ATTACHMENT DOCUMENT

FOR
COUNCIL MEETING

Tuesday 22nd February 2022

PART A

Michael Urquhart
GENERAL MANAGER

AGENDA

1. Second Quarter Operational Plan Status Report
2. Monthly Investment Report from Imperium Markets – November 2021
3. Monthly Investment Report from Imperium Markets – December 2021
4. Monthly Investment Report from Imperium Markets – January 2022

Community

GOAL: Develop a connected, informed, resilient and inviting community

CSP REF	STRATEGY	ACTION	RESPONIBILITY	STATUS 31st December 2021
1.1.1	Support and initiate a range of local activities and projects that build community connections for all age sectors	Develop a community consultation framework Provide Sec 356 Donations and subsides Develop projects in conjunction with community organisations	GM	Ongoing Council supports for a range of community activities including but not limited to, special/sporting events, cultural initiatives. Council has a productive relationship with agencies eg: WAMS (MOU) Funding provided by Council for various community events. Listed for determination in December 2021. As and when required
1.1.2	Provide vibrant and welcoming town centres, streets and meeting places	Liaise with volunteers and other community groups to assist in maintenance of parks and gardens	DETS	Flowers supplied by volunteer organisation for flower beds at Trevallion Park Walgett. Support for Community Garden Lightning Ridge. Planned upgrade of Walgett CBD.
1.1.3	Embellish our community with parks, paths, cycleways, facilities, and meeting places	Implement the active transport plan Progressively review and upgrade community halls and swimming pools	DETS GM	Underway with Stronger Country Communities grants and Council revenue funds and Transport for NSW Grants.
1.1.4	Respect the heritage of the region and highlight and enhance our unique characteristics	Continue to implement the recommendations of Council's heritage advisor	DES	Engagement of Council's new Heritage Advisor 2021. Review of Council's LEP and Local Heritage items to ensure protection of Council's Heritage Buildings and to enhance the Built Environment. Investigation of Grant opportunities.
1.1.5	Support, encourage and celebrate community participation and volunteerism	Creation and promotion of volunteer opportunities	GM	Volunteers used as and when required. Council governed by employment legislation, the award, & WH&S and other requirements for volunteers. In accordance with volunteer policy. Volunteers program in progress Lightning Ridge VIC.
1.1.6	Work with other agencies and service providers to deliver community programmes, services and facilities which complement and enhance Council's service provision	Identify gaps in service delivery	EDO	Continuing with inter-agency group.

GOAL: A safe, active and healthy Shire

CSP REF	STRATEGY	ACTION	RESPONIBILITY	STATUS 31st December 2021
1.2.1	Partner with health agencies and community organisations in promoting healthy lifestyles and better health outcomes	Engage with local sporting associations and peak sporting bodies	CSM	On-going engagement with local agencies and contribution to healthy programs
1.2.2	Support agencies and local organisations to address the availability of emergency services, affordable housing, disability and aged services and employment for people with disabilities	Consultation process for engaging with marginalised sections of community developed Enhanced wellbeing options provided for disadvantaged and marginalised community members	CSM	Continuing to support agencies throughout Shire
1.2.3	Work with key partners and the community to lobby for adequate health services in our region	Identify gaps in service delivery	DES	Promotion of development of health services within the shire. Communicating with community partners. Council made submission to NSW Government Rural Health Inquiry. Support given to both Ochre & RAMS.

1.2.4	Provide, maintain and develop children's play and recreational facilities that encourage active participation	Operate youth centres and vacation care programs	CSM	Fully operational. Walgett Youth Centre to be relocated to PCYC.
1.2.5	Provide, maintain and develop passive recreational facilities and parklands to encourage greater utilisation and active participation	Maintain all parks and gardens including playground equipment and progressively upgrade shade shelters	DETS	Underway. New playground equipment for parks underway with grant programs. New Mega Park to commence 2022 at Lightning Ridge. Play area early 2022 in Garwin.
1.2.6	Partner with police, community organisations and the community to address crime, anti-social behaviour and maintain community safety	Partner with all combat emergency services and emergency support services Install and maintain cctv systems across the Shire	GM GM	GM Chairs the LEMC with stakeholder representation from Police, SES Ambulance, Fire services & other agencies as required. Exercise are conducted to ensure readiness in emergency events including natural disasters eg; floods Council partnering with Agencies during Covid 19 pandemic.. Mobile CCTV operational across the shire. Able to relocate for specific events. CCTV installed in Walgett Lightning Ridge, and Collarenebri depots.
	Provide effective regulatory, compliance and enforcement services for the community	Carry out food premises inspections to ensure compliance with the Food Act Target number of premises audited for fire safety compliance Undertake impounding of animals and registrations Inspections of Swimming Pools for compliance Provide management and investigation of dog attacks and dangerous dog declarations Orders to be issued or served where necessary	DES	Food Inspections carried out annually and reported to the Food Authority as required. Staff working with a number of high risk premises in relation to fire safety. Providing opportunities for businesses to learn about and upgrade their fire safety services. Actively working with and caring for impounded animals as required. Thorough investigations of dog attacks and action taken as required. Construction of a new pound facility. Orders issued as necessary and as appropriate and followed up to ensure compliance. Swimming Pool Inspections carried out as required. Swimming Pool compliance program currently under development. Educating owners of premises about compliance matters.
1.2.8	Provide and maintain accessible quality sport and recreation facilities that encourage participation	Maintain swimming pools and bore baths facilities and the surrounds	DETS	Ongoing upgrade of swimming pool facilities. Pipe work at Walgett upgrade 2021. Planning for Bore Bathe at Collarenebri mid 2022.

GOAL: A diverse and creative culture

CSP REF	STRATEGY	ACTION	RESPONIBILITY	STATUS 31st December 2021
1.3.1	Provide enhanced and innovative library services that encourage lifelong learning	Continue yearly membership of Outback Arts Support Arts Program Increase use of library as a community space	CSM	Complete for 21/22 Annual contribution - Complete New programs in place with increased numbers.
1.3.2	Work with the community and other agencies to develop major cultural and community events	Work with agencies to encourage events for the Shire Apply for grants for cultural events	EDO	Continuing. Investigation underway for Arts & Cultural Centre at Lightning Ridge and engagement of staff.

1.3.3	Work in collaboration with agencies and community groups to address existing and emerging issues specific to the Aboriginal and ageing communities	Implement the Aboriginal Reconciliation Plan Undertake Aboriginal Projects Develop an ageing strategy	CSM	Ongoing Ongoing In progress
1.3.4	Support the development of programs which offer alternative education programs and opportunities that meet the needs of specific community sectors	Establish programs for cadetships/traineeships	GM	Council has a strategy in place to support cadetships & traineeships.
		Advocate for the improvement of secondary school educational outcomes across the Shire	GM	Ongoing. WSC working with DETS to improve outcomes. School to work program in place.

Economic Development

GOAL: An attractive environment for business, tourism and industry

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
2.1.1	Implement tools to simplify development processes and encourage quality commercial, industrial and residential development	Advocate for the development of the Australian Opal Centre	GM	Advocacy a success with grants made available across a wide range of activities.
		Ensure that building certification and inspections are carried out as per National Construction and the requirements of the Building Professionals Board	DES	Building Surveyors continually act within the conditions of their Accreditation.
2.1.2	Develop the skills of businesses to maximize utilization of new technologies and the emerging broadband and telecommunications networks	Develop and implement an Economic Development Strategy Lobby for improved mobile phone coverage across the shire Implement an Economic Incentive Scheme	EDO EDO EDO	Application lodged with Black Spot program. Incentive policy under development
2.1.3	Lobby the Government to address needed infrastructure and services to match business and industry development in the region (education, transport and health)	Continue to lobby the Government for funding for transport infrastructure	GM	Significant transport grants received and projects undertaken. Support for regional transport study. Council delegation met with NSW Minister Transport for funding Regional Roads.
2.1.4	Promote the Walgett Shire to business and industry and increase recognition of the area's strategic advantages	Develop business development prospects in collaboration with various government agencies	EDO	Continuing. Economic initiative for Collarenebri underway
2.1.5	Provision of caravan support facilities throughout the Shire	Maintain and expand facilities of the 'RV Friendly'	VIC	Council investigating caravan park for Walgett. Meanwhile primitive camping ground to be upgraded.

GOAL: Employment opportunities that supports local industries

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
2.2.1	Identify partnerships and innovative funding approaches to provide for new and upgraded infrastructure for event hosting and tourism expansion	Continue to apply for grants for a new information centres for Lightning Ridge and Walgett	GM	Application lodged for Lightning Ridge centre upgrade. DA approved.
2.2.2	Provide land use planning that facilitates employment creation	Monitor and review Council's Local Environment Plan	DES	LEP 2013 currently under review with a view to promote ease of use, simpler, more streamlined processes and promote more practices as development without consent. LSPS community plan. Housekeeping of the LEP.
2.2.3	Support and encourage existing business and industry to develop and grow	Maintain a sufficient supply of residential, lifestyle, agriculture, commercial and industrial zoned land	DES	LEP 2013 currently under review. Walgett Rural Residential Strategy adopted in principle for public participation Nov 2018.
2.2.4	Develop and implement an economic development strategy which identifies potential projects and/or industries that build on the Shire's attributes and/or natural resources	Provide consultation with potential new business operators and pre-development application assistance	EDO	Continuing
2.2.5	Encourage and support youth employment initiatives	Promote the school to work programme	EDO	In operation with increased numbers 21/22.

GOAL: An efficient network of arterial roads & supporting infrastructure; town streets & footpaths that are adequate & maintained

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
2.3.1	Provide an effective road network that balances asset conditions with available resources and asset utilisation	Undertake bitumen maintenance program in line with service levels	DETS	Ongoing
		Undertake maintenance grading program in line with service levels	DETS	Routine inspections of road network undertaken and road repairs undertaken on as needs basis. Maintenance grading has commenced

2.3.2	Maintain, renew and replace Council bridges and culverts as required	Undertake annual inspections of all bridges and culverts and update the required maintenance and repair program	DETS	Regular inspections undertaken and routine maintenance undertaken as required
2.3.3	Ensure road network supporting assets are maintained (signs, posts, guardrails etc.)	Renew and maintain Council's road network supporting assets in-line with the Asset Management Plan	DETS	Regular inspections undertaken and maintenance undertaken as required
2.3.4	Maintain existing footpaths in Shire towns and villages	Undertake annual inspections of all footpath and update the required maintenance and repair program	DETS	Regular inspections undertaken and maintenance undertaken as required
2.3.5	Lobby the Government to provide needed funds to maintain regional networks	Continue to apply for grants for the reconstruction and sealing of unsealed Regional Roads and major Local Roads network Investigate using SRV(5-15%) to fund a major upgrade of Local Roads	DETS GM	On-going lobbying of State Government Regional road grants received. Future road projects being developed. No works to date on SRV.

GOAL: Communities that are well serviced with essential infrastructure

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
2.4.1	Implement Council's strategic asset management plans and continue to develop asset systems	Implement an electronic asset management system for all Council assets	CFO	Asset system 'Confirm" in place
2.4.2	Ensure adequate public car parking and kerb and gutter infrastructure is provided and maintained	Inspect all kerb and gutter and undertake the required repair and replacement program	DETS	Works in progress, at Lightning Ridge and Walgett, with further works later in year at Collarenebri and Burren Junction.
2.4.3	Provide the infrastructure to embellish public spaces and recreation areas	Undertake the maintenance program for Council's parks and gardens team	DETS	Regular inspections undertaken and maintenance undertaken as required
2.4.4	Continue to lobby Government to provide incentives to appeal to airline companies to service the region	Partner with Brewarrina and Bourke to lobby the Government to subsides airlines and the reintroduction of RPT services for Walgett and Bourke	GM	FNWJO has airline service for Walgett & Lightning Ridge in operation. Service reduced due to Covid lockdown.

Governance and Civic Leadership

GOAL: An accountable and representative Council

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
3.1.1	Provide clear direction for the community through the development of the community strategic plan, delivery program and operational plan	Implement, monitor and review the Delivery and Operational Plan	CFO	Quarterly reports submitted to Council on time.
3.1.2	Engage with the community effectively and use community input to inform decision making	Deliver a Local Government week Program to engage the community and show case services provided by Council	CFO	No program for 2021.
		Distribute newsletters to residents	EDO	Summer edition distributed. Greater use of facebook and web during this time.
3.1.3	Provide strong representation for the community at regional, state and federal levels	Participate in and make visible contributions to regional forums such as OROC and Western Division	GM	Continuing. Council delegation met with Minister for Transport 2021 to secure more funding for Regional Roads.
		Advocate the needs of the Shire to State and Federal Governments	GM	On going
3.1.4	Undertake the civic duties of Council with the highest degree of professionalism and ethics	Ensure annual pecuniary interest declarations are completed	GM	Tabled at the Oct 2021 Council meeting
		Ensure Councillors comply with the Code of Conduct	GM	Training scheduled for January 2022.
3.1.5	Councillors represent the interests of the whole of the Shire area	Arrange seminars to ensure all Councillors appreciate their roles	GM	On-going seminar / training

GOAL: Implement governance and financial management process that support the effective administration of Council

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
3.2.1	Develop processes that ensure that legislative and financial standards are actioned in a timely manner	Provide financial reports to management and staff to assist in budget control and decision making	CFO	Fortnightly reports issued
		Complete quarterly budget review statements in line with statutory requirements	CFO	Reports tabled on time
		Review, revise and maintain Council's Long Term Financial Plan Oversight financial decision making process	CFO GM	Under review.

GOAL: Promote community involvement in Government decision making

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
3.2.1	Engage with the community through effective consultation and communication processes	Facilitate the delivery of community presentations to Council Meetings Conduct regular community meetings to present the annual budget	GM	Ongoing. Council annual presentations to communities throughout the Shire.
		Promote community involvement in any emerging Government Initiatives	GM and CFO	Scheduled for 2022
3.3.2	Develop and implement community feedback systems that provides for community input on council projects and activities	Develop an online survey for Council's website	EDO	Not yet commenced

GOAL: Promote community involvement in Government decision making

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
3.4.1	Resource the organisation of Council adequately to provide the services and support functions required to deliver the goals and strategies detailed in this plan	Resources provided in a timely fashion	GM	Resources allocated in accordance with budget. Additional variations, Council approval in QBR process.
3.4.2	Implement and maintain a performance management framework to enable clear reporting on progress in Councils strategic planning documents	Report to Council Meetings	GM & Directors	Reports tabled in accordance with Legislation

Sustainable Living

GOAL: Operate an an urban waste management system that meets the community needs and environmental standards

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
4.1.1	Develop and implement a Shire Wide Waste Management strategy that includes recycling services	Develop and implement the Waste Management Strategy Effectively manage the domestic waste and landfill management contracts	DES	Waste strategy finalized and new action plan for Walgett and Lightning Ridge landfills in motion. Strategies for the unmanned landfills are in implementation phase for on-going improved site management.
4.1.2	Implement initiatives to reduce illegal dumping and provide community education to prevent litter	Actively respond to complaints and issues identified to ensure appropriate outcomes for illegal development, dumping and other activities such as abandoned vehicles, noise pollution and odour. Develop and implement a waste education program	DES DES	Council has received monies from EPA Trust for cleanup project Council has dedicated budget monies for cleanup projects and will continue to target illegal dumping through RID ONLINE education and new processes.

GOAL: Provide potable and raw water supply systems that ensures enhanced water security and meets health standards

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
4.2.1	Improve and upgrade the water supply infrastructure through an asset management framework	Complete an annual water main replacement program Ensure water supply is provided and maintained in compliance with the Drinking Water Quality requirements	DETS	Ongoing Regular water testing undertaken in accordance with Drinking Water Management plan
4.2.2	Maintain and renew the sewerage network infrastructure to ensure the provision of efficient and environmentally-sound sewerage services	Operate the sewer treatment plants in an efficient manner	DETS	Ongoing
4.2.3	Ensure adequate stormwater and drainage infrastructure is provided, maintained and renewed	Maintain and renew the stormwater and drainage infrastructure	DETS	Regular inspections undertaken and maintenance undertaken as required

GOAL: A sustainable environment that recognises our rivers, natural environment, ecological systems and biodiversity

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
4.3.1	Promote and raise community awareness of environmental and biodiversity issues	Undertake waste avoidance, waste reduction and recycling program	DES	Council actively supports and works with RFSDS return and earn. Recycling is a focus in Council waste management contracts and will be implemented in 2020. $200k grant for recycling shed at Walgett. Grant in action $200k for recycling in Lightning Ridge.
4.3.2	Protect and maintain a healthy catchments and waterways	Inspect Council's water networks and take samples when necessary	DETS	Ongoing
4.3.3	Protect the Shire's historic buildings and sites recognising their value to the community	Implement the recommendations of Council's heritage advisor	DES	Development and promotion of the Council Local Heritage Fund which operates annually. Anticipate participation in the Heritage Near Me Program.

