8.7. Investment and Loan Borrowings Held as at 31 July 2021

AUTHOR: Asif Ali, Manager Financial Services

ENDORSED BY: Margaret Palmer, Director Corporate Services

ATTACHMENTS:
1. North Sydney Monthly Report July 2021 [**8.7.1** - 20 pages]
2. North Sydney Council Reporting Pack July 2021 [**8.7.2** - 20 pages]

PURPOSE:

This report provides details of the performance of Council's investment portfolio and borrowing limits for the period ending 31 July 2021.

EXECUTIVE SUMMARY:

Investment Portfolio:

The Investment portfolio (excluding cash balances) held as at 31 July 2021 had a market value of $86.0 million, with an annualised return of 1.34% for the year to date, 1.30% above the reportable BBSW Bank Bill Index of 0.04%. Cash deposits at call total $32.0 million. The investment portfolio is managed to ensure liquidity to meet operational requirements, with cashflow being monitored and assessed on an on-going basis.

The actual returns for cash and investments for the year to date as at 31 July 2021 were $88,806 which was $2,194 less than the year-to-date budgeted estimate. The medium-longer term outlook for financial markets indicate that the RBA's official cash rate will remain unchanged at its emergency level of 0.10% until its objectives of full employment and inflation are reached and that rate rises are not expected until at least 2024.

Borrowings:

Council entered into a fixed interest loan of $9.5 million with quarterly interest and principal payments on 31 July 2018. The principal outstanding as at 31 July 2021 is $7,037,040.24. Council has made provision for future borrowings of $31 million to assist in the funding to complete the redevelopment of North Sydney Olympic Pool.

FINANCIAL IMPLICATIONS:
The budgeted investment returns over the medium term needs to reflect the current low interest rate environment which is likely to continue over the next financial years.

Investment returns will continue to be monitored and reported to ensure the estimate is consistent with the actual returns.

RECOMMENDATION:
1. THAT the report on Investments and Loan Borrowings held as at 31 July 2021 be received.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

5. Our Civic Leadership
5.1 Council leads the strategic direction of North Sydney

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.

DETAIL

Investment Portfolio

The following table provides details of the performance of Council's investment portfolio (excluding cash deposits) against the benchmark for the month of July 2021 and annualised for the year to date as at 31 July 2021 (including investments which have matured prior to 31 July 2021).

	July 2021	Annualised YTD as at 31 July 2021
Actual Return	0.11%	1.48%
Benchmark	0.00%	0.05%
Variance	0.11%	1.43%

The portfolio performance continues to be driven by the handful of the longer-dated deposits that were locked-in prior to the current interest rate cuts, as well as the FRNs locked in at attractive margins.

Asset Type	Market Value as at 31 July 2021	Portfolio Breakdown as at 31 July 2021
Cash	$32,415,891.76	27.38%
Term Deposits	$74,000,000.00	62.49%
Floating Rate Notes (FRN's)	$5,997,287.20	5.06%
Fixed Bonds	$6,000,000.00	5.07%
	$118,413,178.96	**100.00%**

Council's average duration of term deposits which comprise approximately two thirds of the investment portfolio is approximately 558 days, thus reducing the exposure to declining interest rates experienced with investment renewals.

Investment returns continue to exceed the indicative benchmark (BBSW Bank Bill Index). All funds have been invested 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. A complete analysis of the performance is covered in the Monthly Investment Report prepared by Council's Investment advisor. (refer attachment 1.)

The actual investment returns for the year to date as at 31 July 2021 have been reviewed and are $2,194 less than the year-to-date budgeted estimate.

Summary of Returns from Investments (includes Fair Value adjustments):

Year	Original Annual Budget	Revised Annual Budget	YTD Budget (July)	YTD/Annual Actual (July)	YTD/Annual Actual FV adjustments (July)	YTD Budget to Actual Variance (July)
2021/22	**$1,100,000**	**$1,100,000**	**$91,000**	**$86,177.64**	**$2,628**	**-$2,194**
2020/21	$1,350,000	$1,350,000		$1,222,664	$93,735	-$33,601
2019/20	$1,500,000	$1,529,055		$1,896,660	-$4,944	$362,661
2018/19	$1,590,000	$1,730,000		$2,253,497	$91,056	$614,553

Floating Rate Notes (FRN's) are required to be revalued each month using the fair value (FV) method which is an estimate in time of the potential market value of the investment. As at 31 July 2021 the YTD movement of FRN's has been an increase in returns of $2,628.

Financial Investment Policy

As at the end of July, all categories were within the Policy limits for credit ratings and the portfolio remains well diversified, with all asset credit quality classified as BBB- or higher. The maximum holding limit in each rating category and the target credit quality weighting for Council's portfolio are as per the following table:

Long Term Rating Range	Invested as at 31 July 2021	Maximum Policy Holding	Distribution as at 31 July 2021
AA Category	$61,299,088	100.00%	51.77%
A Category	$30,266,720	60.00%	25.56%
BBB Category	$26,847,370	35.00%	22.67%
Unrated ADIs (NR)	$0	10.00%	0.00%

Loan Borrowings

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

The current Debt Facility is as follows:

The current facility is a fixed loan financing option, fully amortising the drawn down amount of $9,500,000.00 over 10 years, fixed interest rate with quarterly repayments of interest and principal.

The current loan details are as follows:

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**
1/07/2021	$7,253,977.04			
31/07/2021	$7,037,040.24	$72,702.74	$216,936.80	$ 289,639.54
30/10/2021	$6,817,929.20	$70,528.49	$219,111.04	$ 289,639.54
29/01/2022	$6,598,874.84	$70,585.18	$219,054.36	$ 289,639.54
30/04/2022	$6,373,191.95	$63,956.66	$225,682.88	$ 289,639.54

The next loan instalment is due on 30 October 2021.

Loan Funded Capital Projects as at 31 July 2021:

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: 10 years to 2028

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: 10 years to 2028

Future Borrowings

Council has made provision for future borrowings of $31 million to assist in the funding to complete the redevelopment of North Sydney Olympic Pool. These funds will be negotiated within the next 18 months.

As per Council’s resolution of the September 2020 meeting, prior to accessing these funds, comparative loan rates will be obtained from TCorp and the major banks to ensure market competitiveness.

Monthly Investment Report

July 2021

IMPERIUM MARKETS

Imperium Markets Pty Ltd ABN: 87 616 579 527
Authorised Representative of Libertas Financial Planning Pty Ltd AFSL 429 718
Phone: +61 2 9053 2987
Email: michael.chandra@imperium.markets
Level 9 Suite 02, 3 Spring Street, Sydney NSW 2000

Impact of COVID-19 to Council's Portfolio

COVID-19 has adversely impacted financial markets, which in turn, has also affected Council's investment portfolio. We provide a quick summary in this section.

With regards to financial markets, shares (equities) experienced a significant correction in March 2020 but have recently reached all-time highs due to the unprecedented fiscal and monetary policy support from global central banks and governments. **The RBA cut rates to record lows on 3rd November 2020 to 0.10%, consistent with most global central banks resetting their rates back to emergency levels.** Despite the Delta variant causing a surge in global infections (including Australia), equity markets have continued their rally over the course of 2021, focusing on the multiple vaccines available and ongoing fiscal and monetary policy easing measures. Longer-term bond yields have fallen significantly over the past few months, with the market pushing back on expectations of global central banks tightening in the immediate future.

With regards to the medium-longer term outlook for financial markets, of importance is the RBA's outlook and expectations for the Australian economy. They would like to see the following three economic indicators improve before they even consider increasing interest rates:

1. The unemployment rate to drop to around 4.5% (currently it sits at 4.9% and has not been below 4.5% since 2008);
2. "*Until actual (underlying) inflation is sustainably within the 2-3% target range*" (it has not been within their target band for the past 5 years); and
3. Wage growth to surpass +3% (it has not been above this level for the past 8 years).

Their current forward guidance and base case suggests conditions for a rate rise "***will not be met until 2024***".

The largest impact to Council's investment portfolio is with regards to its largest exposure being assets held in bank term deposits (fixed and floating), which accounts for around ~62½% of Council's total investment. The biggest risk that Council faces over the medium-longer term in this environment is not the potential loss of capital (given all the banks are well capitalised and regulated by APRA), but the rapid loss of interest income as interest rates have plummeted.

Council's term deposit portfolio was yielding 1.39% p.a. at month-end, with a weighted average duration of around 558 days or ~1½ years. **This average duration will provide some income protection against the low interest rate environment over the next 12 months**. As existing deposits mature however, they will inevitably be reinvested at much lower prevailing rates.

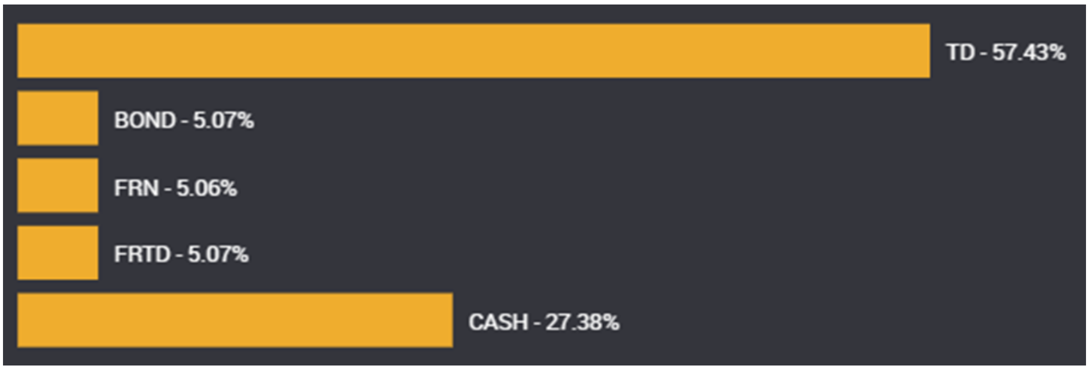
Given official rates have fallen to record lows, Council is likely to see a rapid decline in interest income over future financial years. Its budgeted income over the medium-longer term needs to be revised to reflect the low interest rate environment. Returns between 0.40%-0.80% p.a. may potentially be the "norm" over the next few financial years, especially if rolling the majority of surplus funds for terms less than 2-3 years. Yields may in fact be lower if electing to invest for terms under 12 months**.**

Council's Portfolio & Compliance

Asset Allocation

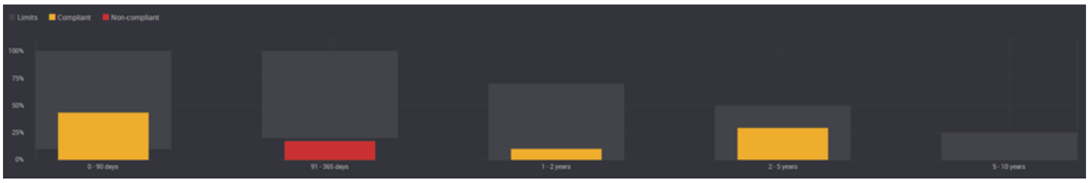
As at the end of July 2021, the portfolio was mainly directed to fixed and floating rate term deposits (62.50%). The remaining portfolio is directed to FRNs (5.06%), fixed bonds (5.07%) and overnight cash accounts (27.38%).

