

CLAUSE **CL03**

TITLE **Investments as at 31 March 2024**

FROM **Vanessa Edwards, Finance Manager**

TRIM REF **24/4364**

SUMMARY

This report details Council's investments performance to the month of March 2024.

RECOMMENDATION

The report be noted by Council.

REPORT

In accordance with Section 212 of the Local Government (General) Regulation 2021, it is hereby certified that the investments detailed in the attached schedules have been made in accordance with Section 625 of the Local Government Act 1993, its Regulations and Council's current Investment Policy and Strategy which were last amended and adopted on 14 July 2023.

Management is striving to continuously build up cash and investment returns to ensure ongoing financial stability and liquidity into the future.

OPTIONS

OPTION 1

As per the Recommendation.

OPTION 2

Any other Recommendation of Council.

POLICY IMPLICATIONS

The actions taken comply with Council's current investment policy and strategy, and the Ministerial Order as provided by the NSW Office of Local Government.

FINANCIAL IMPLICATIONS

As at the 31 March 2024, Council had received a total of \$1,950,886 in interest coupon payments.

The overall net interest income recognised (when combining both interest received and mark-to-market entries) at 31 March 2024 was \$2,747,676. The annual original adopted budget for 2023/24 was \$2,108,000. The annual revised budget for 2023/2024 is \$2,808,000.

Council has a mix of growth and fixed income investments in the portfolio and at certain times growth assets are exposed to equity market fluctuations (volatility) as well as rises in interest rates and may incur non-cash valuation reductions that can impact on reported profits. These are long term assets and Council has no intention of divesting any of these assets when at cyclical lows and therefore crystallising any losses. Invariably, these assets will regain and increase their values over time and they make up a valuable diversity in Council's portfolio overall.

Due to the high volatility across investment markets, it is difficult to obtain cash yields whilst maintaining appropriate diversification of investments and not be exposed to potential fluctuations in the carrying value of these assets. Council's investments are diversified primarily across TCorp Managed Funds, term deposits, fixed income bonds and floating rate notes which are largely determined by the restrictions in place by the Minister's Order. Council's investments are diversified, all highly rated and of high quality.

LEGAL/STATUTORY IMPLICATIONS

Section 212 of the Local Government (General) Regulation 2021.

ENVIRONMENTAL IMPLICATIONS

Not Applicable

COMMUNITY IMPLICATIONS

Not Applicable

LINK TO STRATEGIC PLAN

This item links to Council's Strategic Plan item: 1.1 Provide clear, accessible, relevant information.

CONSULTATION

Senior Management Team

LEGAL/STATUTORY IMPLICATIONS

Section 212 of the Local Government (General) Regulation 2021.

ENVIRONMENTAL IMPLICATIONS

Not Applicable

COMMUNITY IMPLICATIONS

Not Applicable

LINK TO STRATEGIC PLAN

This item links to Council's Strategic Plan item 1.1 Provide clear, accessible, relevant information.

CONSULTATION

Senior Management Team

ATTACHMENTS

- | | | |
|-----|---|----|
| (a) | Statement of Funds at 31 March 2024 ↓ | 27 |
| (b) | Investments Returns Analysis - 12 month Annualised Yields ↓ | 28 |
| (c) | TCorp Monthly Economic Report - March 2024 ↓ | 29 |

(a) Statement of Funds at 31 March, 2024

GRIFFITH CITY COUNCIL
Statement of Funds Invested under Section 625 of the Local Government Act, 1993
31 March, 2024

