

CLAUSE **CL08**

TITLE **Investments as at 30 June 2024**

FROM **Vanessa Edwards, Finance Manager**

TRIM REF **24/4368**

SUMMARY

This report details Council's investments performance for the month and year end of June 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, allocate funds to reserves and provide ongoing 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 30 June 2024, Council had received a total of \$2,626,696 in interest coupon payments.

The overall net interest income recognised (when combining both interest received and mark-to-market entries) at 30 June 2024 was \$3,241,365. The annual original adopted budget for 2023/24 was \$2,108,000. The annual revised budget for 2023/2024 is \$2,908,000.

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

ATTACHMENTS

- (a) Statement of Funds at 30 June 2024
- (b) Investments Returns Analysis - 12 month Annualised Yields
- (c) TCorp Monthly Economic Report - June 2024

(a) Statement of Funds at 30 June, 2024

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

INVESTMENTS

Annual Return	Type	Valuation Balance as at 30 June, 2024	Interest Recognised June, 2024	Revaluation Movements Recognised June, 2024	Fund as a Percentage of Total Investments
Cash/Managed Funds					
4.240%	Pendal Institutional Cash Fund	8,529.32		29.06	0.01%
4.040%	Perpetual Credit Income Fund	1,060,594.48		3,446.82	1.74%
10.64%*	NSW Treasury Corp -Long Term Growth Fund	1,715,475.98	37,848.81	(20,890.83)	2.81%
6.39%*	NSW Treasury Corp -Medium Term Growth Fund	5,701,579.50	48,224.20	(29,685.27)	9.35%
5.36%*	NSW Treasury Corp - Short Term Income Fund	3,902,190.77	15,074.62	(2,848.76)	6.40%
3.500%	UBS Cash Management Trust Account	71,438.60	314.10		0.12%
3.500%	ANZ Premium Business Saver Account	7,529.24	76.28		0.01%
Term Deposits					
5.050%	AMP 365 Day Term Deposit Maturity 5/6/25	2,000,000.00	7,832.65		3.28%
1.600%	BOQ 3 Yr Term Deposit Maturity 9/12/24	1,082,491.07	1,444.64		1.78%
3.460%	Westpac Bank 2 Yr Term Deposit Maturity 17/5/2024				0.00%
4.300%	Westpac Bank 2 Yr Term Deposit Maturity 8/9/2024	3,000,000.00	12,075.34		4.92%
4.200%	NAB 2 Year Term Deposit Maturity 9/9/2024	2,000,000.00	7,019.18		3.28%
4.400%	BOQ 2 Yr Term Deposit Maturity 8/9/2024	2,000,000.00	7,373.51		3.28%
4.770%	Westpac Bank 2 Yr Term Deposit Maturity 30/9/2024	3,000,000.00	12,219.04		4.92%
4.820%	Westpac Bank 2 Yr Term Deposit Maturity 8/11/2024	3,000,000.00	12,050.00		4.92%
4.880%	ING 3 Yr Term Deposit Maturity 8/11/2025	4,000,000.00	16,311.23		6.56%
4.750%	Westpac Bank Notice Saver 60 Day	2,642,866.33	9,595.20		4.34%
4.800%	Westpac Bank Notice Saver 31 Day	5,597,100.64	19,681.41		9.18%
4.430%	Westpac Deposit Maturity 30/8/24	1,000,000.00			1.64%
5.000%	NAB 3 Yr Term Deposit Maturity 9/10/2026	3,500,000.00	14,583.33		5.74%
5.420%	Rabo Bank 1 Yr Term Deposit Maturity 27/06/2025	2,500,000.00			4.10%
5.190%	NAB 2 Year Term Deposit Maturity 29/06/2026	2,000,000.00			3.28%
5.300%	Rabo Bank 4 Yr Term Deposit Maturity 28/06/2028	2,500,000.00			4.10%
Bank Bonds/Floating Rate Notes #					
1.250%	NSW Treasury Corp Bond (\$2.5M Face Value) Maturity 20/3/25	2,443,175.00		4,150.00	4.01%
1.250%	NSW Treasury Corp Bond (\$2M Face Value) Maturity 20/11/30	1,628,940.00		9,540.00	2.67%
2.000%	NSW Treasury Corp Bond (\$2M Face Value) Maturity 8/3/33	1,581,000.00		13,280.00	2.59%
1.750%	Government of the ACT Bond (\$800k Face Value) Maturity 17/5/3	510,420.00		2,370.00	0.84%
5.082%	NAB FRN (\$1.7M Face Value) Maturity 10/05/2027	1,701,904.00		1,020.00	2.79%
5.370%	Bendigo Adelaide Bank FRN (\$800k Face Value) Maturity 08/05/2	801,466.00		88.00	1.31%
Total		60,956,730.91	221,723.54	(19,500.98)	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 20,421,457.69
GHFL/HHF Bank Account Balances 23,955.88