With the RBA cutting interest rates in November 2020 to 0.10%, the priority should be to lock in any remaining attractive medium-longer dated fixed deposits or fixed bonds that may still be available to address reinvestment risk as margins continue to compress.



Term to Maturity

Overall, the portfolio remains lightly diversified from a maturity perspective. Around 29% of assets is directed to medium-term assets (2-5 years), which is sensible in this low rate environment. There is still high capacity to invest in the medium-term horizon, with approximately $24m at month-end.



The 3-12 month allocation is slightly below the minimum requirement of 20%, but this is more than offset by the high balance held in the 0-3 month horizon, indicating very high liquidity.

Where liquidity permits, we recommend new surplus funds be directed to 2-5 year horizons given this is where the most attractive value can be found. We suggest this be allocated to any remaining attractive fixed term deposits or fixed bonds to address reinvestment risk.

Compliant	Horizon	Invested ($)	Invested (%)	Min. Limit (%)	Max. Limit (%)	Available ($)
✓	0 - 90 days	$51,415,892	43.42%	10%	100%	$66,997,287
X	91 - 365 days	$20,260,100	17.11%	20%	100%	$98,153,079
✓	1 - 2 years	$12,000,000	10.13%	0%	70%	$70,889,225
✓	2 - 5 years	$34,737,187	29.34%	0%	50%	$24,469,402
✓	5 - 10 years	$0	0.00%	0%	25%	$29,603,295
		$118,413,179	**100.00%**			

Counterparty

As at the end of July, all individual limits comply with the Policy. Limits to ING (A) and Auswide (BBB) remain close to the maximum limits. Exposures to individual ADIs are driven by the portfolio's movements throughout any month. Overall, the portfolio is well diversified across the investment grade spectrum, with no exposure to the unrated ADIs.

Compliant	Issuer	Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	CBA (BankWest)	AA-	$32,257,165	27.24%	30.00%	$3,266,789
✓	NAB	AA-	$11,041,924	9.32%	30.00%	$24,482,030
✓	NTTC	AA-	$6,000,000	5.07%	30.00%	$29,523,954
✓	Westpac	AA-	$12,000,000	10.13%	30.00%	$23,523,954
✓	Suncorp	A+	$1,266,720	1.07%	15.00%	$16,495,257
✓	ICBC Sydney	A	$14,000,000	11.82%	15.00%	$3,761,977
✓	ING Bank	A	$15,000,000	12.67%	15.00%	$2,761,977
✓	BOQ	BBB+	$8,000,000	6.76%	10.00%	$3,841,318
✓	ME Bank	BBB+	$1,260,100	1.06%	10.00%	$10,581,218
✓	AMP Bank	BBB	$3,158,727	2.67%	10.00%	$8,682,591
✓	Auswide Bank	BBB	$10,000,000	8.45%	10.00%	$1,841,318
✓	Beyond (Nexus)	BBB	$3,000,000	2.53%	10.00%	$8,841,318
✓	Newcastle PBS	BBB	$1,428,543	1.21%	10.00%	$10,412,775
			$118,413,179	**100.00%**		

Effective 01/07/2021, BoQ formally acquired ME Bank for $1.325bn. Subsequently, all ME Bank's senior assets including term deposits have been upgraded from BBB to BBB+ by S&P. With regards to counterparty limits, the two banks are still running separate ADI licences and so the individual exposures will continue to be shown separately. Once ME Bank formally withdraws its ADI licence, existing holdings with ME Bank will need to be aggregated with its parent company, BoQ. Council will need to keep this in mind when reinvesting maturing deposits with BoQ or ME Bank, and when placing 'new' surplus funds, so as not to be 'overweight' relative to the overall aggregate limits. There is also, however, a chance that BoQ may be upgraded from BBB+ to either A- or A by S&P over coming months/years, which would help with capacity limits.

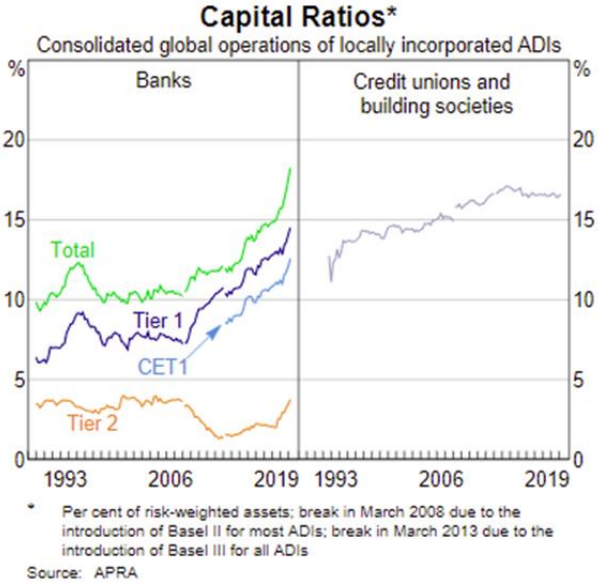
We remain supportive of the regional and unrated ADI sector (and have been even throughout the GFC period). They continue to remain solid, incorporate strong balance sheets, while exhibiting high levels of capital – typically, much higher compared to the higher rated ADIs. Some unrated ADIs have up to 25-40% more capital than the domestic major banks, and well above the Basel III requirements.

APRA's Chairman affirmed that the banks had satisfactorily moved towards an '*unquestionably strong*' capital position and that bank's stress testing contingency plans were now far better positioned that was previously the case years ago. ***RBA Governor Lowe has commented that they have not seen any signs of stress in the financial system and that unlike during the GFC, the banks now have cash, are well capitalised and are acting as "shock absorbers" in the current crisis***.

Overall, the lower rated ADIs (BBB and unrated) are generally now in a better financial position then they have been historically (see the Capital Ratio figure below). We believe that deposit investments with the lower rated ADIs should be continued going forward, particularly when they offer 'above market' specials. Not only would it diversify the investment portfolio and reduce credit risk, it would also improve the portfolio's overall returns.

In the current environment of high regulation and scrutiny, all domestic ADIs continue to carry high levels of capital, particularly amongst the lower ("BBB") and unrated ADIs. There is minimal (if any) probability of any ADI defaulting on their deposits going forward – this was stress tested during the GFC. **APRA's mandate is to "*protect depositors*" and provide "*financial stability*".**

The biggest single risk that depositors face in the current low interest rate environment is not capital or credit risk, but reinvestment risk. <u>Interest rates are now at their effective lower bound of 0.10%.</u>



Credit Quality

The portfolio remains well diversified from a credit ratings perspective, with all assets classified as investment grade (rated BBB- or higher).

From a ratings perspective, the BBB (and unrated) banks now generally dominate the number of ADIs issuing deposits within the investment grade space.

However, given most banks are fully liquid during the current pandemic, most of the "BBB" rated and Unrated ADIs are currently not seeking wholesale funding. As such, in the interim, we could see a shift towards a larger proportion of assets being directed towards the higher rated ADIs given the lack of appetite amongst the lower rated ADIs.

As at the end of July 2021, all categories were within the Policy limits:

Compliant	Credit Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	AA Category	$61,299,089	51.77%	100%	$57,114,090
✓	A Category	$30,266,720	25.56%	60%	$40,781,187
✓	BBB Category	$26,847,370	22.67%	35%	$14,597,243
✓	Unrated ADIs	$0	0.00%	10%	$11,841,318
		$118,413,179	**100.00%**		

IMPERIUM MARKETS

Performance

Council's performance for the month ending 31 July 2021 is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year	2 years
Official Cash Rate	0.01%	0.03%	0.05%	0.01%	0.14%	0.36%
AusBond Bank Bill Index	0.00%	0.01%	0.01%	0.00%	0.05%	0.39%
Council's T/D Portfolio	0.12%	0.36%	0.71%	0.12%	1.52%	1.83%
Council's FRN Portfolio	0.08%	0.25%	0.82%	0.08%	1.37%	1.74%
Council's Bond Portfolio	0.08%	0.24%	0.48%	0.08%	-	-
Council's Portfolio^	**0.11%**	**0.34%**	**0.71%**	**0.11%**	**1.48%**	**1.80%**
Outperformance	**0.11%**	**0.33%**	**0.70%**	**0.11%**	**1.43%**	**1.41%**

^Total portfolio performance excludes Council's cash account holdings. Overall returns would be lower if cash was included.

Performance (% p.a.)	1 month	3 months	6 months	FYTD	1 year	2 years
Official Cash Rate	0.10%	0.10%	0.10%	0.10%	0.14%	0.36%
AusBond Bank Bill Index	0.04%	0.04%	0.03%	0.04%	0.05%	0.39%
Council's T/D Portfolio	1.40%	1.42%	1.45%	1.40%	1.52%	1.83%
Council's FRN Portfolio	0.99%	1.00%	1.66%	0.99%	1.37%	1.74%
Council's Bond Portfolio	0.95%	0.96%	0.98%	0.95%	-	-
Council's Portfolio^	**1.34%**	**1.36%**	**1.43%**	**1.34%**	**1.48%**	**1.80%**
Outperformance	**1.30%**	**1.32%**	**1.40%**	**1.30%**	**1.43%**	**1.41%**

^Total portfolio performance excludes Council's cash account holdings. Overall returns would be lower if cash was included.

For the month of July, the total investment portfolio (excluding cash) provided a strong return of +0.11% (actual) or +1.34% p.a. (annualised), outperforming the benchmark AusBond Bank Bill Index return of +0.00% (actual) or +0.04% p.a. (annualised). The strong performance continues to be driven by the handful of the longer-dated deposits that were locked-in prior to the RBA's rate cuts, as well as the FRNs locked in at attractive margins.

