8.9. Investment and Loan Borrowings Report held as at 30 September 2021

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ATTACHMENTS:
1. North Sydney Monthly Report September 2021 [**8.9.1** - 20 pages]
2. North Sydney Council monthly report (2021-09-01 until 2021-09-30) [**8.9.2** - 24 pages]

PURPOSE:

The report provides details of the performance of Council's investment portfolio and borrowing limits for the period ending 30 September 2021.

EXECUTIVE SUMMARY:

Investment Portfolio:

The Investment portfolio (excluding cash balances) held as at 30 September 2021 had a market value of $101 million, with an annualised return of 1.34% for the year to date, 1.32% above the reportable BBSW Bank Bill Index of 0.02%.

Cash deposits at call total $30.5 million. 70 per cent of the cash $21 million is held in interest bearing AMP and Macquarie Cash Management Accounts. Only $9 million is held in non-interest-bearing account with Commonwealth bank to meet the day-to-day operational needs of the Council.

The investment portfolio is managed to ensure liquidity to meet operational requirements and to fund outflows to major project. Cashflow being monitored and assessed on an on-going basis.

The actual returns for cash and investments for the year to date as at 30 September 2021 were $293,173 which was $10,191 more 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.

Historically, returns on cash (i.e. "at call" accounts) and short-term investments have been quite strong. However, with the low official cash rate, market variability in monthly returns may mean the short to medium term investment returns could be flat or potentially slightly negative. The capacity for Council staff to invest in a manner that meets liquidity requirements whilst achieving the "enhanced" benchmark returns (as detailed in the Investment Policy) is increasingly limited. However, the best available returns are still actively sought when surplus funds are invested.

Borrowings:

Loan Facility for Council Projects

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 30 September 2021 is $7,037,040.24. Projects are outlined in the body of the report.

North Sydney Olympic Pool Redevelopment

Council has made provision for future borrowings of $31 million to assist in the funding to complete the redevelopment of North Sydney Olympic Pool.

Based on anticipated cashflow forecasts, at this stage it is planned that the loan will be drawdown at the end of January 2022. In accordance with the Council Resolution made on 28 September 2020 market testing will be undertaken closer to, and prior to, the drawdown. Based on current interest rate trends which have been rising steadily over the last 3 Months, the drawdown is likely to be in one amount in order to lock in a favourable interest rate.

FINANCIAL IMPLICATIONS:

Council's total investment portfolio performance for the financial year to date is 1.32% above the benchmark (1.34% against 0.02%). The actual returns for cash and investments for the year to date as at 30 September 2021 were $293,173 which was $10,191 more than the year-to-date budgeted estimate.

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 30 September 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 September 2021 and annualised for the year to date as at 30 September 2021 (including investments which have matured prior to 30 September 2021).

	September 2021	Annualised YTD as at 30 September 2021
Actual Return	0.11%	1.34%
Benchmark	0.00%	0.02%
Variance	0.11%	1.32%

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 30 September 2021	Portfolio Breakdown as at 30 September 2021
Term Deposits	$80,000,000.00	60.84%
Cash Interest Bearing	$21,160,096.76	16%
Cash Non-Interest Bearing	$9,340,547.76	7.1%
Fixed Bonds	$9,000,000.00	6.84%

FRTD	$6,000,000.00	4.56%
Floating Rate Notes (FRN's)	$5,986,677.50	4.55%
	$131,487,322.02	**100.00%**

Council's average duration of term deposits which comprise approximately half of the investment portfolio is approximately 601 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 30 September 2021 have been reviewed and are $10,191 more than the year-to-date budgeted estimate.

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

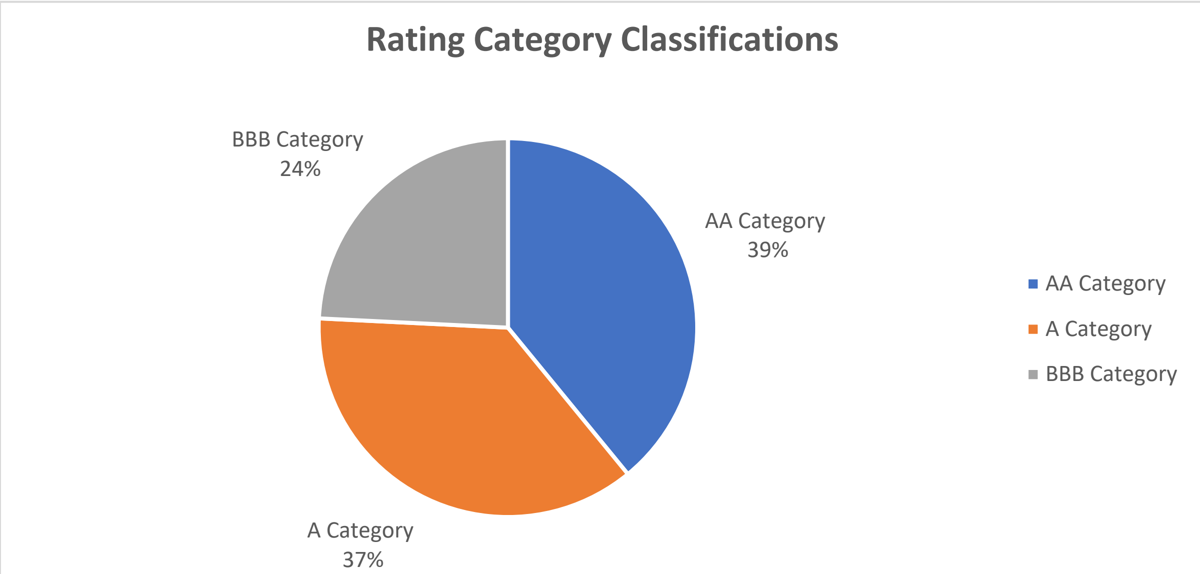
Year	Original Annual Budget	Revised Annual Budget	YTD Budget (September)	YTD/Annual Actual (September)	YTD/Annual Actual FV adjustments (September)	YTD Budget to Actual Variance (September)
2021/22	**$1,100,000**	**$1,100,000**	**$275,000**	**$293,173**	**-$7,982**	**$10,191**
2020/21	$1,350,000	$1,350,000		$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 August 2021 the YTD movement of FRN's has been an increase in returns of $3,061.

Financial Investment Policy

As at the end of September, 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 30 September 2021	Maximum Policy Holding	Distribution as at 30 September 2021
AA Category	$51,375,494	100.00%	39.07%
A Category	$48,266,737	60.00%	36.71%
BBB Category	$31,845,091	35.00%	24.22%
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 30 September 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

Loan for North Sydney Olympic Pool Redevelopment

Council has made provision for future borrowings of $31 million to assist in the funding to complete the redevelopment of North Sydney Olympic Pool.

Based on anticipated cashflow forecasts, at this stage it is planned that the loan will be drawdown at the end of January 2022. In accordance with the Council Resolution made on 28 September 2020 market testing will be undertaken closer to, and prior to, the drawdown. Based on current interest rate trends which have been rising steadily over the last 3 months, the drawdown is likely to be in one amount in order to lock in a favourable interest rate

Monthly Investment Report

September 2021

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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.

Equity markets experienced a significant correction in March 2020 but have recently surpassed their all-time highs due to the unprecedented global fiscal and monetary policy support. **The RBA cut rates to record lows on 3rd November 2020 to 0.10%, consistent with most global central banks resetting their official rates back to emergency levels.** As vaccination rates accelerate and economies began to reopen, **g**lobal inflationary pressures have emerged. This has resulted in longer-term bond yields to rise significantly in recent months as a handful of international central banks have started to flag the possibility of increasing official interest rates in coming years, as well as withdrawing some of their other stimulatory policy measures (such as quantitative easing). Shares finally parred back some of their gains in September as investors start to factor in the reduced safety net of government and central bank stimulus.

Domestically, with regards to the medium-longer term outlook for fixed interest 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 4¼% (currently it is officially at 4.5% but masked by a significant drop in the participation rate – the real rate is above +6%);
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).

The RBA's ongoing base case (forecast) 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 ~66% 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 1.32% p.a. at month-end, with a weighted average duration of around 755 days or ~2 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.

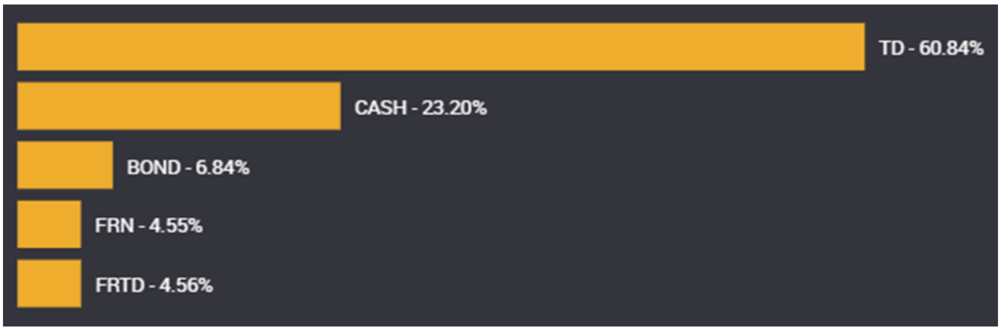
Given official rates have fallen to record lows, Council is likely to see a rapid decline in interest income over future financial years. Its budgeted income over the medium-longer term needs to be revised to reflect the low interest rate environment. Returns between 0.40%-0.80% p.a. may potentially 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

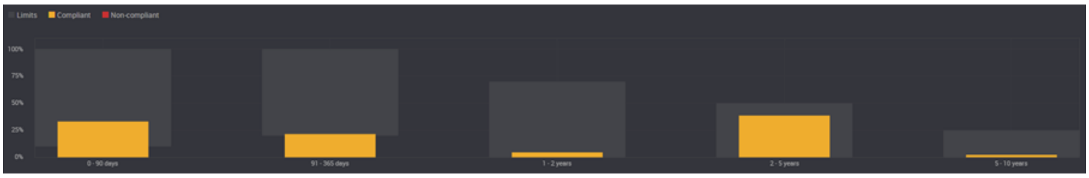
As at the end of September 2021, the portfolio was mainly directed to fixed and floating rate term deposits (65.40%). The remaining portfolio is directed to FRNs (4.55%), fixed bonds (6.84%) and overnight cash accounts (23.20%).