GOAL: Maintain a healthy balance between development and the environment

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
4.4.1	Retain open space that are accessible to everyone	Monitor environmental protection measures for sensitive land	DES	Implement new Biodiversity Laws and Walgett LEP and DCP 2013 & 2016. New LEP changes.
4.4.2	Ensure that Walgett Shire is sufficiently prepared to deal with natural disasters	Provide annual contribution to the RFS, SES and NSW Fire and rescue	GM & LEMC	Annual contribution for 21/22 payments in progress.
4.4.3	Educate the community about sustainable practices	Promote and provide adequate and user friendly pre-lodgment advice on all aspects of development	DES	Actively proving pre-lodgment services and advice. Attend on-site inspections and provide advice on all aspects of development. Making staff available for questions and queries and working actively with clients.

Infrastructure

GOAL: Provide and maintain an effective road network that meets the community needs and expectations

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
5.1.1	Manage the road network to respond to community needs, growth in the Shire, improving road safety and improving transport choices	Continually revise the works program for regional and local roads	DETS	On going
5.1.2	Develop a strategy that addresses transport options for the local community	Advocate for taxi services, air services and public transport	GM	Air Services see 2.4.4
5.1.3	An effective complaints management process that effectively responds to residents issues regarding roads	Maintain complaints management process	DETS	Complaints lodged and processed
		Complaints actioned within 7 days through the CAR system	CFO	Complaints processed within 14 days. O/S complaints followed up.

GOAL: A Regional and State Road network that is appropriately supported and resourced by the Government

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
5.2.1	Ensure that the road network is maintained to a standard that is achievable within the resources available	Continually revise the works program for regional and local roads	DETS	Regular inspections undertaken and maintenance undertaken as required
5.2.2	Maintain an effective operational relationship with the Roads and Maritime Services	Submit progress reports in a timely manner	DETS	Routine maintenance undertaken in accordance with contractual requirements
5.2.3	Lobby the Government to provide needed funds to maintain regional and state road networks	Continue to advocate for betterment and other funding through advocacy to state/federal Government	GM	Continuing to lobby other levels of Government for additional funding. GM to follow up with Minister for Transport.

GOAL: Maintain and improve Council's property assets to an optimal level

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
5.3.1	Manage properties in accordance with Council Asset Management Plan	Carry out the property works program in line with the annual budget	CFO	Program for 21/22 underway

GOAL: Provision of facilities and communication services

CSP REF	STRATEGY	ACTION	RESPONSIBILITY	STATUS 31st December 2021
5.4.1	Provide a range of recreational and community facilities	Maintain and upgrade Council's community halls and reserves	CFO	On going
5.4.2	Represent the community with regard to external services including energy, communication, water, waste management and resource recovery	Lobby service providers in response to identified community concerns including mobile phone services	GM	Further applications to be lodged in new program. (Black spot program). WSC working with field solutions on improving connectivity in region.
5.4.3	Advocate to utility and communication providers regarding the capacity and reliability of infrastructure across the Shire	Lobby service providers in response to identified community concerns	GM	On-going and service providers implementing services. GM has written to Telstra Countrywide with details of issues in Shire.

Monthly Investment Report

November 2021

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Impact of COVID-19 to Council's Portfolio

COVID-19 has adversely impacted financial markets, which in turn, has also affected Council's investment portfolio. We provide a quick summary in this section.

The RBA cut rates to record lows on 3rd November 2020 to 0.10%, consistent with most global central banks resetting their official rates back to emergency levels. As vaccination rates accelerate and economies began to reopen, global inflationary pressures have emerged. This has resulted in longer-term bond yields to rise significantly in recent months as central banks start to withdraw some of their other stimulatory policy measures (such as quantitative easing), whilst also flagging the possibility of increasing official interest rates in coming months/years. Markets pushed back their expectations of future rate hikes in November with the emergence of the new COVID variant 'Omicron' keeping investors nervous.

Domestically, with regards to the medium-longer term outlook for fixed interest markets, of importance is the RBA's outlook and expectations for the Australian economy. They would like to see the following three economic indicators improve before they even consider increasing interest rates:

1. The unemployment rate to drop to around 4¼% (currently it is officially at 5.2% but masked by a significant drop in the participation rate – the real rate is above +7½%);
2. *"Until actual (underlying) inflation is sustainably within the 2-3% target range"* (would like to see consecutive quarters within this range); and
3. Wage growth to surpass +3% (it has not been above this level for the past 8 years).

Governor Lowe emphasised that *"the latest data and forecasts do not warrant an increase in the cash rate in 2022"* and that 2024 was more likely, while 2023 was plausible.

The largest impact to Council's investment portfolio is with regards to its largest exposure being assets held in bank term deposits, which accounts for around ~63% of Council's total investment. **The biggest risk that Council faces over the medium-longer term in this environment is not the potential loss of capital (given all the banks are well capitalised and regulated by APRA), but the rapid loss of interest income as interest rates have plummeted.**

Council's term deposit portfolio was yielding 1.47% p.a. at month-end, with a weighted average duration of around 383 days or around 12½ months. **This average duration will only provide some income protection against the low interest rate environment in the immediate future.**

With markets bringing forward expectations of official rate hikes, this has seen a significant shift in longer term deposit rates over recent weeks. Future investments above 1% p.a. now appears likely if Council can continue to place the majority of its surplus funds for a minimum term of 2 years.

Council's Portfolio & Compliance

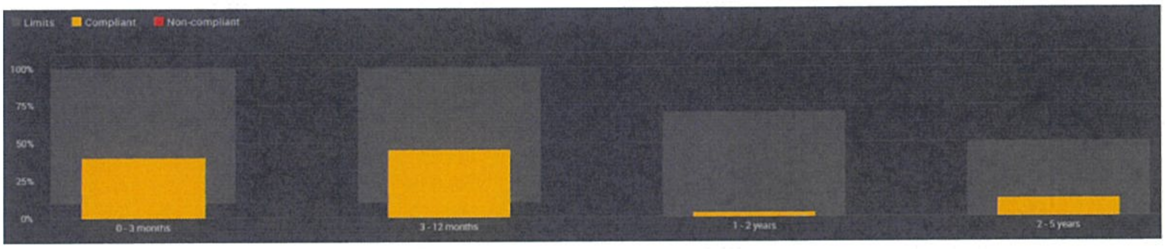
Asset Allocation

The majority of the portfolio is directed to fixed rate term deposits (63.03%). The remainder of the portfolio is held in various cash accounts with CBA and Macquarie (36.97%).

While FRNs remain relatively expensive on a historical basis, should there be a further widening in credit spreads, they might become slightly more attractive should official rates start rising over coming years. **Currently, fixed deposits being offered for 2-3 years now appear quite appealing.**

Term to Maturity

The portfolio is sufficiently liquid with around 85% of the total investment portfolio maturing within 12 months, which is well above the minimum 10% limit required across 0-3 month and 3-12 month terms.



Where ongoing liquidity requirements permit Council to invest in attractive 2-5 year investments, we recommend this be allocated to medium-term fixed term deposits (refer to respective sections below).

Compliant	Horizon	Invested ($)	Invested (%)	Min. Limit (%)	Max. Limit (%)	Available ($)
✓	0 - 3 months	$13,315,929	39.97%	10%	100.00	$20,000,000
✓	3 - 12 months	$15,000,000	45.02%	10%	100.00	$18,315,929
✓	1 - 2 years	$1,000,000	3.00%	0%	70.00	$22,321,151
✓	2 - 5 years	$4,000,000	12.01%	0%	50.00	$12,657,965
✓	5 - 10 years	$0	0.00%	0%	25.00	$8,328,982
		$33,315,929	**100.00%**			

Counterparty

As at the end of November, Council had an minor, insignificant overweight position to AMP (BBB) by around $5k. Exposures are dependent on the overall movement in the portfolio's balances which can drop during periods of high capital expenditure. Overall, the portfolio is well diversified across the investment grade credit spectrum (BBB- or higher), with some exposure to the unrated ADIs following a deposit investment with Judo Bank during the month.

BoQ formally acquired ME Bank for $1.325bn on 01/07/2021. Subsequently, all ME Bank's senior assets including term deposits have been upgraded from BBB to BBB+ by S&P. With regards to counterparty limits, the two banks are still running separate ADI licences and so the individual exposures will continue to be shown separately. Once ME Bank formally withdraws its ADI licence (**flagged for end of Q1 2022**), existing holdings with ME Bank will need to be aggregated with its parent company, BoQ. Council will need to keep this in mind when reinvesting maturing deposits with BoQ or ME Bank, and when placing 'new' surplus funds, so as not to be 'overweight' relative to the overall aggregate limits. There is also, however, a chance that BoQ may be upgraded from BBB+ to either A- or A by S&P over coming months/years, which would help with capacity limits.

Compliant	Issuer	Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	CBA	AA-	$3,790,176	11.38%	50%	$12,867,789
✓	NAB	AA-	$1,000,000	3.00%	50%	$15,657,965
✓	Macquarie Bank	A+	$8,525,753	25.59%	40%	$4,800,618
✓	BOQ	BBB+	$3,000,000	9.00%	30%	$6,994,779
✓	ME Bank	BBB+	$2,000,000	6.00%	30%	$7,994,779
x	AMP Bank	BBB	$10,000,000	30.02%	30%	**-$5,221**
✓	Newcastle PBS	BBB	$2,000,000	6.00%	30%	$7,994,779
✓	Judo Bank	BBB-	$3,000,000	9.00%	25%	$5,328,982
			$33,315,929	**100.00%**		

Effective 15/09/2021, Judo Bank received a formal credit rating of BBB- (long-term) and A-3 (short-term) from ratings agency S&P. It cited its position as a newly formed and fast-growing business in the SME lending sector, whilst having a well-capitalised balance sheet, allowing continued growth despite its limited profitability to date.

We remain supportive of the regional and unrated ADI sector (and have been even throughout the GFC period). They continue to remain solid, incorporate strong balance sheets, while exhibiting high levels of capital – typically, much higher compared to the higher rated ADIs. Some unrated ADIs have up to 25-40% more capital than the domestic major banks, and well above the Basel III requirements.

RBA Governor Lowe has commented that they have not seen any signs of stress in the financial system and that unlike during the GFC, the banks (all ADIs) now have cash, are well capitalised and are acting as "shock absorbers" in the current crisis.

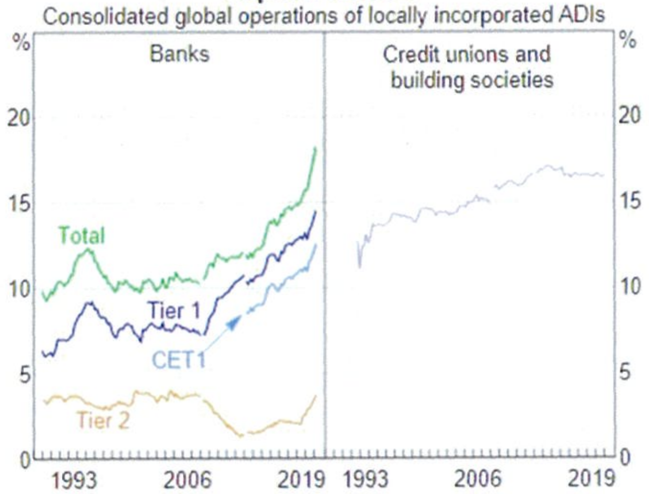
Overall, the lower rated ADIs (BBB and unrated) are generally now in a better financial position then they have been historically (see the Capital Ratio figure below). We believe that deposit investments with the lower rated ADIs should be continued going forward, particularly when they offer 'above market' specials. Not only would it diversify the investment portfolio and reduce credit risk, it would also improve the portfolio's overall returns.

In the current environment of high regulation and scrutiny, all domestic (and international) ADIs continue to carry high levels of capital. There is minimal (if any) probability of any ADI defaulting on their deposits going forward – this was stress tested during the GFC. **APRA's mandate is to "*protect depositors*" and provide "*financial stability*".**

The biggest single risk that depositors face in the current low interest rate environment is not capital or credit risk, but reinvestment risk.

Capital Ratios*

Consolidated global operations of locally incorporated ADIs



* Per cent of risk-weighted assets; break in March 2008 due to the introduction of Basel II for most ADIs; break in March 2013 due to the introduction of Basel III for all ADIs

Source: APRA

Credit Quality

Overall, the portfolio remains well diversified from a credit ratings perspective, with exposure down to the lower rated regional ADIs.

From a ratings perspective, the BBB (and unrated) banks now generally dominate the number of ADIs issuing deposits within the investment grade space. We anticipate more investors will naturally allocate a higher proportion of their assets into this sector once credit growth returns over coming years. However, given most banks are highly liquid during the current pandemic, most of the "BBB" rated banks are currently not seeking wholesale funding.

As such, in the interim, we could see a shift towards a larger proportion of assets being directed towards the higher rated ADIs given the lack of appetite amongst the lower rated ADIs.

All ratings categories are within the Policy limits:

Compliant	Credit Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	AA Category	$4,790,176	14%	100%	$28,525,753
✓	A Category	$8,525,753	26%	80%	$18,126,990
✓	BBB Category	$20,000,000	60%	70%	$3,321,151
✓	Unrated ADIs	$0	0%	10%	$3,331,593
		$33,315,929	**100%**		

Performance

Council's performance for the month ending 30 November 2021 is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	0.01%	0.02%	0.05%	0.04%	0.10%
AusBond Bank Bill Index	0.01%	0.00%	0.01%	0.01%	0.02%
Council's T/D Portfolio^	**0.13%**	**0.38%**	**0.78%**	**0.64%**	**1.57%**
Outperformance	**0.12%**	**0.38%**	**0.77%**	**0.64%**	**1.55%**

^Total portfolio performance excludes Council's cash account holdings. Overall returns would be lower if cash was included.

Performance (Annualised)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	0.10%	0.10%	0.10%	0.10%	0.10%
AusBond Bank Bill Index	0.07%	0.02%	0.02%	0.02%	0.02%
Council's T/D Portfolio^	**1.55%**	**1.54%**	**1.57%**	**1.54%**	**1.57%**
Outperformance	**1.48%**	**1.52%**	**1.54%**	**1.52%**	**1.55%**

^Total portfolio performance excludes Council's cash account holdings. Overall returns would be lower if cash was included.

For the month of November, the total portfolio (excluding cash) provided a solid return of +0.13% (actual) or +1.55% p.a. (annualised), easily outperforming the benchmark AusBond Bank Bill Index return of +0.01% (actual) or +0.07% p.a. (annualised). Over the past 12 months, the return of +1.57% p.a. was 1.55% p.a. above benchmark – this is considered very strong given current economic circumstances.

The outperformance continues to be driven by a combination of those deposits invested beyond 12 months. However, the higher yielding deposits are fast maturing, and those deposits will inevitably be reinvested at lower prevailing rates unless a longer duration is undertaken.

Investors using the Imperium Markets platform have reduced the invisible costs associated with brokerage, and thereby lift client portfolio returns as investors are able to deal in deposits directly with the ADIs and execute at the best price possible.

We are pleased that Council remains amongst the best performing in the state of NSW where deposits are concerned, earning on average, over $126,000 in additional interest income compared to its peers (as per the September 2021 rankings). We have been pro-active in our advice about protecting interest income and addressing reinvestment risk for many years and encouraged to maintain a long duration position. This is now reflected by the high performance of the investment portfolio.

Council's Term Deposit Portfolio & Recommendation

As at the end of November 2021, Council's deposit portfolio was yielding 1.47% p.a. (down 3bp from the previous month), with an average duration of around 383 days (~12 months).

We recommend Council extends this average duration. In the low interest rate environment, the biggest collective risk that the local government sector has faced over the post-GFC era has been the dramatic fall in interest rates - from 7¼% to the historical low levels of 0.10%.

As the past decade has highlighted (post-GFC era), we have seen too many portfolios' roll a high proportion of their deposits between 3-6 months, resulting in their deposits being reinvested at lower prevailing rates. That is, depositors have overpaid for liquidity and generally not insured themselves against the low interest rate environment by diversify their funding across various tenors (out to 5 years) but rather placed all their 'eggs in one basket' and kept all their deposits short. **Reinvestment risk has collectively been the biggest detriment to depositors' interest income over the post-GFC period**.

At the time of writing, we see value in:

ADI	LT Credit Rating	Term	T/D Rate
ICBC, Sydney	A	5 years	2.22% p.a.
ICBC, Sydney	A	4 years	2.08% p.a.
ICBC, Sydney	A	3 years	1.85% p.a.
Westpac	AA-	4 years	1.84% p.a.
Westpac	AA-	3 years	1.63% p.a.
NAB	AA-	3 years	1.40% p.a.
ICBC, Sydney	A	2 years	1.33% p.a.
Westpac	AA-	2 years	1.21% p.a.
BoQ	BBB+	2 years	1.15% p.a.
NAB	AA-	2 years	1.00% p.a.
AMP Bank	BBB	2 years	1.00% p.a.^

^ AMP T/Ds – contact us to receive an additional 0.20% p.a. rebated commission on top of the rate shown above

The above deposits are suitable for investors looking to provide some income protection and mitigate reinvestment/rollover risk for the next few years.