Over the past 12 months, the total portfolio (excluding cash) returned an outstanding +1.48% p.a., outperforming bank bills by 1.43% p.a. This has been very strong given deposit rates reached their all-time lows and credit margins have generally contracted over the past 3 years.

We note most of the high-yielding deposits are fast maturing and will be reinvested at lower prevailing rates. With deposit margins tightening over the past few years, the FRN portfolio's performance has narrowed the gap compared to term deposits, although this is likely to reverse following the multiple interest rate cuts over the past year.

<u>We are pleased that North Sydney Council remains amongst the best performing Councils in the state of NSW where deposits are concerned (as per our May 2021 Council Rankings), earning around $294,000 in additional interest income versus the average NSW Council</u>. We have been pro-active in our advice about protecting interest income and addressing reinvestment risk for many years and encouraged to maintain a long duration position. This is now reflected by the high performance of the investment portfolio. Of the 28 individual deposits North Sydney Council held, 14 are still yielding higher than 1.50% p.a. That is, around half of the outstanding deposits held are currently earning more than the highest rate available in the market from any rated bank out to 5 years.

<u>Council's Term Deposit Portfolio & Recommendation</u>

As at the end of July 2021, Council's deposit portfolio was yielding an **attractive 1.39% p.a.** (down 2bp from the previous month), with an average duration of around 558 days (~1½ years). We recommend Council extends this average duration. In the low interest rate environment, the biggest collective risk that the local government sector has faced over the post-GFC era has been the dramatic fall in interest rates - from 7¼% to the historical low levels of 0.10%.

As the past decade has highlighted (post-GFC era), we have seen too many portfolios' roll a high proportion of their deposits between 3-6 months, resulting in their deposits being reinvested at lower prevailing rates. That is, depositors have overpaid for liquidity and generally not insured themselves against the low interest rate environment by diversify their funding across various tenors (out to 5 years) but rather placed all their 'eggs in one basket' and kept all their deposits short. **Reinvestment risk has collectively been and continues to be the biggest detriment to depositors' interest income over the post-GFC period**.

At the time of writing, we see value in:

ADI	LT Credit Rating	Term	T/D Rate
ICBC, Sydney	A	5 years	1.32% p.a.
NAB	AA-	5 years	1.15% p.a.
ICBC, Sydney	A	4 years	1.10% p.a.
BoQ	BBB+	4 years	1.00% p.a.
NAB	AA-	4 years	0.95% p.a.
ICBC, Sydney	A	3 years	0.90% p.a.
AMP Bank	BBB	3 years	0.80% p.a.^
BoQ	BBB+	3 years	0.80% p.a.
AMP Bank	BBB	2 years	0.75% p.a.^
NAB	AA-	3 years	0.70% p.a.
ICBC, Sydney	A	2 years	0.69% p.a.
NAB	AA-	2 years	0.60% p.a.

^ AMP T/Ds – contact us to receive an additional 0.20% p.a. rebated commission on top of the rate shown above

The above deposits are suitable for investors looking to provide some income protection and mitigate reinvestment/rollover risk in the low interest rate environment.

For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (dependent on daily funding requirements):

ADI	LT Credit Rating	Term	T/D Rate
AMP Bank	BBB	11-12 months	0.75% p.a.^
ME Bank	BBB+	6-12 months	~0.50% p.a.
BoQ	BBB+	9-12 months	0.45% p.a.
CBA	AA-	12 months	~0.40% p.a.
NAB	AA-	12 months	0.35% p.a.
Bendigo-Adelaide	BBB+	9-12 months	0.35% p.a.

^ AMP T/Ds – contact us to receive an additional 0.20% p.a. rebated commission on top of the rate shown above

Amongst the investment grade sector, short-dated term deposits (maturing less than 12 months) are yielding under 0.50% p.a. (most are under 0.40% p.a.). We believe there is not much value being offered in short-dated deposits.

In contrast, there is an upward pick-up in yield for investors that can take advantage of 2-5 year fixed T/Ds whilst official rates are stuck at depressed levels at least for the next two to three years. For those investors that do not require high levels of liquidity and can stagger their investments longer-term, they will be rewarded over coming years if they roll for a minimum term of 2 years (we note some investors tend to roll for 3-5 years), potentially yielding, on average, more than double the return compared to those investors that purely invest in short-dated deposits.

Senior FRNs Review

Over July, amongst the senior major bank FRNs, physical credit securities tightened by around 3-4bp at the long-end of the curve. Secondary market securities remain tight on a historical basis on the back of the RBA announcing it will continue it QE program, albeit tapered to $4bn a week, from $5bn, with the pace to be maintained until at least mid-November 2021. The RBA will maintain the 80/20 split between CGS and Semis. There are talks however that the RBA may reverse their decision on tapering due to the ongoing outbreak and extended lockdown in Sydney.

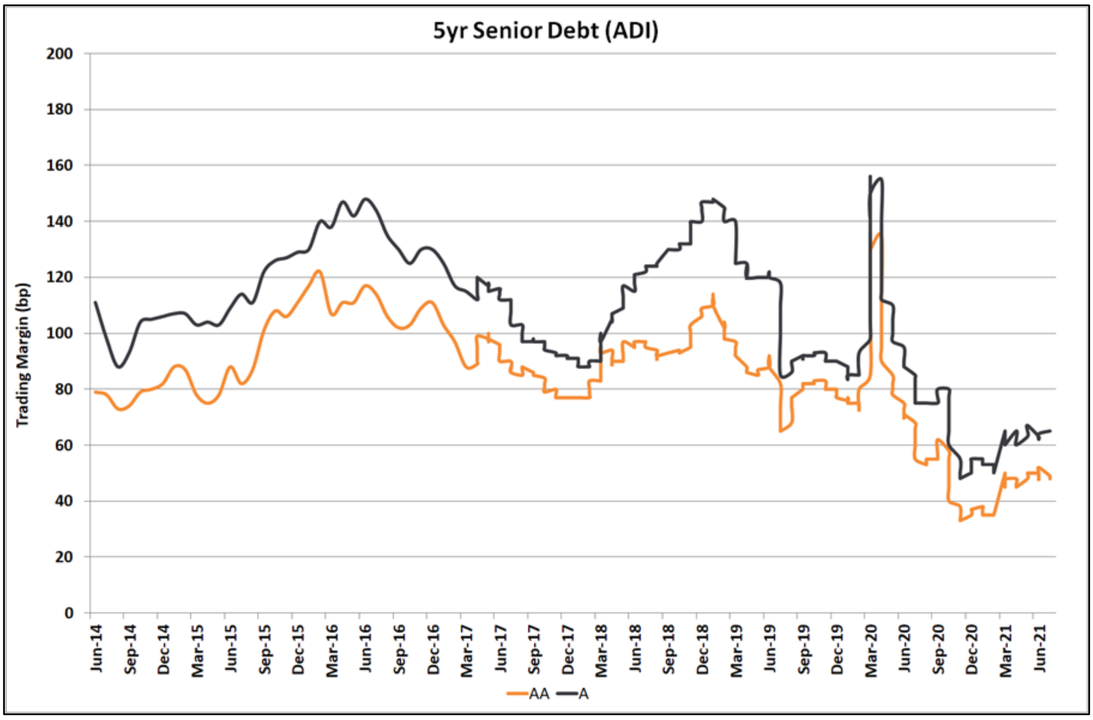
A new 5 year senior major bank FRN would now be issued around the +48bp, which remains tight on a historical basis. We may finally see some primary issuances in Q3-Q4 this year from the major banks after the RBA's term funding facility (TFF) ended in June. The lack of supply from new (primary) issuances has played a major role with the rally in credit markets over the past year.

Amongst the "A" and "BBB" rated sector, the securities were also marked around 2-4bp tighter at the long-end of the curve, with minimal volumes again being offered in the primary market during July. While turnover in the secondary market is still predominately dominated by commonwealth, semi-government and major bank senior paper, given the lack of supply, we have started to observe that even a handful of regional bank senior paper has sometimes been trading inside "mid" levels over recent months.

Credit securities remain tight on a historical level but are looking slightly more attractive following the widening experienced since the start of the calendar year. FRNs will continue to play a role in investor's portfolios mainly on the basis of their liquidity and the ability to roll down the curve and gross up returns over ensuing years (in a relatively stable credit environment).

Senior FRNs (ADIs)	31/07/2021	30/06/2021
"AA" rated – 5yrs	+48bp	+52bp
"AA" rated – 3yrs	+22bp	+25bp
"A" rated – 5yrs	+65bp	+64bp
"A" rated – 3yrs	+40bp	+42bp
"BBB" rated – 3yrs	+48bp	+52bp

Source: IBS Capital



Source: IBS Capital

We now generally **recommend switches** ('benchmark' issues only) into new attractive primary issues (or longer-dated alternatives), out of the following senior FRNs that are maturing:

- **On or before mid-2024 for the "AA" rated ADIs (domestic major banks)**;
- On or before mid-2022 for the "A" rated ADIs; and
- Within 12 months for the "BBB" rated ADIs (consider case by case).

Investors holding onto the above senior FRNs ('benchmark' issues only) in their last 1-2 years are now generally holding sub-optimal investments and are not maximising returns by foregoing realised capital gains. In the current low interest rate environment, any boost in overall returns should be locked in when it is advantageous to do so.

Council's Senior FRNs Sale/Switch Recommendations

Over the next few months, we recommend Council sells out of the following FRNs given yielding a low rate of return, if held to maturity (less than 0.3% p.a.):

- $1.25m ME Bank (BBB) FRN maturing 18/07/2022 (ISIN: AU3FN0048948) – trading margin at **+14.0bp** or capital price of $100.81 (capital gain **~$10,000**);
- $2.00m NAB (AA-) FRN maturing 19/06/2024 (ISIN: AU3FN0048724) – trading margin at **+19.0bp** or capital price of $102.09 (capital gain **~$42,000**).

The above sales would result in capital gains totalling **$52,000.** Council can easily switch into a higher yielding complying asset which is returning much higher than 0.30% p.a., namely 2-5 year fixed term deposits or fixed bonds.

Senior Bonds

During October 2020, Council placed two parcels of $3m (totalling $6m) with the Northern Territory Treasury Corporation (NTTC), locking in yields of 0.90% p.a. and 1.00% p.a. for a 4 and 5 year term respectively. Council received the full rebated commission of 0.25% on the total face value of investments (i.e. $15,000) in mid-November 2020 as it was introduced by Imperium Markets. We believe this was prudent given the low rate environment.

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.

