

## Objective

- To conservatively and prudently invest surplus community funds in order to provide the best possible level of capital protection.
- To earn a level of return commensurate with a low risk investment profile

## Statement

### 1. INVESTMENT STRATEGY

The City of Mandurah should apply the following strategies in order to help achieve its objectives:

- Achieve a portfolio balance which is biased towards direct cash deposits with high grade institutions.
- Place investments so as to achieve a diversity of institutions.

### 2. APPROVED INSTITUTIONS

Investments shall be made with institutions that meet this policy's criteria on diversification and credit risk.

### 3. AUTHORISED INVESTMENTS

Authorised investments are limited to:

- Bank accepted/endorsed bank bills;
- Bank interest bearing deposits including fixed term deposits and floating rate notes;
- State/Commonwealth Government Bonds;
- Managed Cash Funds;
- Managed Cash Plus/Cash Enhanced Funds.

### 4. INVESTMENT CRITERIA

*Council's direct investments:*

#### Quotations on investments – Cash deposits

Not less than three quotations shall be obtained from authorised institutions whenever an investment is proposed. The best quote on the day will be successful after allowing for administrative and banking costs.

#### Term to Maturity

The term to maturity of any City of Mandurah direct investment should range from “at call” to 3 years. Consideration may be given to investments with a term to maturity of 5 years provided that this is compatible with the City's long term financing needs.

### Investments with Fund Managers

Investments in managed funds will only include those rated either at least A1 short term or A long term. Products will only include cash funds for investments 0 – 3 months and cash-plus/cash enhanced funds for funds invested longer than 3 months.

In determining the composition of the portfolio between direct investments and managed fund investments, Council officers shall have regard for the following:

- The objectives of the policy.
- The ongoing performance of investment products.
- The City of Mandurah's cash flow requirements.

### 5. PERFORMANCE BENCHMARKS

Investment	Performance Benchmark
Cash	UBSA Bank Bill Index
Cash Plus & Direct Investments	UBSA Bank Bill Index

### 6. DIVERSIFICATION AND CREDIT RISK

Investments made shall be within the percentage limits set out in the table below. When placing investments, consideration should be given to the relationship between credit rating and interest rate.

Long Term Rating	Short Term Rating	Direct Investments Maximum % with any one Institution	Managed Funds Maximum % with any one Institution	Maximum % Total Portfolio
AAA Category	A1+	100%	45%	100%
AA Category	A1+	50%	45%	100%
A Category	A1	Capped at \$2.5 million for any one institution	20%	20%

If any of the funds/securities held are downgraded as such that they no longer fall within the above listed credit ratings and exposure limits, they shall be divested as soon as possible.

When considering any institution, the reference credit rating is the lowest of the ratings issued by Standard & Poors, Moody's and Fitch Ratings. The following is a brief definition of ratings:

#### Short Term rating order ( 0 to 3 months)

- A1+/P-1/F1.....Extremely strong capacity to meet financial commitments
- A2/P-2/F2.....Strong capacity to meet financial commitments
- A2/P-3/F3.....Satisfactory capacity to meet its financial commitments

### Long Term (longer than 3 months)

AAA to AAA-/Aaa-Aaa- ..... Extremely strong capacity to meet financial commitments

AA+ to AA-/Aa+ - Aa- ..... Very strong capacity to meet financial commitments

A+ to A-/A1-A3 ..... Strong capacity to meet financial commitments

## 7. REPORTING AND RECORD KEEPING

Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.

Certificates must be obtained from the financial institutions confirming the amounts of investments held on the City of Mandurah's behalf as at the 30<sup>th</sup> of June each year and reconciled to the Investment Register.

A monthly report shall be submitted to Council with details of the investment portfolio including performance figures and percentage exposure to categories as restricted by this policy.

An annual report (fiscal year) shall be submitted to Council reviewing the performance of the portfolio and investment strategy as required by s.18(3) of the *Trustees Act 1962*.

## Legislative Context

*Local Government Act 1995: s6.14*

*Trustees Act 1962 Part III Investments*

*Local Government (Financial Management) Regulations 1996*

**Responsible Directorate:** Business Services

**Responsible Department:** Finance

**Reviewer:** Manager Finance

**Creation date and reference:** Minute G.45/8/01, 21 August 2001

**Last Review:** Minute G.12/7/19, 23 July 2019

Amendments			
Version #	Council Approval Date, Reference	Date Document In force	Date Document Ceased
2	Minute G.31/2/05	15/02/2005	15/12/2009
3	Minute G.43/12/09	16/12/2009	28/02/2012
4	Minute G.45/2/12	29/02/2012	24/02/2015
5	Minute G.35/2/15	25/02/2015	23/07/2019
6	Minute G.12/7/19	24/07/2019	-