



City of London Corporation

Monthly Investment Analysis Review

July 2020

Monthly Economic Summary

General Economy

The UK Flash (i.e. provisional) Manufacturing PMI rose to 53.6 in July from June's final release of 50.1, pointing to the strongest pace of expansion in manufacturing since 2019 following the easing of lockdown. Similarly, the Flash Services PMI rose to 56.6 in July from 47.1 in May, signalling the first expansion in service sector output since lockdown measures were put in place in March. As a result of these increases, the Composite PMI (which incorporates both sectors) reached 57.1 in July compared to 47.7 in June, easily beating market expectations of 51.1. As such, these figures point to the strongest month of expansion in the private sector since June 2015, suggesting that the reopening of many businesses in June has led to a respectable recovery from the downturn caused by the pandemic. Near term economic prospects were also underpinned further by the measures announced in the Chancellor's Summer Statement, which come into effect in August. The construction PMI, meanwhile, which is released one month behind the others, surged to 55.3 in June from an all-time low of 28.9 in April, signalling the steepest increase in construction output since July 2018, with residential construction work expanding by the most in almost five years.

Mirroring the recovery referred to above, GDP expanded by 1.8% m/m during May - although it remained 24% below its year ago level. The contraction of the economy by a record 19.1% during the three months to May, meanwhile, revealed the extent to which government restrictions to combat the coronavirus pandemic have dramatically reduced economic activity. The positive contribution made by the external sector to UK growth was revealed by the £4.3 billion trade surplus recorded in May, which was the second largest on record, as exports rose 3.5% m/m and imports fell 1.7% m/m.

Despite GDP having contracted by 19.1% in the three months to May, the unemployment rate remained at 3.9% during the same period, beating market expectations of a rise to 4.2%, as the government's Coronavirus Job Retention Scheme helped fund employees' wages during lockdown. However, the 126,000 fall in employment, which was the most since 2011, the fall in job vacancies to a record low 333,000 and the fall in total weekly hours worked by a record 175.1 million hours compared to last quarter, all painted a much bleaker picture. Mirroring this weakness, average earnings excluding bonuses rose just 0.7% y/y in the three months to May, down from 1.7% y/y in the three months to April.

Consumer Price Inflation edged up to 0.6% y/y in June from a four-year low of 0.5% y/y in May, exceeding market expectations of 0.4%, with the main upward contributions coming from computer game and console prices, as people sought entertainment during lockdown. Similarly, the core inflation rate - which strips out the more volatile components like energy, food and alcoholic beverages - rose to 1.4% y/y in June from 1.2% y/y in May, with the monthly rate rising to 0.2% from a flat reading in May. With inflation still well below its 2% target, there are unlikely to be calls for the Bank of England's Monetary Policy Committee to tighten monetary policy by raising the Bank Rate from 0.1% during their forthcoming August meeting.

Buoyed by increases of 45.5% and 21.5% in non-food and fuel stores sales respectively, retail sales rose by 13.9% m/m in May, beating market expectations of an 8% rise. As a result, retail sales have now recorded successive monthly increases, following an upwardly revised 12.3% m/m rise during May, continuing their recovery from the sharp fall recorded in March and April. However, sales remain 0.6% lower than in February (prior to the coronavirus pandemic) and 1.6% lower than a year ago. The GfK Consumer Confidence Index, meanwhile, rose 3 points to -27 in July, suggesting that consumers appear to be slightly more confident as

