250,000 | $9,250,000 | A- | 15% | 10% | $5,332,969 |
| ING | $3,000,000 | $250,000 | $2,750,000 | A- | 15% | 3% | $11,832,969 |
| Newcastle PBS | $9,053,740 | $250,000 | $8,803,740 | BBB+ | 10% | 9% | $918,240 |
| CUA | $10,028,070 | $250,000 | $9,778,070 | BBB+ | 10% | 10% | -$56,090 |
| TMB | $2,009,040 | $0 | $2,009,040 | BBB+ | 10% | 2% | $7,712,940 |
| ME Bank | $3,000,000 | $250,000 | $2,750,000 | BBB+ | 10% | 3% | $6,971,980 |
| Defence Bank | $3,000,000 | $250,000 | $2,750,000 | BBB+ | 10% | 3% | $6,971,980 |
| Auswide Bank | $3,000,000 | $250,000 | $2,750,000 | BBB | 10% | 3% | $6,971,980 |
| CACU | $2,000,000 | $250,000 | $1,750,000 | NR | 5% | 2% | $3,110,990 |
| WAW CU | $1,000,000 | $250,000 | $750,000 | NR | 5% | 1% | $4,110,990 |
| BCU | $3,000,000 | $250,000 | $2,750,000 | NR | 5% | 3% | $2,110,990 |
| Police CU SA | $3,000,000 | $250,000 | $2,750,000 | NR | 5% | 3% | $2,110,990 |
| | $97,219,795 | | $93,219,795 | | | 96% | |
| C'Wealth Govt | | $4,000,000 | | AAA | 100% | 4% | |
| Total | $97,219,795 | | $93,219,795 | | | 100% | |

*^ Under the Financial Claims Scheme (FCS), the first $250,000 is guaranteed by the Federal Government (rated AAA by S&P) per investor, per ADI.*

Subsidiaries such as Bank of Queensland Specialist Bank are grouped in the exposures of the parent (Bank of Queensland, rated A-).

*From May 2015, <u>new</u> Rabobank Australia deposits are not guaranteed by the global group, but existing deposits have their guarantee grandfathered. They are generally not accepting new investments or rollovers from institutional investors.*

# Performance Returns

**Council's Performance as at 31 January 2017**

| Performance | Council | AusBond BBI | Outperformance |
|---|---|---|---|
| 1 month | 3.46% | 1.86% | 1.60% |
| 3 months | 3.47% | 1.79% | 1.68% |
| FYTD | 3.55% | 1.85% | 1.70% |
| 1 year | 3.66% | 2.04% | 1.62% |
| 2 years | 3.90% | 2.15% | 1.74% |
| 3 years | 4.09% | 2.34% | 1.75% |
| 4 years | 4.35% | 2.46% | 1.89% |
| 5 years | 4.73% | 2.74% | 1.99% |

The total investment portfolio had another strong month, returning **+3.46% p.a. for the month of January**, nearly doubling the benchmark AusBond Bank Bill Index[1], which returned +1.86% p.a.

Council's returns, while lower in absolute terms than historically the case, remains very strong compared to most short deposits rolling in the mid-high 2%'s. Even the highest 3-year deposit today remains around 3.2%.

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

Cash continues to be a drag on performance after the RBA cut rates twice in May and August 2016. This can be mitigated through a switch into higher yielding accounts such as AMP's 31 day notice account paying cash rate + 0.80%, which includes CPG's 10bp rebate. The account requires 31 days notice in return for the additional yield – it is not a substitute for at-call money.

[1] Previously UBS Bank Bill Index - the sale of the UBS index to Bloomberg, and subsequent change of names, is now effective.

# Term Deposits

At month-end, deposits accounted for approximately 63% of the total investment portfolio. The weighted average duration of the deposit portfolio stood at approximately **1.3 years** - having been significantly lengthened (compared to benchmark) during the RBA's easing cycle over the past few years.

A longer duration will provide protection to Council's budgeted income over the coming year, which we will be looking to support over the next 12 months. ***An average yield of 3.75% p.a. (up 3bp from the previous month) remains much higher than <u>any</u> deposit available today. It continues to yield around 2½ times the prevailing cash rate!***

It is inevitable that returns will again ease from here as prevailing reinvestment rates are much lower than preceding years.

During the month, one deposit matured and was recalled.