Senior Bonds - Northern Territory Treasury Corporation (NTTC)

We are aware of the following senior retail bond offering from Northern Territory Treasury Corporation (NTTC) effective 1st July 2021:

Maturity Date	Rate % p.a.^	Interest Paid
15/12/2022	0.40%	Annually
15/12/2023	0.60%	Annually
15/12/2024	1.00%	Annually
15/12/2025	1.20%	Annually
15/12/2026	1.50%	Annually

^^The rates offered in the above table can be reviewed and changed at any time from Treasury. The rate for broker sponsored applications will be dropped by 0.20% p.a. effective 1 October 2020.

Any investor interested in this product should avoid placing through the broker channel and contact Imperium Markets to receive the full commission of 0.25% (plus GST) on the face value of the investment, in the form of an additional rebate. If placed through the brokers, they are likely to keep the 0.25% commission (on the face value of the investment).

Overview	Description
Issuer	Northern Territory Government
Credit Rating	Aa3 (Moody's), which is AA- equivalent (S&P)
Type	Fixed senior (retail) bonds
Program	Territory Bonds Issue 111
Date for applications	**01/07/2021 – 30/11/2021**
Liquidity	Weekly redemptions available, subject to the prevailing market rate and administration costs^^

^^ Note given this is a retail bond offering (min. parcel size of $5,000), for wholesale investors, we would not consider this to be a liquid investment (the largest redemptions to date have only been $200-$300k).

The product should be viewed as a hold-to-maturity product, noting there are significant penalty costs including admin fees, the prevailing market interest rate, and factors in any associate commissions that were previously paid. Given the longer-term outlook for official interest rates, **any investor with capacity should consider placing a small parcel (up to $5m) in the 15/12/2024, 15/12/2025 and 15/12/2026 maturities through Imperium Markets** to receive an effectively higher rate, once factoring in the rebated commission.

Economic Commentary

International Market

Global financial markets remained cautious with the surge in infections occurring in developed markets despite high levels of vaccination, underscoring that fully vaccinated people while being protected from severe cases and hospitalisation, can still transmit the virus.

US equity markets continued to surpass their all-time highs after strong earnings swept away any Delta concerns with up to 90% of companies beating expectations. The base case in the US is that the rise in Delta infections will not see restrictions tightened.

In the US, the S&P 500 Index gained +2.27%, while the tech-heavy NASDAQ Index added +1.16%. Equities were mixed across Europe's main indices, with gains led by France's CAC (+1.61%) and Germany's DAX (+0.09%). UK's FTSE fell -0.07% over the month.

The US unemployment rate rose to 5.9% in June (from 5.8% in May), driven by lower participation. Overall the level of payrolls is still 6.8 million below pre-pandemic February 2020 levels and is still below the level of substantial progress needed by the US Fed to lift rates or start tapering QE.

The US CPI print for both headline and core jumped +0.9% m/m in June. The annual rates which are being impacted by base effects were also much stronger than expected with **core at +4.5% y/y and headline at +5.4% y/y**.

The ECB dropped its 18-year, ambiguous "*below, but close to 2%*" goal for a simple "*2% over the medium-term*" option inflation target. ECB President Lagarde said their current €1.85 trillion bond-buying plan will run "*at least*" until March 2022 and then likely be followed by a "*transition into a new format*".

In mid-July, UK Prime Minister Johnson confirmed "Freedom Day", from which all COVID-related restrictions on UK citizens were no longer mandatory. **UK CPI surprised on the upside for the second month running, with core inflation now running above target, at +2.3%**.

The Bank of Canada delivered its Monetary Policy Report, keeping its cash rate unchanged at 0.25%, and tapering its bond buying from $3b/week to $2b/week. The average of Canada's three core inflation measures is running at 2.3%, above its 2% target.

The MSCI World ex-Aus Index rose +1.79% for the month of July:

Index	1m	3m	1yr	3yr	5yr	10yr
S&P 500 Index	+2.27%	+5.12%	+34.37%	+15.99%	+15.12%	+13.02%
MSCI World ex-AUS	+1.79%	+4.54%	+33.27%	+12.74%	+12.44%	+9.17%
S&P ASX 200 Accum. Index	+1.10%	+5.80%	+28.56%	+9.48%	+10.05%	+9.83%

Source: S&P, MSCI

Domestic Market

The RBA made three important decisions on policy in its July meeting. **The QE program was tapered to $4bn a week, from $5bn**, with the pace to be maintained until at least mid-November 2021. **The 3yr yield curve control (YCC) target was not extended**. Their updated forward guidance on the cash rate opens the possibility of rate hikes earlier than 2024, noting "***the Bank's central scenario for the economy is that this condition will not be met before 2024***".

Sydney's lockdown was extended to at least the end of August. Fiscal support was announced, with businesses having a turnover of up to $250 million and experiencing a 30% reduction in turnover will receive each week 40% of their state payroll payments, based on the 2020-21 average, at a minimum of $1,500 and capped at $10,000 per week. There were temporary lockdowns in multiple other states (VIC and SA) during July, albeit not as severe as NSW.

Headline employment was +29k in June after May's strong +115.2k, and the level of employment is now 1.2% above pre-pandemic February 2020 levels. **The unemployment rate fell to 4.9% from 5.1%** and is at its lowest level since December 2010.

Q2 headline inflation grew strongly at +0.8% q/q, taking the annual rate to +3.8%, on base effects from free childcare in Q2 2020, which should start to fall back next quarter. **The RBA's preferred trimmed-mean measure rose +0.5% q/q and +1.6% y/y**.

The trade surplus increased by $1.5bn to $9.7bn, with the rise almost entirely driven by record high iron ore exports with 'metal ores and mineral' exports lifting +11% (or $1.8bn) to $18.0bn.

APRA announced it would again provide regulatory relief for banks offering temporary assistance to COVID-19 impacted borrowers.

During the month, the domestic equity market swept aside the extended lockdowns in Sydney, with the S&P ASX 200 Index surpassing new highs, on the prospects of the RBA extending its stimulus program and keeping rates lower for longer.

The Australian dollar fell -1.82%, finishing the month at US73.81 cents (from US75.18 cents the previous month).

Credit Market

The main global credit indices remained flat over July, while the Australian iTraxx widened on the extension of the lockdown in Greater Sydney. The indices now trade back to their levels experienced in late 2020:

Index	July 2021	June 2021
CDX North American 5yr CDS	50bp	48bp
iTraxx Europe 5yr CDS	47bp	47bp
iTraxx Australia 5yr CDS	63bp	58bp

Source: Markit

Fixed Interest Review

Benchmark Index Returns

Index	July 2021	June 2021
Bloomberg AusBond Bank Bill Index (0+YR)	+0.00%	+0.00%
Bloomberg AusBond Composite Bond Index (0+YR)	+1.76%	+0.69%
Bloomberg AusBond Credit FRN Index (0+YR)	+0.11%	+0.08%
Bloomberg AusBond Credit Index (0+YR)	+1.00%	+0.33%
Bloomberg AusBond Treasury Index (0+YR)	+2.01%	+0.99%
Bloomberg AusBond Inflation Gov't Index (0+YR)	+2.70%	+0.79%

Source: Bloomberg

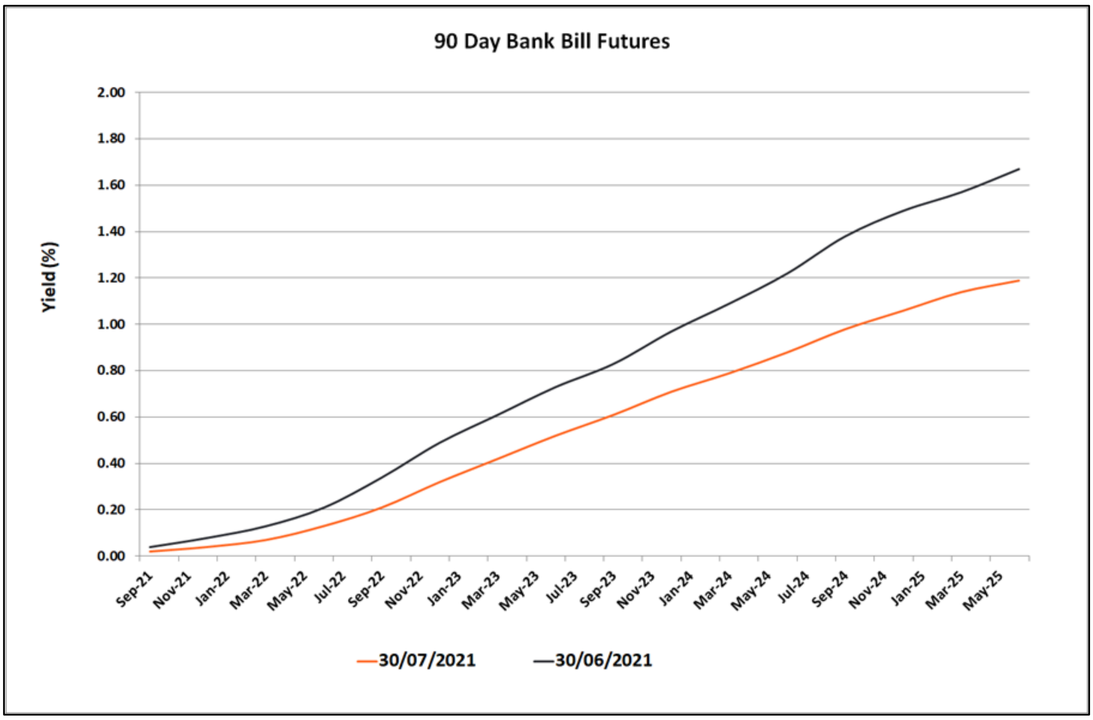
Other Key Rates

Index	July 2021	June 2021
RBA Official Cash Rate	0.10%	0.10%
90 Day (3 month) BBSW Rate	0.02%	0.03%
3yr Australian Government Bonds	0.12%	0.20%
10yr Australian Government Bonds	1.15%	1.49%
US Fed Funds Rate	0.00%-0.25%	0.00%-0.25%
10yr US Treasury Bonds	1.24%	1.45%

Source: RBA, AFMA, US Department of Treasury

90 Day Bill Futures

Over July, bill futures fell across the board, primarily driven by the extended lockdown in Greater Sydney. Overall, bill futures continue to depict a low rate environment over the long-run, despite the steeping curve in recent months:



Source: ASX

Fixed Interest Outlook

Delta variant concerns have persisted, resulting in global bond yields to drift significantly lower. Adding to the downward pressure on bond yields has been that global central banks have maintained their dovish stance, pushing back on the market's concerns surrounding rising inflationary pressures. Central banks have continued to dismiss the current and expected rise of inflation as 'transitory', citing deep scars from the pandemic that are at work to add to the pre-existing structural downward pressures on inflation.