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 38½% 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 $15m at month-end.



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	$43,500,645	33.08%	10%	100%	$87,986,678
✓	91 - 365 days	$28,258,385	21.49%	20%	100%	$103,228,937
✓	1 - 2 years	$6,000,000	4.56%	0%	70%	$86,041,125
✓	2 - 5 years	$50,728,293	38.58%	0%	50%	$15,015,369
✓	5 - 10 years	$3,000,000	2.28%	0%	25%	$29,871,831
		$131,487,322	**100.00%**			

Counterparty

As at the end of September, all individual limits comply with the Policy. 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	AA-	$9,340,548	7.10%	30.00%	$30,105,649
✓	NAB	AA-	$9,034,946	6.87%	30.00%	$30,411,251
✓	NTTC	AA-	$9,000,000	6.84%	30.00%	$30,446,197
✓	Westpac	AA-	$24,000,000	18.25%	30.00%	$15,446,197
✓	Macquarie	A+	$15,001,370	11.41%	15.00%	$4,721,728
✓	Suncorp	A+	$1,265,368	0.96%	15.00%	$18,457,731
✓	ICBC Sydney	A	$17,000,000	12.93%	15.00%	$2,723,098
✓	ING Bank	A	$15,000,000	11.41%	15.00%	$4,723,098
✓	BOQ	BBB+	$8,000,000	6.08%	10.00%	$5,148,732
✓	ME Bank	BBB+	$1,258,385	0.96%	10.00%	$11,890,347
✓	AMP Bank	BBB	$11,158,727	8.49%	10.00%	$1,990,005
✓	Auswide Bank	BBB	$7,000,000	5.32%	10.00%	$6,148,732
✓	Beyond (Nexus)	BBB	$3,000,000	2.28%	10.00%	$10,148,732
✓	Newcastle PBS	BBB	$1,427,979	1.09%	10.00%	$11,720,753
			$131,487,322	**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.

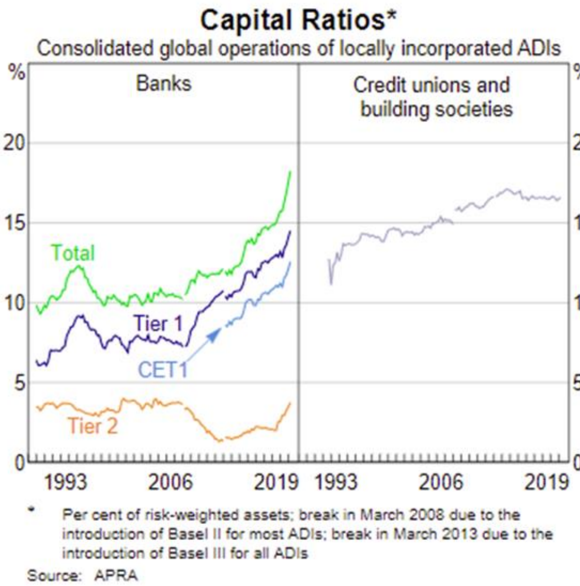
We remain supportive of the regional and unrated ADI sector (and have been even throughout the GFC period). They continue to remain solid, incorporate strong balance sheets, while exhibiting high levels of capital – typically, much higher compared to the higher rated ADIs. Some unrated ADIs have up to 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 September 2021, all categories were within the Policy limits:

Compliant	Credit Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	AA Category	$51,375,494	39.07%	100%	$80,111,828
✓	A Category	$48,266,737	36.71%	60%	$30,625,656
✓	BBB Category	$31,845,091	24.22%	35%	$14,175,472
✓	Unrated ADIs	$0	0.00%	10%	$13,148,732
		$131,487,322	**100.00%**		

Performance

Council's performance for the month ending 30 September 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%	0.03%	0.11%	0.29%
AusBond Bank Bill Index	0.00%	0.01%	0.01%	0.01%	0.04%	0.31%
Council's T/D Portfolio	0.11%	0.35%	0.71%	0.35%	1.45%	1.74%
Council's FRN Portfolio	0.08%	0.25%	0.82%	0.25%	1.35%	1.64%
Council's Bond Portfolio	0.10%	0.26%	0.50%	0.26%	-	-
Council's Portfolio^	**0.11%**	**0.34%**	**0.70%**	**0.34%**	**1.41%**	**1.71%**
Outperformance	**0.11%**	**0.33%**	**0.69%**	**0.33%**	**1.37%**	**1.40%**

^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%	0.11%	0.29%
AusBond Bank Bill Index	0.01%	0.02%	0.03%	0.02%	0.04%	0.31%
Council's T/D Portfolio	1.41%	1.40%	1.42%	1.40%	1.45%	1.74%
Council's FRN Portfolio	1.00%	0.99%	1.63%	0.99%	1.35%	1.64%
Council's Bond Portfolio	1.17%	1.03%	1.00%	1.03%	-	-
Council's Portfolio^	**1.36%**	**1.34%**	**1.41%**	**1.34%**	**1.41%**	**1.71%**
Outperformance	**1.35%**	**1.32%**	**1.38%**	**1.32%**	**1.37%**	**1.40%**

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

For the month of September, the total investment portfolio (excluding cash) provided a strong return of +0.11% (actual) or +1.36% p.a. (annualised), outperforming the benchmark AusBond Bank Bill Index return of +0.00% (actual) or +0.01% 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 +1.41% p.a., outperforming bank bills by 1.37% 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 July 2021 Council Rankings), earning around $325,000 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 29 individual deposits North Sydney Council held, 13 are still yielding higher than 1.50% p.a. That is, around 45% 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.

Council's Term Deposit Portfolio & Recommendation

As at the end of September 2021, Council's deposit portfolio was yielding an **attractive 1.32% p.a.** (down 6bp from the previous month), with an average duration of around 755 days (~2 years). We recommend Council maintains 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	1.50% p.a.
Westpac	AA-	5 years	1.38% p.a.
ICBC, Sydney	A	4 years	1.23% p.a.
NAB	AA-	4 years	1.10% p.a.
AMP Bank	BBB	3 years	1.00% p.a.^
ICBC, Sydney	A	3 years	0.97% p.a.
Westpac	AA-	3 years	0.88% p.a.
NAB	AA-	3 years	0.85% p.a.
AMP Bank	BBB	2 years	0.80% 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	0.80% p.a.^
AMP Bank	BBB	8-10 months	0.75% p.a.^
Judo Bank	BBB-	12 months	0.65% p.a.
MyState	BBB	12 months	0.50% p.a.
ME Bank	BBB+	12 months	0.45% p.a.
BoQ	BBB+	12 months	0.43% p.a.
CBA	AA-	12 months	0.36% p.a.
NAB	AA-	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

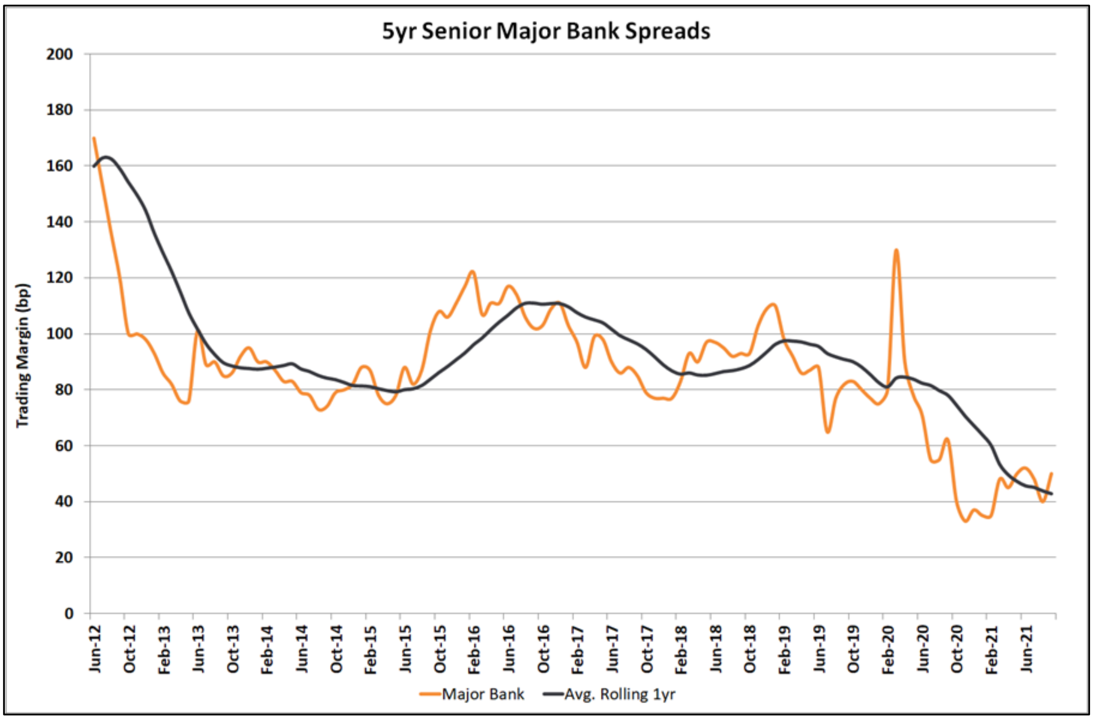
Amongst the investment grade sector, outside of AMP Bank (BBB), short-dated term deposits (maturing less than 12 months) are generally yielding under 0.50% p.a. (most are under 0.40% p.a.). We believe there is not much value being offered in short-dated deposits.

