

REPLACEMENT REPORT

REPORTS THROUGH THE GENERAL MANAGER

07 [TCS-OC] Monthly Investment Report for Period Ending 31 January 2008

SUMMARY OF REPORT:

This report is provided to Council to advise details of monies Council has invested in accordance with Section 625 of the Local Government Act 1993.

RECOMMENDATION:

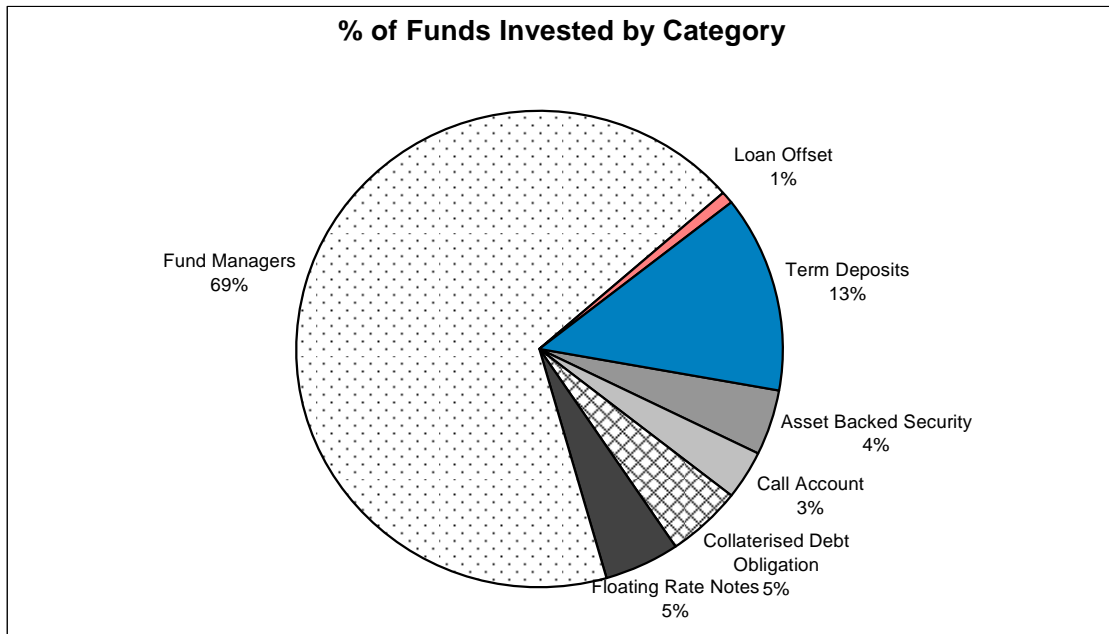
That in accordance with Section 625 of the Local Government Act 1993 the monthly investment report as at 31 January 2008 totalling \$120,517,590.37 be received and noted.

REPORT:

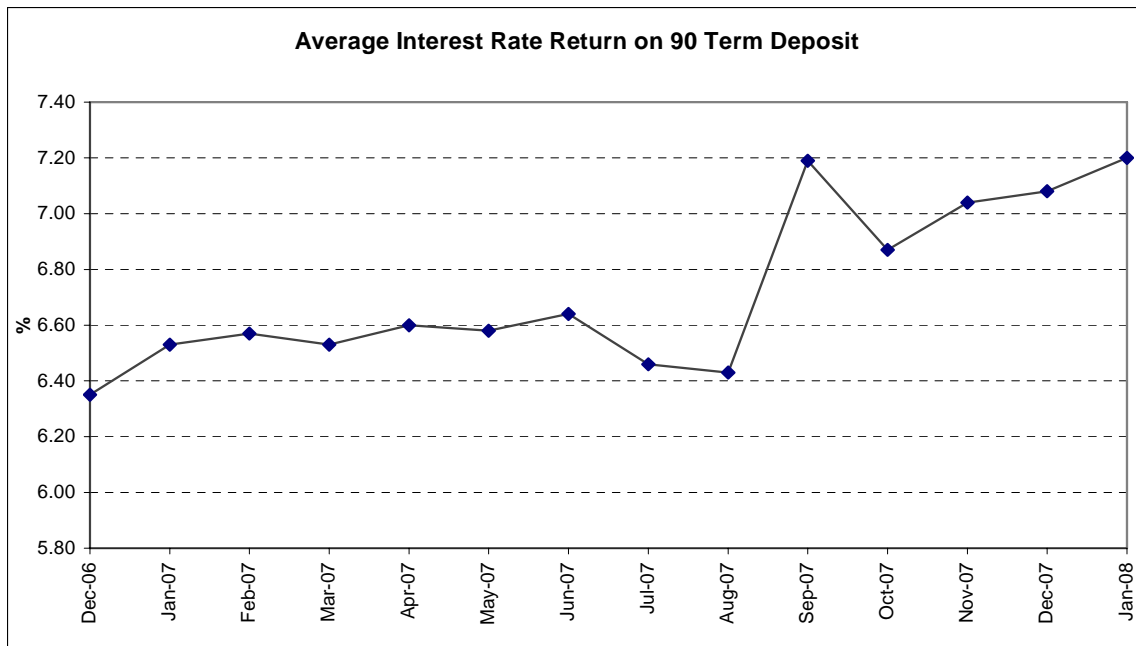
Report for Period Ending 31 January 2008

The "Responsible Accounting Officer" must report monthly to Council, setting out details of all the funds Council has invested and certification has been made in accordance with Section 625 of the Local Government Act (1993), Clause 212 of the Local Government (General) Regulations and Council policies.