For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (dependent on daily funding requirements):

ADI	LT Credit Rating	Term	T/D Rate
Judo Bank	BBB-	12 months	1.01% p.a.
AMP Bank	BBB	11-12 months	1.00% p.a.^
AMP Bank	BBB	8-10 months	0.90% p.a.^
MyState Bank	BBB	12 months	0.75% p.a.
ME Bank	BBB+	12 months	0.70% p.a.
NAB	AA-	12 months	0.60% p.a.
Westpac	AA-	12 months	0.56% p.a.

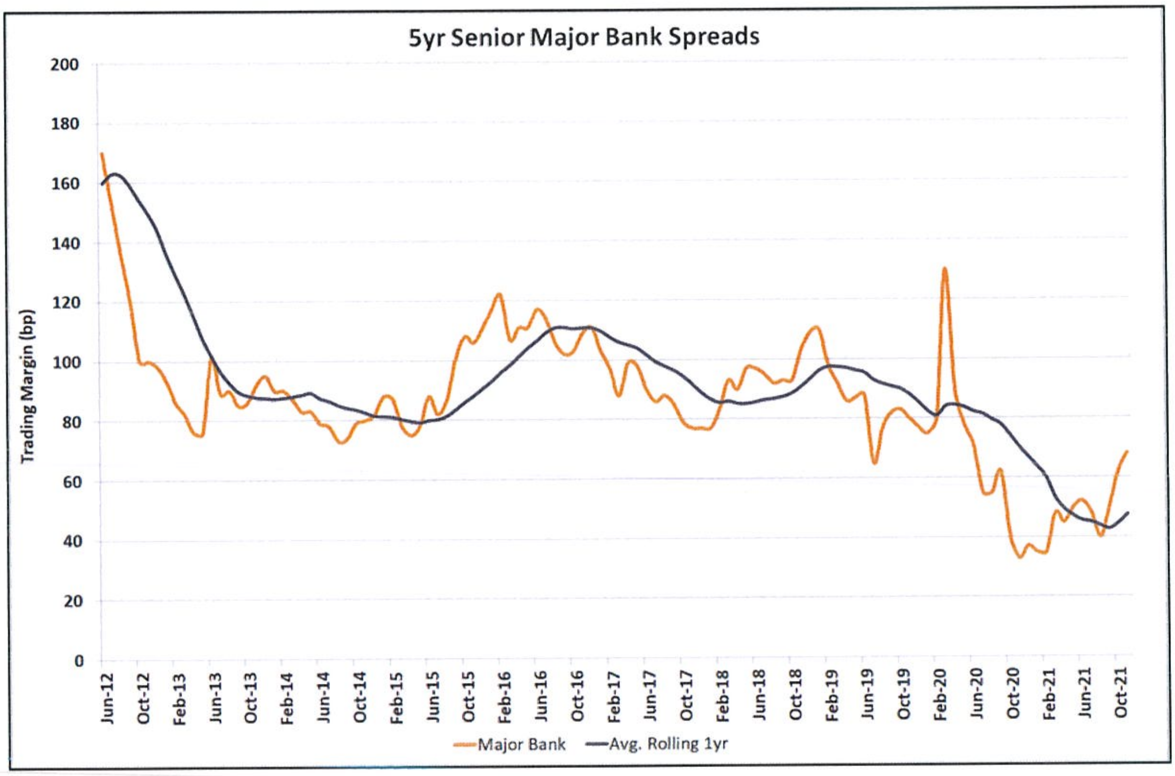
^ AMP T/Ds – contact us to receive an additional 0.20% p.a. rebated commission on top of the rate shown above

Amongst the investment grade sector, the majority of short-dated term deposits (maturing less than 12 months) are yielding under 0.60-0.70% p.a. Despite the uplift in outright rates recently, we generally believe there is not much value being offered in short-dated deposits.

In contrast, there is an upward pick-up in yield for investors that can take advantage of 2-5 year fixed T/Ds whilst official rates are stuck at depressed levels at least for the next few years. For those investors that do not require high levels of liquidity and can stagger their investments longer-term, they will be rewarded over coming years if they roll for a minimum term of 2 years, yielding up to double the return compared to those investors that purely invest in short-dated deposits.

Senior FRNs Review

Over November, amongst the senior major bank FRNs, physical credit securities were marked up to 6bp wider at the long-end of the curve. After NAB (AA-) and CBA (AA-) issued new 5 and 5¼ year senior FRNs at +41bp, we anticipate the other major banks may follow suit over coming months looking to refinance their upcoming maturities at these relatively cheap levels on a historical basis:



Source: IBS Capital

Amongst the "A" and "BBB" rated sector, the securities were marked around 5-8bp wider at the long-end of the curve. During the month, Agricultural Bank of China, Sydney Branch (A) issued a 3 year senior FRN at +53bp, printing $500m. MyState (BBB) also issued a 3 year deal, printing $100m at +60bp.

While turnover in the secondary market is still predominately dominated by commonwealth, semi-government and major bank senior paper, given the lack of supply, we have started to observe that even a handful of regional bank senior paper has sometimes been trading inside "mid" levels over recent months.

The lack of supply from new (primary) issuances has played a major role with the rally in credit markets over the past 1½ years. FRNs will continue to play a role in investor's portfolios mainly on the basis of their liquidity and the ability to roll down the curve and gross up returns over ensuing years (in a relatively stable credit environment).

Senior FRNs (ADIs)	30/11/2021	31/10/2021
"AA" rated – 5yrs	+68bp	+62bp
"AA" rated – 3yrs	+44bp	+41bp
"A" rated – 5yrs	+80bp	+72bp
"A" rated – 3yrs	+55bp	+50bp
"BBB" rated – 3yrs	+65bp	+60bp

Source: IBS Capital

We now generally **recommend switches** ('benchmark' issues only) into new attractive primary issues (or longer-dated alternatives), out of the following senior FRNs that are maturing:

- **On or before 2024 for the "AA" rated ADIs (domestic major banks)**;
- On or before 2022 for the "A" rated ADIs; and
- Within 12 months for the "BBB" rated ADIs (consider case by case).

Investors holding onto the above senior FRNs ('benchmark' issues only) in their last 1-2 years are now generally holding sub-optimal investments and are not maximising returns by foregoing realised capital gains. In the current low interest rate environment, any boost in overall returns should be locked in when it is advantageous to do so.

FRNs remain expensive but may become more attractive should spreads widen and official rates rise quicker than anticipated.

Senior Bonds - Northern Territory Treasury Corporation (NTTC)

Investors should be aware of the following senior retail bond offering from Northern Territory Treasury Corporation (NTTC) effective 22nd November 2021:

Maturity Date	Rate % p.a.^	Interest Paid
~~15/12/2022~~	~~0.50%~~	~~Annually~~
15/12/2023	0.70%	Annually
15/12/2024	1.30%	Annually
15/12/2025	1.40%	Annually
15/12/2026	1.80%	Annually

^^The rates offered in the above table can be reviewed and changed at any time from Treasury. The rate for broker sponsored applications will be dropped by 0.20% p.a. effective 1 October 2020.

Any investor interested in this product should avoid placing through the broker channel and contact Imperium Markets to receive the full commission of 0.25% (plus GST) on the face value of the investment, in the form of an additional rebate. If placed through the brokers, they are likely to keep the 0.25% commission (on the face value of the investment).

Overview	Description
Issuer	Northern Territory Government
Credit Rating	Aa3 (Moody's), which is AA- equivalent (S&P)
Type	Fixed senior (retail) bonds
Program	Territory Bonds Issue 111
Date for applications	**01/07/2021 – 30/11/2021**
Liquidity	Weekly redemptions available, subject to the prevailing market rate and administration costs^^

^^ Note given this is a retail bond offering (min. parcel size of $5,000), for wholesale investors, we would not consider this to be a liquid investment (the largest redemptions to date have only been $200-$300k).

The product should be viewed as a hold-to-maturity product, noting there are significant penalty costs including admin fees, the prevailing market interest rate, and factors in any associate commissions that were previously paid. Given the longer-term outlook for official interest rates, any investor interested should invest through Imperium Markets to receive an effectively higher rate, once factoring in the rebated commission. *These offers will need to be compared to other complying assets at the time of investment – term deposits are currently a better alternative.*

Economic Commentary

International Market

News of a potentially dangerous new COVID-19 variant ("Omicron") originating from Southern Africa hit the headlines late in the month. This uncertainty triggered a broad 'risk-off' environment across most risk markets and a rethink on the global economic outlook.

Global equity markets declined in November, as concerns about the new COVID variant knocked the share market in the last three trading days of the month. Across the US, the S&P 500 Index fell -0.83%, while the tech-heavy NASDAQ Index edged out a positive return of +0.25%. Equities fell across Europe's main indices, with losses led by Germany's DAX (-3.75%), UK's FTSE (-2.46%) and France's CAC (-1.60%).

The US Fed announced a November start to the QE tapering process at a pace of US$15bn per month (split US$10bn for Treasuries and US$5bn for Agencies).

The headline October CPI rose +0.9% in the US (above consensus of +0.6%), while the core reading rose +0.6%, also above the consensus of +0.4%. **On an annual basis, US CPI is now at +6.2% while the core is at +4.6%, levels not seen since the early nineties**. Supply constraints may well turn out to be transitory, but the rise in core drivers increases the pressure on the Fed to trigger a monetary policy response.

The US unemployment rate fell by two tenths to 4.6% in October (consensus 4.7%) and is now around a percentage point away from its pre-pandemic level of 3.5%.

Canada's annual CPI climbed to an 18-year high of +4.7% in October, while core inflation (the average of three series that the Bank of Canada closely monitors) was steady at +2.7%. Germany's November CPI jumped to +6%, up from +4.6% in October and well above the +5.5% expected.

The Bank of England (BoE) shocked markets after it held rates unchanged in a 7 vs. 2 decision, sharply surprising markets which had fully priced a 15bp rate hike at the November meeting.

Austria went into a 20 day nationwide lockdown with the government also outlining its intention to make vaccination compulsory by 1st February. Infections are rising at an alarming rate around Europe with other EU governments also introducing restrictions.

The RBNZ increased its cash rate by 25bp to 0.75% and became the first developed central bank to raise rates twice in 2021 as it attempts to temper inflationary pressures. Annual inflation accelerated to +4.9% in the third quarter, the fastest pace in more than a decade.

The MSCI World ex-Aus Index fell -2.20% for the month:

Index	1m	3m	1yr	3yr	5yr	10yr
S&P 500 Index	-0.83%	+0.98%	+26.10%	+18.28%	+15.74%	+13.86%
MSCI World ex-AUS	-2.20%	-1.14%	+20.38%	+15.16%	+12.82%	+10.35%
S&P ASX 200 Accum. Index	-0.54%	-2.48%	+15.48%	+12.56%	+10.11%	+10.35%

Source: S&P, MSCI

Domestic Market

In its meeting in November, the RBA formally abandoned their yield curve control (YCC) target. **The RBA Minutes and a speech by Governor Lowe again saw the Governor push back on market pricing for interest rate rises in 2022, with Governor Lowe again explicitly stating "*the latest data and forecasts do not warrant an increase in the cash rate in 2022*"**. The key to the Governor's view is that wages growth in excess of 3% is needed to sustain inflation at the mid-point of the 2-3% target.

The RBA noted that inflation at 2.5% and being forecast to track above, along with wages growth at 3% plus, remains key to hiking. Their central scenario is still consistent with a 2024 hike, although they acknowledged the upside case of a 2023 hike (data-dependent).

Employment fell -46k in October as Sydney, Melbourne and Canberra were still in lockdown during the reference period. **The unemployment rate rose 0.6% to 5.2% in October**. The rise was partially driven by the participation rate lifting 0.1% to 64.7%, as more people actively searched for work. More positive numbers will come next month given stay at home orders were lifted from mid-October.

Q3 wages came in line with expectations with the headline number printing at +0.6% q/q and +2.2% y/y. Private sector wages rose +0.6% q/q and +2.4% y/y with public sector wages rising by less (+0.5% q/q and +1.7% y/y).

Quarterly retail volumes showed their largest fall (-4.4% q/q) on record in Q3 as lockdowns in NSW, VIC and ACT weighed on discretionary spending.

The trade balance for September was in line with expectations at a surplus of $12.2bn, down from a record of $14.7bn in August.

PM Morrison pledged $1bn to establish a new fund that will support emerging low-emission technology. The new fund will be administered by the Clean Energy Finance Corporation and will be responsible for reducing emissions by 15% by 2050.

Retail sales rose +4.9% m/m in October, well above expectations of +2.2%, surging alongside the easing of restrictions. NSW came out of lockdown on 11 October, and retail sales surged +13.3% to be just 0.2% below pre-lockdown May 2021 levels.

The Australian dollar fell -5.33%, finishing the month at US71.44 cents (from US75.46 cents the previous month).

Credit Market

The global credit indices widened over November on the back of the emergence of the Omicron variant. They are back to their levels in mid-2020:

Index	November 2021	October 2021
CDX North American 5yr CDS	58bp	52bp
iTraxx Europe 5yr CDS	58bp	51bp
iTraxx Australia 5yr CDS	74bp	65bp

Source: Markit

Fixed Interest Review

Benchmark Index Returns

Index	November 2021	October 2021
Bloomberg AusBond Bank Bill Index (0+YR)	+0.01%	-0.00%
Bloomberg AusBond Composite Bond Index (0+YR)	+2.08%	-3.55%
Bloomberg AusBond Credit FRN Index (0+YR)	-0.02%	-0.10%
Bloomberg AusBond Credit Index (0+YR)	+1.05%	-2.76%
Bloomberg AusBond Treasury Index (0+YR)	+2.49%	-3.82%
Bloomberg AusBond Inflation Gov't Index (0+YR)	+2.46%	-2.31%

Source: Bloomberg

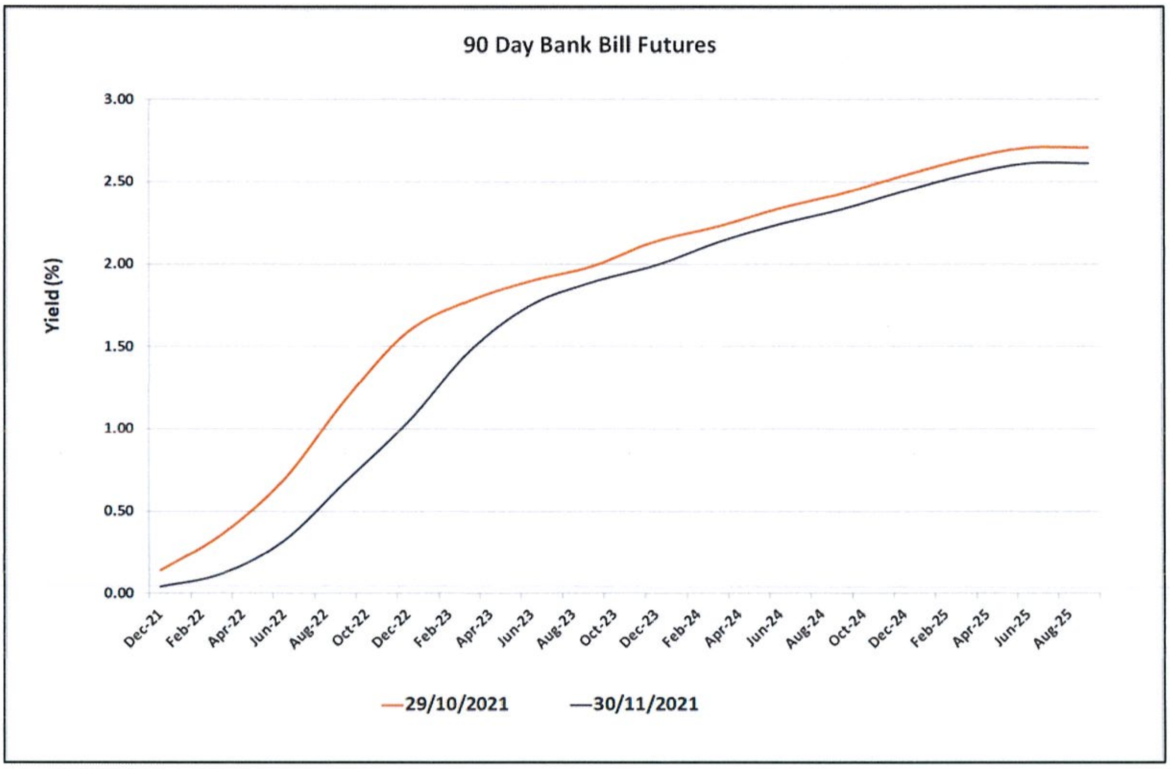
Other Key Rates

Index	November 2021	October 2021
RBA Official Cash Rate	0.10%	0.10%
90 Day (3 month) BBSW Rate	0.05%	0.07%
3yr Australian Government Bonds	0.87%	1.17%
10yr Australian Government Bonds	1.69%	2.09%
US Fed Funds Rate	0.00%-0.25%	0.00%-0.25%
10yr US Treasury Bonds	1.43%	1.55%

Source: RBA, AFMA, US Department of Treasury

90 Day Bill Futures

Over November, bill futures fell across the board as markets marginally pushed back their rate hike expectations following the emergence of the new COVID variant:



Source: ASX

Fixed Interest Outlook

US money markets are now pricing roughly a 70% chance of a rate hike by June 2022, with one rise largely priced in by December 2022.