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

APRA announced that it expects locally-incorporated ADIs subject to the liquidity cover ratio (LCR) to reduce their reliance on the committed loan facility (CLF) to zero by the end of 2022 subject to financial market conditions. APRA stated that no ADI should rely on the CLF to meet its minimum 100% LCR requirement from the beginning of 2022, although ADIs may continue to count any remaining CLF as part of their liquidity buffer. The four major Australian banks currently had $127bn of ALA (alternative liquid assets)/CLF as of 30 June 2021, but also have LCR's well above the 100% minimum regulatory requirement (the current average LCR across all four is 130%).

Over September, amongst the senior major bank FRNs, physical credit securities were marked up to 10bp wider at the long-end of the curve. During the month, CBA (AA-) issued a 5¼ year senior 'Green' FRN at +41bp. After NAB (AA-) issued its 5 year senior FRN at +41bp in August, we anticipate the other major banks may follow suit over coming months looking to refinance their upcoming maturities at these very cheap levels. Both are now trading at a discount to par as spreads widened over the course of the month.



Source: IBS Capital

Separately, CIBC Sydney issued a $1.5bn 5yr covered bond (AAA) at +37bp. Suncorp (A+) issued a 5yr senior FRN at +48bp, initially tightening from price guidance of +52bp, printing $750m. We both thought both issues were issued at very tight levels.

Amongst the "A" and "BBB" rated sector, the securities were marked around 3-5bp wider at the long-end of the curve. 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.

The lack of supply from new (primary) issuances has played a major role with the rally in credit markets over the past 1½ years, now appearing fairly expensive of a historical level. 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)	30/09/2021	31/08/2021
"AA" rated – 5yrs	+50bp	+40bp
"AA" rated – 3yrs	+28bp	+18bp
"A" rated – 5yrs	+57bp	+55bp
"A" rated – 3yrs	+40bp	+35bp
"BBB" rated – 3yrs	+48bp	+45bp

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-late 2024 for the "AA" rated ADIs (domestic major banks)**;
- On or before mid-late 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 0.4% p.a.):

- $1.25m ME Bank (BBB) FRN maturing 18/07/2022 (ISIN: AU3FN0048948) – trading margin at **+14.0bp** or capital price of $100.660 (capital gain **~$8,300**);
- $2.00m NAB (AA-) FRN maturing 19/06/2024 (ISIN: AU3FN0048724) – trading margin at **+27.0bp** or capital price of $101.74 (capital gain **~$34,800**).

The above sales would result in capital gains totalling **$43,100.** Council can easily switch into a higher yielding complying asset which is returning much higher than 0.40% 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. In August 2021, it placed another $3m parcel with NTTC (AA-), locking in a yield of 1.50% p.a. for a 5 year term.

Council received the full rebated commission of 0.25% on the total face value of investments (i.e. $9m x 0.25% = $22,500) 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 30th August 2021:

Maturity Date	Rate % p.a.^	Interest Paid
~~15/12/2022~~	~~0.40%~~	~~Annually~~
~~15/12/2023~~	~~0.60%~~	~~Annually~~
15/12/2024	0.90%	Semi-Annually
15/12/2025	1.10%	Semi-Annually
15/12/2026	1.40%	Semi-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

The Delta variant's ongoing global impact, China's slowing economy, along with fading fiscal and monetary policy support resulted in the 'risk-off' environment over September.

Global equity markets finally retraced some of their gains. Across the US, the S&P 500 Index fell -4.76%, while the tech-heavy NASDAQ Index lost 5.31%. Equities also fell across Europe's main indices, with losses led by Germany's DAX (-3.63%), France's CAC (-2.40%) and UK's FTSE (-0.47%).

US Fed Chair Powell flagged a November taper announcement, suggesting "*the economy has made progress toward these goals. If progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted*". **The Fed dot plots now sees half of the 18 FOMC participants forecasting a first rate hike(s) in 2022**.

The US unemployment rate fell to a 17-month low of 5.2% in August (from 5.4% in July), while the participation rate was unchanged at 61.7%.

August headline CPI rose +0.3% in the US, while the core reading rose +0.1% (below expectations for a +0.3% outcome) and +4.0% on an annual basis.

The ECB confirmed its intentions to moderate the PEPP bond buying pace in Q4, albeit still at a hefty €60b-€70b per month pace.

Hawkish rhetoric from the Bank of England flagged the possibility of hikes even before the end of its QE program. UK markets priced in 15bp of hikes by February, with 50bp of hikes priced for 2022.

Canada's Q2 GDP figures came in much weaker than expected at -1.1% on an annualised basis, or approximately -0.25% q/q, against +2.5% (annualised) expected.

The PBoc announced it will provide ¥300 billion yuan (US$46.bn) of low-cost funding to banks to help them offer more support to small and medium-sized companies.

The MSCI World ex-Aus Index fell -4.29% for the month of September:

Index	1m	3m	1yr	3yr	5yr	10yr
S&P 500 Index	-4.76%	+0.23%	+28.09%	+13.92%	+14.72%	+14.30%
MSCI World ex-AUS	-4.29%	-0.26%	+27.01%	+11.39%	+11.93%	+10.77%
S&P ASX 200 Accum. Index	-1.85%	+1.71%	+30.56%	+9.65%	+10.42%	+10.80%

Source: S&P, MSCI

Domestic Market

In its meeting in September, the RBA kept to its scheduled tapering of asset purchases to $4bn a week from $5bn a week starting from early September, though given the delay in the recovery caused by the Delta outbreak, this reduced pace will continue until at least February 2022 rather than being reviewed in November.

RBA Governor Lowe pushed back on current market pricing with regards to official rate hikes prior to 2024, commenting "***I find it difficult to understand why rate rises are being priced in next year or early 2023****. While policy rates might be increased in other countries over this timeframe, our wage and inflation experience is quite different*".

Q2 GDP rose by a larger than expected at +0.7% or +9.6% y/y, ahead of the extended lockdowns in NSW and VIC. This outcome sees GDP +1.6% above its pre-COVID level, with GDP expecting to fall by around -3½% in Q3 and begin to rebound in Q4 as restrictions ease. Retail sales fell -1.7% m/m in August against -2.5% expected.

Headline employment fell sharply -146.3k (consensus -80k) in August, driven by a -172.8k decline in NSW employment. The unemployment rate fell (rather than rose) 0.1% to 4.5%, driven by the sharp fall in the participation rate by 0.8% to 65.2%. **A measure of the 'effective' unemployment rate that accounts for participation changes puts the effective unemployment rate at around 5.7%-6.7%, instead of the 4.5% official number**.

Residential building approvals fell -8.6% m/m in July, which is the fourth consecutive month of decline, following -5.5% in June, -8.4% in May, and -5.0% in April.

The current account surplus rose $1.5bn to a record $20.5bn in the June quarter. That was due to a +10.7% q/q increase in export prices driven by iron ore. Iron ore futures traded below US$90/tonne for the first time since July last year, on the back of weakening demand from China.

APRA announced that it expects locally-incorporated ADIs subject to the liquidity cover ratio (LCR) to reduce their reliance on the committed liquidity facility (CLF) to zero by the end of 2022, which is likely to result in some widening of major bank credit spreads over the coming year.

The Australian dollar fell -1.76%, finishing the month at US72.06 cents (from US73.35 cents the previous month).

Credit Market

The main global credit indices widened over September in the risk-off environment. The indices now trade back to their levels experienced in late 2020:

Index	September 2021	August 2021
CDX North American 5yr CDS	53bp	46bp
iTraxx Europe 5yr CDS	50bp	45bp
iTraxx Australia 5yr CDS	67bp	58bp

Source: Markit

Fixed Interest Review

Benchmark Index Returns

Index	September 2021	August 2021
Bloomberg AusBond Bank Bill Index (0+YR)	+0.00%	+0.00%
Bloomberg AusBond Composite Bond Index (0+YR)	-1.51%	+0.09%
Bloomberg AusBond Credit FRN Index (0+YR)	-0.06%	+0.05%
Bloomberg AusBond Credit Index (0+YR)	-0.79%	+0.06%
Bloomberg AusBond Treasury Index (0+YR)	-1.80%	+0.20%
Bloomberg AusBond Inflation Gov't Index (0+YR)	-2.67%	-0.43%