US Fed Chair Powell reiterated the economic recovery still has not progressed enough to begin QE tapering. The US economy is travelling in the right direction, but the standard of substantial progress is far away and is not within sight.

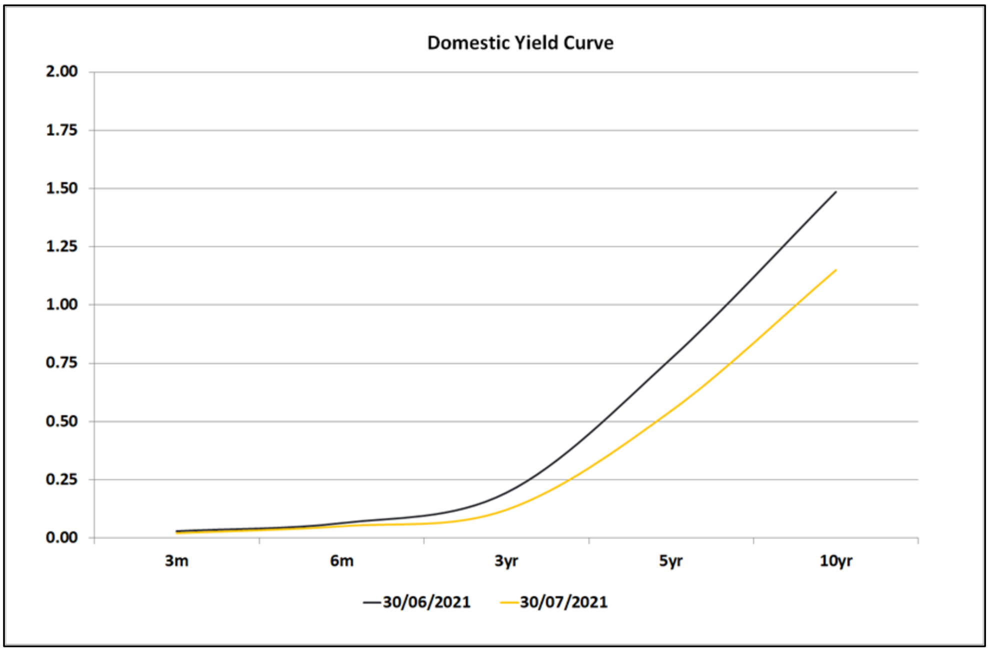
In Australia, sporadic outbreaks are likely to be controlled via short-lived restrictions until the vaccination rate lifts substantially, with a target set between 70-80%. The RBA has factored in these snap lockdowns as part of their economic projections. Conceivably, the RBA's base case scenario does not see rate hikes until 2024 (conditions for an official rate rise "***will not be met until 2024***"), while their upside scenario is consistent with rate hikes in 2023, dependent on the flow of ongoing economic data.

They would like to see the following three economic indicators improve before they even consider increasing interest rates:

1. The unemployment rate to drop to around 4.5% (currently it sits at 4.9% and has not been below 4.5% since 2008);
2. "*Until actual (underlying) inflation is sustainably within the 2-3% target range*" (it has not been within their target band for the past 5 years); and
3. Wage growth to surpass +3% (it has not been above this level for the past 8 years).

Governor Lowe has remained relatively dovish with his comments, indicating an earlier rate hike prior to 2024 would require "*strong, unequivocal evidence that the pick-up in the economy is translating into wages growth and inflation is sustainably higher*".

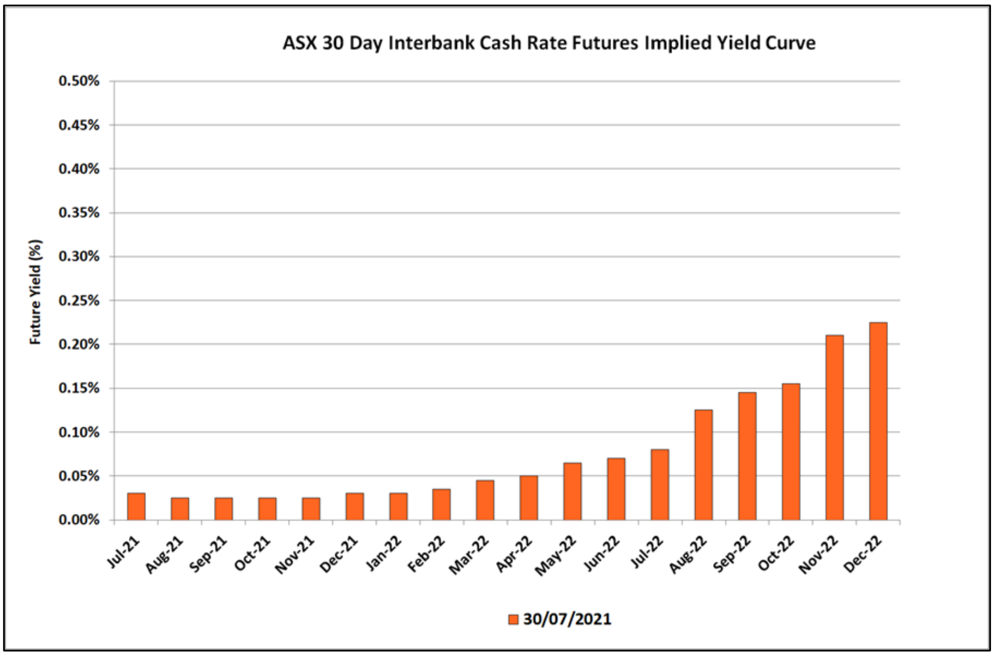
The domestic bond market continues to suggest a prolonged low period of interest rates. Over the month, yields fell up to 34bp at the long-end of the curve:



Source: AFMA, ASX, RBA

RBA Deputy Governor Debelle reiterated that the RBA would be looking for actual, rather than forecast wages growth and inflation when deliberating on monetary policy. Their current forward guidance remains poised for a rate hike in 2024 at the earliest.

The market has somewhat pushed back the 15bp rate hike factored in by the end of 2022 last month:



Source: ASX

Disclaimer

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Investment Report

01/07/2021 to 31/07/2021

Portfolio Valuation as at 31/07/2021

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Rate	Value	Accrued	Accrued MTD
NAB	AA-	TD	GENERAL	At Maturity	31/08/2020	31/08/2021	0.8000	4,000,000.00	29,369.86	2,717.81
NAB	AA-	TD	GENERAL	At Maturity	31/08/2020	31/08/2021	0.8000	3,000,000.00	22,027.40	2,038.36
Auswide Bank	BBB	TD	GENERAL	At Maturity	05/09/2019	06/09/2021	1.8000	3,000,000.00	102,969.86	4,586.30
Auswide Bank	BBB	TD	GENERAL	Annual	15/10/2019	15/10/2021	1.6500	2,000,000.00	26,219.18	2,802.74
Westpac	AA-	TD	GENERAL	Quarterly	31/10/2019	29/10/2021	1.6100	6,000,000.00	529.32	529.32
Auswide Bank	BBB	TD	GENERAL	At Maturity	31/10/2019	29/10/2021	1.6500	1,000,000.00	28,931.51	1,401.37
Nexus Mutual	BBB	TD	GENERAL	Annual	29/11/2019	29/11/2021	1.8000	3,000,000.00	36,098.63	4,586.30
Auswide Bank	BBB	TD	GENERAL	At Maturity	29/11/2019	29/11/2021	1.7000	1,000,000.00	28,457.53	1,443.84
ING Direct	A	TD	GENERAL	Annual	21/01/2020	21/01/2022	1.6500	4,000,000.00	34,717.81	5,605.48
ING Direct	A	TD	GENERAL	Annual	17/02/2020	17/02/2022	1.6000	6,000,000.00	43,397.26	8,153.42
ING Direct	A	TD	GENERAL	Annual	28/02/2020	28/02/2022	1.6000	1,000,000.00	6,838.36	1,358.90
ING Direct	A	TD	GENERAL	Annual	02/03/2020	02/03/2022	1.5000	4,000,000.00	24,986.30	5,095.89
Members Equity Bank	BBB+	FRN	GENERAL	Quarterly	18/07/2019	18/07/2022	1.0052	1,260,100.00	447.52	447.52
Auswide Bank	BBB	TD	GENERAL	At Maturity	12/08/2019	12/08/2022	1.9500	3,000,000.00	115,397.26	4,968.49
AMP Bank	BBB	TD	GENERAL	Annual	31/08/2020	31/08/2022	0.8000	3,000,000.00	22,027.40	2,038.36
Westpac	AA-	FRTD	GENERAL	Quarterly	31/08/2017	31/08/2022	1.0860	2,000,000.00	3,689.42	1,844.71
Westpac	AA-	FRTD	GENERAL	Quarterly	31/08/2017	31/08/2022	1.0860	2,000,000.00	3,689.42	1,844.71
Westpac	AA-	FRTD	GENERAL	Quarterly	18/09/2017	19/09/2022	1.0213	2,000,000.00	2,462.31	1,734.81