City of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	78,100,000	0.17%		MMF	AAA	0.000%
MMF CCLA	10,000,000	0.19%		MMF	AAA	0.000%
MMF Deutsche	41,400,000	0.11%		MMF	AAA	0.000%
MMF Federated Investors (UK)	54,000,000	0.15%		MMF	AAA	0.000%
MMF Invesco	99,200,000	0.18%		MMF	AAA	0.000%
USDBF Aberdeen Standard Investments	5,000,000	0.83%		USDBF	AAA	0.000%
USDBF Federated Sterling Cash Plus Fund	5,000,000	0.66%		USDBF	AAA	0.000%
USDBF Payden Sterling Reserve Fund	55,000,000	1.02%		USDBF	AAA	0.000%
Lloyds Bank Plc (RFB)	20,000,000	1.10%	06/08/2019	06/08/2020	A+	0.001%
London Borough of Haringey	5,000,000	0.95%	14/02/2020	14/08/2020	AA-	0.001%
Plymouth City Council	10,000,000	0.92%	14/02/2020	14/08/2020	AA-	0.001%
Australia and New Zealand Banking Group Ltd	10,000,000	0.80%	17/02/2020	17/08/2020	A+	0.002%
National Westminster Bank Plc (RFB)	10,000,000	0.95%	01/11/2019	28/08/2020	A	0.004%
Plymouth City Council	10,000,000	0.95%	23/12/2019	23/09/2020	AA-	0.004%
London Borough of Waltham Forest	5,000,000	0.80%	30/04/2020	30/09/2020	AA-	0.004%
Goldman Sachs International Bank	20,000,000	1.04%	02/01/2020	02/10/2020	A+	0.009%
National Westminster Bank Plc (RFB)	20,000,000	0.93%	06/01/2020	06/10/2020	A	0.010%
Fife Council	6,000,000	0.95%	29/01/2020	29/10/2020	AA-	0.006%
Barclays Bank Plc (NRFB)	25,000,000	1.01%	29/10/2019	29/10/2020	A	0.013%
London Borough of Waltham Forest	5,000,000	0.85%	30/04/2020	30/10/2020	AA-	0.006%
Lloyds Bank Plc (RFB)	10,000,000	1.10%	01/11/2019	02/11/2020	A+	0.014%
Santander UK Plc	20,000,000	0.50%		Call95	A	0.014%
Lloyds Bank Plc (RFB)	20,000,000	0.30%		Call95	A+	0.014%
Lloyds Bank Plc (RFB)	15,900,000	1.10%	04/11/2019	04/11/2020	A+	0.014%
Lloyds Bank Plc (RFB)	20,000,000	1.10%	06/11/2019	06/11/2020	A+	0.014%
London Borough of Southwark	15,000,000	0.85%	11/05/2020	11/11/2020	AA-	0.007%
Lloyds Bank Plc (RFB)	20,000,000	1.10%	27/11/2019	27/11/2020	A+	0.017%
Lloyds Bank Plc (RFB)	20,000,000	1.10%	27/12/2019	29/12/2020	A+	0.022%
Lloyds Bank Plc (RFB)	10,000,000	1.10%	02/01/2020	04/01/2021	A+	0.023%
Australia and New Zealand Banking Group Ltd	10,000,000	0.98%	06/01/2020	06/01/2021	A+	0.023%
Leeds Building Society	20,000,000	0.30%	14/07/2020	14/01/2021	A-	0.024%
Santander UK Plc	30,000,000	0.60%		Call180	A	0.026%
Australia and New Zealand Banking Group Ltd	50,000,000	0.40%		Call185	A+	0.027%
Goldman Sachs International Bank	20,000,000	1.00%		Call185	A+	0.027%
Goldman Sachs International Bank	20,000,000	0.99%		Call185	A+	0.027%
Goldman Sachs International Bank	20,000,000	1.00%		Call185	A+	0.027%
Northumberland County Council	5,000,000	1.00%	27/02/2020	25/02/2021	AA-	0.014%
Birmingham City Council	15,000,000	1.20%	28/02/2020	26/02/2021	AA-	0.014%
Stockport Metropolitan Borough Council	15,000,000	1.05%	28/02/2020	26/02/2021	AA-	0.014%
Birmingham City Council	10,000,000	1.20%	02/03/2020	01/03/2021	AA-	0.014%

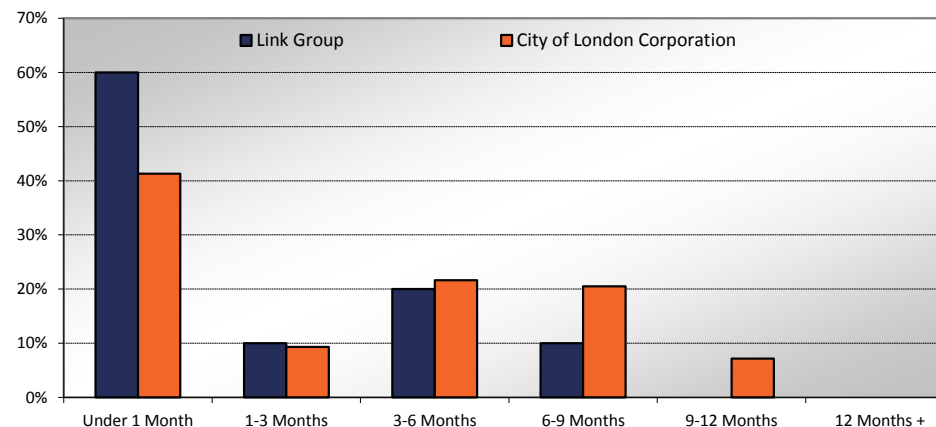
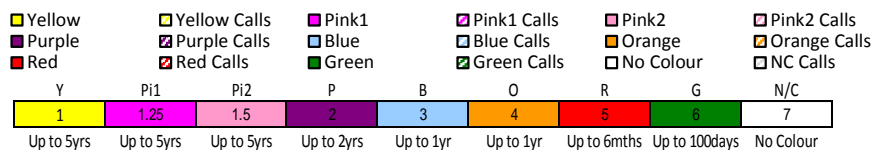
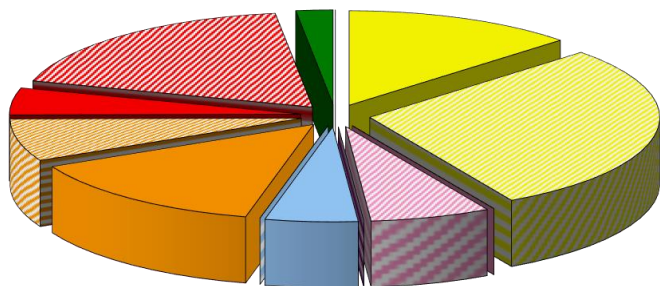
City of London Corporation