Source: Bloomberg

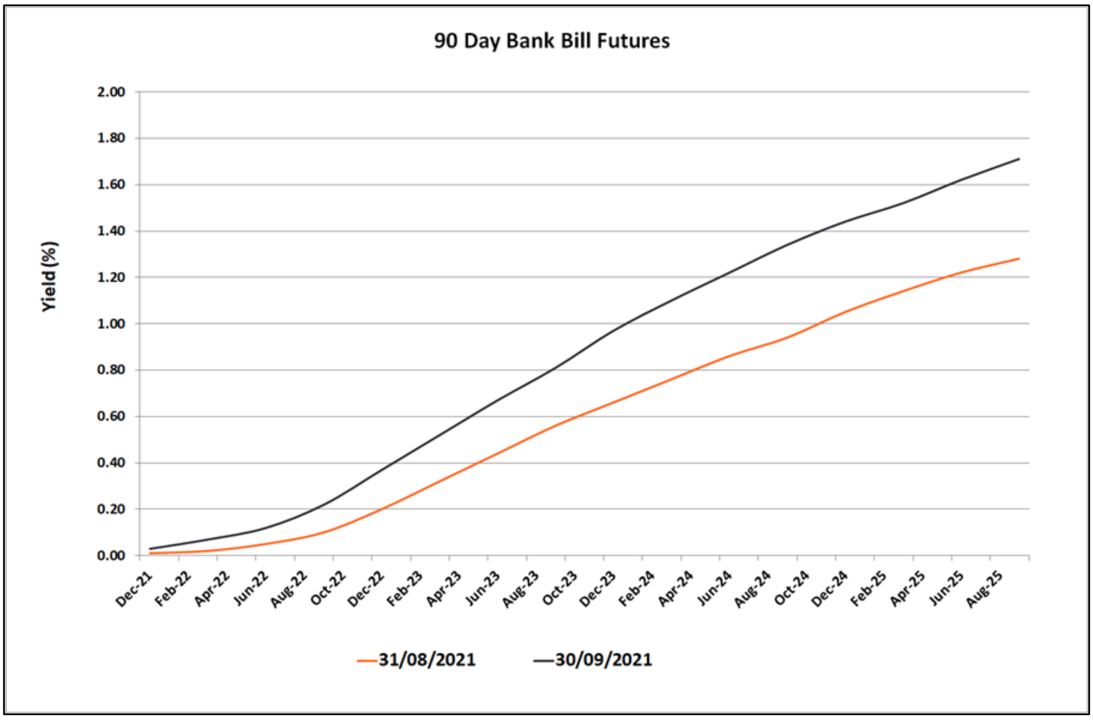
Other Key Rates

Index	September 2021	August 2021
RBA Official Cash Rate	0.10%	0.10%
90 Day (3 month) BBSW Rate	0.02%	0.01%
3yr Australian Government Bonds	0.25%	0.15%
10yr Australian Government Bonds	1.45%	1.12%
US Fed Funds Rate	0.00%-0.25%	0.00%-0.25%
10yr US Treasury Bonds	1.52%	1.30%

Source: RBA, AFMA, US Department of Treasury

90 Day Bill Futures

Over September, bill futures rose significantly across the board as global central banks (the RBA being an exception) began to flag the possibility of withdrawing their QE programs or start lifting official rates in coming years. 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

US Federal Reserve Chairman Powell indicated that "*the US economy has made progress toward these goals. If progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted*", suggesting a November tapering announcement.

On their latest forecast, the 2022 'dot plot' now sees 9 of the 18 FOMC participants with a first rate hike(s) in 2022. Nine other participants therefore still do not forecast rates lift-off before 2023. For 2023, the median dot is 1.0% (meaning 3 ½ hikes between now and end 2023).

In Australia, Governor Lowe has remained relatively dovish with his comments and commented that he "*finds it difficult to understand why rate rises are being priced in next year or early 2023. While policy rates might be increased in other countries over this timeframe, our wage and inflation experience is quite different*".

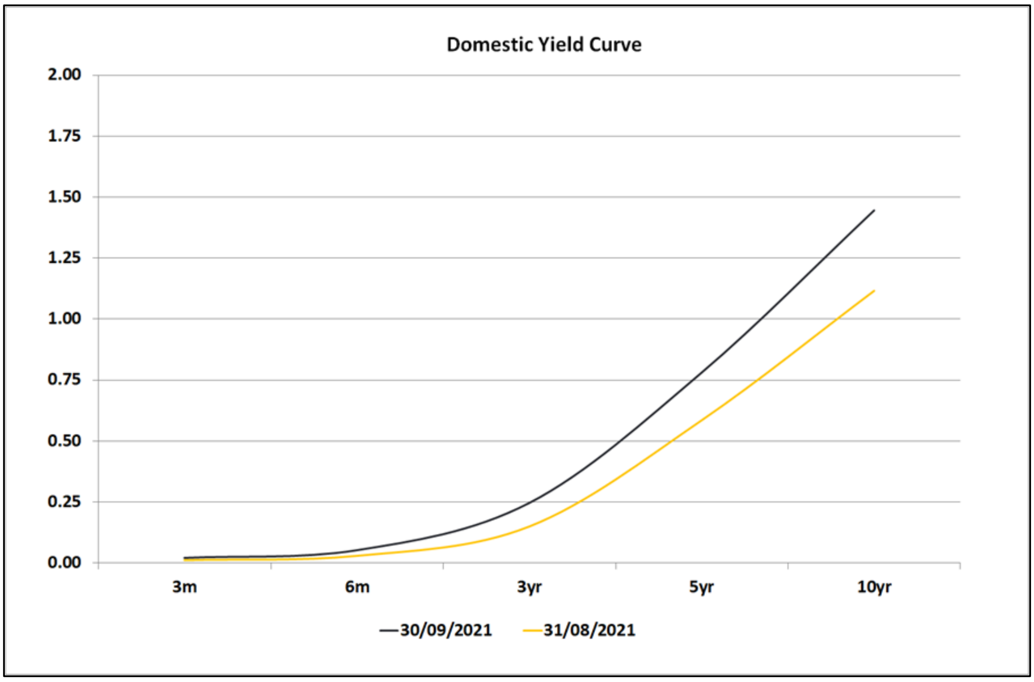
The RBA has factored in these snap lockdowns as part of their economic projections. Conceivably, the RBA's central scenario does not see rate hikes until 2024 (conditions for an official rate rise "***will not be met until 2024***"), while their upside scenario is consistent with rate hikes in 2023, 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 4¼% (currently it is officially at 4.5% but masked by a significant drop in the participation rate – the real rate is above +6%);
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).

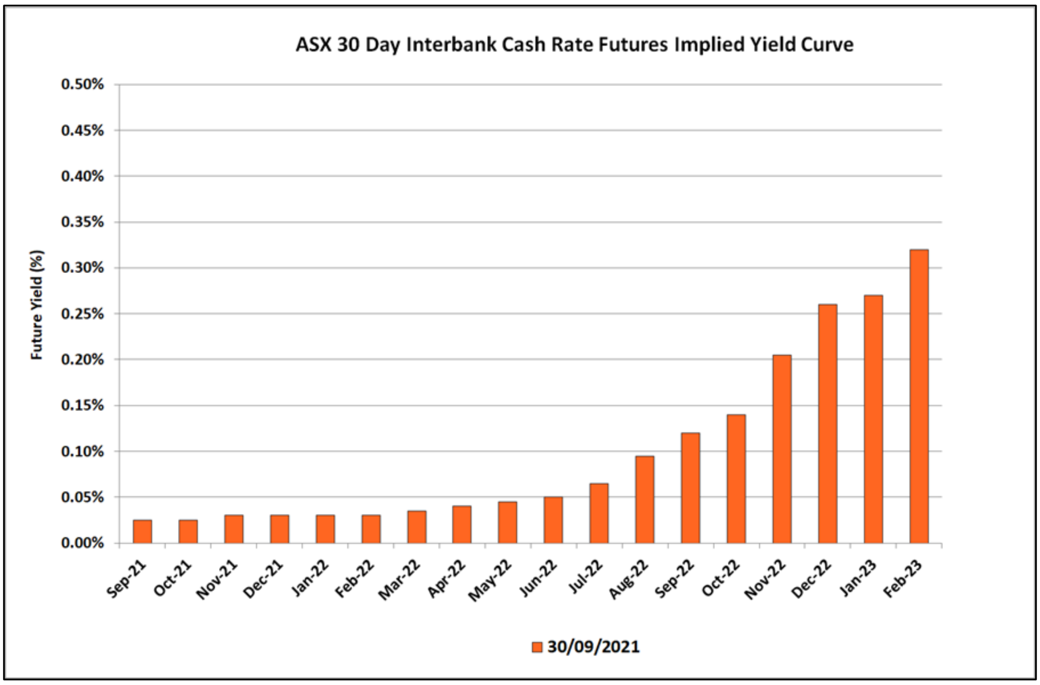
Governor Lowe has commented on the path of future rate hikes: "*it will not be enough for inflation to just sneak across the 2% line for a quarter or two. We want to see inflation well within the target band and be confident that it will stay there*".

The domestic bond market continues to suggest a prolonged low period of interest rates. Over the month, yields rose around 33bp at the long-end of the curve:



Source: AFMA, ASX, RBA

The market continues to factor in the possibility of a rate hike up to 25bp by early 2023, dependent on the speed of the recovery once restrictions are eased:



Source: ASX

Disclaimer

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Imperium Markets charges a flat fee for our investment advice. Any commissions received are rebated to clients in full. If you choose a product provider who uses our market platform, the product provider pays us 1bp p.a. funding fee of the value of the investments transacted.