INVESTMENTS

Annual Return	Type	Valuation Balance as at	Interest Recognised	Revaluation Movements Recognised	Fund as a Percentage of
		31 March, 2024	March, 2024	March, 2024	Total Investments
Cash/Managed Funds					
5.030%	Pendal Institutional Cash Fund	8,422.53		35.01	0.02%
9.890%	Perpetual Credit Income Fund	1,016,991.28		8,116.47	1.84%
11.11%*	NSW Treasury Corp -Long Term Growth Fund	1,722,489.06		35,769.59	3.11%
7.14%*	NSW Treasury Corp -Medium Term Growth Fund	5,741,428.17		70,198.83	10.36%
4.09%*	NSW Treasury Corp - Short Term Income Fund	3,855,111.28	15,164.97	1,181.32	6.96%
3.500%	UBS Cash Management Trust Account	70,511.04	289.24		0.13%
3.890%	ANZ Premium Business Saver Account	7,452.96	25.37		0.01%
Term Deposits					
4.550%	AMP 367 Day Term Deposit Maturity 5/6/24	2,000,000.00	7,583.33		3.61%
1.600%	BOQ 3 Yr Term Deposit Maturity 9/12/24	1,082,491.07	1,444.64		1.95%
3.460%	Westpac Bank 2 Yr Term Deposit Maturity 17/5/2024	3,000,000.00	8,650.00		5.41%
4.300%	Westpac Bank 2 Yr Term Deposit Maturity 8/9/2024	3,000,000.00	10,661.64		5.41%
4.200%	NAB 2 Year Term Deposit Maturity 9/9/2024	2,000,000.00	7,019.18		3.61%
4.400%	BOQ 2 Yr Term Deposit Maturity 8/9/2024	2,000,000.00	7,373.51		3.61%
4.770%	Westpac Bank 2 Yr Term Deposit Maturity 30/9/2024	3,000,000.00	11,434.93		5.41%
4.820%	Westpac Bank 2 Yr Term Deposit Maturity 8/11/2024	3,000,000.00	12,050.00		5.41%
4.880%	ING 3 Yr Term Deposit Maturity 8/11/2025	4,000,000.00	16,311.23		7.22%
4.750%	Westpac Bank Notice Saver 60 Day	2,611,475.52	11,282.89		4.71%
4.600%	Westpac Bank Notice Saver 31 Day	5,532,703.92	19,454.97		9.99%
4.430%	Westpac Deposit Maturity 30/8/24	1,000,000.00			1.80%
5.000%	NAB 3 Yr Term Deposit Maturity 9/10/2026	3,500,000.00	14,583.33		6.32%
Bank Bonds/Floating Rate					
Notes #					
5.490%	Westpac FRN Maturity (\$1M Face Value) 24/04/24	1,000,550.00		(660.00)	1.81%
1.250%	NSW Treasury Corp Bond (\$2.5M Face Value) Maturity 20/3/25	2,432,300.00	15,625.00	6,125.00	4.39%
1.250%	NSW Treasury Corp Bond (\$2M Face Value) Maturity 20/11/30	1,664,540.00		19,020.00	3.00%
2.000%	NSW Treasury Corp Bond (\$2M Face Value) Maturity 8/3/33	1,633,360.00	20,000.00	25,700.00	2.95%
1.750%	Government of the ACT Bond (\$600k Face Value) Maturity 17/5/30	522,024.00		5,610.00	0.94%
Total		55,401,850.83	178,954.23	171,096.22	100%

*YTD Fund Return

Bank Bonds/Floating Rate Notes will have positive or negative revaluations from month to month. Upon maturity date the principal investment will be paid back in full.

Balance of Griffith City Council Trading Bank Account 12,551,552.93
GHFL/HHF Bank Account Balances 23,878.85

Total Cash & Investments at 31/03/2024 67,977,282.61

RETURN ON INVESTMENTS

Return on Investments Analysis	Actual
Accumulated Return on Investments Brought Forward	2,365,350.02
Interest received on Griffith Health Facilities Limited Bank Accounts YTD March 2024	240.26
Return on Investments for the month of March 2024	350,050.45
Trading Bank Account Interest Received for the month of March 2024	32,035.19
Total Return of Investments YTD March 2024	2,747,675.92

Fund	Revised Budget Annual Total	Budget YTD	Actual YTD
Ordinary Fund	1,100,000.00	825,000.00	966,184.05
Water Fund	1,010,000.00	757,500.00	998,130.98
Sewerage Fund	440,000.00	330,000.00	559,749.15
Waste Fund	255,000.00	191,250.00	219,353.87
Western Riverina Library	3,000.00	2,250.00	4,257.87
Total	2,808,000.00	2,106,000.00	2,747,675.92
		Percentage of Year at Report Date	75.00%

In accordance with Section 212 of the Local Government (General) Regulation 2021, I hereby certify that the investments detailed above are made in accordance with the Local Government Act, its regulations and Council's investment policy adopted on 14 July, 2023.