Total Cash & Investments at 30/06/2024 81,402,144.48

RETURN ON INVESTMENTS

Return on Investments Analysis	Actual
Accumulated Return on Investments Brought Forward	2,996,615.53
Interest received on Griffith Health Facilities Limited Bank Accounts YTD June 2024	316.85
Return on Investments for the month of June 2024	202,222.56
Trading Bank Account Interest Received for the month of June 2024	42,210.56
Total Return of Investments YTD June 2024	3,241,365.50

Fund	Revised Budget Annual Total	Budget YTD	Actual YTD
Ordinary Fund	1,100,000.00	1,100,000.00	1,064,127.01
Water Fund	1,010,000.00	1,010,000.00	1,213,154.15
Sewerage Fund	540,000.00	540,000.00	693,674.49
Waste Fund	255,000.00	255,000.00	265,260.85
Western Riverina Library	3,000.00	3,000.00	5,149.00
Total	2,908,000.00	2,908,000.00	3,241,365.50
		Percentage of Year at Report Date	100.00%

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 %
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%
Apr-24	\$54,803,438	-\$85,447	-0.16%
May-24	\$54,025,221	\$263,094	0.49%
Jun-24	\$57,401,074	\$202,223	0.35%
12 Month Annualised Performance			4.65%
Current Year Performance Jul 23 - Jun 24			4.65%
(Cash basis only, net of fees)			

Monthly economic report

The global economy

More central banks in advanced economies delivered rate cuts in June as inflation gradually fell towards targets and economic activity remained weak. The Bank of Canada (BoC) and European Central Bank (ECB) cut rates for the first time in this cycle and the Swiss Central Bank cut rates for the second time. While the BoC signalled that further rate cuts are likely soon, the ECB noted that the timing and pace of future rate cuts are highly uncertain and depend on inflation continuing to ease. The Bank of England held rates steady in June but signalled that a rate cut in August is likely.

The outperformance of the US economy over the past year relative to other advanced economies has resulted in the US Federal Reserve (Fed) delaying its rate cuts. With inflation falling more slowly than expected in the first few months of this year, the Fed is waiting for additional data to gain confidence that inflation is falling towards target, before cutting rates. The Fed now expects to cut rates only once in 2024, instead of the 3 cuts investors expected in March. Encouragingly, inflation data in April and May suggested that price pressures are continuing to ease, providing comfort to investors that the Fed will deliver 1 or 2 rate cuts towards the end of this year.

US economic data was also on the softer side in June, indicating that parts of the US economy and labour market are gradually loosening. The impact of higher interest rates on some sectors of the economy is becoming more apparent, including a softening in consumer spending, which had been resilient since the Fed started its tightening cycle.

The Australian economy

The Reserve Bank of Australia (RBA) Board held interest rates steady at its June meeting, but its messaging was interpreted as slightly hawkish. While the RBA Board highlighted the risk of inflation taking longer to return to target and again considered the case for a rate rise, it continues to describe its policy stance as neutral.

The Australian economy was weak in the March quarter, expanding by only 0.1% and again contracting in per capita terms. More timely survey data indicates that economic activity potentially weakened further in the June quarter. High interest rates continue to weigh on household spending and residential construction, while government spending has been an increasingly important driver of activity in recent years.

The weak economic activity and the gradual loosening in the labour market should provide the RBA comfort that inflation will keep falling towards target. In particular, the RBA should be more confident that wages growth will slow to a level consistent with the inflation target after the Fair Work Commission increased minimum and award wages by 3.75% this year – a much lower outcome than the previous 2 years.

However, the fall in inflation is likely to remain bumpy as global factors, such as oil prices, create volatility and complicate the assessment of underlying inflationary pressures in the economy. For example, the upside inflation surprise in May partly reflected the earlier rise in oil prices.

