



KEMPSEY
Shire Council

DIRECTOR CORPORATE AND COMMUNITY SERVICES REPORT

9th October 2007

DCCS2	STATEMENT OF INVESTMENTS AS AT 25th SEPTEMBER 2007
FILE:	APC

SUMMARY:

Reporting on the Statement of Investments as at 25th September 2007.

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DESCRIPTION:

The Local Government Act 1993 requires that Council be notified at each Ordinary Meeting of details of all monies invested by Council.

Attached at [\(Appendix B – Page J2\)](#) is the Statement of Investments.

As reported to the August Council meeting the returns on Council's Managed Funds Invested portfolio have been impacted by the high level of volatility affecting financial credit markets. The volatility has been triggered by losses linked to the United States sub-prime mortgage markets.

Whilst Council has no exposure to investments products linked to the sub prime mortgage markets, the returns for August on Council's Managed Funds of 3.96% is reflective of the current level of volatility in the credit markets.

Independent advice from Grove Research and Advisory in respect of its Managed Funds portfolio is that:

- UBS Cash Plus, Macquarie Diversified Treasury and ANZ Cash Plus are amongst the most defensively positioned funds in the credit rated cash fund market and as such have performed relatively well given the volatility in credit markets. All managers hold significant cash exposure and see the recent volatility in the market as an opportunity to invest at much more attractive levels than recent months.
- Re-affirm we remain comfortable with the current funds/managers in Kempsey's portfolio.
- Council will see the benefit of the current widening in credit spreads within its returns over the next six to twelve months.

REPORT IMPLICATIONS:

- ***Environmental***

Nil

- *Social*

Nil

- *Economic (Financial)*

Council's Managed Funds investment portfolio returns for July and August of 4.96% has been under the UBSA Bank Bill Index of 6.48%. Enhanced returns are anticipated over the next 6 to 12 months.

- *Policy or Statutory*

Council investments are in accordance with the Local Government Act, Regulations and Council's policy.

- *Director's Review*

Information noted as per report.

RECOMMENDATION:

That the information be noted.

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G B Snape
DIRECTOR CORPORATE AND COMMUNITY SERVICES