RESPONSIBLE ACCOUNTING OFFICER

(b) Investments Returns Analysis - 12 month Annualised Yields

INVESTMENT RETURNS ANALYSIS - 12 MONTH ANNUALISED YIELDS			
Month	Average Funds Invested for the month	Return on Investment/ Revaluation Adjustments	Yield %
Apr-23	\$60,644,807	\$242,735	0.40%
May-23	\$58,897,062	\$66,112	0.11%
Jun-23	\$60,569,391	\$74,708	0.12%
Jul-23	\$64,144,808	\$302,181	0.47%
Aug-23	\$64,307,885	\$228,475	0.36%
Sep-23	\$63,569,386	\$30,484	0.05%
Oct-23	\$63,449,129	-\$7,967	-0.01%
Nov-23	\$64,311,568	\$577,517	0.90%
Dec-23	\$64,699,621	\$523,235	0.81%
Jan-24	\$64,486,966	\$278,035	0.43%
Feb-24	\$62,632,743	\$228,370	0.36%
Mar-24	\$58,302,926	\$350,050	0.60%
12 Month Annualised Performance			4.60%
Current Year Performance Jul 23 - Jun 24			3.96%
(Cash basis only, net of fees)			



March 2024
Published: 2 April 2024

Monthly economic report

The global economy

Central banks in advanced economies are becoming more confident that they will have enough information to start cutting interest rates soon, specifically through data showing that inflation is falling sustainably back to their targets. In the US, despite some surprisingly high monthly inflation outcomes, the Federal Reserve (Fed) still thinks inflation will continue to decline. The continued resilience of the US economy and labour market has also not altered Fed members' view on inflation, still expecting to deliver 3 rate cuts in 2024.

The Bank of England and European Central Bank have also become more dovish as inflation falls more quickly than expected. The Swiss central bank unexpectedly reduced its policy rate by 25bps as inflation is within the target range and the Swedish central bank signalled that a rate cut within a few months is likely. The Reserve Bank of Australia (RBA) also tilted in a dovish direction by dropping its tightening bias, though it appears to still be more concerned about the risk of elevated services price inflation than central banks in most other advanced economies.

The more dovish communication by central banks over the past month saw investor expectations for the timing and magnitude of rate cuts in 2024 pare back slightly. This follows large adjustments in January and February as policymakers aggressively pushed back on investors' expectations of imminent and aggressive rate cuts in 2024. Investors expect most advanced economy central banks (excluding Australia) to start cutting rates around the middle of this year and by around 75bps in 2024.

The Bank of Japan (BoJ) raised its policy rate to between 0 and 0.1% in March, ending the negative interest rate policy that had been in place since 2016, marking the first time that the BoJ has raised interest rates since 2007. The BoJ also abandoned its Yield Curve Control framework, which removes formal limits on 10-year Japanese Government bond yields. However, the BoJ will remain active in the government bond market to ensure that yields do not rise above levels that it is comfortable with.

The BoJ's monetary policy adjustments reflect greater confidence that the 2% inflation target will be sustainably achieved, following decades of deflation in Japan. This, in turn, reflects encouraging signs that wage growth has lifted, with larger-than-expected wage rises awarded in the annual Shunto wage negotiations between unions and large firms. However, the BoJ's forward guidance remains dovish, noting that financial conditions will remain accommodative and that this adjustment does not mark the start of an aggressive tightening campaign.

In China, authorities announced an ambitious 5% growth target for 2024. This is likely only achievable if sizeable economic stimulus measures are announced, though authorities have not yet unveiled any large-scale stimulus programs. In the meantime, household spending in China is weak and the property sector remains in a severe downturn.

The Australian economy

As expected, the RBA Board held interest rates steady at its March meeting. The RBA's forward guidance was seen as more neutral, rather than hawkish, with the RBA dropping its mild tightening bias. The RBA remains cautious and data-dependent, waiting for more evidence that inflation is

falling before starting to discuss rate cuts. Monthly inflation was a touch lower than expected in February, with underlying measures of inflation within the RBA's target band on a 3-month annualised basis.

The Australian economy remains weak, growing by a modest 0.2% in the December quarter 2023, in line with the RBA's expectations. Strong population growth resulted in output per capita falling throughout 2023. Dwelling investment declined in the December quarter and building approvals fell further in January. Household spending remains very weak, with households under financial pressure mostly cutting back on discretionary spending. In contrast, public sector spending has risen and is increasingly driving economic growth. Business investment has been relatively resilient and house prices have risen further in recent months.