Financial market commentary

Bond yields in most advanced economies declined in June and continue to be driven by the evolving outlook for global interest rates. Equity market moves were mixed in June as country-specific developments had a larger influence on equities.

Equity markets (performance in local currency, excluding dividends)

The US equity market again outperformed other advanced economies, with the S&P500 gaining 3.5%. While performance across sectors was mixed, the IT sector recorded the largest gains, with companies benefiting from artificial intelligence continuing to perform strongly.

In Australia, the ASX200 rose by 0.9% in June and has underperformed most other advanced economies since the start of this year. Solid gains in the financial sector have offset weakness in the mining sector, with the latter weighed down by concerns around China's economy and falls in the prices of key Australian commodity exports. Chinese equities fell by 3.9%, but some other emerging markets had a positive month, with the MSCI Emerging Markets Index gaining 3.6%.

Equity markets across Europe fell in June, reflecting heightened political uncertainty after the European elections. Concerns were most pronounced in France, with its equity market losing almost 6.5%.

Bond yields

US 10-year bond yields fell 10bps in June, driven by lower-than-expected inflation data. Some softer economic data throughout the month, including survey measures showing slowing economic activity, also weighed on yields.

Australian 10-year yields declined 10bps, largely driven by the fall in US yields. TCorp's bond yields outperformed in June, with the 10-year spread between TCorp and Australian Commonwealth Government bonds narrowing by 9bps. This was driven by the NSW Government announcing a lower projected borrowing requirement in the next few years than investors had expected.

Heightened political uncertainty after the European elections – particularly in France – saw European bond markets diverge in June. While 10-year bond yields in Germany fell 15bps, French 10-year bond yields rose 16bps, widening the spread between them from around 50bps to around 80bps after the elections.

Currency and commodity markets

Iron ore prices fell over 9% in June, down almost 22% since the start of this year, as weakness in China's property sector weighs on the outlook for key steel-making commodities (iron ore and coking coal). Measures announced by Chinese authorities in recent months to support the ailing property sector are yet to have a noticeable impact or alleviate investors' concerns about the outlook for China's economy.

Oil prices rose almost 6% in June, unwinding most of the fall in May. Heightened geopolitical tensions and expectations that OPEC will control oil supply more tightly in the second half of this year drove the increase, despite signs of weaker US oil demand.

The Japanese yen depreciated a further 2.3% against the US dollar in June and is at its lowest level since the mid-1980s. The Bank of Japan's (BoJ) expansionary monetary policy, combined with US interest rates remaining higher for longer, has seen the yen depreciate sharply since the start of this year. Japanese officials continue to express concern about the impact of rapid, one sided currency movements on the economy.