RBA Governor Lowe's post-Board Meeting Speech in November came across as dovish, **pushing back on market pricing of hikes as early as 2022, which Dr Lowe characterised as "*extremely unlikely*"**.

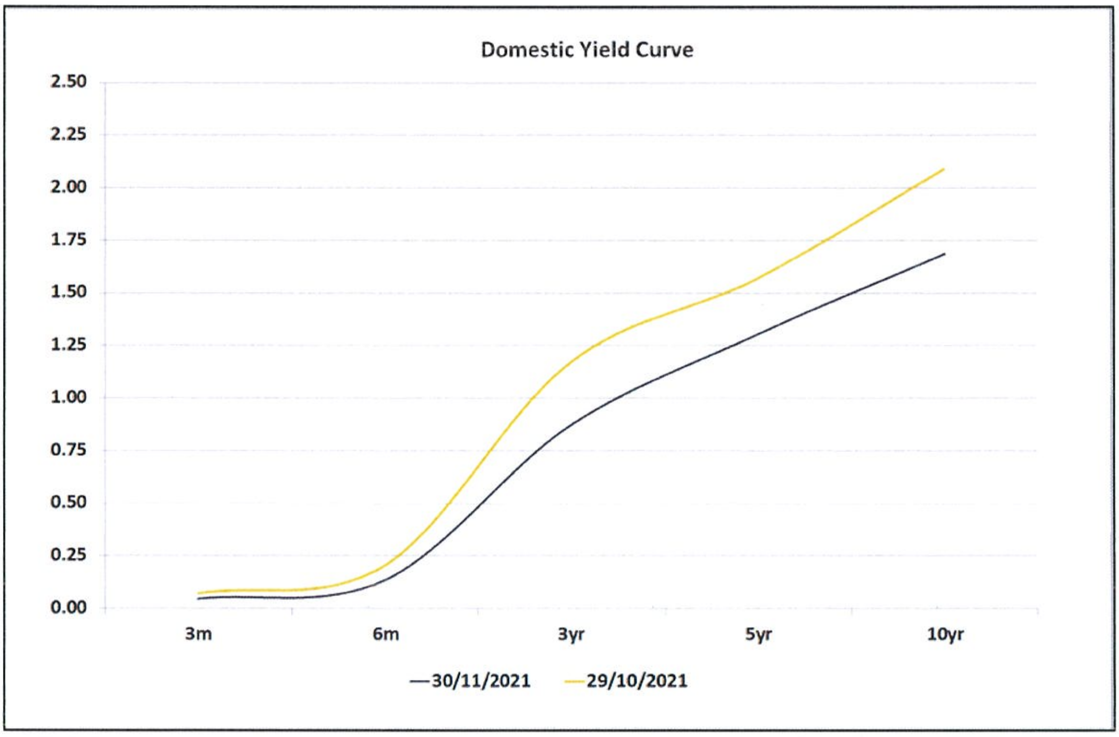
The subsequent Minutes indicated that the central bank reaffirmed its view that a rate hike in 2022 was unlikely, but acknowledging that inflation risks, on the back of supply chain disruptions and wage movements, were "*shifting upwards*". Governor Lowe emphasised that "*the latest data and forecasts do not warrant an increase in the cash rate in 2022*" and that 2024 was more likely, while 2023 was plausible. Key to the RBA's view is their thesis that wages growth in excess of 3% is needed to sustain inflation at the mid-point of the 2-3% target.

They would like to see the following three economic indicators improve before they even consider increasing interest rates:

1. The unemployment rate to drop to around 4% (currently it is officially at 5.2% but masked by a significant drop in the participation rate – the real rate is above 7½%);
2. "*Until actual (underlying) inflation is sustainably within the 2-3% target range*" (for several quarters); and
3. Wage growth to surpass +3% (it has not been above this level for the past 8 years).

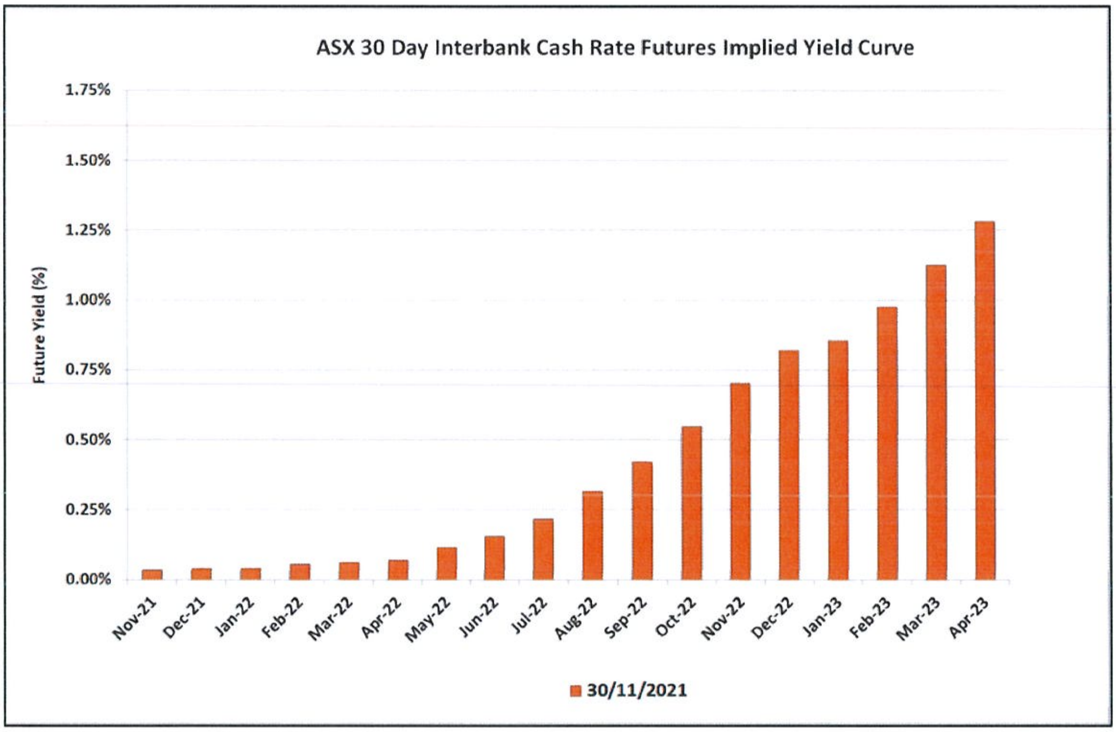
Governor Lowe has commented on the path of future rate hikes: "*it will not be enough for inflation to just sneak across the 2% line for a quarter or two. We want to see inflation well within the target band and be confident that it will stay there*".

The domestic bond market continues to suggest a prolonged low period of interest rates. Over the month, yields fell 40bp at the long-end of the curve:



Source: AFMA, ASX, RBA

Markets have brought forward RBA rate hike pricing following moves offshore with a full rate hike now priced by September 2022 and 75bp of hikes priced by March 2023 against the RBA's ongoing guidance of not seeing the conditions for a hike until 2024:



Source: ASX

Disclaimer

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Monthly Investment Report

December 2021

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IMPERIUM MARKETS

Impact of COVID-19 to Council's Portfolio

COVID-19 has adversely impacted financial markets, which in turn, has also affected Council's investment portfolio. We provide a quick summary in this section.

The RBA cut rates to record lows on 3rd November 2020 to 0.10%, consistent with most global central banks resetting their official rates back to emergency levels. With international borders shut and vaccinations becoming readily available, global inflationary pressures have emerged. This has resulted in longer-term bond yields to rise in recent months as central banks start to withdraw some of their other stimulatory policy measures (such as quantitative easing), whilst some have already started increasing official interest rates. Despite the emergence of a new variant 'Omicron' causing a sharp spike in infections globally, at this stage, risk markets have largely discounted its economic impacts.

Domestically, with regards to the medium-longer term outlook for fixed interest markets, of importance is the RBA's outlook and expectations for the Australian economy. They would like to see the following key economic indicators improve before they even consider increasing interest rates:

1. The unemployment rate to drop to around 4¼% (currently it is officially at 4.6% but masked by a significant drop in the participation rate – the real rate is above +7½%);
2. "*Until actual (underlying) inflation is sustainably within the 2-3% target range*" (would like to see consecutive quarters within this range); and
3. Wage growth to surpass +3% (it has not been above this level for the past 8 years).

Governor Lowe has commented on the path of future rate hikes: "*it will not be enough for inflation to just sneak across the 2% line for a quarter or two. We want to see inflation well within the target band and be confident that it will stay there*".

The largest impact to Council's investment portfolio is with regards to its largest exposure being assets held in bank term deposits, which accounts for around ~66% of Council's total investment. **The biggest risk that Council faces over the medium-longer term in this environment is not the potential loss of capital (given all the banks are well capitalised and regulated by APRA), but the rapid loss of interest income as interest rates have plummeted.**

Council's term deposit portfolio was yielding 1.45% p.a. at month-end, with a weighted average duration of around 340 days or around 11½ months. **This average duration will only provide some income protection against the low interest rate environment in the immediate future.**

With markets bringing forward expectations of official rate hikes, this has seen a significant shift in longer term deposit rates over recent weeks. Future investments above 1% p.a. now appears likely if Council can continue to place the majority of its surplus funds for a minimum term of 2 years.

Council's Portfolio & Compliance

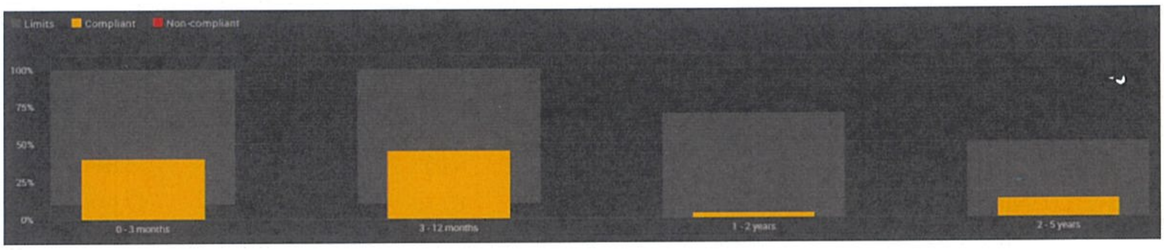
Asset Allocation

The majority of the portfolio is directed to fixed rate term deposits (66.37%). The remainder of the portfolio is held in various cash accounts with CBA and Macquarie (33.63%).

While FRNs remain relatively expensive on a historical basis, should there be a further widening in credit spreads, they might become slightly more attractive should official rates start rising over coming years. **Currently, fixed deposits being offered for 2-3 years now appear quite appealing**.

Term to Maturity

The portfolio is sufficiently liquid with around 85% of the total investment portfolio maturing within 12 months, which is well above the minimum 10% limit required across 0-3 month and 3-12 month terms.



Where ongoing liquidity requirements permit Council to invest in attractive 2-5 year investments, we recommend this be allocated to medium-term fixed term deposits (refer to respective sections below).

Compliant	Horizon	Invested ($)	Invested (%)	Min. Limit (%)	Max. Limit (%)	Available ($)
✓	0 - 3 months	$14,149,847	42.69%	10%	100.00	$19,000,000
✓	3 - 12 months	$14,000,000	42.23%	10%	100.00	$19,149,847
✓	1 - 2 years	$1,000,000	3.02%	0%	70.00	$22,204,893
✓	2 - 5 years	$4,000,000	12.07%	0%	50.00	$12,574,923
✓	5 - 10 years	$0	0.00%	0%	25.00	$8,287,462
		$33,149,847	**100.00%**			

Counterparty

As at the end of December, all individual counterparties were within the policy limits, except for AMP (BBB) by $55k, due to the fall in overall balances by $1m during the month. Exposures are dependent on the overall movement in the portfolio's balances which can drop during periods of high capital expenditure. Overall, the portfolio is well diversified across the investment grade credit spectrum (BBB- or higher), with some exposure to the unrated ADIs following a deposit investment with Judo Bank during the month.

BoQ formally acquired ME Bank for $1.325bn on 01/07/2021. Subsequently, all ME Bank's senior assets including term deposits have been upgraded from BBB to BBB+ by S&P. With regards to counterparty limits, the two banks are still running separate ADI licences and so the individual exposures will continue to be shown separately. Once ME Bank formally withdraws its ADI licence (**flagged for end of Q1 2022**), existing holdings with ME Bank will need to be aggregated with its parent company, BoQ. Council will need to keep this in mind when reinvesting maturing deposits with BoQ or ME Bank, and when placing 'new' surplus funds, so as not to be 'overweight' relative to the overall aggregate limits. There is also, however, a chance that BoQ may be upgraded from BBB+ to either A- or A by S&P over coming months/years, which would help with capacity limits.

Compliant	Issuer	Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	CBA	AA-	$4,621,636	13.94%	50%	$11,953,288
✓	NAB	AA-	$1,000,000	3.02%	50%	$15,574,924
✓	Macquarie Bank	A+	$6,528,211	19.69%	40%	$6,731,727
✓	BOQ	BBB+	$3,000,000	9.05%	30%	$6,944,954
✓	ME Bank	BBB+	$2,000,000	6.03%	30%	$7,944,954
X	AMP Bank	BBB	$10,000,000	30.17%	30%	**-$55,046**
✓	Newcastle PBS	BBB	$2,000,000	6.03%	30%	$7,944,954
✓	Judo Bank	BBB-	$3,000,000	9.05%	25%	$5,287,462
✓	Illawarra CU	Unrated	$1,000,000	3.02%	25%	$7,287,462
			$33,149,847	**100%**		

Effective 15/09/2021, Judo Bank received a formal credit rating of BBB- (long-term) and A-3 (short-term) from ratings agency S&P. It cited its position as a newly formed and fast-growing business in the SME lending sector, whilst having a well-capitalised balance sheet, allowing continued growth despite its limited profitability to date.

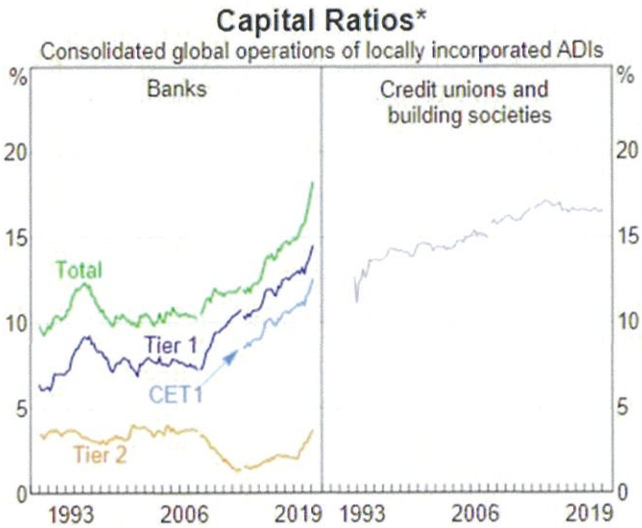
We remain supportive of the regional and unrated ADI sector (and have been even throughout the GFC period). They continue to remain solid, incorporate strong balance sheets, while exhibiting high levels of capital – typically, much higher compared to the higher rated ADIs. Some unrated ADIs have up to 25-40% more capital than the domestic major banks, and well above the Basel III requirements.

RBA Governor Lowe has commented that they have not seen any signs of stress in the financial system and that unlike during the GFC, the banks (all ADIs) now have cash, are well capitalised and are acting as "shock absorbers" in the current crisis.

Overall, the lower rated ADIs (BBB and unrated) are generally now in a better financial position then they have been historically (see the Capital Ratio figure below). We believe that deposit investments with the lower rated ADIs should be continued going forward, particularly when they offer 'above market' specials. Not only would it diversify the investment portfolio and reduce credit risk, it would also improve the portfolio's overall returns.

In the current environment of high regulation and scrutiny, all domestic (and international) ADIs continue to carry high levels of capital. There is minimal (if any) probability of any ADI defaulting on their deposits going forward – this was stress tested during the GFC. **APRA's mandate is to "*protect depositors*" and provide "*financial stability*".**

The biggest single risk that depositors face in the current low interest rate environment is not capital or credit risk, but reinvestment risk.



* Per cent of risk-weighted assets; break in March 2008 due to the introduction of Basel II for most ADIs; break in March 2013 due to the introduction of Basel III for all ADIs

Source: APRA

Credit Quality

Overall, the portfolio remains well diversified from a credit ratings perspective, with exposure down to the lower rated regional ADIs.

From a ratings perspective, the BBB (and unrated) banks now generally dominate the number of ADIs issuing deposits within the investment grade space. We anticipate more investors will naturally allocate a higher proportion of their assets into this sector once credit growth returns over coming years. However, given most banks are highly liquid during the current pandemic, most of the "BBB" rated banks are currently not seeking wholesale funding.

As such, in the interim, we could see a shift towards a larger proportion of assets being directed towards the higher rated ADIs given the lack of appetite amongst the lower rated ADIs.