Investment Report

01/09/2021 to 30/09/2021

Portfolio Valuation as at 30/09/2021

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Rate	Capital Value	Accrued	Accrued MTD
Auswide Bank	BBB	TD	GENERAL	Annual	15/10/2019	15/10/2021	1.6500	2,000,000.00	31,734.25	2,712.33
Auswide Bank	BBB	TD	GENERAL	At Maturity	31/10/2019	29/10/2021	1.6500	1,000,000.00	31,689.04	1,356.16
Westpac	AA-	TD	GENERAL	Quarterly	31/10/2019	29/10/2021	1.6100	6,000,000.00	16,673.42	7,939.73
Nexus Mutual	BBB	TD	GENERAL	Annual	29/11/2019	29/11/2021	1.8000	3,000,000.00	45,123.29	4,438.36
Auswide Bank	BBB	TD	GENERAL	At Maturity	29/11/2019	29/11/2021	1.7000	1,000,000.00	31,298.63	1,397.26
ING Direct	A	TD	GENERAL	Annual	21/01/2020	21/01/2022	1.6500	4,000,000.00	45,747.95	5,424.66
ING Direct	A	TD	GENERAL	Annual	17/02/2020	17/02/2022	1.6000	6,000,000.00	59,441.10	7,890.41
ING Direct	A	TD	GENERAL	Annual	28/02/2020	28/02/2022	1.6000	1,000,000.00	9,512.33	1,315.07
ING Direct	A	TD	GENERAL	Annual	02/03/2020	02/03/2022	1.5000	4,000,000.00	35,013.70	4,931.51
Members Equity Bank	BBB+	FRN	GENERAL	Quarterly	18/07/2019	18/07/2022	1.0052	1,258,385.00	2,547.42	1,032.74
Auswide Bank	BBB	TD	GENERAL	At Maturity	12/08/2019	12/08/2022	1.9500	3,000,000.00	125,173.97	4,808.22
AMP Bank	BBB	TD	GENERAL	Annual	31/08/2020	31/08/2022	0.8000	3,000,000.00	2,038.36	1,972.60
Westpac	AA-	FRTD	GENERAL	Quarterly	31/08/2017	31/08/2022	1.0621	2,000,000.00	1,804.12	1,745.92
Westpac	AA-	FRTD	GENERAL	Quarterly	31/08/2017	31/08/2022	1.0621	2,000,000.00	1,804.12	1,745.92
Westpac	AA-	FRTD	GENERAL	Quarterly	18/09/2017	19/09/2022	1.0129	2,000,000.00	610.52	610.52
NAB	AA-	TD	GENERAL	Annual	31/08/2021	30/08/2023	0.6200	2,000,000.00	1,053.15	1,019.18
AMP Bank	BBB	TD	GENERAL	Annual	31/08/2021	31/08/2023	0.7500	2,000,000.00	1,273.97	1,232.88
BOQ	BBB+	TD	GENERAL	Annual	06/09/2019	06/09/2023	1.9000	2,000,000.00	2,602.74	2,602.74

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Rate	Capital Value	Accrued	Accrued MTD
BOQ	BBB+	TD	GENERAL	Annual	21/01/2020	22/01/2024	1.9500	2,000,000.00	27,032.88	3,205.48
NAB	AA-	FRN	GENERAL	Quarterly	19/06/2019	19/06/2024	0.9329	2,034,946.00	562.30	562.30
Suncorp	A+	FRN	GENERAL	Quarterly	30/07/2019	30/07/2024	0.8005	1,265,367.50	1,727.11	822.43
NAB	AA-	TD	GENERAL	Annual	31/08/2021	28/08/2024	0.8200	3,000,000.00	2,089.32	2,021.92
Westpac	AA-	TD	GENERAL	Annual	27/09/2021	27/09/2024	0.8200	5,000,000.00	449.32	449.32
BOQ	BBB+	TD	GENERAL	Annual	29/10/2020	29/10/2024	0.9500	3,000,000.00	26,313.70	2,342.47
ICBC Sydney Branch	A	TD	GENERAL	Annual	10/11/2020	11/11/2024	1.0800	2,000,000.00	19,232.88	1,775.34
Northern Territory Treasury	AA-	BOND	GENERAL	Annual	30/10/2020	16/12/2024	0.9000	3,000,000.00	21,452.05	2,219.18
Newcastle Permanent	BBB	FRN	GENERAL	Quarterly	04/02/2020	04/02/2025	1.1350	1,427,979.00	2,524.99	1,306.03
ICBC Sydney Branch	A	TD	GENERAL	Annual	23/02/2021	24/02/2025	1.2000	2,000,000.00	14,465.75	1,972.60
BOQ	BBB+	TD	GENERAL	Annual	28/02/2020	28/02/2025	2.0000	1,000,000.00	11,890.41	1,643.84
ICBC Sydney Branch	A	TD	GENERAL	Annual	29/07/2021	29/07/2025	1.1000	2,000,000.00	3,857.53	1,808.22
Westpac	AA-	TD	GENERAL	Annual	27/09/2021	29/09/2025	1.0600	5,000,000.00	580.82	580.82
NAB	AA-	TD	GENERAL	Annual	30/10/2020	29/10/2025	0.9600	2,000,000.00	17,674.52	1,578.08
ICBC Sydney Branch	A	TD	GENERAL	Annual	10/11/2020	10/11/2025	1.2500	4,000,000.00	44,520.55	4,109.59
ICBC Sydney Branch	A	TD	GENERAL	Annual	11/12/2020	11/12/2025	1.2000	2,000,000.00	19,331.51	1,972.60
Northern Territory Treasury	AA-	BOND	GENERAL	Annual	29/10/2020	15/12/2025	1.0000	3,000,000.00	23,835.62	2,465.75
ICBC Sydney Branch	A	TD	GENERAL	Annual	23/02/2021	23/02/2026	1.4500	2,000,000.00	17,479.45	2,383.56
ICBC Sydney Branch	A	TD	GENERAL	Annual	27/09/2021	28/09/2026	1.4500	3,000,000.00	476.71	476.71
Westpac	AA-	TD	GENERAL	Annual	27/09/2021	28/09/2026	1.3000	2,000,000.00	284.93	284.93

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Rate	Capital Value	Accrued	Accrued MTD
Northern Territory Treasury	AA-	BOND	GENERAL	Annual	27/08/2021	15/12/2026	1.5000	3,000,000.00	4,315.07	3,698.63
Commonwealth Bank	AA-	CASH	GENERAL	Monthly	30/09/2021	30/09/2021	0.0000	9,340,547.76	-	-
AMP Bank	BBB	CASH	GENERAL	Monthly	30/09/2021	30/09/2021	0.5500	6,158,726.87	975.86	975.86
Macquarie Bank	A+	CASH	GENERAL	Monthly	30/09/2021	30/09/2021	0.2000	5,001,369.90	273.98	273.98
Macquarie Bank	A+	CASH	GENERAL	Monthly	30/09/2021	30/09/2021	0.4000	9,999,999.99	1,095.89	1,095.89
TOTALS								**131,487,322.02**	**707,585.20**	**94,201.72**

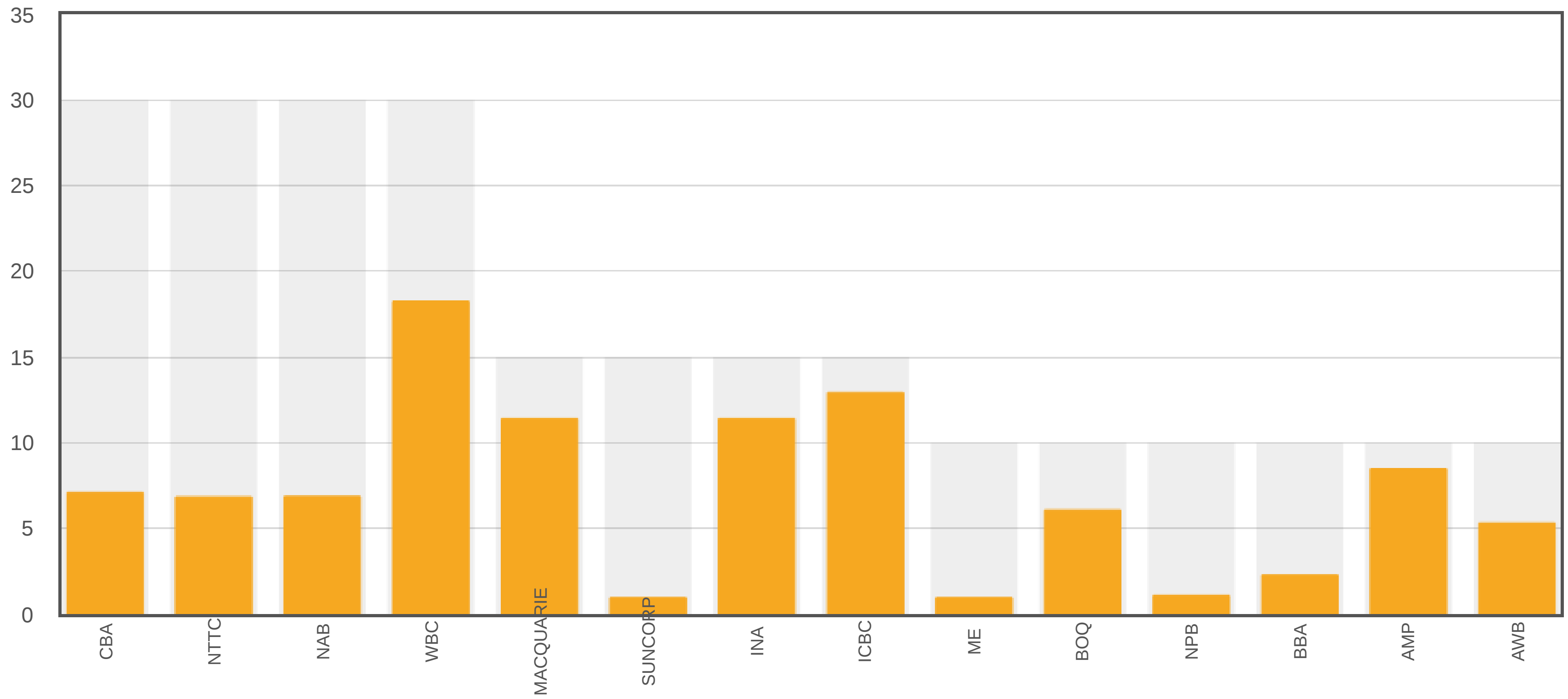
Counterparty Compliance as at 30/09/2021