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Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Manchester City Council	25,000,000	1.20%	26/03/2020	25/03/2021	AA-	0.016%
Goldman Sachs International Bank	20,000,000	0.96%		Call270	A+	0.039%
National Westminster Bank Plc (RFB)	20,000,000	0.42%	03/07/2020	05/07/2021	A	0.049%
Santander UK Plc	50,000,000	0.75%		Call365	A	0.053%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
L&G	75,000,000	2.44%				
ROYAL LONDON	75,000,000	2.45%				
Total Investments	£1,124,600,000	0.90%				
Total Investments - excluding Funds	£974,600,000	0.66%				0.013%
Total Investments - Funds Only	£150,000,000	2.45%				

City of London Corporation

Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **2.80**

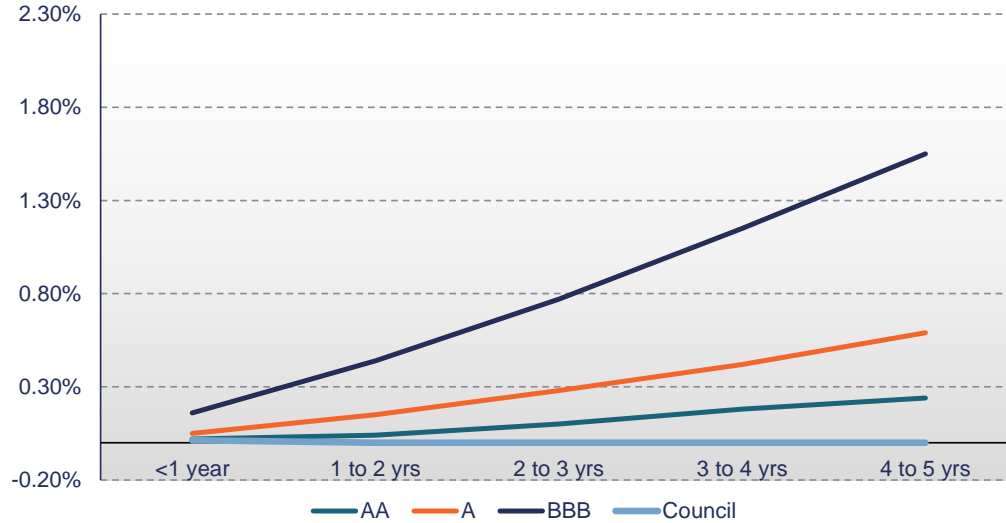
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Colour		Amount of		% of Call		Excluding Calls/MMFs/USDBFs			
	% of Portfolio	Amount	in Calls	Colour in Calls	in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow	41.94%	£408,700,000	69.17%	£282,700,000	29.01%	0.43%	46	91	151	294
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	6.67%	£65,000,000	100.00%	£65,000,000	6.67%	0.98%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	5.13%	£50,000,000	0.00%	£0	0.00%	0.73%	168	317	168	317
Orange	21.13%	£205,900,000	34.00%	£70,000,000	7.18%	0.83%	119	287	98	353
Red	23.09%	£225,000,000	80.00%	£180,000,000	18.47%	0.85%	202	252	78	325
Green	2.05%	£20,000,000	0.00%	£0	0.00%	0.30%	167	184	167	184
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£974,600,000	61.33%	£597,700,000	61.33%	0.66%	103	177	126	316

City of London Corporation

Investment Risk and Rating Exposure

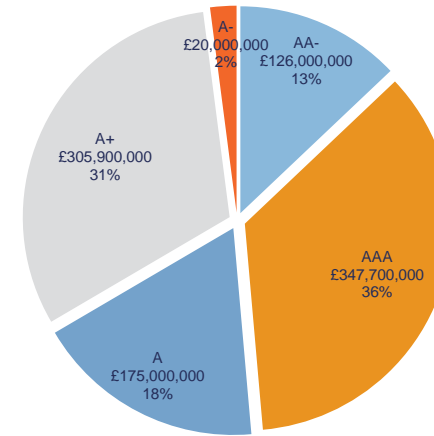
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.10%	0.18%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%
Council	0.013%	0.000%	0.000%	0.000%	0.000%

Rating Exposure



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

City of London Corporation

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
10/07/2020	1769	Clydesdale Bank PLC	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Negative Outlook. At the same time the Viability Rating was removed from Negative Watch.

City of London Corporation

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
10/07/2020	1768	Co-Operative Bank Plc (The)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Positive.

City of London Corporation

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
				No Rating Changes to Report.

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