All ratings categories are within the Policy limits:

Compliant	Credit Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	AA Category	$5,621,636	17%	100%	$27,528,212
✓	A Category	$6,528,211	20%	80%	$19,991,666
✓	BBB Category	$20,000,000	60%	70%	$3,204,893
✓	Unrated ADIs	$1,000,000	3%	10%	$2,314,985
		$33,149,847	**100%**		

Performance

Council's performance for the month ending 31 December 2021 is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	0.01%	0.03%	0.05%	0.05%	0.10%
AusBond Bank Bill Index	0.00%	0.01%	0.01%	0.01%	0.03%
Council's T/D Portfolio^	**0.12%**	**0.37%**	**0.77%**	**0.77%**	**1.57%**
Outperformance	**0.12%**	**0.36%**	**0.75%**	**0.75%**	**1.54%**

^Total portfolio performance excludes Council's cash account holdings. Overall returns would be lower if cash was included.

Performance (Annualised)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	0.10%	0.10%	0.10%	0.10%	0.10%
AusBond Bank Bill Index	0.04%	0.03%	0.03%	0.03%	0.03%
Council's T/D Portfolio^	**1.45%**	**1.47%**	**1.53%**	**1.53%**	**1.57%**
Outperformance	**1.40%**	**1.44%**	**1.50%**	**1.50%**	**1.54%**

^Total portfolio performance excludes Council's cash account holdings. Overall returns would be lower if cash was included.

For the month of December, the total portfolio (excluding cash) provided a solid return of +0.12% (actual) or +1.45% p.a. (annualised), easily outperforming the benchmark AusBond Bank Bill Index return of +0.00% (actual) or +0.04% p.a. (annualised). Over the past 12 months, the return of +1.57% p.a. was 1.54% p.a. above benchmark – this is considered very strong given current economic circumstances.

The outperformance continues to be driven by a combination of those deposits invested beyond 12 months. However, the higher yielding deposits are fast maturing, and those deposits will inevitably be reinvested at lower prevailing rates unless a longer duration is undertaken.

Investors using the Imperium Markets platform have reduced the invisible costs associated with brokerage, and thereby lift client portfolio returns as investors are able to deal in deposits directly with the ADIs and execute at the best price possible.

We are pleased that Council remains amongst the best performing in the state of NSW where deposits are concerned, earning on average, over $150,000 in additional interest income compared to its peers (as per the October 2021 rankings). We have been pro-active in our advice about protecting interest income and addressing reinvestment risk for many years and encouraged to maintain a long duration position. This is now reflected by the high performance of the investment portfolio.

Council's Term Deposit Portfolio & Recommendation

As at the end of December 2021, Council's deposit portfolio was yielding 1.45% p.a. (down 2bp from the previous month), with an average duration of around 340 days (~11 months).

We recommend Council extends this average duration. In the low interest rate environment, the biggest collective risk that the local government sector has faced over the post-GFC era has been the dramatic fall in interest rates - from 7¼% to the historical low levels of 0.10%.

As the past decade has highlighted (post-GFC era), we have seen too many portfolios' roll a high proportion of their deposits between 3-6 months, resulting in their deposits being reinvested at lower prevailing rates. That is, depositors have overpaid for liquidity and generally not insured themselves against the low interest rate environment by diversify their funding across various tenors (out to 5 years) but rather placed all their 'eggs in one basket' and kept all their deposits short. **Reinvestment risk has collectively been the biggest detriment to depositors' interest income over the post-GFC period.**

At the time of writing, we see value in:

ADI	LT Credit Rating	Term	T/D Rate
ICBC, Sydney	A	5 years	2.25% p.a.
ICBC, Sydney	A	4 years	2.10% p.a.
ICBC, Sydney	A	3 years	1.85% p.a.
Westpac	AA-	4 years	1.81% p.a.
Westpac	AA-	3 years	1.60% p.a.
NAB	AA-	3 years	1.35% p.a.
AMP Bank	BBB	2 years	1.35% p.a.^
ICBC, Sydney	A	2 years	1.30% p.a.
Westpac	AA-	2 years	1.23% p.a.
BoQ	BBB+	2 years	1.20% p.a.
NAB	AA-	2 years	1.15% p.a.

^ AMP T/Ds – contact us to receive an additional 0.20% p.a. rebated commission on top of the rate shown above

The above deposits are suitable for investors looking to provide some income protection and mitigate reinvestment/rollover risk for the next few years.

For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (dependent on daily funding requirements):

ADI	LT Credit Rating	Term	T/D Rate
AMP Bank	BBB	11-12 months	1.10% p.a.^
Judo Bank	BBB-	12 months	1.01% p.a.
Community First CU	Unrated ADI	7 months	0.90% p.a.
NAB	AA-	12 months	0.70% p.a.
ME Bank	BBB+	12 months	0.70% p.a.
BoQ	BBB+	12 months	0.70% p.a.
Westpac	AA-	12 months	0.67% p.a.

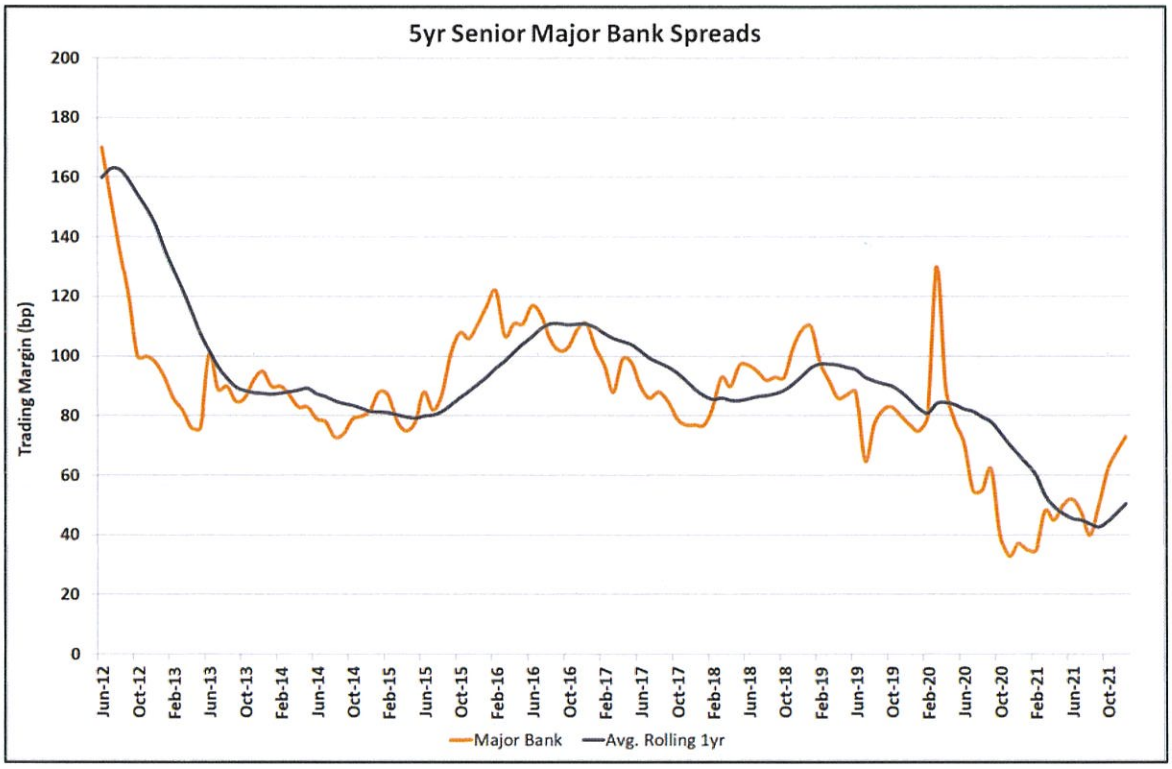
^ AMP T/Ds – contact us to receive an additional 0.20% p.a. rebated commission on top of the rate shown above

Amongst the investment grade sector, the majority of short-dated term deposits (maturing less than 12 months) are yielding under 0.70% p.a. Despite the uplift in outright rates since early October, we generally believe there is not much value being offered in short-dated deposits.

In contrast, there is an upward pick-up in yield for investors that can take advantage of 2-5 year fixed T/Ds whilst official rates are stuck at depressed levels at least for the next few years. For those investors that do not require high levels of liquidity and can stagger their investments longer-term, they will be rewarded over coming years if they roll for a minimum term of 2 years, yielding, on average, more than double the return compared to those investors that purely invest in short-dated deposits.

Senior FRNs Review

Over December, amongst the senior major bank FRNs, physical credit securities were marked up to 5bp wider at the long-end of the curve. After NAB (AA-) and CBA (AA-) issued new 5 and 5¼ year senior FRNs at +41bp, we anticipate the other major banks may follow suit over coming months looking to refinance their upcoming maturities at these relatively cheap levels on a historical basis:



Source: IBS Capital

Amongst the "A" and "BBB" rated sector, the securities were marked around 5-8bp wider at the long-end of the curve. During the month, AMP Bank (BBB) issued a 3 year deal, printing $150m at +90bp.

While turnover in the secondary market is still predominately dominated by commonwealth, semi-government and major bank senior paper, given the lack of supply, we have started to observe that even a handful of regional bank senior paper has sometimes been trading inside "mid" levels over recent months.

The lack of supply from new (primary) issuances has played a major role with the rally in credit markets over the past 1½ years. FRNs will continue to play a role in investor's portfolios mainly on the basis of their liquidity and the ability to roll down the curve and gross up returns over ensuing years (in a relatively stable credit environment).

Senior FRNs (ADIs)	31/12/2021	30/11/2021
"AA" rated – 5yrs	+73bp	+68bp
"AA" rated – 3yrs	+46bp	+44bp
"A" rated – 5yrs	+88bp	+80bp
"A" rated – 3yrs	+62bp	+55bp
"BBB" rated – 3yrs	+70bp	+65bp

Source: IBS Capital

We now generally **recommend switches** ('benchmark' issues only) into new attractive primary issues (or longer-dated alternatives), out of the following senior FRNs that are maturing:

- **On or before 2024 for the "AA" rated ADIs (domestic major banks);**
- On or before 2022 for the "A" rated ADIs; and
- Within 12 months for the "BBB" rated ADIs (consider case by case).

Investors holding onto the above senior FRNs ('benchmark' issues only) in their last 1-2 years are now generally holding sub-optimal investments and are not maximising returns by foregoing realised capital gains. In the current low interest rate environment, any boost in overall returns should be locked in when it is advantageous to do so.

FRNs remain expensive but may become more attractive should spreads widen and official rates rise quicker than anticipated.

Senior Bonds - Northern Territory Treasury Corporation (NTTC)

Investors should be aware of the following senior retail bond offering from Northern Territory Treasury Corporation (NTTC) effective 4th January 2022:

Maturity Date	Rate % p.a.^	Interest Paid
15/06/2023	0.40%	Annually
15/06/2024	0.90%	Annually
15/06/2025	1.50%	Annually
15/06/2026	1.60%	Annually
15/06/2027	1.90%	Annually

^^The rates offered in the above table can be reviewed and changed at any time from Treasury. The rate for broker sponsored applications will be dropped by 0.20% p.a. effective 1 October 2020.

Any investor interested in this product should avoid placing through the broker channel and contact Imperium Markets to receive the full commission of 0.25% (plus GST) on the face value of the investment, in the form of an additional rebate. If placed through the brokers, they are likely to keep the 0.25% commission (on the face value of the investment).

Overview	Description
Issuer	Northern Territory Government
Credit Rating	Aa3 (Moody's), which is AA- equivalent (S&P)
Type	Fixed senior (retail) bonds
Program	Territory Bonds Issue 112
Date for applications	**01/01/2022 – 31/05/2022**
Liquidity	Weekly redemptions available, subject to the prevailing market rate and administration costs^^

^^ Note given this is a retail bond offering (min. parcel size of $5,000), for wholesale investors, we would not consider this to be a liquid investment (the largest redemptions to date have only been $200-$300k).

The product should be viewed as a hold-to-maturity product, noting there are significant penalty costs including admin fees, the prevailing market interest rate, and factors in any associate commissions that were previously paid. Given the longer-term outlook for official interest rates, any investor interested should invest through Imperium Markets to receive an effectively higher rate, once factoring in the rebated commission. *These offers will need to be compared to other complying assets at the time of investment – term deposits are currently a better alternative.*

Economic Commentary

International Market

Omicron initially sent markets into a tailspin at the beginning of the month but with the emergence of more data, early evidence suggests it is pointing towards becoming a milder variant, with hospitalisations and deaths affecting a relatively lower proportion of the population in the sample size. This added to some stabilisation in risk sentiment across markets over the second half of December despite a number of European nations partially imposing new restrictions.

US Fed Chair Powell said it was time to *"retire that word [transitory]"* and with *"inflation pressures high"*, they will *"consider wrapping up the taper of our asset purchases...perhaps a few months sooner"*.

Headline US CPI rose to +6.8% from +6.2% (+0.7% m/m), providing the highest headline read since 1982, with core (ex-food and energy) up to +4.9% from +4.6% last time.

The Fed's dot plot profile was slightly more hawkish than expected with the median for 2022 showing three hikes versus market expectations of two. The median dot plot for 2023 also shows three rate hikes. The long-term forecast remains unchanged at 2.5%. The Fed has also quickened its pace of tapering, going from US$30bn a month to US$15bn.

The US unemployment rate fell to 4.2% in November, against 4.5% expected, despite a 0.2% rise in the participation rate.

UK annual headline CPI inflation rate broke the +5% mark at +5.1% y/y (consensus +4.8%), while there was a similar surprise on core inflation at +4.0% y/y against +3.7% expected.

UK PM Johnson advised people to work from home and mandated the use of vaccine passports in large venues. This did not deter the Bank of England (BoE), which surprised markets by delivering a 15bp lift in their base rate to 0.25%.

Germany's November CPI jumped to +6%, up from +4.6% in October and well above the +5.5% expected. Belgium's CPI also jumped, to +5.6% from +4.2% (Spain to +5.6% from +5.4%).

The People's Bank of China (PBoC) announced it will reduce the reserve requirement ratio (RRR) by 0.5% for most banks on Dec. 15, releasing 1.2 trillion yuan of liquidity. The RRR cut will be applied to all banks except those that are already on the lowest level of 5%, which are mostly small rural banks.

The MSCI World ex-Aus Index rose +4.17% for the month:

Index	1m	3m	1yr	3yr	5yr	10yr
S&P 500 Index	+4.36%	+10.65%	+26.89%	+23.88%	+16.31%	+14.25%
MSCI World ex-AUS	+4.17%	+7.61%	+20.47%	+19.95%	+13.24%	+10.82%
S&P ASX 200 Accum. Index	+2.75%	+2.09%	+17.23%	+13.62%	+9.76%	+10.80%

Source: S&P, MSCI

Domestic Market

The RBA's final meeting of 2021 provided few surprises on the economic outlook, though encouragingly the Bank notes that leading indicators point to a strong recovery in the labour market. The RBA reiterates the economy is expected to return to its pre-Delta path in the first half of 2022. They flagged they will consider options with their current $4bn a week bond purchase program in February 2022.

RBA Governor Lowe again pushed back on market pricing for interest rate rises in 2022, but interestingly made little mention of 2024 which suggests the RBA is now seeing 2023 as being more probable than the previously characterised "*plausible*" terminology.

Q3 GDP fell by -1.9% q/q, with the decline driven by a sizeable fall in household consumption, concentrated in services where lockdowns had the most significant impact. Government support again played an important role in cushioning household and business balance sheets.

Employment rose 366k in November, a record monthly increase and crushing the 200k consensus. The unemployment rate fell by 0.6% to 4.6% and is below where it was prior to the recent lockdowns. The fall in the unemployment rate came despite a sharp 1.4% increase in the participation rate to 66.1% from 64.7%.

New housing loan approvals fell -2.5% m/m in October, against expectations for a 1.5% increase. The weaker-than-expected outcome was driven by a -4.1% decline in new owner occupier loans.

The trade balance for October was in line with expectations recording a surplus of $11.2bn.

New residential mortgage loans grew by +7.7% over the September quarter. Investor loans also grew solidly (+13.6%), outstripping owner occupier loan growth (+5.1%) for the first time since the Dec 2019 quarter.

APRA announced the finalising requirements for the four major banks to maintain additional loss-absorbing capacity, confirming that the banks will be required to hold an additional minimum Total Capital requirements of 4.5% of risk-weighted assets, to be met from 1 January 2026.

The Australian dollar rose +1½%, finishing the month at US72.56 cents (from US71.44 cents the previous month).