Long Term Investments

Compliant	Bank Group	Term	Rating	Invested	Invested (%)	Limit (%)	Limit ($)	Available
✔	Commonwealth Bank	Long	AA-	9,340,547.76	7.10	30.00	-	30,105,648.85
✔	Northern Territory Treasury	Long	AA-	9,000,000.00	6.84	30.00	-	30,446,196.61
✔	NAB	Long	AA-	9,034,946.00	6.87	30.00	-	30,411,250.61
✔	Westpac	Long	AA-	24,000,000.00	18.25	30.00	-	15,446,196.61
✔	Macquarie Bank	Long	A+	15,001,369.89	11.41	15.00	-	4,721,728.41
✔	Suncorp	Long	A+	1,265,367.50	0.96	15.00	-	18,457,730.80
✔	ING Direct	Long	A	15,000,000.00	11.41	15.00	-	4,723,098.30
✔	ICBC Sydney Branch	Long	A	17,000,000.00	12.93	15.00	-	2,723,098.30
✔	Members Equity Bank	Long	BBB+	1,258,385.00	0.96	10.00	-	11,890,347.20
✔	BOQ	Long	BBB+	8,000,000.00	6.08	10.00	-	5,148,732.20
✔	Newcastle Permanent	Long	BBB	1,427,979.00	1.09	10.00	-	11,720,753.20
✔	Beyond Bank	Long	BBB	3,000,000.00	2.28	10.00	-	10,148,732.20
✔	AMP Bank	Long	BBB	11,158,726.87	8.49	10.00	-	1,990,005.33

Compliant	Bank Group	Term	Rating	Invested	Invested (%)	Limit (%)	Limit ($)	Available
✔	Auswide Bank	Long	BBB	7,000,000.00	5.32	10.00	-	6,148,732.20
TOTALS				**131,487,322.02**	**100.00**			

Counterparty Compliance - Long Term Investments

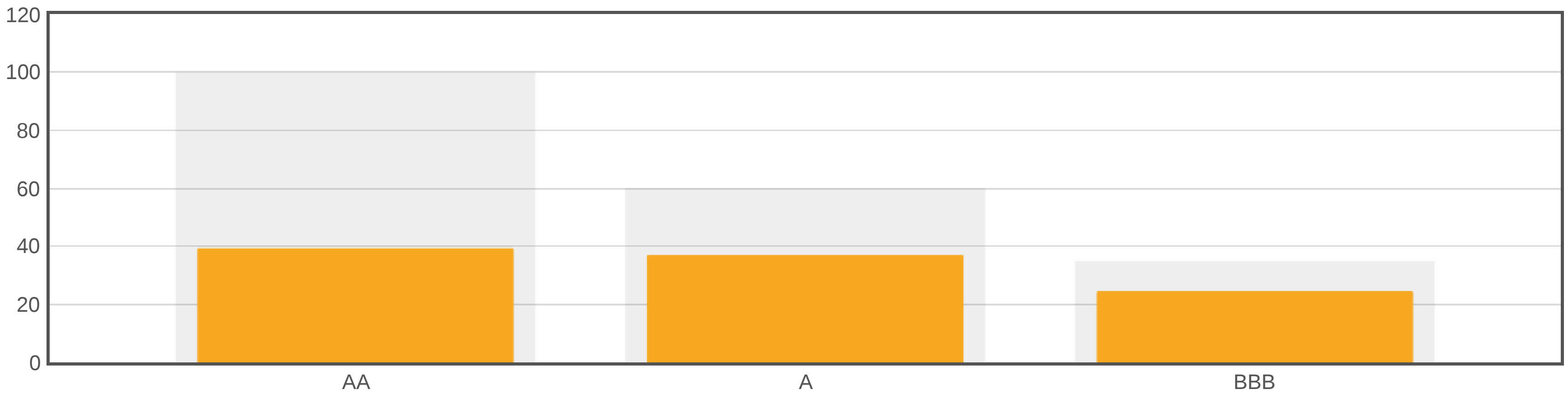


Credit Quality Compliance as at 30/09/2021

Long Term Investments

Compliant	Rating	Invested ($)	Invested (%)	Limit (%)	Available
✔	AA	51,375,493.76	39.07	100.00	80,111,828.26
✔	A	48,266,737.39	36.71	60.00	30,625,655.82
✔	BBB	31,845,090.87	24.22	35.00	14,175,471.84
TOTALS		**131,487,322.02**	**100.00**		

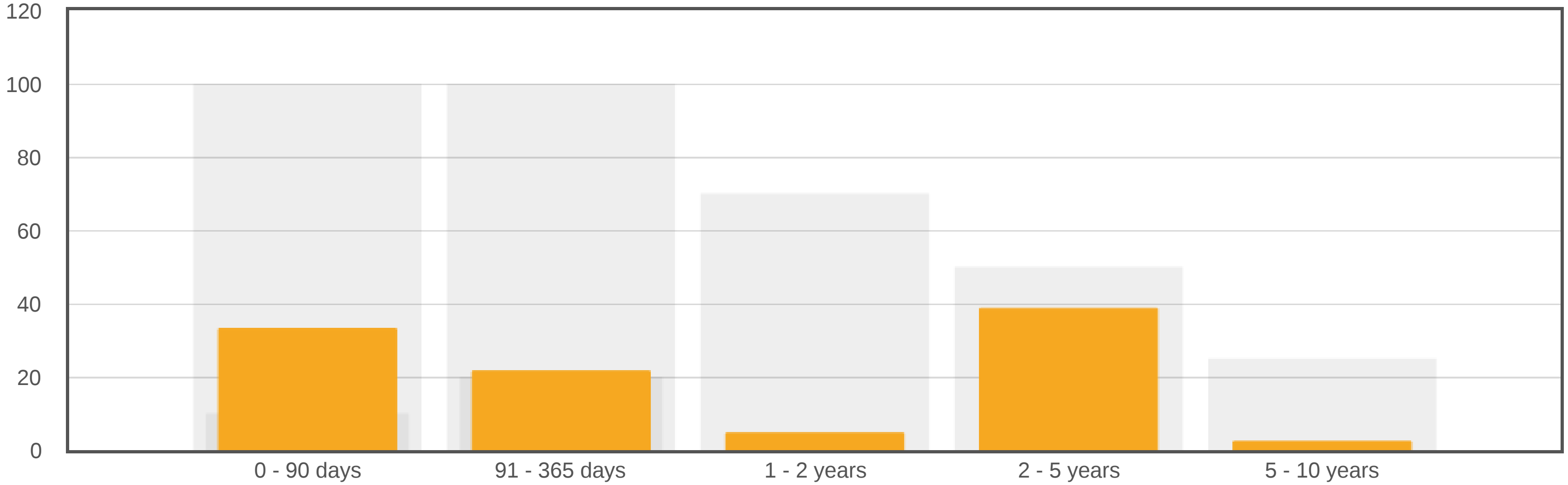
Credit Quality Compliance - Long Term Investments



Maturity Compliance as at 30/09/2021

Compliant	Term	Invested	Invested (%)	Min Limit (%)	Max Limit (%)	Available
✔	0 - 90 days	43,500,644.52	33.08	10.00	100.00	87,986,677.50
✔	91 - 365 days	28,258,385.00	21.49	20.00	100.00	103,228,937.02
✔	1 - 2 years	6,000,000.00	4.56	0.00	70.00	86,041,125.41
✔	2 - 5 years	50,728,292.50	38.58	0.00	50.00	15,015,368.51
✔	5 - 10 years	3,000,000.00	2.28	0.00	25.00	29,871,830.51
TOTALS		**131,487,322.02**	**100.00**			

Maturity Compliance



Portfolio Comparison

From: 31/08/2021 To: 30/09/2021

Issuer	Rating	Type	Rate	Purchase	Maturity	Interest	31/08/2021	30/09/2021	Difference
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	1.0052	18/07/2019	18/07/2022	Quarterly	1,259,620.00	1,258,385.00	-1,235.00
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	1.0621	31/08/2017	31/08/2022	Quarterly	2,000,000.00	2,000,000.00	-
Westpac	AA-	FRTD	1.0621	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	-
NAB	AA-	TD	0.6200	31/08/2021	30/08/2023	Annual	2,000,000.00	2,000,000.00	-

Issuer	Rating	Type	Rate	Purchase	Maturity	Interest	31/08/2021	30/09/2021	Difference
AMP Bank	BBB	TD	0.7500	31/08/2021	31/08/2023	Annual	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	2,041,570.00	2,034,946.00	-6,624.00
Suncorp	A+	FRN	0.8005	30/07/2019	30/07/2024	Quarterly	1,266,476.25	1,265,367.50	-1,108.75
NAB	AA-	TD	0.8200	31/08/2021	28/08/2024	Annual	3,000,000.00	3,000,000.00	-
Westpac	AA-	TD	0.8200	27/09/2021	27/09/2024	Annual	-	5,000,000.00	5,000,000.00
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	1.1350	04/02/2020	04/02/2025	Quarterly	1,430,053.80	1,427,979.00	-2,074.80
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	-
Westpac	AA-	TD	1.0600	27/09/2021	29/09/2025	Annual	-	5,000,000.00	5,000,000.00
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	-