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Rate	Value	Accrued	Accrued MTD
BOQ	BBB+	TD	GENERAL	Annual	06/09/2019	06/09/2023	1.9000	2,000,000.00	34,147.95	3,227.40
BOQ	BBB+	TD	GENERAL	Annual	21/01/2020	22/01/2024	1.9500	2,000,000.00	20,515.07	3,312.33
NAB	AA-	FRN	GENERAL	Quarterly	19/06/2019	19/06/2024	0.9481	2,041,924.00	2,129.98	1,610.47
Suncorp	A+	FRN	GENERAL	Quarterly	30/07/2019	30/07/2024	0.8005	1,266,720.00	54.83	54.83
BOQ	BBB+	TD	GENERAL	Annual	29/10/2020	29/10/2024	0.9500	3,000,000.00	21,550.68	2,420.55
ICBC Sydney Branch	A	TD	GENERAL	Annual	10/11/2020	11/11/2024	1.0800	2,000,000.00	15,623.01	1,834.52
Northern Territory Treasury	AA-	BOND	GENERAL	Annual	30/10/2020	16/12/2024	0.9000	3,000,000.00	16,939.73	2,293.15
Newcastle Permanent	BBB	FRN	GENERAL	Quarterly	04/02/2020	04/02/2025	1.1620	1,428,543.20	3,966.72	1,381.67
ICBC Sydney Branch	A	TD	GENERAL	Annual	23/02/2021	24/02/2025	1.2000	2,000,000.00	10,454.79	2,038.36
BOQ	BBB+	TD	GENERAL	Annual	28/02/2020	28/02/2025	2.0000	1,000,000.00	8,547.95	1,698.63
ICBC Sydney Branch	A	TD	GENERAL	Annual	29/07/2021	29/07/2025	1.1000	2,000,000.00	180.82	180.82
NAB	AA-	TD	GENERAL	Annual	30/10/2020	29/10/2025	0.9600	2,000,000.00	14,465.75	1,630.68
ICBC Sydney Branch	A	TD	GENERAL	Annual	10/11/2020	10/11/2025	1.2500	4,000,000.00	36,164.38	4,246.58
ICBC Sydney Branch	A	TD	GENERAL	Annual	11/12/2020	11/12/2025	1.2000	2,000,000.00	15,320.55	2,038.36
Northern Territory Treasury	AA-	BOND	GENERAL	Annual	29/10/2020	15/12/2025	1.0000	3,000,000.00	18,821.92	2,547.95
ICBC Sydney Branch	A	TD	GENERAL	Annual	23/02/2021	23/02/2026	1.4500	2,000,000.00	12,632.88	2,463.01
Commonwealth Bank	AA-	CASH	GENERAL	Monthly	31/07/2021	31/07/2021	0.0000	32,257,164.89	-	-
AMP Bank	BBB	CASH	GENERAL	Monthly	31/07/2021	31/07/2021	0.5500	158,726.87	74.15	74.15
TOTALS								**118,413,178.96**	**763,847.50**	**86,251.77**

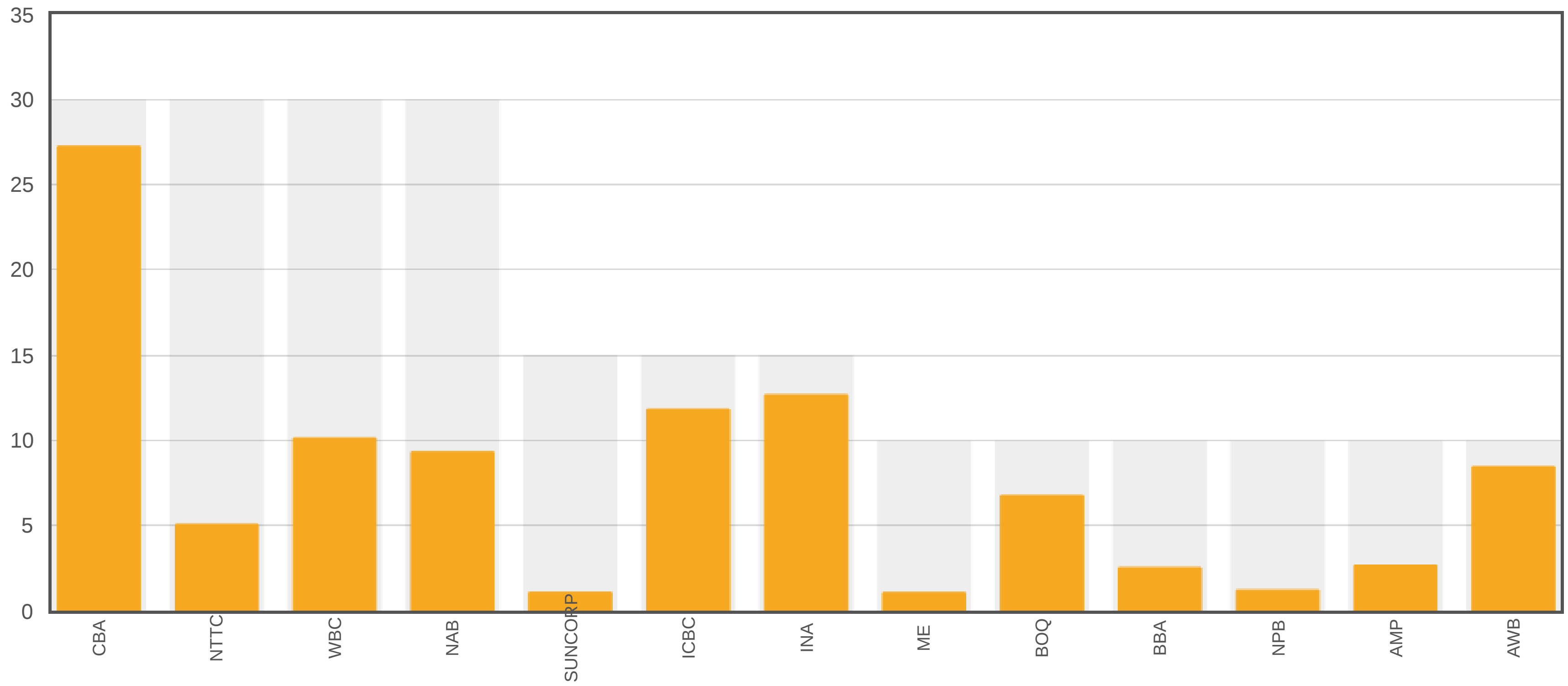
Counterparty Compliance as at 31/07/2021

Long Term Investments

Compliant	Bank Group	Term	Rating	Invested	Invested (%)	Limit (%)	Limit ($)	Available
✔	Commonwealth Bank	Long	AA-	32,257,164.89	27.24	30.00	-	3,266,788.80
✔	Northern Territory Treasury	Long	AA-	6,000,000.00	5.07	30.00	-	29,523,953.69
✔	Westpac	Long	AA-	12,000,000.00	10.13	30.00	-	23,523,953.69
✔	NAB	Long	AA-	11,041,924.00	9.32	30.00	-	24,482,029.69
✔	Suncorp	Long	A+	1,266,720.00	1.07	15.00	-	16,495,256.84
✔	ICBC Sydney Branch	Long	A	14,000,000.00	11.82	15.00	-	3,761,976.84
✔	ING Direct	Long	A	15,000,000.00	12.67	15.00	-	2,761,976.84
✔	Members Equity Bank	Long	BBB+	1,260,100.00	1.06	10.00	-	10,581,217.90
✔	BOQ	Long	BBB+	8,000,000.00	6.76	10.00	-	3,841,317.90
✔	Beyond Bank	Long	BBB	3,000,000.00	2.53	10.00	-	8,841,317.90
✔	Newcastle Permanent	Long	BBB	1,428,543.20	1.21	10.00	-	10,412,774.70
✔	AMP Bank	Long	BBB	3,158,726.87	2.67	10.00	-	8,682,591.03
✔	Auswide Bank	Long	BBB	10,000,000.00	8.45	10.00	-	1,841,317.90

Compliant	Bank Group	Term	Rating	Invested	Invested (%)	Limit (%)	Limit ($)	Available
TOTALS				**118,413,178.96**	**100.00**			

Counterparty Compliance - Long Term Investments

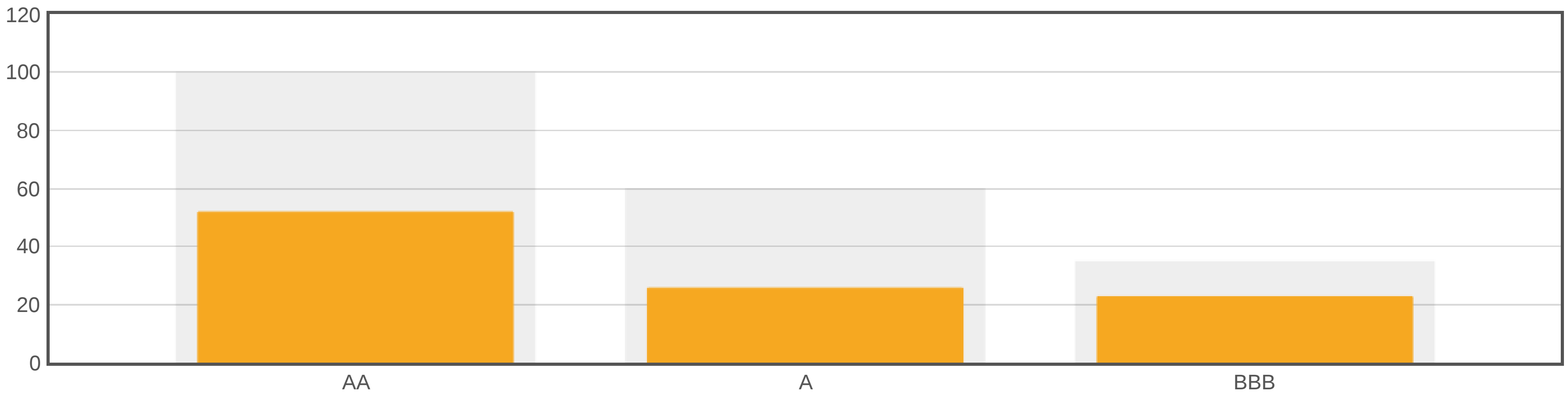


Credit Quality Compliance as at 31/07/2021

Long Term Investments

Compliant	Rating	Invested ($)	Invested (%)	Limit (%)	Available
✔	AA	61,299,088.89	51.77	100.00	57,114,090.07
✔	A	30,266,720.00	25.56	60.00	40,781,187.38
✔	BBB	26,847,370.07	22.67	35.00	14,597,242.57
TOTALS		**118,413,178.96**	**100.00**		