Credit Market

The global credit indices tightened over December despite the surging infections caused by the Omicron variant. They are back to their levels in mid-2020:

Index	December 2021	November 2021
CDX North American 5yr CDS	52bp	58bp
iTraxx Europe 5yr CDS	50bp	58bp
iTraxx Australia 5yr CDS	71bp	74bp

Source: Markit

Fixed Interest Review

Benchmark Index Returns

Index	December 2021	November 2021
Bloomberg AusBond Bank Bill Index (0+YR)	+0.00%	+0.01%
Bloomberg AusBond Composite Bond Index (0+YR)	+0.09%	+2.08%
Bloomberg AusBond Credit FRN Index (0+YR)	+0.04%	-0.02%
Bloomberg AusBond Credit Index (0+YR)	+0.19%	+1.05%
Bloomberg AusBond Treasury Index (0+YR)	-0.03%	+2.49%
Bloomberg AusBond Inflation Gov't Index (0+YR)	+2.21%	+2.46%

Source: Bloomberg

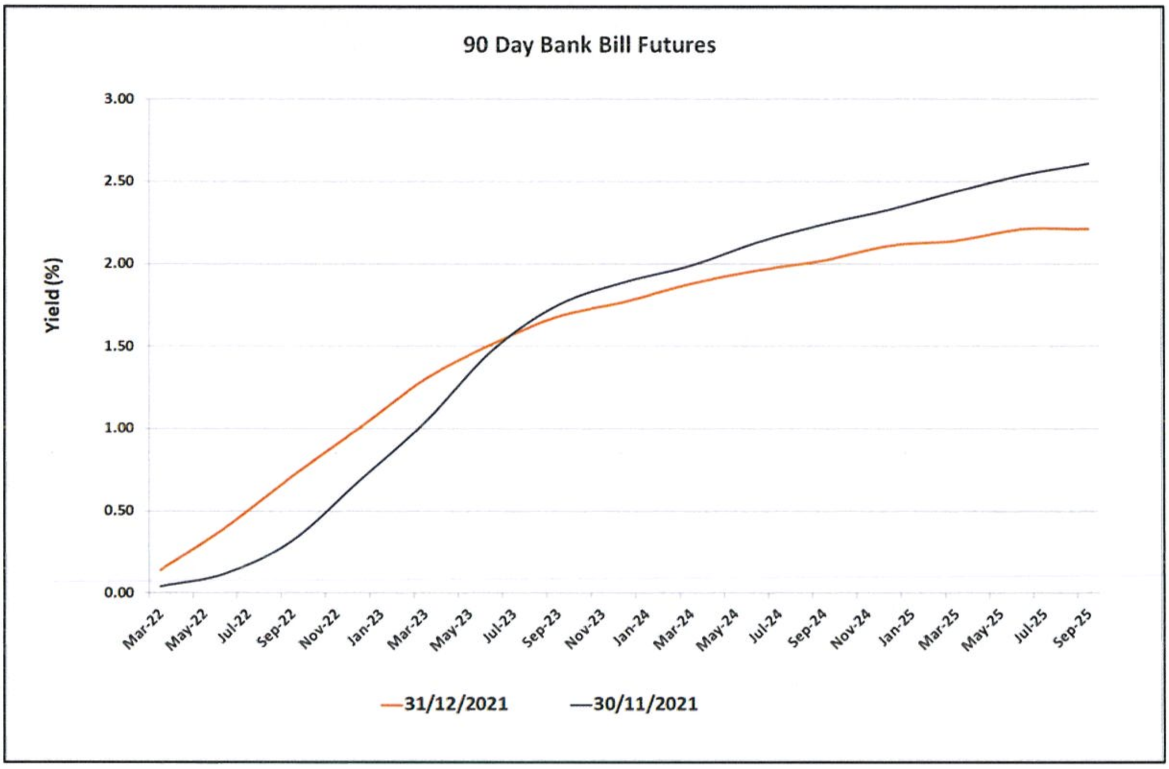
Other Key Rates

Index	December 2021	November 2021
RBA Official Cash Rate	0.10%	0.10%
90 Day (3 month) BBSW Rate	0.07%	0.05%
3yr Australian Government Bonds	0.96%	0.87%
10yr Australian Government Bonds	1.67%	1.69%
US Fed Funds Rate	0.00%-0.25%	0.00%-0.25%
10yr US Treasury Bonds	1.52%	1.43%

Source: RBA, AFMA, US Department of Treasury

90 Day Bill Futures

Over December, bill futures fell at the long-end of the curve as markets pushed back their rate hike expectations slightly on the back of the Omicron variant's surge globally:



Source: ASX

Fixed Interest Outlook

US money markets are now pricing roughly an 90% chance of a rate hike by June 2022. The Fed's latest dot plot profile was slightly more hawkish than expected with the median for 2022 showing three hikes versus market expectations of two. The median dot plot for 2023 also shows three rate hikes. The long-term forecast remains unchanged at 2.5%. The Fed acknowledges that it has achieved its target for inflation given that it has *"exceeded 2% for some time"* and commentary suggest that rate hikes will begin once labour market conditions have reached levels consistent with the Committee's assessments of maximum employment.

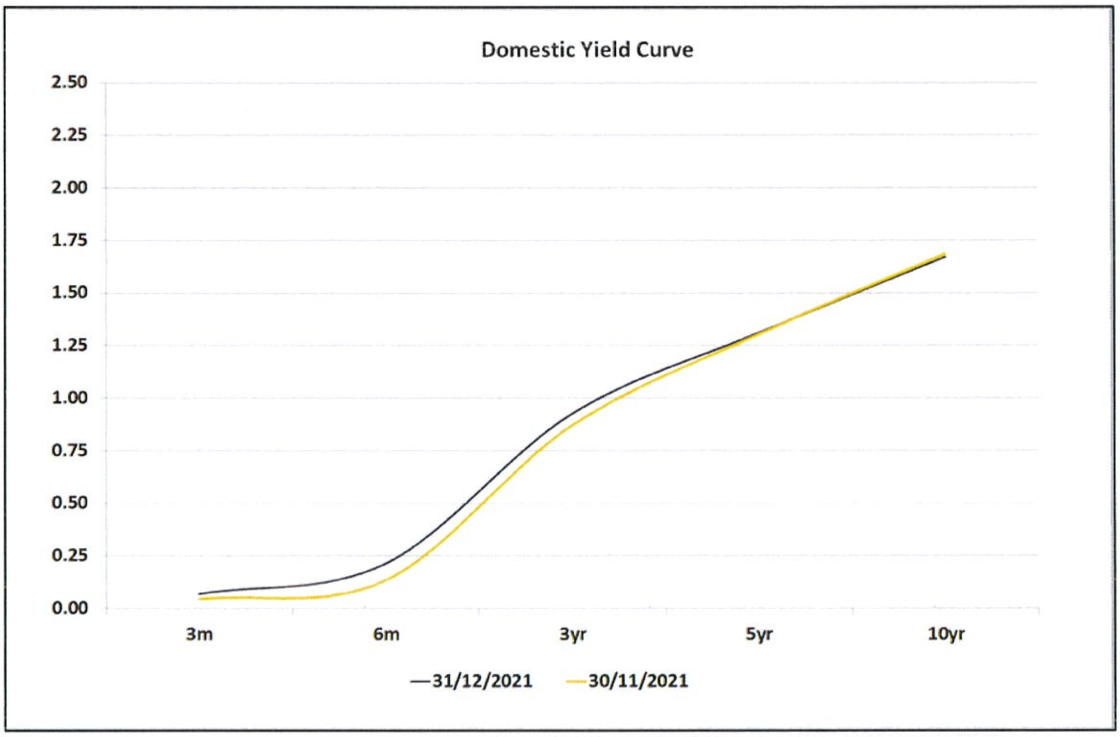
Domestically, Governor Lowe emphasised that *"the latest data and forecasts do not warrant an increase in the cash rate in 2022"* but suggested that 2023 was plausible. In its December meeting, the RBA updated that their *"central forecast is for underlying inflation to reach 2½ per cent over 2023"* - from *"no higher than 2½% at the end of 2023"* in the November Statement.

They would like to see the following key economic indicators improve before they even consider increasing interest rates:

1. The unemployment rate to drop to around 4% (currently it is officially at 4.6% but masked by a drop in the participation rate – the real rate is above 7%);
2. *"Until actual (underlying) inflation is sustainably within the 2-3% target range"* (for several quarters); and
3. Wage growth to surpass +3% (it has not been above this level for the past 8 years).

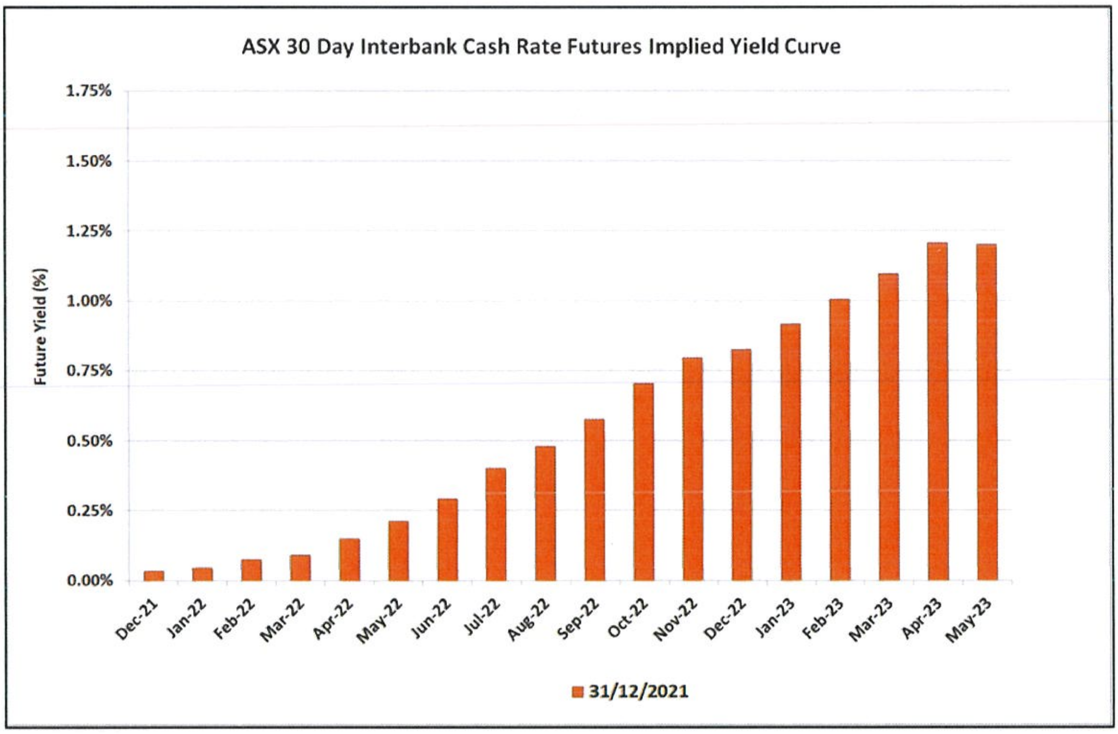
Governor Lowe has commented on the path of future rate hikes: *"it will not be enough for inflation to just sneak across the 2% line for a quarter or two. We want to see inflation well within the target band and be confident that it will stay there"*.

The domestic bond market continues to suggest a prolonged low period of interest rates. Over the month, yields remained relatively flat at the long-end of the curve:



Source: AFMA, ASX, RBA

Markets have brought forward RBA rate hike pricing following moves offshore with a full rate hike now priced by July 2022 and 75bp of hikes priced by March 2023, against the RBA's expectation of a first rate hike in 2023:



Source: ASX

Disclaimer

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Imperium Markets charges a flat fee for our investment advice. Any commissions received are rebated to clients in full. If you choose a product provider who uses our market platform, the product provider pays us 1bp p.a. funding fee of the value of the investments transacted.

WALGETT SHIRE COUNCIL

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Monthly Investment Report

January 2022

IMPERIUM MARKETS

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Impact of COVID-19 to Council's Portfolio

COVID-19 has adversely impacted financial markets, which in turn, has also affected Council's investment portfolio. We provide a quick summary in this section.

The RBA cut rates to record lows on 3rd November 2020 to 0.10%, consistent with most global central banks resetting their official rates back to emergency levels. With international borders shut and vaccination rates accelerating, global inflationary pressures have emerged. This has resulted in longer-term bond yields to rise in recent months as central banks start to withdraw some of their other stimulatory policy measures (such as quantitative easing), whilst some have already started increasing official interest rates. **Markets are now bracing an environment where central banks will move from their excessively loose policy measures to a tightening cycle**.

Domestically, Governor Lowe has commented that "*the latest data and forecasts do not warrant an increase in the cash rate in 2022*" but suggested that 2023 was plausible. The RBA's 'patience' to bear higher levels of inflation may well be tested throughout 2022-2023 as it would like to see wages growth move closer to +3% before lifting rates.

The largest impact to Council's investment portfolio is with regards to its largest exposure being assets held in bank term deposits, which accounts for around ~67% of Council's total investment. **The biggest risk that Council faces over the medium-longer term in this environment is not the potential loss of capital (given all the banks are well capitalised and regulated by APRA), but the rapid loss of interest income as interest rates have plummeted**.

Council's term deposit portfolio was yielding 1.45% p.a. at month-end, with a weighted average duration of around 309 days or around 10 months. **This average duration will only provide some income protection against the low interest rate environment in the immediate future**.

With markets bringing forward expectations of official rate hikes, this has seen a significant shift in longer term deposit rates over recent weeks. Future investments above 1% p.a. now appears likely if Council can continue to place the majority of its surplus funds for a minimum term of 2 years.

IMPERIUM MARKETS

Council's Portfolio & Compliance

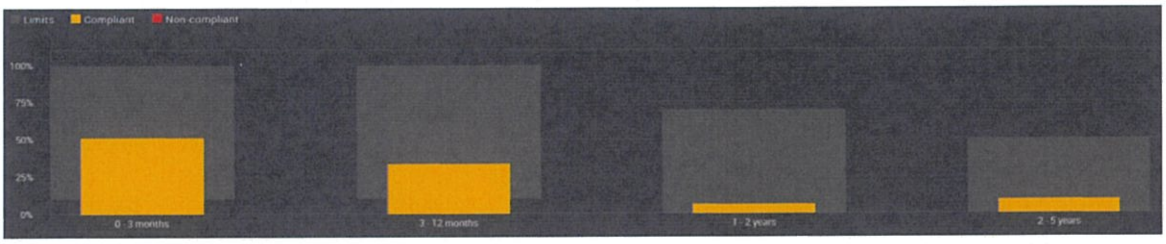
Asset Allocation

The majority of the portfolio is directed to fixed rate term deposits (66.89%). The remainder of the portfolio is held in various cash accounts with CBA and Macquarie (33.11%).

While FRNs appear relatively expensive on a historical basis, they are starting to become slightly more attractive as spreads have widened – new issuances should now be considered again on a case by case scenario. In the interim, fixed deposits and secondary market fixed bonds for 2-3 years now appear quite appealing following the spike in longer-term rates in recent months.

Term to Maturity

The portfolio is sufficiently liquid with around 85% of the total investment portfolio maturing within 12 months, which is well above the minimum 10% limit required across 0-3 month and 3-12 month terms.



Where ongoing liquidity requirements permit Council to invest in attractive 2-5 year investments, we recommend this be allocated to medium-term fixed term deposits or secondary market fixed bonds (refer to respective sections below).

Compliant	Horizon	Invested ($)	Invested (%)	Min. Limit (%)	Max. Limit (%)	Available ($)
✓	0 - 3 months	$16,895,946	51.36	0.00	10	100.00
✓	3 - 12 months	$11,000,000	33.44	0.00	10	100.00
✓	1 - 2 years	$2,000,000	6.08	0.00	0	70.00
✓	2 - 5 years	$3,000,000	9.12	0.00	0	50.00
✓	5 - 10 years	$0	0.00	0.00	0	25.00
		$32,895,946				

Counterparty

As at the end of January, all individual counterparties were within the policy limits, except for AMP (BBB) by $131k. Exposures are dependent on the overall movement in the portfolio's balances which can drop during periods of high capital expenditure. Overall, the portfolio is well diversified across the investment grade credit spectrum (BBB- or higher), with some exposure to the unrated ADIs following a deposit investment with Judo Bank during the month.

BoQ formally acquired ME Bank for $1.325bn on 01/07/2021. Subsequently, all ME Bank's senior assets including term deposits have been upgraded from BBB to BBB+ by S&P. With regards to counterparty limits, the two banks are still running separate ADI licences and so the individual exposures will continue to be shown separately. Once ME Bank formally withdraws its ADI licence (**flagged for end of Q1 2022**), existing holdings with ME Bank will need to be aggregated with its parent company, BoQ. Council will need to keep this in mind when reinvesting maturing deposits with BoQ or ME Bank, and when placing 'new' surplus funds, so as not to be 'overweight' relative to the overall aggregate limits. There is also, however, a chance that BoQ may be upgraded from BBB+ to either A- or A by S&P over coming months/years, which would help with capacity limits.

