

SCHEDULE 1.1

Category A

Diversification/Credit Risk

To control the credit quality of the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category:

Credit Ratings

Long Term Rating (Standard & Poor's)	Short Term Rating (Standard & Poor's)	Maximum Percentage of Total Investments
AAA to AA (including government guaranteed deposits)	A.1+	100%

Institutional Credit Framework

Exposure to an individual institution will be restricted by their credit rating so that single entity exposure is limited as detailed in the table below:

Long Term Rating (Standard & Poor's)	Short Term Rating (Standard & Poor's)	Maximum Percentage of Total Investments
AAA to AA (including government guaranteed deposits)	A.1+	100%

If any of the Financial Institutions are downgraded such that they no longer fall within Council's investment policy guidelines, they will be divested as soon as practicable.

The short –term credit rating limit will apply in the case of discrepancies between short and long term ratings.

Debt security definitions are as follows:

Short Term Rating	Definition
A.1+	Extremely strong degree of safety regarding timely payment

Long Term Rating	Definition
AAA to AA-	Extremely strong capacity to repay

Note - Investments in the Tasmanian Public Finance Corporation ("Tascorp") are excepted.

SCHEDULE 1.2**Category B****Diversification/Credit Risk**

The amount invested with any one rated fund should not exceed 30% of the total funds invested.

Investments in guaranteed funds will be subject to the underlying credit rating of the guarantor.

Credit Ratings

Cash Fund	Maximum Percentage of Total Investments
AAAm	30%
AAm	30%

Cash Enhanced and Bond Fund	Maximum Percentage of Total Investments
AAAf	30%
AAf	30%

If any of the financial institutions are downgraded such that they no longer fall within Council's investment policy guidelines, they will be divested as soon as practicable, and in any case within 30 days of Council becoming aware of the downgrade.

Cash fund rating level definitions are as follows:

Rating	Definition
AAAm	Superior capacity to maintain principal value and limit exposure to loss
AAm	Strong capacity to maintain principal value and limit exposure to loss

Cash enhanced and bond rating level definitions are as follows:

Rating	Definition
AAAf	Fund assets exhibit extremely strong protection against losses from credit default
AAf	Fund assets exhibit very strong protection against losses from credit default

Note - Investments in the Tasmanian Public Finance Corporation ("Tascorp") are excepted.

Glossary

authorised deposit taking institution means a body corporate in relation to which an authority under subsection 9 (3) of the Banking Act (No.6 of 1959 as amended) is in force.

Commonwealth means a body corporate which, or of which the governing authority, wholly or partly comprises

- (a) a Minister of the Commonwealth of Australia; or
- (b) a person or persons appointed by the Governor General , a Commonwealth Minister or another authority or a person or persons holding office by virtue of being a member or members of another Commonwealth authority.

Financial Institution means any authorised deposit taking institution (see Glossary), or the manager of any authorised deposit taking institution, authorised under the Trustee Act to receive fixed deposits.

investment arrangement means an arrangement that provides for, relates to, is directed towards or includes acquiring, consolidating, dealing with, disposing of, holding or issuing bonds, debentures, inscribed stock, shares, stock or other securities of a Commonwealth or State or a Financial Institution.

security means

- (a) debentures, stocks, shares, bonds or notes issued or proposed to be issued;
 - (b) any right or option in respect of any such debentures, stocks, shares, bonds or notes; or
 - (c) a prescribed interest within the meaning of section 4 (1) of the *Securities Industry (Tasmania) Code*
- and in particular, without limiting the generality of the foregoing, includes
- (d) bills of exchange;
 - (e) promissory notes;
 - (f) certificates of deposit issued by an authorised deposit taking institution; and
 - (g) any money or securities for money paid into or deposited in Court to the credit of any cause, matter, or account.

Glossary

State means a body corporate which, or of which the governing authority, wholly or partly comprises

(c) a State Minister; or

(d) a person or persons appointed by the Governor, a State Minister or another State authority or a person or persons holding office by virtue of being a member or members of another State authority.