Issuer	Rating	Type	Rate	Purchase	Maturity	Interest	31/08/2021	30/09/2021	Difference
Westpac	AA-	TD	1.3000	27/09/2021	28/09/2026	Annual	-	2,000,000.00	2,000,000.00
ICBC Sydney Branch	A	TD	1.4500	27/09/2021	28/09/2026	Annual	-	3,000,000.00	3,000,000.00
Northern Territory Treasury	AA-	BOND	1.5000	27/08/2021	15/12/2026	Annual	3,000,000.00	3,000,000.00	-
Macquarie Bank	A+	CASH	0.4000	31/08/2021	31/08/2021	Monthly	-	9,999,999.99	9,999,999.99
Macquarie Bank	A+	CASH	0.2000	31/08/2021	31/08/2021	Monthly	-	5,001,369.90	5,001,369.90
AMP Bank	BBB	CASH	0.5500	31/08/2021	31/08/2021	Monthly	158,726.87	6,158,726.87	6,000,000.00
Commonwealth Bank	AA-	CASH	0.0000	31/08/2021	31/08/2021	Monthly	44,541,363.10	9,340,547.76	-35,200,815.34
TOTALS							**133,697,810.02**	**131,487,322.02**	**-2,210,488.00**

Trades in Period

From: 01/09/2021 To: 30/09/2021

New Trades

Issuer	Rating	Type	Alloc	Interest	Purchase	Maturity	Rate	Value	Ref
Westpac	AA-	TD	GENERAL	Annual	27/09/2021	28/09/2026	1.3000	2,000,000.00	
Westpac	AA-	TD	GENERAL	Annual	27/09/2021	29/09/2025	1.0600	5,000,000.00	
Westpac	AA-	TD	GENERAL	Annual	27/09/2021	27/09/2024	0.8200	5,000,000.00	
ICBC Sydney Branch	A	TD	GENERAL	Annual	27/09/2021	28/09/2026	1.4500	3,000,000.00	
TOTALS								**15,000,000.00**	

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
Auswide Bank	BBB	TD	GENERAL	At Maturity	05/09/2019	06/09/2021	1.8000	3,000,000.00	
TOTALS								**3,000,000.00**	

Unrealised Gains / Losses as at 30/09/2021

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	1,258,385.00	100.0000	100.6708	8,385.00
NAB	AA-	FRN	19/06/2019	19/06/2024	GENERAL	2,000,000.00	2,034,946.00	100.0000	101.7473	34,946.00
Suncorp	A+	FRN	30/07/2019	30/07/2024	GENERAL	1,250,000.00	1,265,367.50	100.0000	101.2294	15,367.50
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	1,427,979.00	100.0000	101.9985	27,979.00
Northern Territory Treasury	AA-	BOND	29/10/2020	15/12/2025	GENERAL	3,000,000.00	3,000,000.00	100.0000	100.0000	-
Northern Territory Treasury	AA-	BOND	27/08/2021	15/12/2026	GENERAL	3,000,000.00	3,000,000.00	100.0000	100.0000	-
TOTALS						**14,900,000.00**	**14,986,677.50**			**86,677.50**

Realised Gains / Losses

From: 01/09/2021 To: 30/09/2021

Issuer	Rating	Type	Purchase	Maturity	Sale	Cost	Current	Purchase	Sale	Realised	Type

No entries for this item

Interest Received in Period

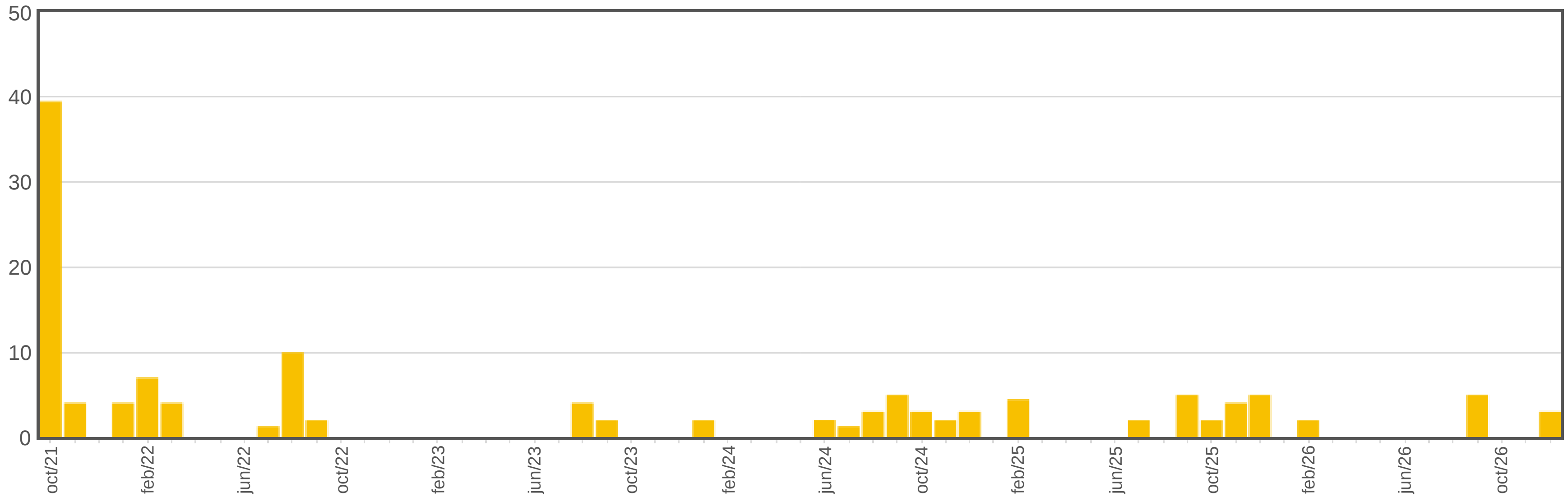
From: 01/09/2021 To: 30/09/2021

Periodic Interest

Issuer	Rating	Type	Alloc	Frequency	Value	Purchase	Maturity	Coupon Date	Type	Rate	Received
Auswide Bank	BBB	TD	GENERAL	At Maturity	3,000,000.00	05/09/2019	06/09/2021	06/09/2021	Maturity	1.8000	108,295.89
Westpac	AA-	FRTD	GENERAL	Quarterly	2,000,000.00	18/09/2017	19/09/2022	20/09/2021	Periodic	1.0213	5,260.39
BOQ	BBB+	TD	GENERAL	Annual	2,000,000.00	06/09/2019	06/09/2023	06/09/2021	Periodic	1.9000	37,895.89
NAB	AA-	FRN	GENERAL	Quarterly	2,000,000.00	19/06/2019	19/06/2024	20/09/2021	Periodic	0.9481	4,727.51
TOTALS					**14,000,000.00**						**156,179.69**

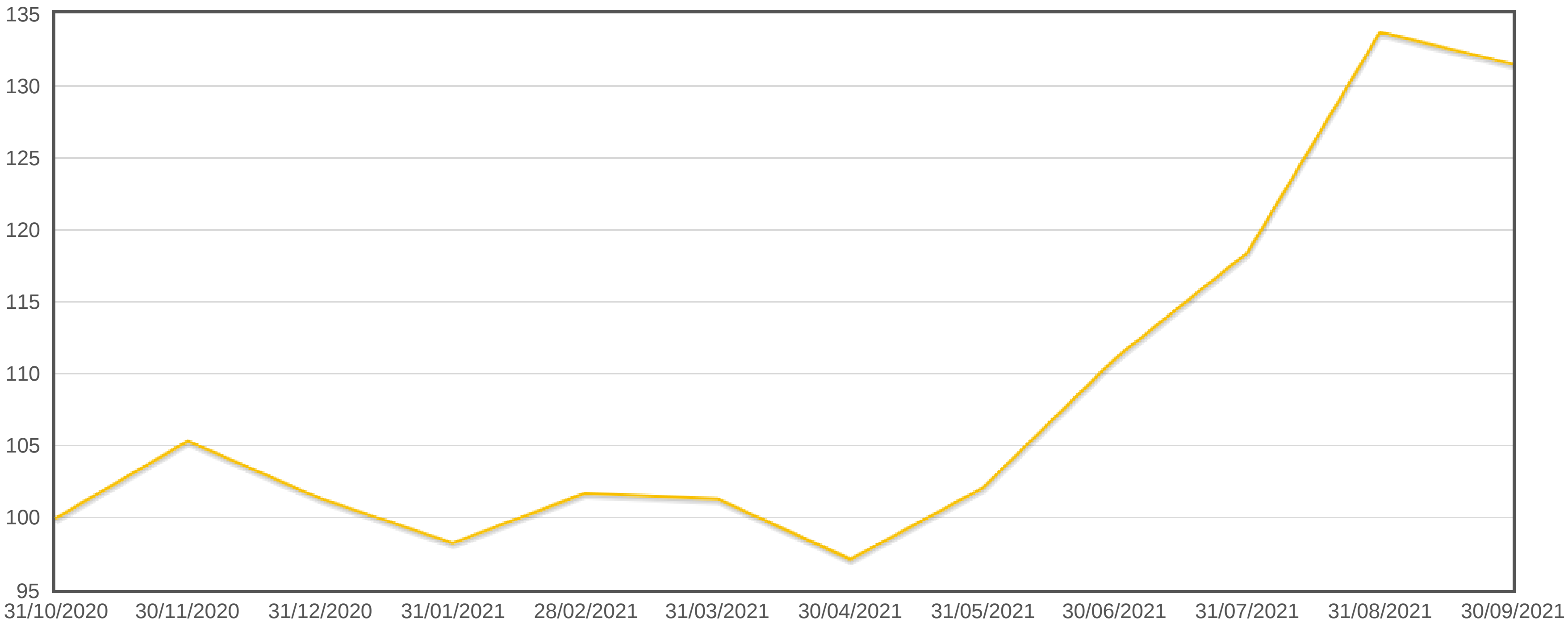
Maturity Cashflow as at 30/09/2021

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021	-	-	-	-	-	-	-	-	-	39,500,644	4,000,000	-	43,500,644.52
2022	4,000,000	7,000,000	4,000,000	-	-	-	1,258,385	10,000,000	2,000,000	-	-	-	28,258,385.00
2023	-	-	-	-	-	-	-	4,000,000	2,000,000	-	-	-	6,000,000.00
2024	2,000,000	-	-	-	-	2,034,946	1,265,367	3,000,000	5,000,000	3,000,000	2,000,000	3,000,000	21,300,313.50
2025	-	4,427,979	-	-	-	-	2,000,000	-	5,000,000	2,000,000	4,000,000	5,000,000	22,427,979.00
2026	-	2,000,000	-	-	-	-	-	-	5,000,000	-	-	3,000,000	10,000,000.00
TOTALS													**131,487,322.02**