Compliant	Issuer	Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	Commonwealth Bank	AA-	$4,365,517	13.27%	50%	$12,082,456
✓	NAB	AA-	$1,000,000	3.04%	50%	$15,447,973
✓	Macquarie Bank	A+	$6,530,429	19.85%	40%	$6,627,949
✓	BOQ	BBB+	$3,000,000	9.12%	30%	$6,868,784
✓	Members Equity Bank	BBB+	$2,000,000	6.08%	30%	$7,868,784
X	AMP Bank	BBB	$10,000,000	30.40%	30%	**-$131,216**
✓	Newcastle PBS	BBB	$2,000,000	6.08%	30%	$7,868,784
✓	JUDO	BBB-	$3,000,000	9.12%	25%	$5,223,987
✓	Illawarra CU	Unrated	$1,000,000	3.04%	25%	$7,223,987
			$32,895,946	100%		

Effective 15/09/2021, Judo Bank received a formal credit rating of BBB- (long-term) and A-3 (short-term) from ratings agency S&P. It cited its position as a newly formed and fast-growing business in the SME lending sector, whilst having a well-capitalised balance sheet, allowing continued growth despite its limited profitability to date.

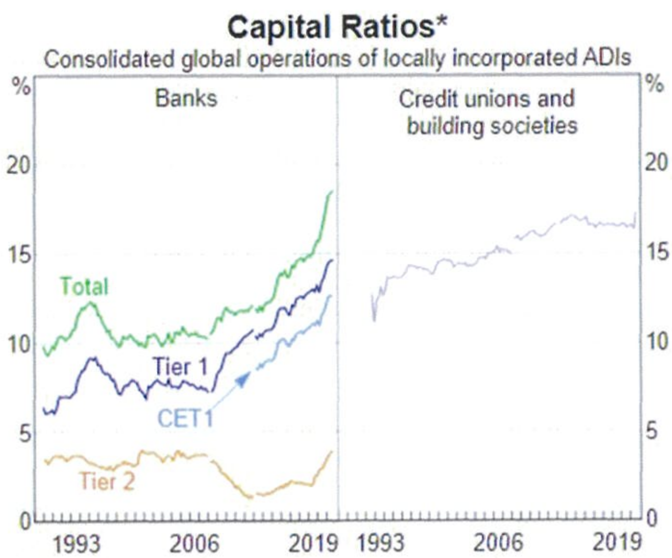
We remain supportive of the regional and unrated ADI sector (and have been even throughout the GFC period). They continue to remain solid, incorporate strong balance sheets, while exhibiting high levels of capital – typically, much higher compared to the higher rated ADIs. Some unrated ADIs have up to 25-40% more capital than the domestic major banks, and well above the Basel III requirements.

RBA Governor Lowe has commented that they have not seen any signs of stress in the financial system and that unlike during the GFC, the banks (all ADIs) now have cash, are well capitalised and are acting as "shock absorbers" in the current crisis.

Overall, the lower rated ADIs (BBB and unrated) are generally now in a better financial position then they have been historically (see the Capital Ratio figure below). We believe that deposit investments with the lower rated ADIs should be continued going forward, particularly when they offer 'above market' specials. Not only would it diversify the investment portfolio and reduce credit risk, it would also improve the portfolio's overall returns.

In the current environment of high regulation and scrutiny, all domestic (and international) ADIs continue to carry high levels of capital. There is minimal (if any) probability of any ADI defaulting on their deposits going forward – this was stress tested during the GFC. **APRA's mandate is to "*protect depositors*" and provide "*financial stability*".**

The biggest single risk that depositors face in the current low interest rate environment is not capital or credit risk, but reinvestment risk.



* Per cent of risk-weighted assets; break in March 2008 due to the introduction of Basel II for most ADIs; break in March 2013 due to the introduction of Basel III for all ADIs

Source: APRA

Credit Quality

Overall, the portfolio remains well diversified from a credit ratings perspective, with exposure down to the lower rated regional ADIs.

From a ratings perspective, the BBB (and unrated) banks now generally dominate the number of ADIs issuing deposits within the investment grade space. We anticipate more investors will naturally allocate a higher proportion of their assets into this sector once credit growth returns over coming years. However, given most banks are highly liquid during the current pandemic, most of the "BBB" rated banks are currently not seeking wholesale funding.

As such, in the interim, we could see a shift towards a larger proportion of assets being directed towards the higher rated ADIs given the lack of appetite amongst the lower rated ADIs.

All ratings categories are within the Policy limits:

Compliant	Credit Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	AA Category	$5,365,517	16%	100%	$27,530,429
✓	A Category	$6,530,429	20%	80%	$19,786,328
✓	BBB Category	$20,000,000	61%	70%	$3,027,162
✓	Unrated ADIs	$1,000,000	3%	10%	$2,289,595
		$32,895,946	100%		

Performance

Council's performance for the month ending 31 January 2022 is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	0.01%	0.03%	0.05%	0.06%	0.10%
AusBond Bank Bill Index	0.00%	0.01%	0.02%	0.02%	0.03%
Council's T/D Portfolio^	**0.12%**	**0.37%**	**0.76%**	**0.89%**	**1.56%**
Outperformance	**0.12%**	**0.35%**	**0.74%**	**0.87%**	**1.53%**

^Total portfolio performance excludes Council's cash account holdings. Overall returns would be lower if cash was included.

Performance (Annualised)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	0.10%	0.10%	0.10%	0.10%	0.10%
AusBond Bank Bill Index	0.06%	0.06%	0.03%	0.03%	0.03%
Council's T/D Portfolio^	**1.44%**	**1.46%**	**1.50%**	**1.52%**	**1.56%**
Outperformance	**1.38%**	**1.41%**	**1.47%**	**1.49%**	**1.53%**

^Total portfolio performance excludes Council's cash account holdings. Overall returns would be lower if cash was included.

For the month of January, the total portfolio (excluding cash) provided a solid return of +0.12% (actual) or +1.44% p.a. (annualised), easily outperforming the benchmark AusBond Bank Bill Index return of +0.00% (actual) or +0.06% p.a. (annualised). Over the past 12 months, the return of +1.56% p.a. was 1.53% p.a. above benchmark – this is considered very strong given current economic circumstances.

The outperformance continues to be driven by a combination of those deposits invested beyond 12 months. However, the higher yielding deposits are fast maturing, and those deposits will inevitably be reinvested at lower prevailing rates unless a longer duration is undertaken.

Investors using the Imperium Markets platform have reduced the invisible costs associated with brokerage, and thereby lift client portfolio returns as investors are able to deal in deposits directly with the ADIs and execute at the best price possible.

We are pleased that Council remains amongst the best performing in the state of NSW where deposits are concerned, earning on average, over $150,000 in additional interest income compared to its peers (as per the October 2021 rankings). We have been pro-active in our advice about protecting interest income and addressing reinvestment risk for many years and encouraged to maintain a long duration position. This is now reflected by the high performance of the investment portfolio.

IMPERIUM MARKETS

Council's Term Deposit Portfolio & Recommendation

As at the end of January 2022, Council's deposit portfolio was yielding 1.45% p.a. (unchanged from the previous month), with an average duration of around 309 days (~10 months).

We recommend Council extends this average duration. In the low interest rate environment, the biggest collective risk that the local government sector has faced over the post-GFC era has been the dramatic fall in interest rates - from 7¼% to the historical low levels of 0.10%.

As the past decade has highlighted (post-GFC era), we have seen too many portfolios' roll a high proportion of their deposits between 3-6 months, resulting in their deposits being reinvested at lower prevailing rates. That is, depositors have overpaid for liquidity and generally not insured themselves against the low interest rate environment by diversify their funding across various tenors (out to 5 years) but rather placed all their 'eggs in one basket' and kept all their deposits short. **Reinvestment risk has collectively been the biggest detriment to depositors' interest income over the post-GFC period**.

At the time of writing, we see value in:

ADI	LT Credit Rating	Term	T/D Rate
ICBC, Sydney	A	5 years	2.52% p.a.
ICBC, Sydney	A	4 years	2.35% p.a.
ICBC, Sydney	A	3 years	2.10% p.a.
Westpac	AA-	4 years	2.05% p.a.
Westpac	AA-	3 years	1.85% p.a.
BoQ	BBB+	3 years	1.75% p.a.
ICBC, Sydney	A	2 years	1.65% p.a.
Westpac	AA-	2 years	1.49% p.a.
BoQ	BBB+	2 years	1.40% p.a.
AMP Bank	BBB	2 years	1.35% p.a.^

^ AMP T/Ds – contact us to receive an additional 0.20% p.a. rebated commission on top of the rate shown above

The above deposits are suitable for investors looking to provide some income protection and mitigate reinvestment/rollover risk for the next few years.

For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (dependent on daily funding requirements):

ADI	LT Credit Rating	Term	T/D Rate
AMP Bank	BBB	11-12 months	1.10% p.a.^
Judo Bank	BBB-	12 months	1.01% p.a.
AMP Bank	BBB	8-10 months	1.00% p.a.^
ICBC	A	12 months	0.87% p.a.
Bank of Sydney	Unrated ADI	9-12 months	0.85% p.a.
BoQ	BBB+	12 months	0.85% p.a.
Westpac	AA-	12 months	0.84% p.a.
CBA	AA-	12 months	0.76% p.a.
NAB	AA-	12 months	0.73% p.a.

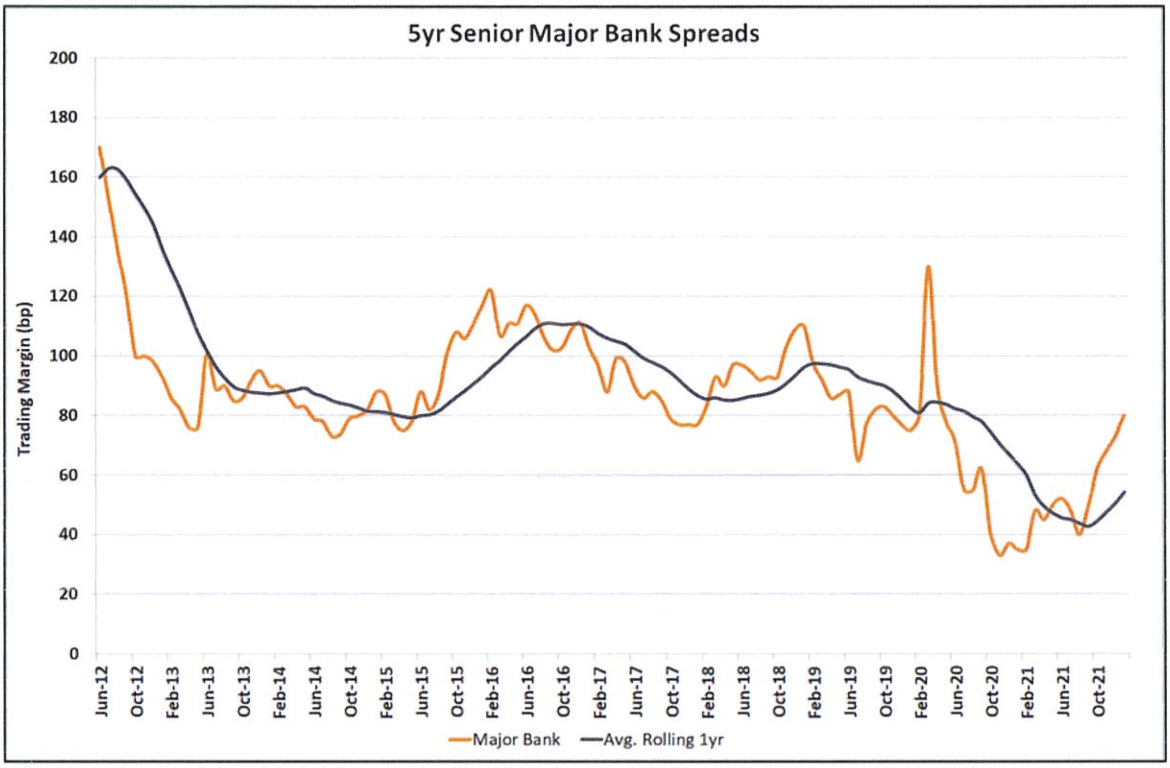
^ AMP T/Ds – contact us to receive an additional 0.20% p.a. rebated commission on top of the rate shown above

Amongst the investment grade sector, the majority of short-dated term deposits (maturing less than 12 months) are yielding under 0.85% p.a. Despite the uplift in outright rates since early October, we generally believe there is not much value being offered in short-dated deposits.

In contrast, there is an upward pick-up in yield for investors that can take advantage of 2-3 year fixed T/Ds whilst official rates are stuck at depressed levels at least for the next few years. For those investors that do not require high levels of liquidity and can stagger their investments longer-term, they will be rewarded over coming years if they roll for a minimum term of 2 years, yielding, on average, more than double the return compared to those investors that purely invest in short-dated deposits.

Senior FRNs Review

Over January, amongst the senior major bank FRNs, physical credit securities were marked up to 7bp wider at the long-end of the curve. During the month, WBC (AA-) and CBA (AA-) issued new 5 year 'benchmark' senior FRNs at +70bp. We anticipate the other major banks may follow suit over coming months looking to refinance their upcoming maturities at these historically cheap levels:



Source: IBS Capital

Amongst the "A" and "BBB" rated sector, the securities were marked relatively flat at the long-end of the curve. There was quite a few number of primary issues in the month, highlighted by:

- Sumitomo (A): dual 3 and 5 year senior FRN at +57bp and +78bp respectively
- Bank of Nova Scotia (A+): dual 1 and 5 year senior FRN deal at +25bp and +87bp respectively
- Suncorp (AA-): 5 year senior FRN at +78bp
- Rabobank Australia Branch (A+): 5 year senior FRN at +73bp

While turnover in the secondary market is still predominately dominated by commonwealth, semi-government and major bank senior paper, given the lack of supply, we have started to observe that even a handful of regional bank senior paper has sometimes been trading inside "mid" levels over recent months.

The lack of supply from new (primary) issuances has played a major role with the strong rally in credit markets over 2020. This has now started to reverse as monetary policy easing measures are progressively being withdrawn.

FRNs will continue to play a role in investor's portfolios mainly on the basis of their liquidity and the ability to roll down the curve and gross up returns over ensuing years (in a relatively stable credit environment).

Senior FRNs (ADIs)	31/01/2022	31/12/2021
"AA" rated – 5yrs	+80bp	+73bp
"AA" rated – 3yrs	+47bp	+46bp
"A" rated – 5yrs	+90bp	+88bp
"A" rated – 3yrs	+60bp	+62bp
"BBB" rated – 3yrs	+70bp	+70bp

Source: IBS Capital

We now generally **recommend switches** ('benchmark' issues only) into new attractive primary issues (or longer-dated alternatives), out of the following senior FRNs that are maturing:

- **On or before 2024 for the "AA" rated ADIs (domestic major banks);**
- On or before early 2023 for the "A" rated ADIs; and
- Within 12 months for the "BBB" rated ADIs (consider case by case).

Investors holding onto the above senior FRNs ('benchmark' issues only) in their last few years are now generally holding sub-optimal investments and are not maximising returns by foregoing realised capital gains.

In the current low interest rate environment, any boost in overall returns should be locked in when it is advantageous to do so, particularly as switch opportunities become available.

While FRNs appear relatively expensive on a historical basis, they are starting to become slightly more attractive as spreads have widened – new issuances should now be considered again on a case by case scenario.

Senior Fixed Bonds – ADIs (Secondary Market)

As global inflationary pressures have emerged, this has seen a significant lift in longer-term bond yields (valuations fell) as markets have strongly factored in a tightening of global central bank policy measures (i.e. withdrawal of Quantitative Easing and lifting official interest rates).

This has resulted in some opportunities in the secondary market. We currently see value in the following fixed bond lines, with the majority now being marked at a significant discount to par (please note supply in the secondary market may be limited on any day):

ISIN	Issuer	Rating	Capital Structure	Maturity Date	~Remain. Term (yrs)	Fixed Coupon	Indicative Yield
AU3CB0265403	Suncorp	AA-	Senior	30/07/2024	2.49	1.85%	1.88%
AU3CB0265593	Macquarie	A+	Senior	07/08/2024	2.52	1.75%	1.84%
AU3CB0265718	ING	AAA	Covered	20/08/2024	2.55	1.45%	1.83%
AU3CB0266179	ANZ	AA-	Senior	29/08/2024	2.58	1.55%	1.69%
AU3CB0266377	Bendigo	BBB+	Senior	06/09/2024	2.60	1.70%	1.96%
AU3CB0268027	BoQ	BBB+	Senior	30/10/2024	2.75	2.00%	2.14%
AU3CB0269710	ANZ	AA-	Senior	16/01/2025	2.96	1.65%	1.93%
AU3CB0269892	NAB	AA-	Senior	21/01/2025	2.98	1.65%	1.98%
AU3CB0270387	Macquarie	A+	Senior	12/02/2025	3.04	1.70%	2.17%
AU3CB0280030	BoQ	BBB+	Senior	06/05/2026	4.26	1.40%	2.58%
AU3CB0282358	ING	AAA	Covered	19/08/2026	4.55	1.10%	2.32%

Senior Bonds - Northern Territory Treasury Corporation (NTTC)

Investors should be aware of the following senior retail bond offering from Northern Territory Treasury Corporation (NTTC) effective 4th January 2022:

Maturity Date	Rate % p.a.^	Interest Paid
15/06/2023	0.40%	Annually
15/06/2024	0.90%	Annually
15/06/2025	1.50%	Annually
15/06/2026	1.60%	Annually
15/06/2027	1.90%	Annually

^^The rates offered in the above table can be reviewed and changed at any time from Treasury. The rate for broker sponsored applications will be dropped by 0.20% p.a. effective 1 October 2020.