By state, growth in the NSW economy was surprisingly weak in the December quarter. Housing construction declined, though it is unclear how much this reflected building activity impacted by wet weather.

Labour market data remains volatile, but there continues to be evidence that it is gradually loosening. Total hours worked have trended lower, job ads have fallen, and job vacancies have declined further (though they remain elevated). Leading indicators also suggest that wages growth has reached its peak.

Financial market commentary

Bond yields fell in March and equity markets rose as investors became more confident that increasingly dovish central banks will start cutting rates soon.

Equity markets (performance in local currency, excluding dividends)

Most advanced economy markets rose strongly in March, with the MSCI World (ex-Australia) index rising by 3%. Equity investors are optimistic that rate cuts will commence in a few months and that there will be a 'soft landing' in the global economy, where inflation returns to central banks' targets while labour markets remain resilient.

The US S&P500 gained 3.1% in March and the ASX200 gained 2.6%, with broad-based rises across sectors. Japan's equity market rose by 3.1% as the yen depreciated further and investors focused on the BoJ's dovish forward guidance.

Equity markets in the US, Japan, Europe, UK and Australia have recently surpassed their historical peaks. The ASX200 has underperformed equity markets in other advanced economies since the start of this year (except the UK). While banks have recorded strong gains, mining stocks have fallen sharply due to weakness in China's economy and the acute drop in iron price prices this year.

Interest rates

Increasingly dovish central banks saw global bond yields fall in March. US 10-year bond yields ended the month 5bps lower, while yields in other advanced economies fell by more. Australian 10-year yields declined 17bps and German 10-year yields fell 11bps.

TCorp bond yields moved broadly in line with those on Commonwealth Government bonds in March.

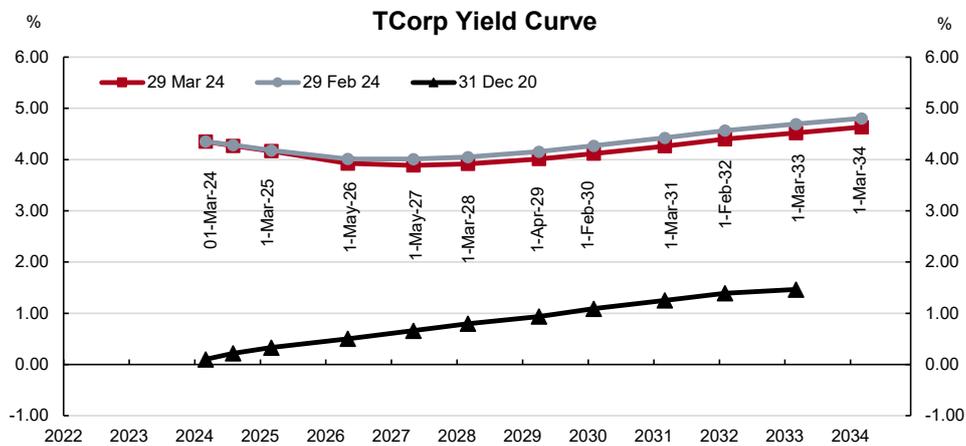
Currency and commodity markets

Iron ore prices declined almost 20% in March, to be 25% lower since the start of this year. The weakness reflects concerns about lower steel demand in China, particularly from the property sector, and rising steel inventories at major Chinese steel mills.