Across the longer-end of the curve, the highest 4 and 5 year fixed deposit margins held at around +125bp over bank bills, but absolute terms have risen significantly with the rise in the bond market. Given the longer-term interest rate outlook, **we believe there is good value and visibility by locking in the top 4 year rate of around 3.60% p.a. offered by BoQ (A-)**.

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

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

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

# Securities (FRNs)

The long-end of the curve amongst the wholesale senior bank FRNs tightened over January, primarily driven by the new 5 year issuances from CBA and Westpac. Overall, they remain attractive value through the cycle – around mid-range when assessed against the post-GFC trading range.

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

We recommend selling any senior major bank FRNs maturing in or before 2018 as most are marked less than +65bp and the curve remains relatively steep. Lower rated institutions tend to see spreads converge only as they shorten very close to maturity – we flag the final year as the likely exit point for those. Still, switching may well be recommended opportunistically.

**Apart from providing diversification and additional liquidity in a portfolio, an FRN strategy has been lucrative.** Issue yields have fluctuated, but the tightening towards maturity has worked consistently.

**Primary issues continue to be favoured over secondary market offers in the wholesale market.** CBA and Westpac were the first to issue a new 5 year deal this year at +111bp, which has tightened to around +105bp in the secondary market. A new issue would likely be around the +110bp margin.

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

Private placement FRNs or secondary market 'taps' can sometimes be offered, usually at a premium yield to the wholesale secondary market although we note they are generally less liquid due to their smaller issue sizes and daily turnover. The most recent example was a new 5 year FRN at +165bp ($150m printed in total) from Newcastle PBS (BBB+) in late January.

Heritage retail trade in a volatile range, but **at time of writing are extremely cheap**. With just under 5 months to run, brokerage knocks 10-15bp out of the return, with the bigger problem being to secure volume without unduly moving a lightly traded security. At current levels, we suggest investors buy as a higher risk-return current asset, although it is **better suited to existing holders** given the risk of being left with a small parcel if an order only partly fills. The security has swung wildly in both directions recently, on low volume, particularly during its "ex-interest" period.

*We recommend that Council retain its FRN portfolio at this stage, and add to it in combination with longer deposits. In a fairly stable credit environment, we look for an exit opportunity towards the midpoint of a security's life to maximise the potential gain, and will inform Council accordingly.*

# Fixed Interest Market Background

US GDP growth was weaker than expected in Q4 2016, rising by an annualised pace of 1.9% (about the average over the past year). This followed annualised growth of 3.5% in Q3.

US Federal Reserve Chair Yellen said that "*it makes sense to gradually reduce the level of monetary policy support*", continuing to provide a similar rhetoric. Yellen added that "*I and most of my colleagues*" were expecting to increase interest rates "*a few times a year*". She refrained from commenting on the impact of Trump's fiscal stimulus, unlike other Fed officials who said it could result in a faster pace of rate hikes.

We note that the December forecasts were cast after the election and Trump's platform was known – it showed no acceleration, and no upward revisions from September's. The Fed looks set to undershoot its 2017 guidance.

China's economy accelerated for the first quarter in two years over Q4 2016, following stimulus measures. President Xi has tended to favour pro-growth policies over reforms and elimination of oversupply in "*old-economy*" industries, and enters potential trade tensions with US President Trump on an upbeat economic note.

With China stimulating, the US talking about it, and commodities soaring we have seen longer-term bond yields rise up to 1% since the record lows set in July-August 2016. Having talked up interest rates, RBA Governor Lowe now faces an awkward retraction after the terrible GDP number of -0.5% for Q3 and persistently low inflation (at around 1½% annual pace).

The consecutive low inflation reading has priced in some risk of a rate cut over the short-term (based largely on the Q4 GDP), which is a reversal from last month's expectations of a hike. The expectation of a rate increase as early as 2017 has been pushed back to 2018, and with only a slow increase thereafter.

December's bond sell-off had appeared overdone, and the current path more realistic.

*What would make the forecast wrong?*

To the downside, a recession appears unlikely – the surge in commodities and national income should rule out any repeat of Q3's shock negative. But a very poor reading under +0.5% would imply a flat economy that has not bounced back; if the Q3 reading is more than timing differences, that places the RBA under considerable pressure to reconsider. As would a collapse in apartment prices, although we are not currently seeing more than localised pressures.