1. CURRENT INVESTMENT PORTFOLIO BY CATEGORY

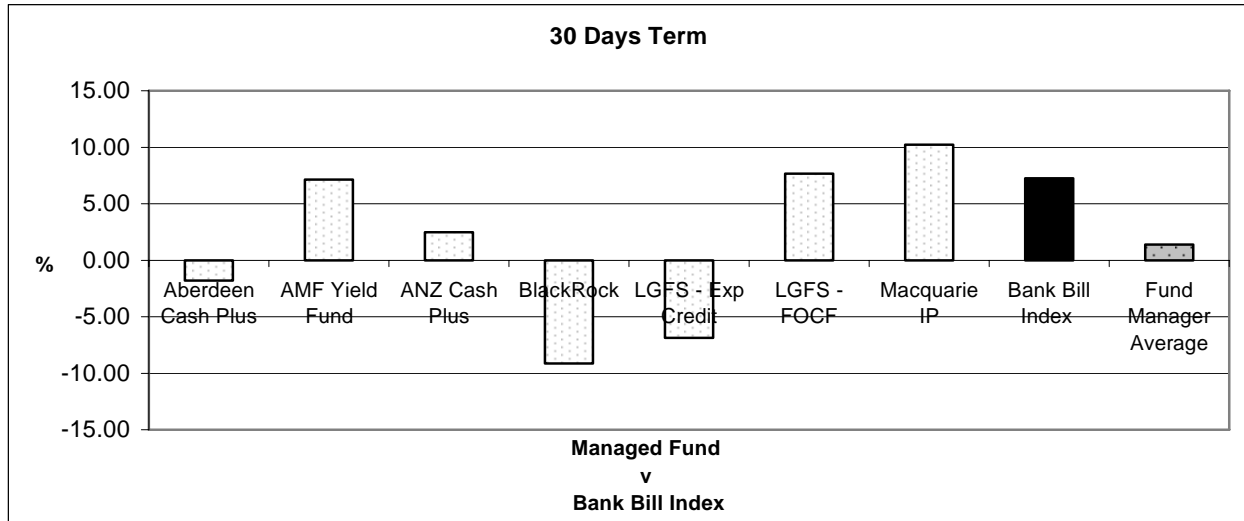


2. INVESTMENT RATES - 90 DAY BANK BILL RATE (%)



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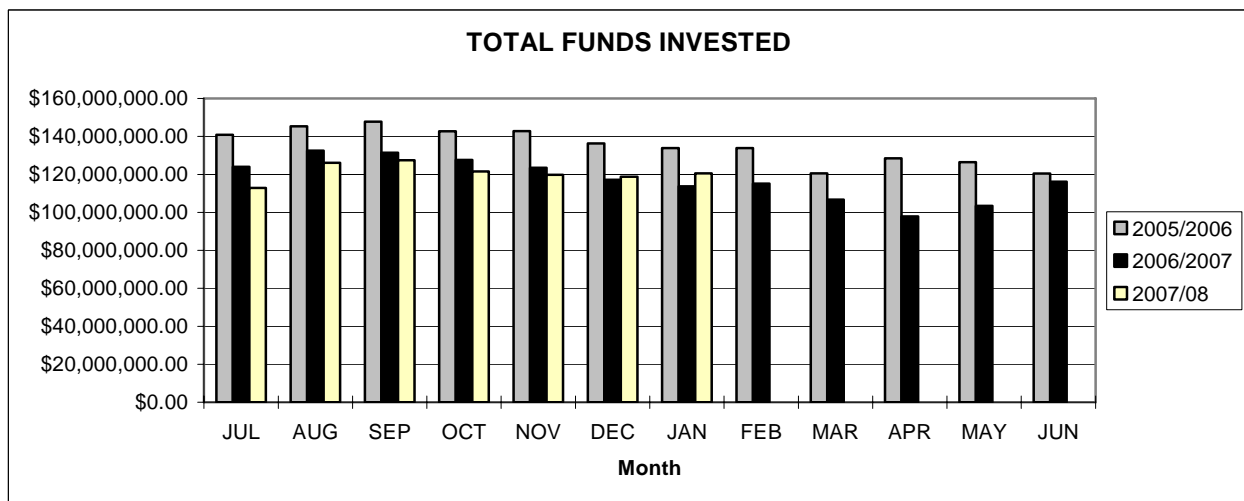
3. ANNUALISED RATE OF RETURN FOR FUNDS MANAGERS - NET OF FEES



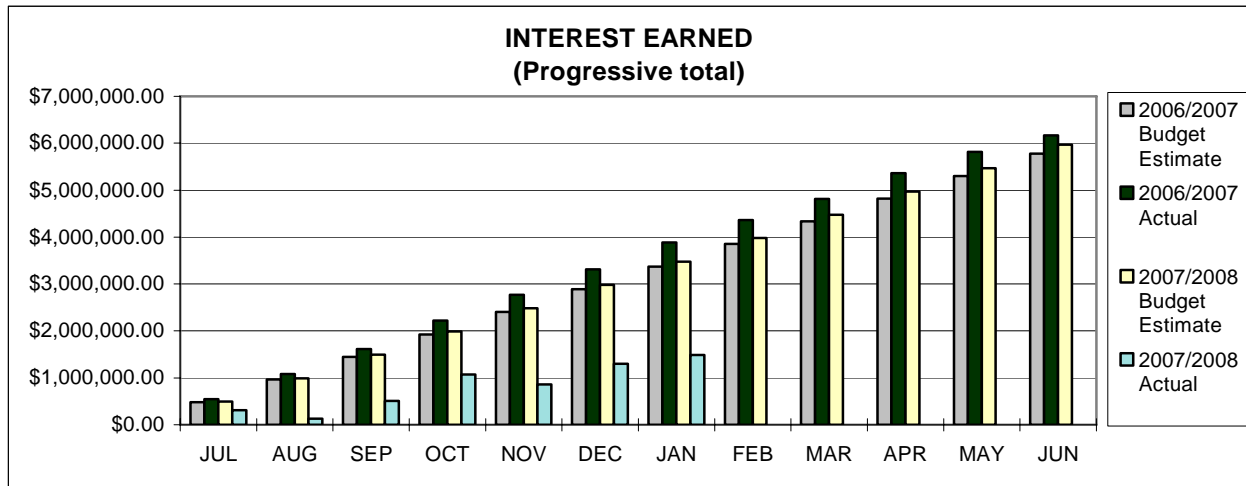
4. FUND MANAGERS END OF MONTH BALANCE

Aberdeen Cash Plus	\$7,717,252
AMF Yield Fund	\$14,635,186
ANZ Cash Plus	\$2,383,290
BlackRock	\$13,385,789
LGFS - Exp Credit	\$8,016,622
LGFS - FOCF	\$23,440,599
Macquarie IP	\$12,404,068
Total	\$81,982,805

