



City Of London Corporation

Client Designated MMF, SBDF & USDBF Rates

Monthly Investment Analysis Review

March 2024

Monthly Economic Summary

General Economy

The UK Manufacturing PMI rose to 49.9 in March from 47.5 in February, some way above market expectations of 47.8. UK factory activity nearly “stabilised” (ie a reading of 50 divides expansion from contraction), but still recorded a twentieth consecutive monthly contraction. Within the headline reading, subcomponents showed that manufacturers experienced the fastest expansion in new orders since May 2022, causing factories to increase production levels for the first time in a year and sparking renewed optimism, despite higher borrowing costs. However, on the pricing front, manufacturers observed accelerating input costs yet again with continued supply chain disruption as shippers avoid the Red Sea. Meanwhile, the UK Services PMI edged lower to 53.4 from 53.8 in February and below market expectations of an unchanged reading. This represented the slowest growth in business activity for three months, with firms linking it to constraints on households’ disposable income. Consequently, the UK composite PMI fell to 52.9 in March from 53 in February and slightly below market expectations of 53.1. Nonetheless, it was the fifth consecutive month of expansion for the UK private sector driven by a strong rate of output growth. This added to expectations that the UK would avoid a third consecutive negative quarterly growth reading in Q1, meaning that the mildest of recessions seen in the second half of 2023 was now concluded. Meanwhile, the UK construction PMI increased to 49.7 in February from 48.8 in January (it is released on a one-month lag to other sector reports), the highest since August 2023.

The UK economy expanded 0.2% m/m in January, following a 0.1% contraction in December and matching market expectations. Services output rose by 0.2% with strong retail trade and construction output rebounded by 1.1% after a poor December. However, industrial output fell by 0.2% in January after a 0.6% rise in December. Elsewhere, the UK’s trade deficit widened to £3.129 billion in January, after a three-month low in December, driven by a 1.4% rise in imports, compared to a 0.7% rise in exports.

The Chancellor of the Exchequer, Jeremy Hunt, presented his 2024 Spring Budget. It aimed to boost the economy following the weaker performance in the second half of 2023 and ahead of the expected general election later this year. One key point was the 2p cut in National Insurance Contributions following on from the cut in the previous Autumn Statement to reduce tax burdens and support household finances.

The UK recorded a fall in 21,000 jobs in the three months prior to January, below market expectations of a 10,000 increase and following a 72,000 growth in the prior period. This was the first fall in job creation since September 2023. Meanwhile, average weekly earnings (including bonuses) in the UK increased 5.6% y/y in the three months to January, the least since July 2022, and slightly below market expectations of 5.7%. The unemployment rate edged up to 3.9% between November 2023 and January, just above the previous quarter increase of 3.8% and slightly above market expectations of no change.

Regarding inflation, the monthly Consumer Price Index (CPI) rose by 0.6%, reversing the 0.6% fall in January. However, base effects meant the headline annual rate dropped to 3.4% in February, reaching its lowest level since September 2021. The rate of price pressures declined significantly for food and non-alcoholic beverages, and restaurants and hotels, while there was also a slowdown in miscellaneous goods and services. Costs also fell at a slower pace for both housing and utilities and transport. The annual core inflation rate, excluding food and energy, fell to 4.5 % from 5.1% the prior month.

The Bank of England decided to keep Bank Rate at 5.25% in its March meeting as it waits to be certain that the country’s inflationary pressures have subsided back towards its target rate. The Monetary Policy Committee voted 8-1 in favour of keeping rates unchanged, with one member voting for a 25-basis point decrease. In the retail sector, sales remain unchanged in February after an upwardly revised 3.6% increase in January and beating market expectations of a 0.3% decline.