To the upside, while commodity prices are booming, they are a long way from the 2010-11 bubble (or even the mini-boom of 2007 that sent interest rates soaring). Still, they are well off their lows and sustained mid-cycle commodity levels would call into question the "emergency" interest rate setting.

http://www.rba.gov.au/chart-pack/commodity-prices.html

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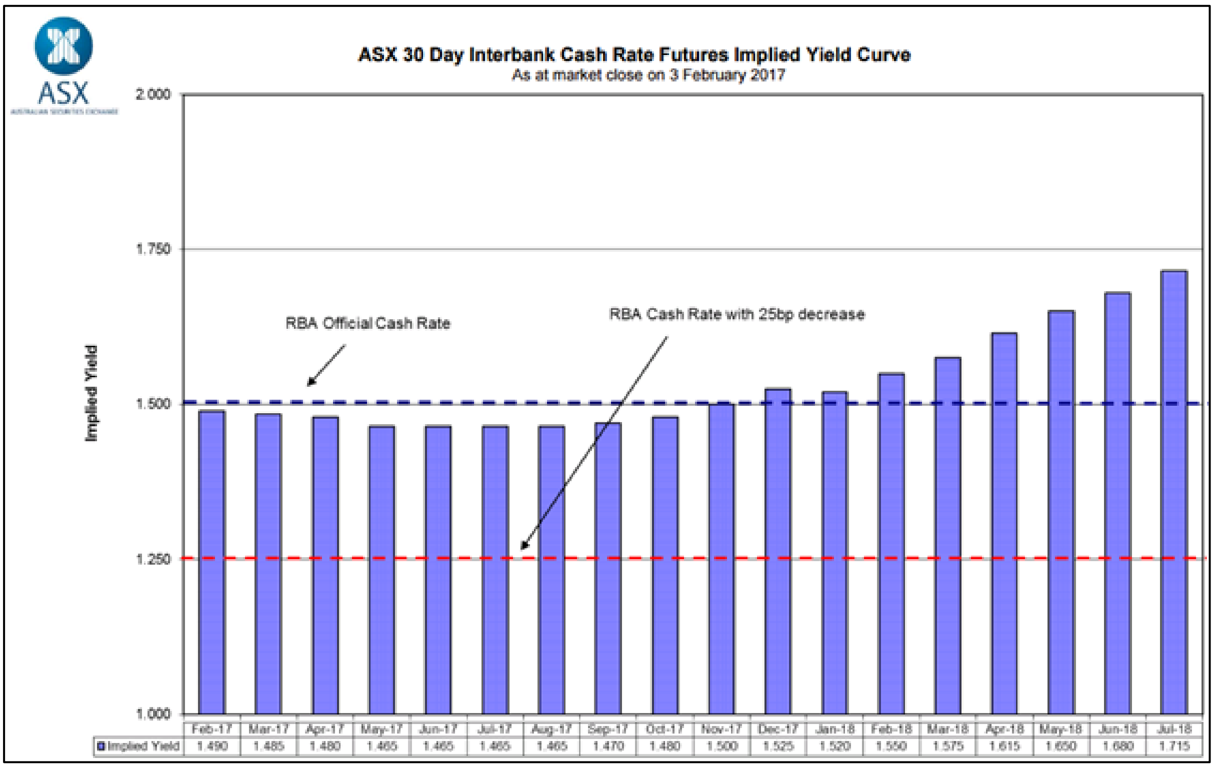


| | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Implied Yield | 1.490 | 1.485 | 1.480 | 1.465 | 1.465 | 1.465 | 1.465 | 1.470 | 1.480 | 1.500 | 1.525 | 1.520 | 1.550 | 1.575 | 1.615 | 1.650 | 1.680 | 1.715 |

*Source: SFE / ASX*

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# Portfolio Listing & Performance