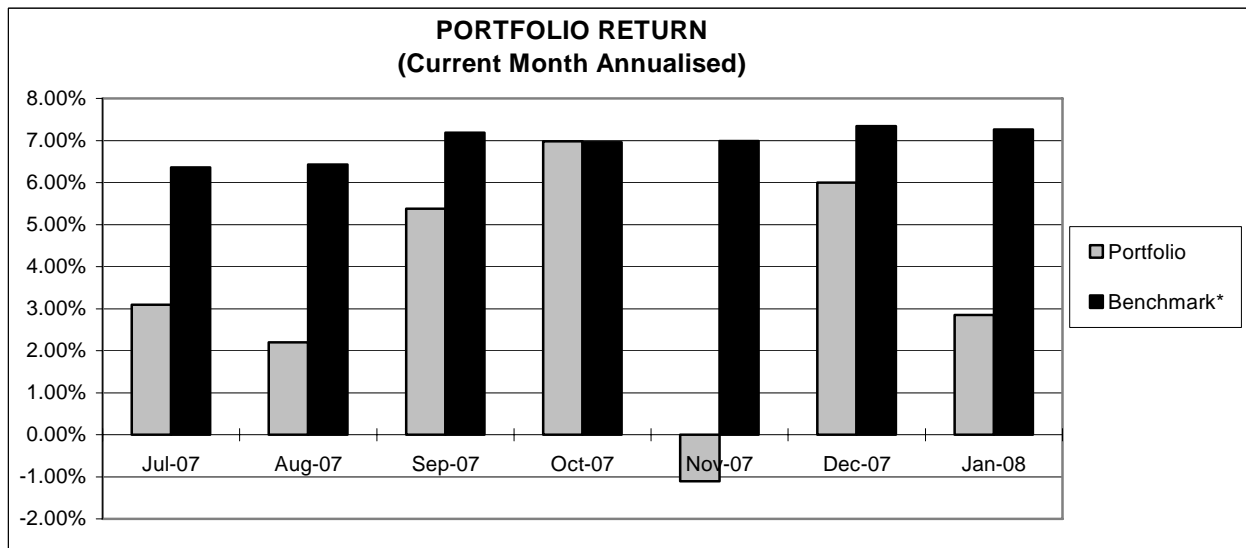
5. MONTHLY COMPARISON OF TOTAL FUNDS INVESTED



6. ANNUAL PROGRESSIVE TOTAL OF INTEREST ON TOTAL FUNDS INVESTED



7. PORTFOLIO PERFORMANCE



8. MARKET COMMENTARY

Domestic Economy

The Australian economy has remained robust in the recent period, notwithstanding a more difficult international environment. Domestic demand and activity have remained strong and capacity usage is high after a long period of economic expansion. These conditions have been associated with a rise in inflation. Hence Australian monetary policy has had to take into account sharply contrasting domestic and international developments.

Global Economy

The global economic situation in recent months has been marked by ongoing turbulence in financial markets, reflected most obviously in a decline in world equity prices. The primary drivers have been the ongoing write-downs of credit exposures by major global financial institutions and increased concerns about the US and global economic outlook. Equity markets in the major industrial economies have fallen back to around their levels at the beginning of 2007, as has the Australian market. Emerging stock markets, which initially had been relatively resilient, have also experienced declines.