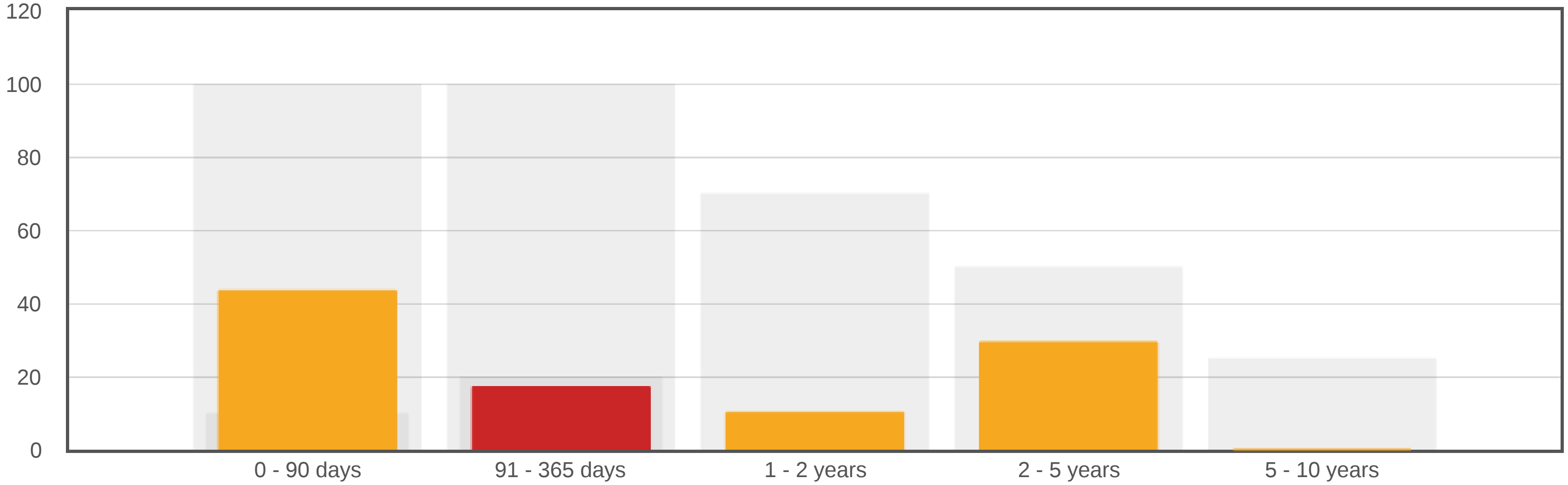
Credit Quality Compliance - Long Term Investments



Maturity Compliance as at 31/07/2021

Compliant	Term	Invested	Invested (%)	Min Limit (%)	Max Limit (%)	Available
✔	0 - 90 days	51,415,891.76	43.42	10.00	100.00	66,997,287.20
✖	91 - 365 days	20,260,100.00	17.11	20.00	100.00	98,153,078.96
✔	1 - 2 years	12,000,000.00	10.13	0.00	70.00	70,889,225.27
✔	2 - 5 years	34,737,187.20	29.34	0.00	50.00	24,469,402.28
✔	5 - 10 years	-	0.00	0.00	25.00	29,603,294.74
TOTALS		**118,413,178.96**	**100.00**			

Maturity Compliance



Portfolio Comparison

From: 30/06/2021 To: 31/07/2021

Issuer	Rating	Type	Rate	Purchase	Maturity	Interest	30/06/2021	31/07/2021	Difference
Members Equity Bank	BBB	TD	1.8000	29/07/2019	29/07/2021	Annual	2,000,000.00	-	-2,000,000.00
NAB	AA-	TD	0.8000	31/08/2020	31/08/2021	At Maturity	4,000,000.00	4,000,000.00	-
NAB	AA-	TD	0.8000	31/08/2020	31/08/2021	At Maturity	3,000,000.00	3,000,000.00	-
Auswide Bank	BBB	TD	1.8000	05/09/2019	06/09/2021	At Maturity	3,000,000.00	3,000,000.00	-
Auswide Bank	BBB	TD	1.6500	15/10/2019	15/10/2021	Annual	2,000,000.00	2,000,000.00	-
Auswide Bank	BBB	TD	1.6500	31/10/2019	29/10/2021	At Maturity	1,000,000.00	1,000,000.00	-
Westpac	AA-	TD	1.6100	31/10/2019	29/10/2021	Quarterly	6,000,000.00	6,000,000.00	-
Nexus Mutual	BBB	TD	1.8000	29/11/2019	29/11/2021	Annual	3,000,000.00	3,000,000.00	-
Auswide Bank	BBB	TD	1.7000	29/11/2019	29/11/2021	At Maturity	1,000,000.00	1,000,000.00	-
ING Direct	A	TD	1.6500	21/01/2020	21/01/2022	Annual	4,000,000.00	4,000,000.00	-
ING Direct	A	TD	1.6000	17/02/2020	17/02/2022	Annual	6,000,000.00	6,000,000.00	-
ING Direct	A	TD	1.6000	28/02/2020	28/02/2022	Annual	1,000,000.00	1,000,000.00	-
ING Direct	A	TD	1.5000	02/03/2020	02/03/2022	Annual	4,000,000.00	4,000,000.00	-
Members Equity Bank	BBB	FRN	1.0241	18/07/2019	18/07/2022	Quarterly	1,260,327.50	1,260,100.00	-227.50
Auswide Bank	BBB	TD	1.9500	12/08/2019	12/08/2022	At Maturity	3,000,000.00	3,000,000.00	-
AMP Bank	BBB	TD	0.8000	31/08/2020	31/08/2022	Annual	3,000,000.00	3,000,000.00	-
Westpac	AA-	FRTD	1.0860	31/08/2017	31/08/2022	Quarterly	2,000,000.00	2,000,000.00	-

Issuer	Rating	Type	Rate	Purchase	Maturity	Interest	30/06/2021	31/07/2021	Difference
Westpac	AA-	FRTD	1.0860	31/08/2017	31/08/2022	Quarterly	2,000,000.00	2,000,000.00	-
Westpac	AA-	FRTD	1.0213	18/09/2017	19/09/2022	Quarterly	2,000,000.00	2,000,000.00	-
BOQ	BBB+	TD	1.9000	06/09/2019	06/09/2023	Annual	2,000,000.00	2,000,000.00	-
BOQ	BBB+	TD	1.9500	21/01/2020	22/01/2024	Annual	2,000,000.00	2,000,000.00	-
NAB	AA-	FRN	0.9481	19/06/2019	19/06/2024	Quarterly	2,039,938.00	2,041,924.00	1,986.00
Suncorp	A+	FRN	0.8200	30/07/2019	30/07/2024	Quarterly	1,266,335.00	1,266,720.00	385.00
BOQ	BBB+	TD	0.9500	29/10/2020	29/10/2024	Annual	3,000,000.00	3,000,000.00	-
ICBC Sydney Branch	A	TD	1.0800	10/11/2020	11/11/2024	Annual	2,000,000.00	2,000,000.00	-
Northern Territory Treasury	AA-	BOND	0.9000	30/10/2020	16/12/2024	Annual	3,000,000.00	3,000,000.00	-
Newcastle Permanent	BBB	FRN	1.1620	04/02/2020	04/02/2025	Quarterly	1,428,058.80	1,428,543.20	484.40
ICBC Sydney Branch	A	TD	1.2000	23/02/2021	24/02/2025	Annual	2,000,000.00	2,000,000.00	-
BOQ	BBB+	TD	2.0000	28/02/2020	28/02/2025	Annual	1,000,000.00	1,000,000.00	-
ICBC Sydney Branch	A	TD	1.1000	29/07/2021	29/07/2025	Annual	-	2,000,000.00	2,000,000.00
NAB	AA-	TD	0.9600	30/10/2020	29/10/2025	Annual	2,000,000.00	2,000,000.00	-
ICBC Sydney Branch	A	TD	1.2500	10/11/2020	10/11/2025	Annual	4,000,000.00	4,000,000.00	-
ICBC Sydney Branch	A	TD	1.2000	11/12/2020	11/12/2025	Annual	2,000,000.00	2,000,000.00	-
Northern Territory Treasury	AA-	BOND	1.0000	29/10/2020	15/12/2025	Annual	3,000,000.00	3,000,000.00	-
ICBC Sydney Branch	A	TD	1.4500	23/02/2021	23/02/2026	Annual	2,000,000.00	2,000,000.00	-
Commonwealth Bank	AA-	CASH	0.0000	30/06/2021	30/06/2021	Monthly	24,913,348.99	32,257,164.89	7,343,815.90
AMP Bank	BBB	CASH	0.5500	30/06/2021	30/06/2021	Monthly	158,726.87	158,726.87	-

Issuer	Rating	Type	Rate	Purchase	Maturity	Interest	30/06/2021	31/07/2021	Difference
TOTALS							**111,066,735.16**	**118,413,178.96**	**7,346,443.80**

Trades in Period

From: 01/07/2021 To: 31/07/2021

New Trades

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Rate	Value	Ref
ICBC Sydney Branch	A	TD	GENERAL	Annual	29/07/2021	29/07/2025	1.1000	2,000,000.00	
TOTALS								**2,000,000.00**	

Sell Trades

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Sell	Rate	Value	Ref

No entries for this item

Matured Trades

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Rate	Value	Ref
Members Equity Bank	BBB+	TD	GENERAL	Annual	29/07/2019	29/07/2021	1.8000	2,000,000.00	
TOTALS								**2,000,000.00**	

Unrealised Gains / Losses as at 31/07/2021

Issuer	Rating	Type	Purchase	Maturity	Allocation	Cost	Value	Purchase	Current	Unrealised
Members Equity Bank	BBB+	FRN	18/07/2019	18/07/2022	GENERAL	1,250,000.00	1,260,100.00	100.0000	100.8080	10,100.00
NAB	AA-	FRN	19/06/2019	19/06/2024	GENERAL	2,000,000.00	2,041,924.00	100.0000	102.0962	41,924.00
Suncorp	A+	FRN	30/07/2019	30/07/2024	GENERAL	1,250,000.00	1,266,720.00	100.0000	101.3376	16,720.00
Northern Territory Treasury	AA-	BOND	30/10/2020	16/12/2024	GENERAL	3,000,000.00	3,000,000.00	100.0000	100.0000	-
Newcastle Permanent	BBB	FRN	04/02/2020	04/02/2025	GENERAL	1,400,000.00	1,428,543.20	100.0000	102.0388	28,543.20
Northern Territory Treasury	AA-	BOND	29/10/2020	15/12/2025	GENERAL	3,000,000.00	3,000,000.00	100.0000	100.0000	-
TOTALS						**11,900,000.00**	**11,997,287.20**			**97,287.20**