| North Sydney Council Investment Portfolio as at 31 January 2017 | Investment Face Value | Investment Market Value | % | S&P Rating * | Net Returns - 1 Month Return* | Net Returns - 1 Month Income^ | Net Returns - FYTD Return | Net Returns - FYTD Income^ | Maturity |
|---|---|---|---|---|---|---|---|---|---|
| **Trading Account:** | | | | | | | | | |
| CBA Trading Account - General Fund | 2,509,794 | 2,509,794 | 3% | AA- | 0.80 | $1,397 | 1.14 | $9,390 | At Call |
| CBA Business On-Line Saver | 2,000,000 | 2,000,000 | 2% | AA- | 1.05 | $1,673 | 1.05 | $25,571 | At Call |
| AMP 31-day Notice Account | 1,034,422 | 1,034,422 | 1% | A+ | 2.30 | $1,929 | 2.59 | $14,115 | 3-Mar-17 |
| CBA Cash Management Account | 4,598 | 4,598 | 0% | AA- | 1.65 | $2 | 1.71 | $9 | At Call |
| | 5,548,815 | 5,548,815 | 6% | | 1.17 | $5,001 | 1.38 | $49,085 | |
| **Term Deposits:** | | | | | | | | | |
| CUA @ 3.05% | 2,000,000 | 2,000,000 | 2% | BBB+ | 3.05 | $5,181 | 3.05 | $35,932 | 23-Mar-17 |
| Rabobank @ 5.70% | 2,000,000 | 2,000,000 | 2% | A+ | 5.70 | $9,682 | 5.70 | $67,151 | 6-Jun-17 |
| Auswide Bank @ 2.90% | 3,000,000 | 3,000,000 | 3% | BBB | 2.90 | $7,389 | 2.90 | $35,038 | 7-Jun-17 |
| AMP @ 2.90%˜ | 1,000,000 | 1,000,000 | 1% | A+ | 2.90 | $2,463 | 2.90 | $17,082 | 28-Aug-17 |
| BoQ @ 4.90% | 3,000,000 | 3,000,000 | 3% | A- | 4.90 | $12,485 | 4.90 | $86,589 | 28-Aug-17 |
| BCU @ 4.00% | 2,000,000 | 2,000,000 | 2% | NR | 4.00 | $6,795 | 4.00 | $47,123 | 28-Aug-17 |
| Bendigo TD @ 2.90% | 3,000,000 | 3,000,000 | 3% | A- | 2.90 | $7,389 | 2.90 | $51,247 | 30-Aug-17 |
| Bendigo TD @ 2.90% | 3,000,000 | 3,000,000 | 3% | A- | 2.90 | $7,389 | 2.90 | $51,247 | 4-Sep-17 |
| CUA @ 3.75% | 3,000,000 | 3,000,000 | 3% | BBB+ | 3.75 | $9,555 | 3.75 | $66,267 | 11-Sep-17 |
| Bendigo TD @ 2.92% | 2,000,000 | 2,000,000 | 2% | A- | 2.92 | $4,960 | 2.92 | $34,400 | 15-Sep-17 |
| BoQ @ 4.70% | 1,000,000 | 1,000,000 | 1% | A- | 4.70 | $3,992 | 4.70 | $27,685 | 27-Sep-17 |
| BoQ Specialist @ 5.60% | 500,000 | 500,000 | 1% | A- | 5.60 | $2,378 | 5.60 | $16,493 | 2-Nov-17 |
| AMP @ 3.20%˜ | 4,000,000 | 4,000,000 | 4% | A+ | 3.20 | $10,871 | 3.20 | $75,397 | 5-Mar-18 |
| Community Alliance CU @ 2.90% | 2,000,000 | 2,000,000 | 2% | NR | 2.90 | $4,926 | 2.90 | $22,564 | 13-Mar-18 |
| RaboDirect @ 4.25% | 2,000,000 | 2,000,000 | 2% | A+ | 4.25 | $7,219 | 4.25 | $50,068 | 20-Aug-18 |
| Rabobank @ 4.05% | 6,000,000 | 6,000,000 | 6% | A+ | 4.05 | $20,638 | 4.05 | $143,137 | 28-Aug-18 |
| BCU @ 3.00% | 1,000,000 | 1,000,000 | 1% | NR | 3.00 | $2,548 | 3.00 | $12,822 | 29-Aug-18 |
| Defence Bank @ 2.90% | 3,000,000 | 3,000,000 | 3% | BBB+ | 2.90 | $7,389 | 2.90 | $35,038 | 7-Sep-18 |
| Police CU @ 2.90% | 2,000,000 | 2,000,000 | 2% | NR | 2.90 | $4,926 | 2.90 | $23,359 | 7-Sep-18 |