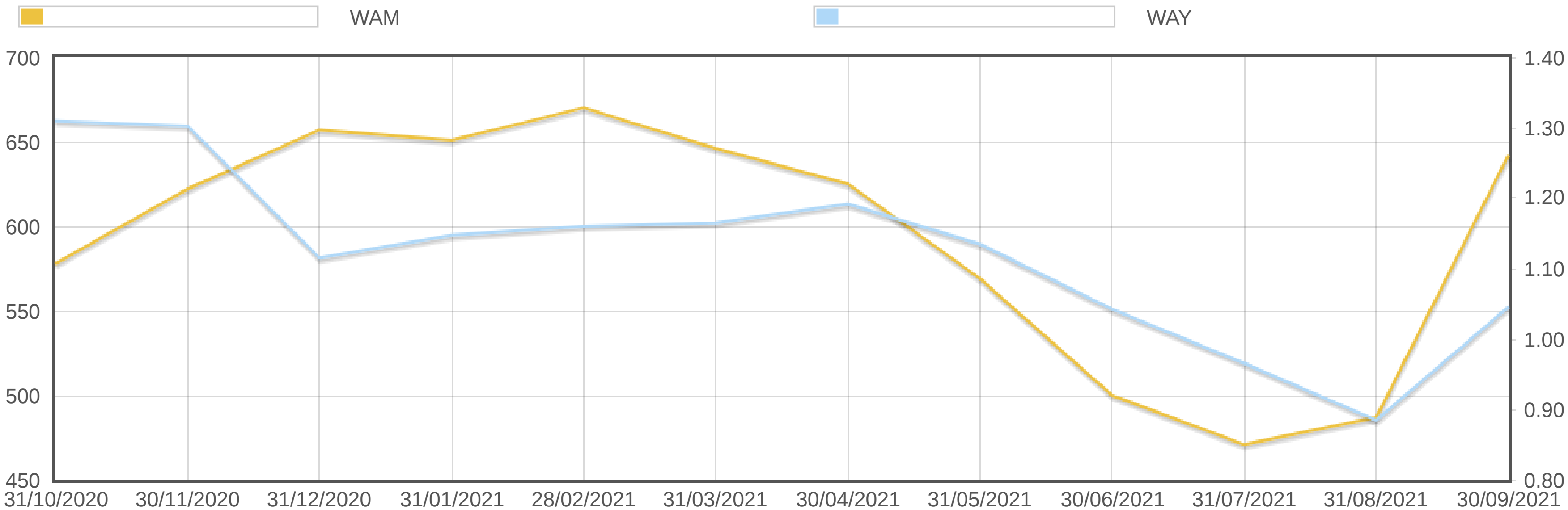
Historical Portfolio Balances (in MM) as at 30/09/2021

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	31/08/2021	30/09/2021
99.97	105.34	101.36	98.27	101.72	101.32	97.14	102.09	111.07	118.41	133.70	131.49



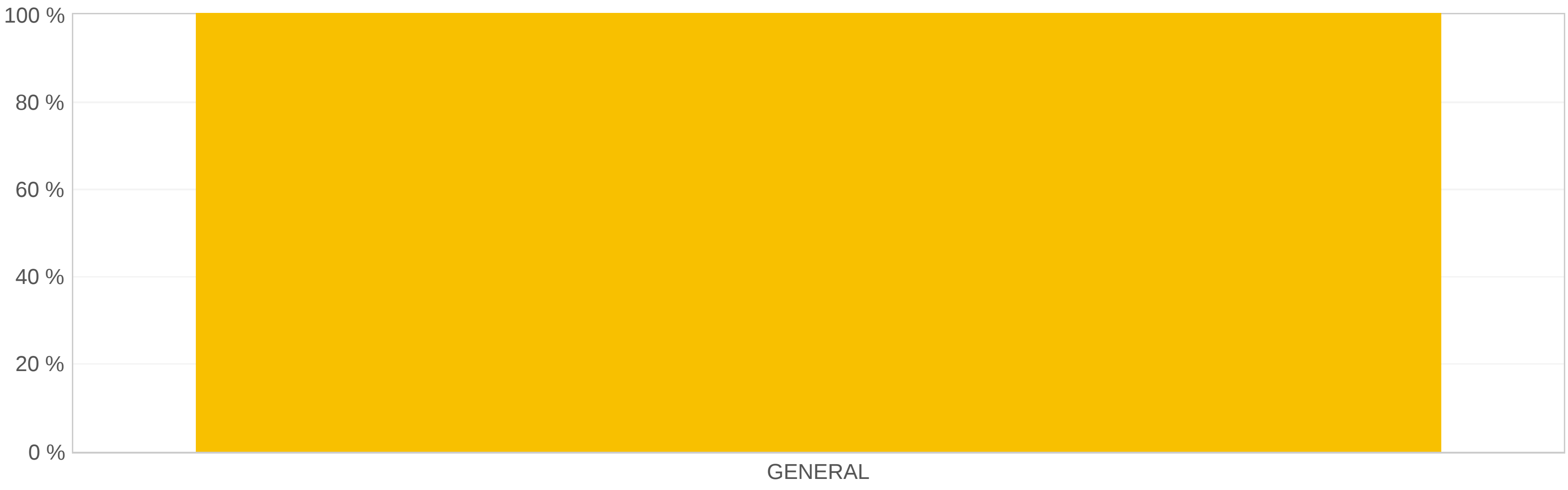
Historical Ratios as at 30/09/2021

	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	31/08/2021	30/09/2021
WAM	578	622	657	651	670	646	625	569	500	471	487	642
WAY	1.3097	1.3025	1.1148	1.1471	1.1602	1.1652	1.1915	1.1344	1.0425	0.9656	0.8849	1.0457



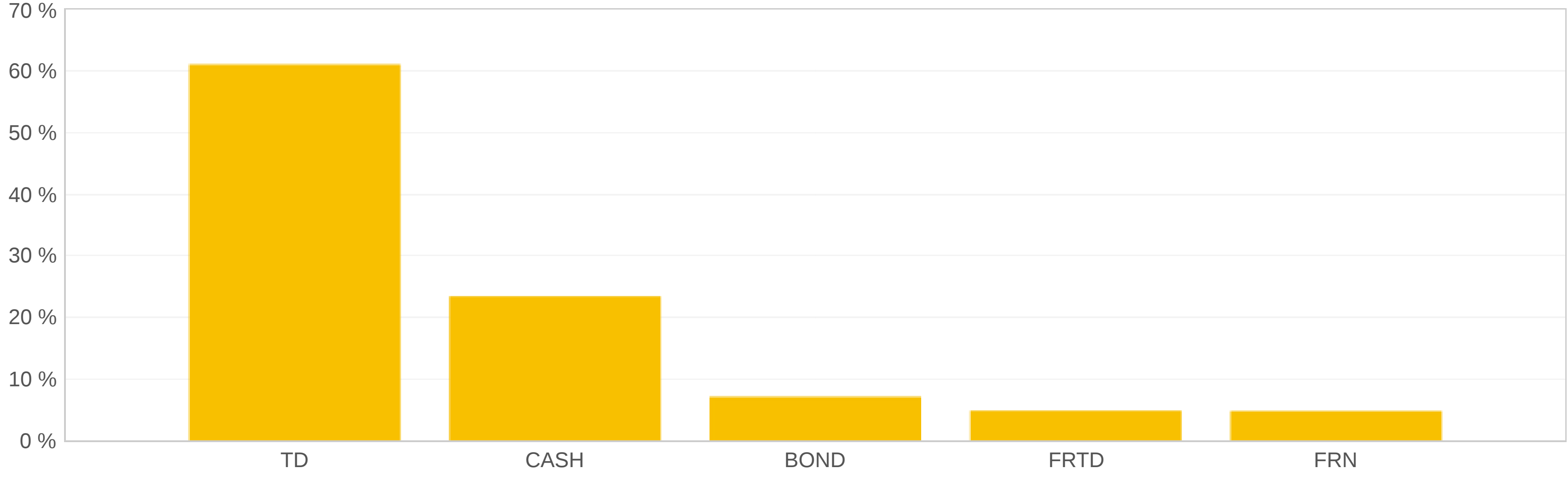
Allocation as at 30/09/2021

Code	Number of trades	Invested	Invested (%)
GENERAL	49	131,487,322.02	100.00
TOTALS	**43**	**131,487,322.02**	**100.0**



Asset Class as at 30/09/2021

Code	Number of Trades	Invested	Invested (%)
TD	29	80,000,000.00	60.84
CASH	7	30,500,644.52	23.20
BOND	3	9,000,000.00	6.84
FRTD	3	6,000,000.00	4.56
FRN	7	5,986,677.50	4.55
TOTALS	**43**	**131,487,322.02**	**100.0**



ADIs funding fossil fuels as at 30/09/2021

	Number of Trades	Invested	Invested (%)
Not funding fossil fuels	18	39,951,731.50	30.4
Funding fossil fuels	31	91,535,590.52	69.6