Financial market performance

Currency markets	Previous	Month	Month	Month	Month
March 2024	month close	high	low	close	change
AUD/USD	0.650	0.662	0.650	0.652	0.4% ▲
AUD/EUR	0.601	0.606	0.599	0.604	0.5% ▲
AUD/JPY	97.44	99.62	97.19	98.70	1.3% ▲
AUD/GBP	0.515	0.519	0.512	0.517	0.4% ▲
AUD/BRL	3.230	3.301	3.221	3.270	1.2% ▲
AUD/INR	53.87	54.86	53.91	54.39	1.0% ▲
AUD/CNY	4.670	4.762	4.680	4.710	0.8% ▲
Equity markets*	Previous	Month	Month	Month	Month
March 2024	month close	high	low	close	change
MSCI World ex Australia	3424	3528	3424	3528	3.0% ▲
MSCI Emerging Markets	1021	1049	1022	1043	2.2% ▲
S&P/ASX200	7699	7897	7670	7897	2.6% ▲
S&P/ASX Small Ordinaries	2999	3124	3011	3124	4.2% ▲
S&P500 (US)	5096	5254	5079	5254	3.1% ▲
FTSE 100 (UK)	7630	7953	7640	7953	4.2% ▲
Stoxx600 (Europe)	495	513	496	513	3.7% ▲
DAX (Germany)	17678	18492	17698	18492	4.6% ▲
CAC 40 (France)	7927	8206	7933	8206	3.5% ▲
Nikkei 225 (Japan)	39166	40888	38696	40369	3.1% ▲
Hang Seng (HK)	16511	17094	16163	16541	0.2% ▲
Shanghai Composite (China)	3015	3085	2993	3041	0.9% ▲
Bovespa (Brazil)	129020	129180	126124	128106	-0.7% ▼
IPC (Mexico)	55414	57369	54899	57369	3.5% ▲
S&P/BSE Sensex (India)	72500	74119	72012	73651	1.6% ▲
*Returns are in local currency, and exclude dividend payments					
Bond markets (%)	Previous	Month	Month	Month	Month
March 2024	month close	high	low	close	change
RBA Official Cash Rate	4.35	4.35	4.35	4.35	0.00 –
90 Day Bank Bill	4.34	4.35	4.34	4.34	0.01 ▲
180 Day Bank Bill	4.48	4.52	4.48	4.50	0.02 ▲
New institutional term deposits	4.70	4.70	4.70	4.70	0.00 –
3 Year CGS Bond	3.70	3.74	3.58	3.62	-0.09 ▼
10 Year CGS Bond	4.14	4.14	3.95	3.96	-0.17 ▼
10 Year US Bond	4.25	4.32	4.07	4.20	-0.05 ▼
10 Year German Bond	2.41	2.46	2.27	2.30	-0.11 ▼
10 Year Japanese Bond	0.71	0.79	0.71	0.73	0.02 ▲

TCorp bonds (%)	Previous month close	Month high	Month low	Month close	Month change
March 2024					
20-Aug-24	4.28	4.33	4.27	4.27	-0.01 ▼
20-Mar-25	4.18	4.25	4.14	4.17	-0.01 ▼
20-May-26	4.01	4.08	3.92	3.92	-0.09 ▼
20-May-27	4.01	4.06	3.89	3.89	-0.12 ▼
20-Mar-28	4.05	4.11	3.92	3.92	-0.13 ▼
20-Apr-29	4.15	4.21	4.01	4.01	-0.14 ▼
20-Feb-30	4.27	4.32	4.12	4.12	-0.15 ▼
20-Mar-31	4.42	4.47	4.26	4.26	-0.16 ▼
20-Feb-32	4.56	4.61	4.40	4.40	-0.17 ▼
08-Mar-33	4.69	4.72	4.52	4.52	-0.17 ▼
20-Mar-34	4.80	4.84	4.63	4.63	-0.17 ▼
CIB 2.75% 20 Nov 25	1.34	1.43	1.29	1.29	-0.05 ▼
CIB 2.50% 20 Nov 35	2.31	2.32	2.14	2.18	-0.13 ▼



Source: TCorp

Commodity markets (US\$)	Previous month close	Month high	Month low	Month close	Month change
March 2024					
Brent Oil (per barrel)	83.6	87.5	81.9	87.5	4.6% ▲
Iron Ore (per tonne)	124.9	118.1	100.1	100.1	-19.8% ▼

TCorp forecasts	June-24	Dec-24	Jun-25	Dec-25
RBA Official Cash Rate	4.35	3.85	3.10	2.35
90 Day Bank Bill	4.35	3.60	2.85	2.50
10 Year CGS Bond	3.75	3.50	3.25	3.25

The opinions, forecasts and data contained in this report is based on the research of TCorp as at the date of publication and is subject to change without notice. TCorp is not responsible for the accuracy, adequacy, currency or completeness of any information in the report provided by third parties. This report is provided for general information purposes only and should not be relied upon for investment or trading purposes. This Report is not intended to forecast or predict future events.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2024. All rights reserved.

About TCorp

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$112 billion of assets under management, TCorp is a top 10 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$168 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.

TCorp

Level 7, Deutsche Bank Place,
126 Phillip Street, Sydney, NSW 2000

Tel: +61 2 9325 9325
www.tcorp.nsw.gov.au
www.linkedin.com/company/tcorp-nswtreasurycorporation/