| Police CU @ 3.05% | 1,000,000 | 1,000,000 | 1% | NR | 3.05 | $2,590 | 3.05 | $17,966 | 10-Sep-18 |
| BoQ @ 5.00% | 3,000,000 | 3,000,000 | 3% | A- | 5.00 | $12,740 | 5.00 | $88,356 | 29-Oct-18 |
| WAW CU @ 3.10% | 1,000,000 | 1,000,000 | 1% | NR | 3.10 | $2,633 | 3.10 | $4,332 | 12-Dec-18 |
| ME Bank @ 5.10% | 3,000,000 | 3,000,000 | 3% | BBB+ | 5.10 | $12,995 | 5.10 | $90,123 | 14-Feb-19 |
| ING @ 4.95% | 3,000,000 | 3,000,000 | 3% | A- | 4.95 | $12,612 | 4.95 | $87,473 | 18-Feb-19 |
| Newcastle PBS @ 2.90% | 2,000,000 | 2,000,000 | 2% | BBB+ | 2.90 | $4,926 | 2.90 | $23,359 | 6-Sep-19 |
| NAB Flexi Deposit @ 3m BBSW +1.05% | 1,000,000 | 1,000,000 | 1% | AA- | 2.82 | $2,395 | 3.56 | $20,161 | 12-Dec-19 |
| BoQ @ 3.55% | 2,000,000 | 2,000,000 | 2% | A- | 3.55 | $6,030 | 3.55 | $9,921 | 11-Dec-20 |
| ***Expired Deposits - Financial Year*** | - | - | - | - | - | $1,658 | - | $121,889 | Expired |
| | 61,500,000 | 61,500,000 | 63% | | 3.74 | $196,754 | 3.75 | $1,362,218 | |
| **Senior Bonds:** | | | | | | | | | |
| CUA FRN @ 3m BBSW + 1.20% | 2,000,000 | 2,008,960 | 2% | BBB+ | 2.99 | $5,087 | 3.03 | $35,917 | 22-Dec-17 |
| TMB FRN @ 3m BBSW + 1.05% | 2,000,000 | 2,009,040 | 2% | BBB+ | 2.82 | $4,790 | 2.85 | $33,750 | 4-Dec-17 |
| Credit Suisse FRN @ 3m BBSW + 1.05% | - | - | 0% | A | 1.55 | $2,669 | 2.65 | $31,533 | 24-Aug-18 |
| Newcastle PBS FRN @ 3m BBSW + 1.60% | 5,000,000 | 5,056,400 | 5% | BBB+ | 3.39 | $14,417 | 3.43 | $101,573 | 22-Mar-19 |
| CUA FRN @ 3m BBSW + 1.60% | 3,000,000 | 3,019,110 | 3% | BBB+ | 3.40 | $8,652 | 3.44 | $60,769 | 1-Apr-19 |
| Westpac FRN @ 3m BBSW + 1.00% | - | - | 0% | AA- | - | $0 | - | $13,241 | 10-May-19 |
| CBA FRN @ 3m BBSW + 0.98% | - | - | 0% | AA- | - | $0 | - | $55,273 | 18-Jul-19 |
| Bendigo FRN @ 3m BBSW + 0.93% | 2,000,000 | 2,002,220 | 2% | A- | 2.71 | $4,612 | 2.75 | $32,631 | 17-Sep-19 |
| Newcastle PBS FRN @ 3m BBSW + 1.35% | 2,000,000 | 1,997,340 | 2% | BBB+ | 3.13 | $5,295 | 3.19 | $37,708 | 7-Apr-20 |
| NAB FRN @ 3m BBSW + 0.80% | 5,000,000 | 5,012,300 | 5% | AA- | 2.57 | $10,914 | 2.61 | $77,103 | 3-Jun-20 |
| Westpac FRN @ 3m BBSW + 0.90% | 2,000,000 | 2,003,260 | 2% | AA- | 2.67 | $4,504 | 2.70 | $32,385 | 28-Jul-20 |
| Bendigo FRN @ 3m BBSW + 1.10% | 5,000,000 | 5,031,350 | 5% | A- | 2.86 | $12,124 | 2.89 | $85,526 | 18-Aug-20 |
| AMP FRN @ 3m BBSW + 1.35% | 2,000,000 | 2,031,000 | 2% | A+ | 3.08 | $5,274 | 3.12 | $37,164 | 24-May-21 |
| | 30,000,000 | 30,170,980 | 31% | | 2.97 | $78,337 | 3.01 | $634,574 | |
| **TOTAL PORTFOLIO **** | **97,048,815** | **97,219,795** | **100%** | | **3.46** | **$280,092** | **3.55** | **$2,045,876** | |
| **BENCHMARK** | | | | | **1.86** | | **1.85** | | |

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