Interest Received in Period

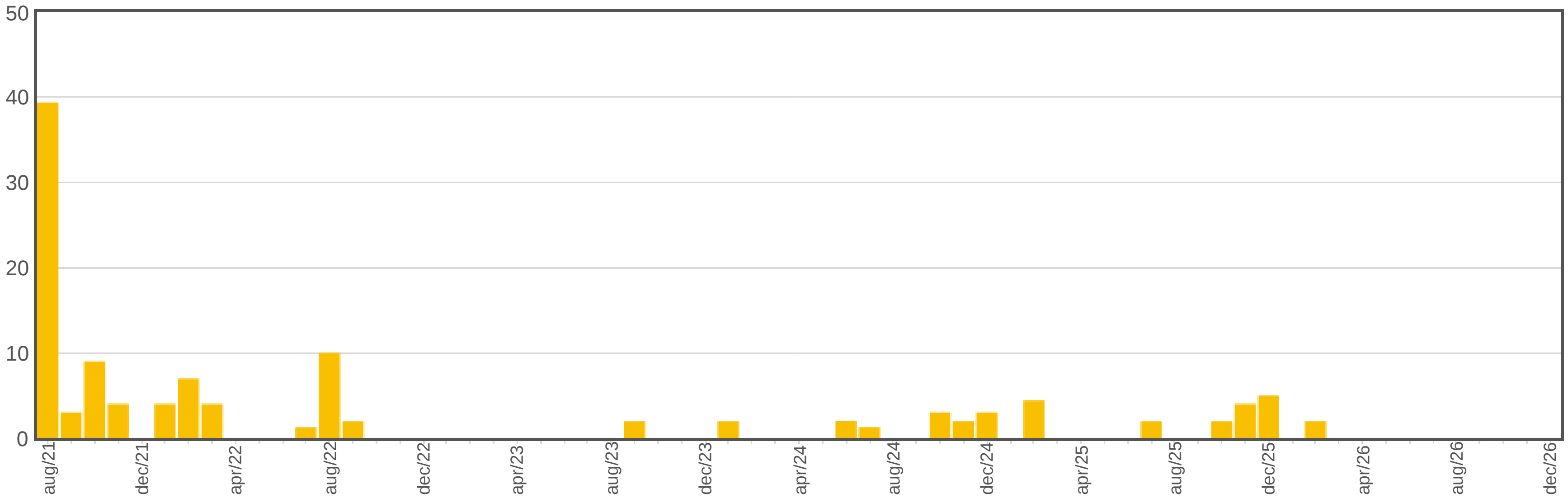
From: 01/07/2021 To: 31/07/2021

Periodic Interest

Issuer	Rating	Type	Alloc	Frequency	Value	Purchase	Maturity	Coupon Date	Type	Rate	Received
Members Equity Bank	BBB+	TD	GENERAL	Annual	2,000,000.00	29/07/2019	29/07/2021	29/07/2021	Maturity	1.8000	36,000.00
Westpac	AA-	TD	GENERAL	Quarterly	6,000,000.00	31/10/2019	29/10/2021	30/07/2021	Periodic	1.6100	24,083.84
Members Equity Bank	BBB+	FRN	GENERAL	Quarterly	1,250,000.00	18/07/2019	18/07/2022	19/07/2021	Periodic	1.0241	3,191.54
Suncorp	A+	FRN	GENERAL	Quarterly	1,250,000.00	30/07/2019	30/07/2024	30/07/2021	Periodic	0.8200	2,555.48
TOTALS					**12,500,000.00**						**65,830.86**

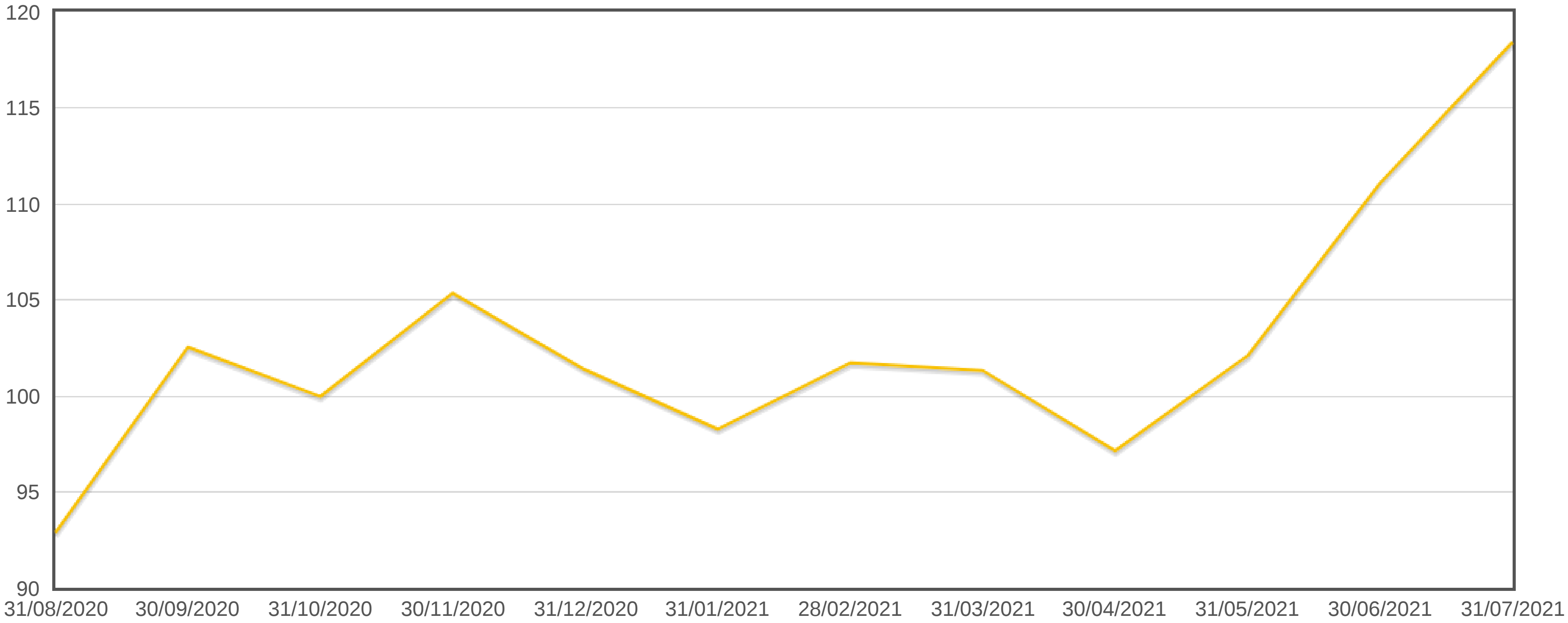
Maturity Cashflow as at 31/07/2021

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021	-	-	-	-	-	-	-	39,415,891	3,000,000	9,000,000	4,000,000	-	55,415,891.76
2022	4,000,000	7,000,000	4,000,000	-	-	-	1,260,100	10,000,000	2,000,000	-	-	-	28,260,100.00
2023	-	-	-	-	-	-	-	-	2,000,000	-	-	-	2,000,000.00
2024	2,000,000	-	-	-	-	2,041,924	1,266,720	-	-	3,000,000	2,000,000	3,000,000	13,308,644.00
2025	-	4,428,543	-	-	-	-	2,000,000	-	-	2,000,000	4,000,000	5,000,000	17,428,543.20
2026	-	2,000,000	-	-	-	-	-	-	-	-	-	-	2,000,000.00
TOTALS													**118,413,178.96**



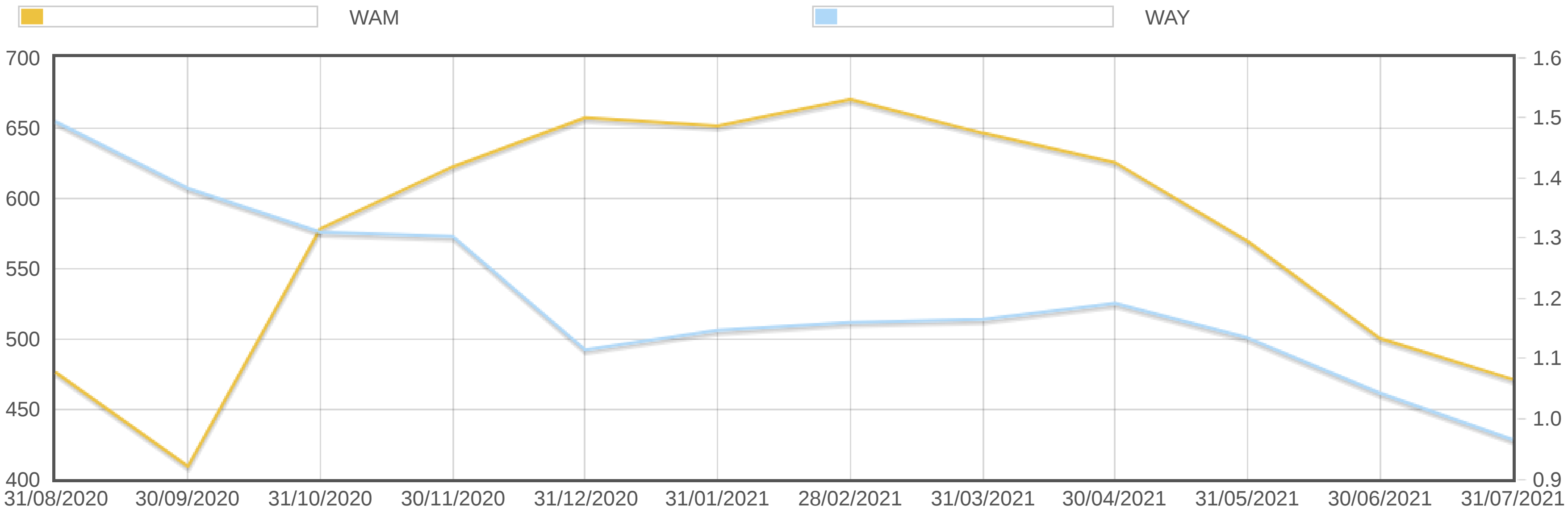
Historical Portfolio Balances (in MM) as at 31/07/2021

31/08/2020	30/09/2020	31/10/2020	30/11/2020	31/12/2020	31/01/2021	28/02/2021	31/03/2021	30/04/2021	31/05/2021	30/06/2021	31/07/2021
92.87	102.54	99.97	105.34	101.36	98.27	101.72	101.32	97.14	102.09	111.07	118.41



Historical Ratios as at 31/07/2021

	31/08/2020	30/09/2020	31/10/2020	30/11/2020	31/12/2020	31/01/2021	28/02/2021	31/03/2021	30/04/2021	31/05/2021	30/06/2021	31/07/2021
WAM	476	409	578	622	657	651	670	646	625	569	500	471
WAY	1.4931	1.3823	1.3097	1.3025	1.1148	1.1471	1.1602	1.1652	1.1915	1.1344	1.0425	0.9656



Asset Class as at 31/07/2021

Code	Number of Trades	Invested	Invested (%)
TD	25	68,000,000.00	57.43
CASH	5	32,415,891.76	27.38
BOND	2	6,000,000.00	5.07
FRTD	3	6,000,000.00	5.07
FRN	7	5,997,287.20	5.06
TOTALS	**36**	**118,413,178.96**	**100.0**