

ITEM 3. INVESTMENTS HELD AS AT 31 JANUARY 2008**FILE NO: S034147****SUMMARY**

This report provides details of Council's Investment Portfolio as at 31 January 2008.

Council's total Investment and Cash position as at 31 January 2008 is \$442.9M. Investments earned interest of \$2.6 M for the month of January 2008.

Council's monthly net return annualised for January 2008 of 7.31% performed above the USBA Bank Bill Index of 7.20%, despite continued volatility in global credit and equity markets during the month.

Council's annual rolling return for January 2008 of 7.34% continues to outperform the USBA Bank Bill Index of 6.78%.

RECOMMENDATION

It is resolved that the Investment Report as at 31 January 2008 be received and noted.

ATTACHMENTS

Attachment A: Register of Investments and Cash as at 31 January 2008

Attachment B: Investment Performance as at 31 January 2008.

BACKGROUND

1. In accordance with the principles of financial management, cash that is surplus to Council's immediate requirements is invested within accepted risk parameters to optimise interest income while ensuring the security of these funds.
2. Surplus cash is invested in authorised investments per governing legislation and in accordance with Council's Investment Policy and Strategy.
3. The benchmark performance goal of Council's Investment Policy and Strategy is to surpass the UBSA Bank Bill Index.
4. Council's total Investment and Cash position as at 31 January 2008 is \$442.9M, a decrease of \$5.6M from the \$448.5M reported at December 2007, reflecting creditor and expense payments during the month. A schedule detailing all of Council's investments as at January is provided at Attachment A.
5. Council's monthly net return annualised for January 2008 of 7.31% is above the UBSA Bank Bill Index of 7.20%. Council's annual rolling return for January 2008 of 7.34% continues to outperform the USBA Bank Bill Index (12 months) of 6.78%. Attachment B illustrates Council's monthly returns annualised and the 12 month rolling return achieved for the portfolio as held at January 2008.
6. In January, the credit and equity markets continued to experience volatility which, as previously advised to Council, could adversely affect the indicative market valuations of Council's direct securities. However, as flagged in the December report, analysts advise that the underlying fundamentals continue to remain sound and the appropriate strategy in this volatile market environment is to hold these investments.
7. Staff continue to actively investigate alternative opportunities within the market to ensure that returns are maximised within acceptable risk parameters and to further diversify the portfolio and improve the total portfolio return.

KEY IMPLICATIONS

8. Council's investments accord with Council's Investment Policy and Strategy which is currently under review.
9. The presentation of the revised Policy and Strategy to Council remains on hold as representatives from the Department of Local Government have recommended that it would be more appropriate to officially revise the policy after they release their report and recommendations in respect to Local Government Investments which is expected to be available early in 2008.

FINANCIAL IMPLICATIONS

10. Council's investments earned interest of \$2.6M for the month of January 2008, contributing to YTD earnings of \$15.9M which is \$3.3M above YTD budget of \$12.6M.
11. The full year forecast at January is \$26.6M which is \$4.6M above the budget of \$22M.

RELEVANT LEGISLATION

12. Council is authorised to invest its surplus cash under Section 625 of the Local Government Act 1993.
13. The Local Government (Financial Management) Regulation 1999 (clause 16) requires Council to provide a written monthly report of all monies invested, under Section 625 of the Act.

CRITICAL DATES / TIME FRAMES

14. A monthly investment report must be submitted for Council's information and review within the following month.

PUBLIC CONSULTATION

15. Consultation is regularly undertaken with a number of fund managers and investment advisers to consider options and ensure that Council continues to maximise its investment return within appropriate risk parameters.

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