



**ACT**  
Government

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Chief Minister, Treasury and  
Economic Development

**INVESTMENT PLAN**

**FOR THE FINANCIAL INVESTMENT ASSETS**

**OF THE**

**TERRITORY BANKING ACCOUNT**

MADE IN ACCORDANCE WITH THE *FINANCIAL MANAGEMENT INVESTMENT GUIDELINES 2015*  
("GUIDELINES")

*This Investment Plan, unless expressly indicated to do so, does not have an exhaustive and binding effect on all investments and investment processes. Where this policy is silent or conflicts with a provision of the Guidelines, the terms of the Guidelines prevail.*

**Version Control**

<b>Version No.</b>	<b>Date</b>	<b>Comments</b>	<b>Approver</b>
1	December 2018	Establish a new Individual Investment Plan for the Territory Banking Account following the reorganisation of the Treasury financial investment structure, replacing the Superannuation Provision Account and Territory Banking Account Investment Plan last amended June 2018.	Treasurer

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## PURPOSE

This Individual Investment Plan (“Plan”) is established for the financial investment assets of the Territory Banking Account (“TBA”).

This Plan is not intended to be a detailed operational description but rather a general guide to the investment strategy for the TBA, including the investment risk and return objectives and strategic asset allocation. As changes occur over time, in relation to the financial markets or in the particular circumstances of the TBA, the Plan will be modified or refined as required.

This Plan is to be read, implemented and managed in conjunction with the *Investment Governance Policy Framework* and the *Responsible Investment Policy* for the financial investment assets managed by Treasury.

## LEGISLATIVE REQUIREMENTS

The TBA is established by section 33 of the *Financial Management Act 1996* (the “FMA”). Section 38 of the FMA provides that the Treasurer may invest any money held in the Territory Banking Account in any investment prescribed under the Financial Management Guidelines.

TBA moneys are invested in accordance with the provisions of Section 38 of the FMA and the *Financial Management Investment Guidelines 2015*.

## TBA DESCRIPTION AND BACKGROUND

As required by the FMA, the Treasurer must open and maintain a banking account for the purposes of the Territory. The TBA is the central or public account of the Territory.

The TBA manages the Territory’s liquidity position by taking into account aggregate revenue receipts and appropriation payments of the Territory. The TBA invests surplus cash of the TBA. The TBA also manages the short-term liquidity requirements of the Territory through the issuance of domestic short-term commercial paper, as well as managing the long-term capital requirements of the Territory through the issuance of domestic fixed rate nominal bonds and inflation-indexed bonds in accordance with the Territory’s debt issuance program.

At the TBA’s balance sheet level, cash balances and general government investment balances are a reflection of the TBA’s cash management and funding role as well as being custodian of the aggregate investments balances of underlying Directorates, Territory Authorities and monies held in the Territory public account.

## INVESTMENT RETURN OBJECTIVE

The TBA is the public account of the Territory.

Maintaining a positive aggregate cash and investment balance of the TBA to meet ongoing cash payment obligations is the key objective for the TBA. The focus of the cash management and investment strategy is to ensure there is daily liquidity and all financial obligations can be met.

Accordingly, it is not appropriate to expose moneys of the TBA to unnecessary risks. Capital preservation is a high priority.

**LONG TERM RETURN OBJECTIVE**

The TBA’s investment return objective for any moneys exposed to investment is to achieve an annualised return at least equal to the prevailing cash rate while minimising the risk taken and costs incurred in achieving that outcome - a low risk tolerance. This objective provides capacity to meet short term liquidity requirements.

Taking into account current market conditions versus long-term normative market conditions, an investment return assumption of the prevailing cash rate for balances held in the transactional banking account will be used for budget estimate purposes.

**INVESTMENT PERFORMANCE MEASUREMENT**

Performance against the investment return objective is measured from the 2018-19 base financial year.

For the purpose of measuring the investment performance of the TBA, interest earned on working capital cash held in the transactional banking account is excluded from the performance calculation.

**INVESTMENT RISK OBJECTIVES**

It is necessary to take minor investment risk in order to achieve the TBA’s return objective, and there is no reward for taking more risk than required. Risk is viewed both qualitatively and quantitatively with particular focus given to the nature and likelihood of extreme events that can negatively impact on the financial assets of the TBA.

There are several ways in which risk is defined and measured for the TBA. The primary definition of risk for the TBA is the likelihood of negative annual returns.

The key risk metrics which underpin the portfolio strategic asset allocation considerations include:

- Return Objective: Achieving a target return of cash rates;
- Negative Returns: Negative returns are not tolerable; and
- Portfolio Volatility: Volatility of returns is a reflection of the inherent risk in the portfolio. The higher the volatility the greater the variance in returns measured by the standard deviation. A low standard deviation reflective of an enhanced cash strategy is targeted.

## STRATEGIC ASSET ALLOCATION

The following strategic asset allocation, applying to the funds held in the investment account only, has been established on the basis that it is considered to represent an efficient portfolio (acceptable risk/return outcome) based on allowable asset classes to achieve the stated TBA investment objectives.

The allowable range outlines the minimum and maximum acceptable percentages that permit short term deviations away from the targeted asset allocation to allow for changing market conditions or the availability of investment opportunities.

**Table 1 –Strategic Asset Allocation**

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Allowable Range</b>
<i>Australian Cash (including Enhanced Cash)</i>	<i>100.0%</i>	<i>0.0% - 100.0%</i>
<b>Total Defensive Assets</b>	<b>100.0%</b>	<b>0.0% - 100.0%</b>
<b>Total Return Seeking Assets</b>	<b>0.0%</b>	<b>0.0% - 0.0%</b>
<b>Total Portfolio</b>	<b>100.0%</b>	

## LIQUIDITY MANAGEMENT

Working capital will be retained in the TBA transactional banking account for the purpose of meeting daily cash flow payments.

Investment earnings are paid into the TBA transactional banking account.

## INVESTMENT IMPLEMENTATION, GOVERNANCE AND RESPONSIBLE INVESTMENT

Refer to the *Investment Governance Policy Framework* and the *Responsible Investment Policy* for the financial investment assets managed by Treasury.

The details of these policies are available at <http://apps.treasury.act.gov.au/publications>.