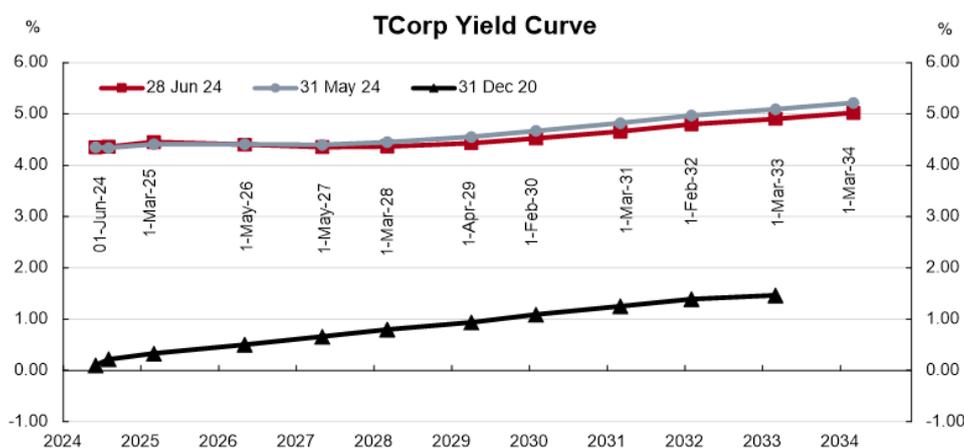
Financial market performance

Currency markets June 2024	Previous month close	Month high	Month low	Month close	Month change
AUD/USD	0.665	0.669	0.658	0.667	0.3% ▲
AUD/EUR	0.613	0.623	0.609	0.623	1.5% ▲
AUD/JPY	104.66	107.31	102.98	107.31	2.5% ▲
AUD/GBP	0.522	0.528	0.518	0.528	1.0% ▲
AUD/BRL	3.490	3.731	3.502	3.731	6.9% ▲
AUD/INR	55.53	55.69	54.88	55.62	0.2% ▲
AUD/CNY	4.818	4.847	4.771	4.847	0.6% ▲
Equity markets* June 2024	Previous month close	Month high	Month low	Month close	Month change
MSCI World ex Australia	3536	3617	3544	3605	1.9% ▲
MSCI Emerging Markets	1049	1096	1052	1086	3.6% ▲
S&P/ASX200	7702	7860	7700	7767	0.9% ▲
S&P/ASX Small Ordinaries	3023	3024	2944	2973	-1.7% ▼
S&P500 (US)	5278	5487	5283	5460	3.5% ▲
FTSE 100 (UK)	8275	8285	8142	8164	-1.3% ▼
Stoxx600 (Europe)	518	525	511	511	-1.3% ▼
DAX (Germany)	18498	18653	18002	18235	-1.4% ▼
CAC 40 (France)	7993	8040	7479	7479	-6.4% ▼
Nikkei 225 (Japan)	38488	39667	38102	39583	2.8% ▲
Hang Seng (HK)	18080	18477	17716	17719	-2.0% ▼
Shanghai Composite (China)	3087	3091	2946	2967	-3.9% ▼
Bovespa (Brazil)	122098	124308	119138	123907	1.5% ▲
IPC (Mexico)	55179	54477	51808	52440	-5.0% ▼
S&P/BSE Sensex (India)	73961	79243	72079	79033	6.9% ▲

*Returns are in local currency, and exclude dividend payments

Bond markets (%) June 2024	Previous month close	Month high	Month low	Month close	Month change
RBA Official Cash Rate	4.35	4.35	4.35	4.35	0.00 –
90 Day Bank Bill	4.35	4.46	4.35	4.45	0.10 ▲
180 Day Bank Bill	4.60	4.77	4.58	4.74	0.13 ▲
New institutional term deposits	4.60	4.60	4.60	4.60	0.00 –
3 Year CGS Bond	4.05	4.17	3.79	4.08	0.03 ▲
10 Year CGS Bond	4.41	4.41	4.11	4.31	-0.10 ▼
10 Year US Bond	4.50	4.47	4.22	4.40	-0.10 ▼
10 Year German Bond	2.66	2.67	2.36	2.50	-0.16 ▼
10 Year Japanese Bond	1.07	1.08	0.93	1.06	-0.01 ▼

TCorp bonds (%)	Previous month close	Month high	Month low	Month close	Month change
June 2024					
20-Aug-24	4.34	4.38	4.33	4.36	0.02 ▲
20-Mar-25	4.41	4.51	4.32	4.45	0.04 ▲
20-May-26	4.41	4.50	4.17	4.40	-0.01 ▼
20-May-27	4.40	4.44	4.14	4.36	-0.04 ▼
20-Mar-28	4.45	4.45	4.19	4.36	-0.09 ▼
20-Apr-29	4.55	4.52	4.29	4.43	-0.12 ▼
20-Feb-30	4.67	4.64	4.39	4.52	-0.15 ▼
20-Mar-31	4.82	4.79	4.54	4.66	-0.17 ▼
20-Feb-32	4.97	4.93	4.68	4.80	-0.17 ▼
08-Mar-33	5.09	5.06	4.80	4.91	-0.19 ▼
20-Mar-34	5.22	5.19	4.93	5.02	-0.19 ▼
CIB 2.75% 20 Nov 25	1.74	2.03	1.74	1.94	0.21 ▲
CIB 2.50% 20 Nov 35	2.55	2.66	2.43	2.54	-0.01 ▼



Source: TCorp

Commodity markets (US\$)	Previous month close	Month high	Month low	Month close	Month change
June 2024					
Brent Oil (per barrel)	81.6	86.4	77.5	86.4	5.9% ▲
Iron Ore (per tonne)	117.5	110.0	105.4	106.5	-9.4% ▼

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

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TCorp

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