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In addition to these equity market developments, the turmoil in global credit markets that began in the middle of last year has continued. There have been a number of aspects to this, including a general widening of credit spreads and continuing difficulty for private borrowers in accessing capital markets. Strains in money markets around the world reached a peak in September and again in mid December, with the latter reflecting concerns about funding over the year end. Since mid December these strains have eased, but money market term funding costs remain significantly higher than they were before the turmoil began. Central banks have acted to supply liquidity as needed. The RBA increased exchange settlement balances to record levels at the end of the year, but has since wound back liquidity as conditions calmed, though both settlement balances and money market spreads have settled at higher levels than before the turmoil.

The deterioration in financial market sentiment has been associated with a weakening in the outlook for global economic growth. The US economy posted only modest growth in the December quarter and most observers have revised down their expectations for 2008, with some forecasting a US recession. Labour market conditions have been softening over recent months and the housing sector is still very weak, with the fall-out from the sub-prime crisis likely to remain a dampening factor for a while yet. Growth in the euro area and Japan is also slowing.

The extent to which the weakness in the major industrial economies will affect the developing world is still unclear. At this stage, conditions in China, India and the smaller east Asian economies remain strong. In China, GDP grew by 11 per cent over the year to the December quarter. While Chinese export growth has moderated, domestic spending is expanding rapidly. In the rest of east Asia, production and export growth generally strengthened through most of 2007. Overall, the recent run of indicators seems consistent with the view that global growth is slowing to a pace somewhat below trend, with significant weakness in the major industrial economies but relatively strong growth in the developing world. Despite the weaker global conditions, inflation remains a source of concern in a number of countries.

Council's Investment Portfolio Performance

To remove Council's exposure to the USA sub-prime mortgage market, Council's Investment Advisors - Oakvale Capital Limited brokered a restructured Helium CDO deal during January. In simple terms, the restructured investment product, known as Argon is capital guaranteed by a \$2m Commonwealth zero coupon bond. The original \$2m Helium CDO is absorbed into Argon and a \$2m Commonwealth Bank "puttable note" provides an income stream slightly above the 90 day BBSW for the 10 year term of this \$6m investment.

Council's managed funds continued to underperform the benchmark during January in line with ongoing difficult financial market conditions. During the month the individual managed funds combined unit prices and distributions fluctuated between -9.15% and +10.23% pa (annualised). Managed funds now represent a reduced 69% of the total investment portfolio, compared with almost 80% in December 2007.

Council increased its holding of term deposits and floating rate notes by almost 10% during January as attractive, stable returns averaging 7.5% pa are obtained from this investment sector.

Source: Reserve Bank Australia

9. INVESTMENT SUMMARY AS AT 31 JANUARY 2008

Investment Summary as at	31-Jan-08	
GENERAL FUND		
COLLATERISED DEBT OBLIGATION	\$5,991,160.00	
FLOATING RATE NOTE	6,022,161.97	
ASSET BACKED SECURITY	\$5,387,088.00	
FUND MANAGERS	40,349,485.87	
LOAN OFFSET	1,034,375.00	
TERM DEPOSITS	16,000,000.00	
CALL	4,100,000.00	<u>78,884,270.84</u>
WATER FUND		
TERM DEPOSITS	0.00	
FUND MANAGERS	24,053,135.74	<u>24,053,135.74</u>
SEWERAGE FUND		
TERM DEPOSITS	0.00	
FUND MANAGERS	17,580,183.79	<u>17,580,183.79</u>
TOTAL INVESTMENTS		<u>120,517,590.37</u>

It should be noted that the General Funds investments of \$78 million are not available to be used for general purpose expenditure. It is virtually all restricted by legislation and council resolution for such purposes as unexpended loans, developer contributions, unexpended grants and various specific purpose reserves such as domestic waste, land development and employee leave entitlements.

Statutory Statement - Local Government (General) Regulation 2005 Clause 212

I certify that Council's investments have been made in accordance with the Local Government Act 1993, the Local Government (General) Regulations and Council's investment policies.



Chief Financial Officer (Responsible Accounting Officer)

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Nil.

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POLICY IMPLICATIONS:

Nil.

UNDER SEPARATE COVER/FURTHER INFORMATION:

Nil.



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