Any investor interested in this product should avoid placing through the broker channel and contact Imperium Markets to receive the full commission of 0.25% (plus GST) on the face value of the investment, in the form of an additional rebate. If placed through the brokers, they are likely to keep the 0.25% commission (on the face value of the investment).

Overview	Description
Issuer	Northern Territory Government
Credit Rating	Aa3 (Moody's), which is AA- equivalent (S&P)
Type	Fixed senior (retail) bonds
Program	Territory Bonds Issue 112
Date for applications	**01/01/2022 – 31/05/2022**
Liquidity	Weekly redemptions available, subject to the prevailing market rate and administration costs^^

^^ Note given this is a retail bond offering (min. parcel size of $5,000), for wholesale investors, we would not consider this to be a liquid investment (the largest redemptions to date have only been $200-$300k).

The product should be viewed as a hold-to-maturity product, noting there are significant penalty costs including admin fees, the prevailing market interest rate, and factors in any associate commissions that were previously paid. Given the longer-term outlook for official interest rates, any investor interested should invest through Imperium Markets to receive an effectively higher rate, once factoring in the rebated commission. *These offers will need to be compared to other complying assets at the time of investment – term deposits and secondary market fixed bonds are currently a better alternative.*

Economic Commentary

International Market

Financial markets fell sharply this month as the market readies for the US Fed to raise interest rates to stem inflationary pressures, which is at its highest level in nearly four decades. Geopolitical tensions in Europe between the Ukraine/Russia have also contributed to the broad risk-off environment.

Equity markets fell in the US, with the S&P 500 losing -5.26%, while the NASDAQ plunged -8.98%. Europe's main indices were mixed, with losses led by Germany's DAX (-2.60%) and France's CAC (-2.15%), while UK's FTSE (+1.08%) was the exception.

US inflation rose +0.5% m/m in December, taking the annual rate to +7.0%, the highest record in 40 years. Price increases in housing and used cars and trucks were the largest contributors to the inflation rate, with 0.4% and 3.5% increases in price compared with November, respectively.

US Fed Chair Powell was hawkish in its latest meeting, flagging a rate hike for March and the end of Quantitative Easing (QE). He said the Fed is "*willing to move sooner*" and "*perhaps faster*" than last time in shrinking the balance sheet.

UK headline inflation hit its highest level since the early 1990s, at +5.4% y/y, while core inflation picked up to +4.2%. UK Ministers have flagged the easing of restrictions with virus numbers and hospitalisation having peaked.

In Canada, headline inflation hit a 30-year high of +4.8%, matching expectations. Core inflation came in higher than expected, at +2.9% y/y, also a 30-year high. The Bank of Canada met and delivered a hawkish hold, citing the Omicron variant as one reason not to hike in January as was 70% priced by markets, but signalled a hike at the next meeting in March.

The PBOC cut its 7-day repo rate and one-year medium-term loan rate to banks by 10bp (to 2.1% and 2.85% respectively). Chinese GDP surprised to the upside with quarterly growth of +1.6% q/q against +1.2% expected. That takes 2021 full year growth to +8.1%.

The MSCI World ex-Aus Index fell -5.28% for the month:

Index	1m	3m	1yr	3yr	5yr	10yr
S&P 500 Index	-5.26%	-1.95%	+21.57%	+18.64%	+14.66%	+13.15%
MSCI World ex-AUS	-5.28%	-3.50%	+15.36%	+14.93%	+11.51%	+9.70%
S&P ASX 200 Accum. Index	-6.35%	-4.30%	+9.44%	+9.77%	+8.50%	+9.53%

Source: S&P, MSCI

Domestic Market

Headline CPI rose +1.3% q/q and +3.5% y/y. The major contributors to headline inflation in the quarter was new dwelling construction and automotive fuel. New dwelling prices rose +4.2% q/q, contributing around 0.4% to the headline measure.

Core trimmed mean inflation rose +1.0% q/q and +2.6% y/y, well above expectations of +0.7%/+2.3% rise. Importantly this is well above the +0.6%/2¼% the RBA was forecasting back in November, meaning the RBA will need to revise up its inflation track.

In order to lift official interest rates, the RBA has previously said it wants wages growth close to +3% to have confidence inflation will be sustained at target after six years of undershooting the target.

The unemployment rate fell by 0.4% to 4.2% in December (consensus 4.5%). The sharp fall takes the unemployment rate to its lowest levels since August 2008.

Economists have begun to downgrade their Q1 GDP forecasts on the back of Omicron. Estimates have Q1 GDP between +1.3-2.0% q/q, with a downgrade so far of around 0.60%-1.00%.

Retail sales rose +7.3% m/m in November, well above the consensus for a +3.6% rise. That puts retail sales nationally 5.8% above their previous record high in November 2020 and 20.3% above pre-pandemic February 2020 levels.

The trade balance for November was lower than expected at a $9.4bn surplus (consensus $10.6bn) with a strong 6% rise in imports driven by a 7% rise in intermediate imports, offsetting a 2% rise in exports.

The chairman of the prudential regulator, Wayne Byres, is concerned a central bank digital currency (CBDC) might destabilise the financial system by encouraging some customers to hold digital cash directly with the Reserve Bank instead of putting money in bank deposits. Mr Byres said APRA is "*yet to see the clear economic case*" for a CBDC, and it is worried about some customers bypassing banks, if they could hold digital cash in an RBA account.

The Australian dollar fell -3.38%, finishing the month at US70.11 cents (from US72.56 cents the previous month).

Credit Market

The global credit indices widened significantly over January in the risk-off environment. They are back to their levels experienced in mid-2020:

Index	January 2022	December 2021
CDX North American 5yr CDS	60bp	52bp
iTraxx Europe 5yr CDS	59bp	50bp
iTraxx Australia 5yr CDS	75bp	71bp

Source: Markit

IMPERIUM MARKETS

Fixed Interest Review

Benchmark Index Returns

Index	January 2022	December 2021
Bloomberg AusBond Bank Bill Index (0+YR)	+0.00%	+0.00%
Bloomberg AusBond Composite Bond Index (0+YR)	-1.02%	+0.09%
Bloomberg AusBond Credit FRN Index (0+YR)	+0.01%	+0.04%
Bloomberg AusBond Credit Index (0+YR)	-0.57%	+0.19%
Bloomberg AusBond Treasury Index (0+YR)	-1.03%	-0.03%
Bloomberg AusBond Inflation Gov't Index (0+YR)	-1.20%	+2.21%

Source: Bloomberg

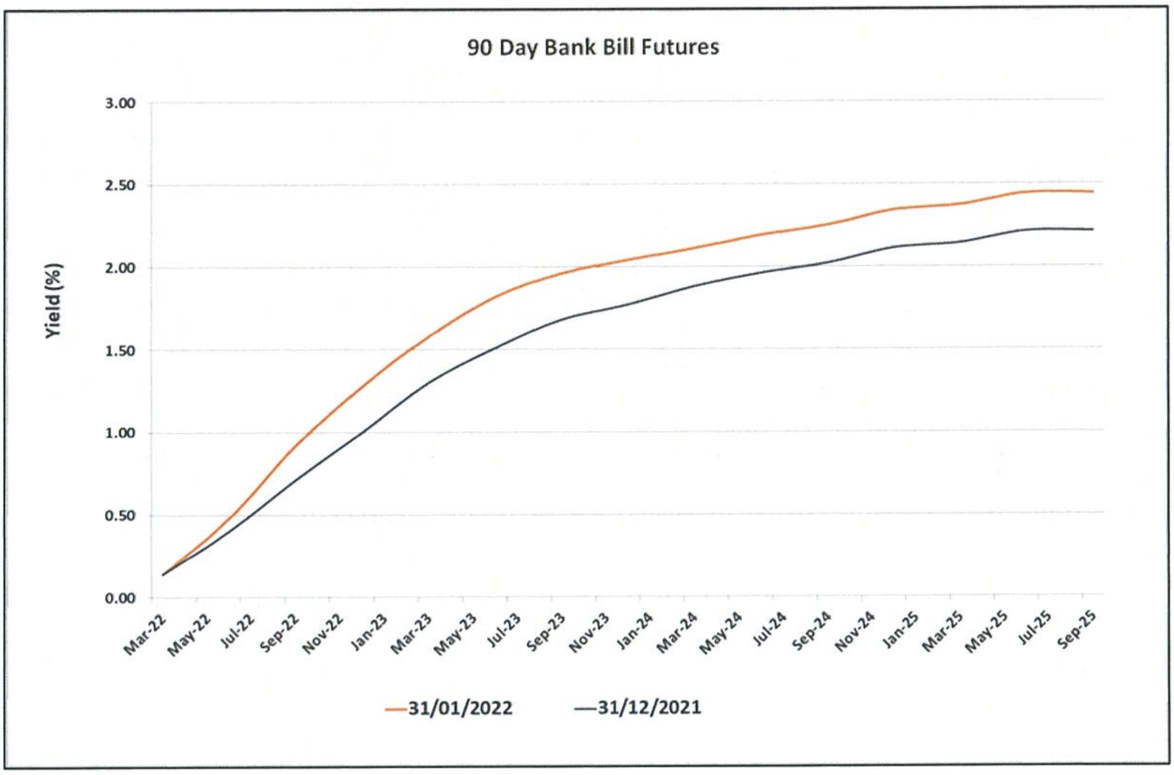
Other Key Rates

Index	January 2022	December 2021
RBA Official Cash Rate	0.10%	0.10%
90 Day (3 month) BBSW Rate	0.08%	0.07%
3yr Australian Government Bonds	1.31%	0.96%
10yr Australian Government Bonds	1.94%	1.67%
US Fed Funds Rate	0.00%-0.25%	0.00%-0.25%
10yr US Treasury Bonds	1.79%	1.52%

Source: RBA, AFMA, US Department of Treasury

90 Day Bill Futures

Over January, bill futures rose across the board as markets reacted to the US Fed accelerating their tightening cycle to control inflation:



Source: ASX

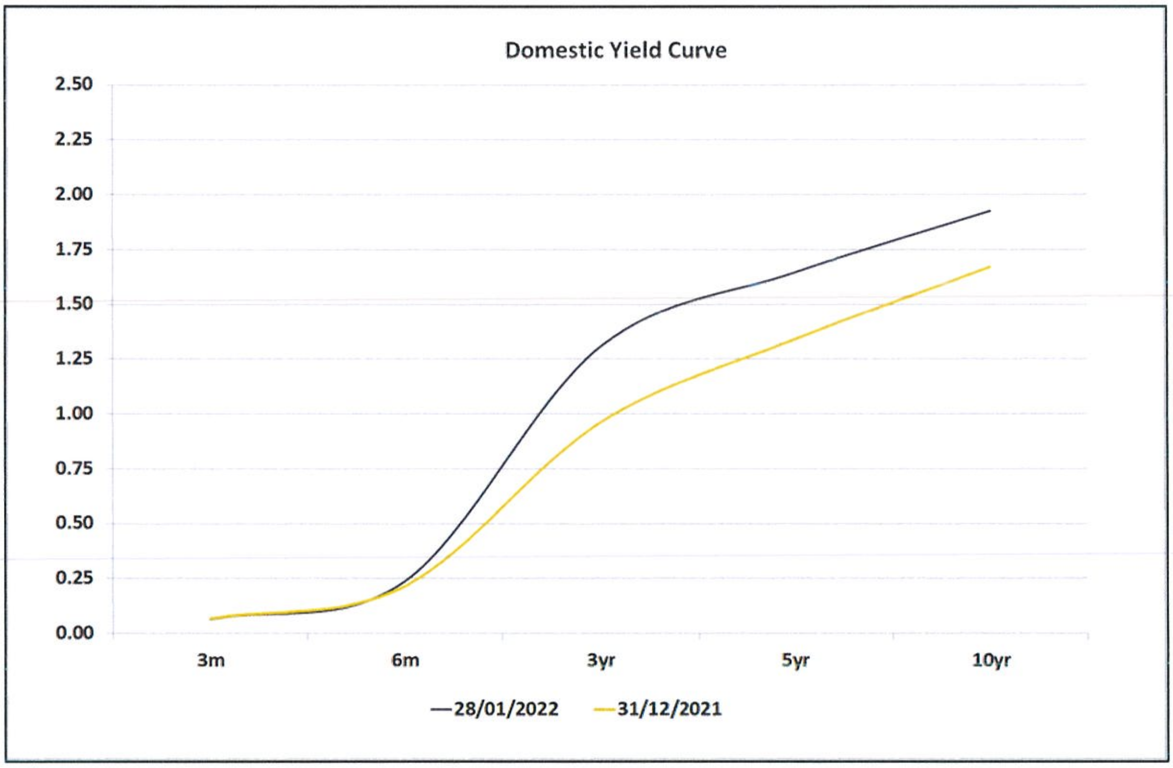
Fixed Interest Outlook

Central bank rate hike expectations continue to be well priced by markets. Money markets are factoring the ECB has a 10bp hike 90% priced by September.

In the US, there is roughly 5 hikes priced for 2022, with the first move in March now almost a certainty following the Fed's latest rhetoric. The Fed's long-term forecast remains unchanged at 2.5%. The Fed acknowledges that it has achieved its target for inflation given that it has "*exceeded 2% for some time*" and commentary suggest that rate hikes will begin once labour market conditions have reached levels consistent with the Committee's assessments of maximum employment.

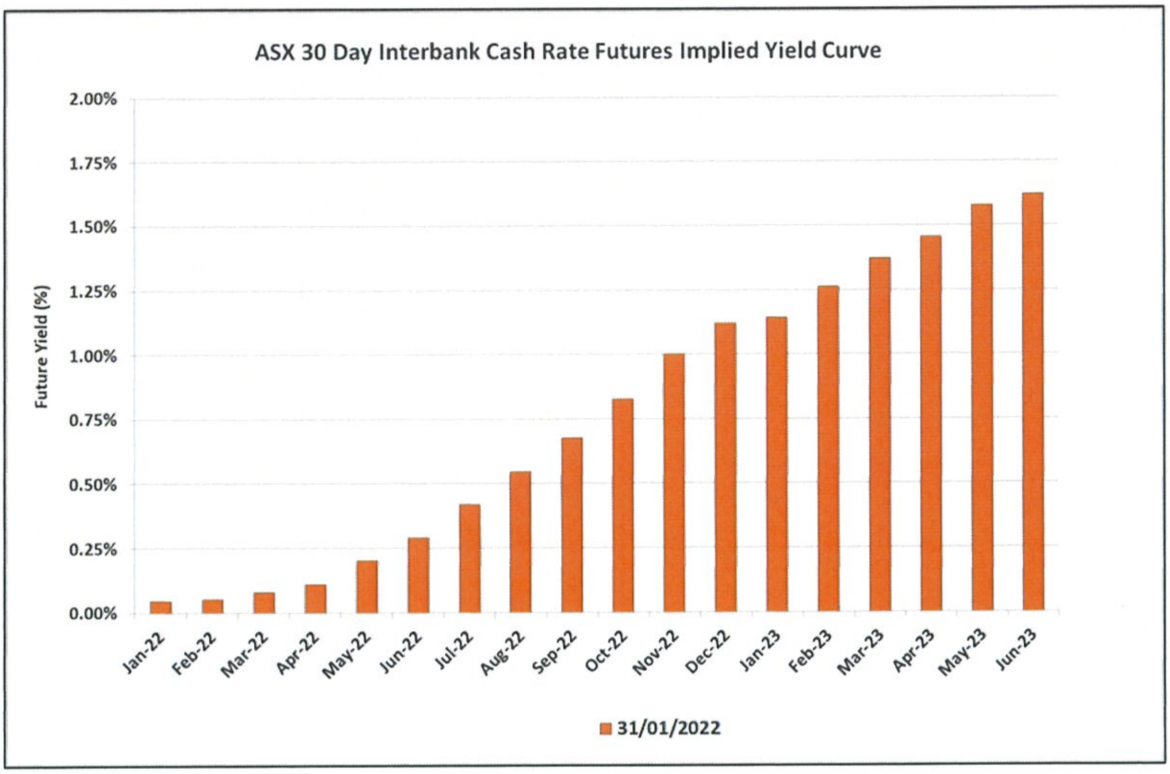
Domestically, Governor Lowe has commented that "*the latest data and forecasts do not warrant an increase in the cash rate in 2022*" but suggested that 2023 was plausible. The RBA's tolerance for inflation at the top of the 2-3% band, or above for a time will be key to understanding how patient the RBA is prepared to be as it waits until wages growth is closer to +3%. After six years of missing its inflation target, the RBA has said it wants to make sure inflation will be sustained at target with wages growth a key input in judging sustainability.

The domestic bond market continues to suggest a prolonged low period of interest rates. Over the month, yields rose up to 35bp at the long-end of the curve:



Source: AFMA, ASX, RBA

Markets have brought forward RBA rate hike pricing following moves offshore with a full rate hike now priced by June 2022 and four hikes priced by December 2022, against the RBA's 'plausible' scenario of not seeing conditions for a hike at least until 2023:



Source: ASX

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