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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
MMF Aberdeen Standard Investments	25,000,000	5.26%		MMF	AAAm		
MMF CCLA	25,000,000	5.26%		MMF	AAAm		
MMF Deutsche	30,000,000	5.25%		MMF	AAAm		
MMF Federated Investors (UK)	35,000,000	5.29%		MMF	AAAm		
MMF Invesco	40,200,000	5.31%		MMF	AAAm		
USDBF Aberdeen Standard Investments	54,406,998	5.57%		USDBF	AAAf		
USDBF Federated Sterling Cash Plus Fund	27,251,780	5.19%		USDBF	AAAf		
USDBF Payden Sterling Reserve Fund	65,290,553	5.63%		USDBF	AAAf		
Australia and New Zealand Banking Group Ltd	10,000,000	5.48%	12/01/2024	12/04/2024	A+	0.001%	145
DBS Bank Ltd	10,000,000	5.33%	15/01/2024	15/04/2024	AA-	0.001%	96
Surrey County Council	20,000,000	6.50%	26/03/2024	26/04/2024	AA-	0.002%	0
NatWest Markets Plc (NRFB)	20,000,000	5.67%	12/10/2023	13/05/2024	A	0.005%	1042
Toronto Dominion Bank	20,000,000	5.27%	15/05/2023	15/05/2024	AA-	0.003%	573
Toronto Dominion Bank	20,000,000	5.72%	24/05/2023	24/05/2024	AA-	0.003%	688
Santander UK PLC	45,000,000	5.80%		Call68	A	0.008%	3706
Central Bedfordshire Council	10,000,000	6.25%	22/03/2024	24/06/2024	AA-	0.005%	0
Stockport Metropolitan Borough Council	20,000,000	6.25%	22/03/2024	24/06/2024	AA-	0.005%	0
Toronto Dominion Bank	20,000,000	6.53%	28/06/2023	26/06/2024	AA-	0.006%	1108
Toronto Dominion Bank	20,000,000	6.57%	18/07/2023	17/07/2024	AA-	0.007%	1376
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.017%	2489
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Australia and New Zealand Banking Group Ltd	20,000,000	5.61%	17/11/2023	19/08/2024	A+	0.017%	3416
Goldman Sachs International Bank	20,000,000	6.15%	04/09/2023	04/09/2024	A+	0.019%	3803
Australia and New Zealand Banking Group Ltd	45,000,000	5.43%		Call185	A+	0.022%	10084
Santander UK PLC	20,000,000	5.90%	16/10/2023	16/10/2024	A	0.024%	4821
Goldman Sachs International Bank	20,000,000	5.23%	22/03/2024	22/11/2024	A+	0.029%	5717
United Overseas Bank Ltd	20,000,000	5.23%	28/03/2024	19/12/2024	AA-	0.017%	3351
NatWest Markets Plc (NRFB)	20,000,000	5.23%	10/01/2024	10/01/2025	A	0.035%	6904
NatWest Markets Plc (NRFB)	30,000,000	6.00%	07/08/2023	07/08/2026	A	0.175%	52554
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G	79,384,397	7.16%					
ROYAL LONDON	79,645,439	7.78%					
Total Investments	£901,179,166	5.97%					
Total Investments - excluding Funds	£742,149,330	5.64%				0.024%	£104,363
Total Investments - Funds Only	£159,029,836	7.47%					

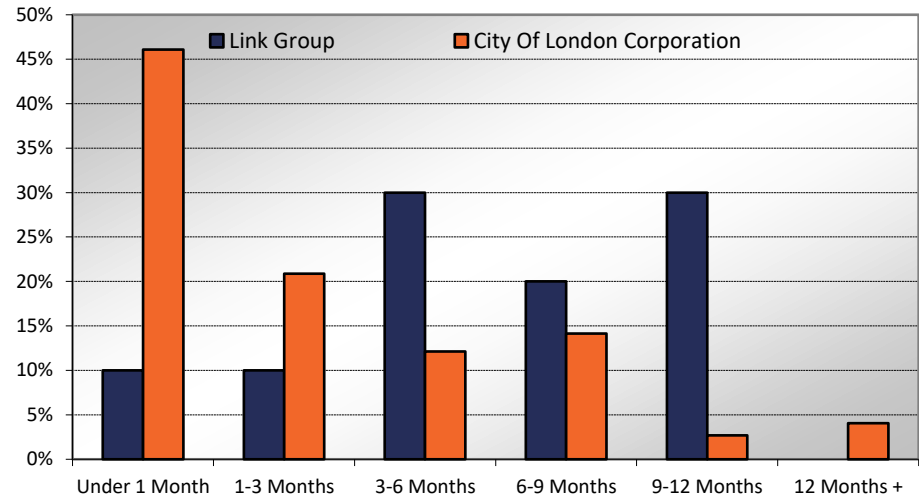
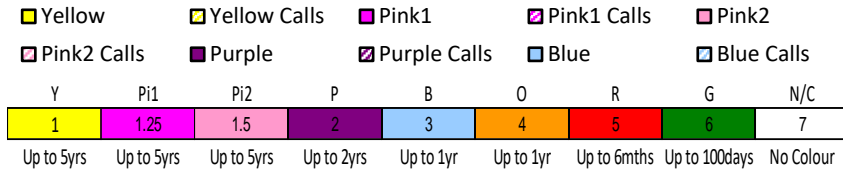
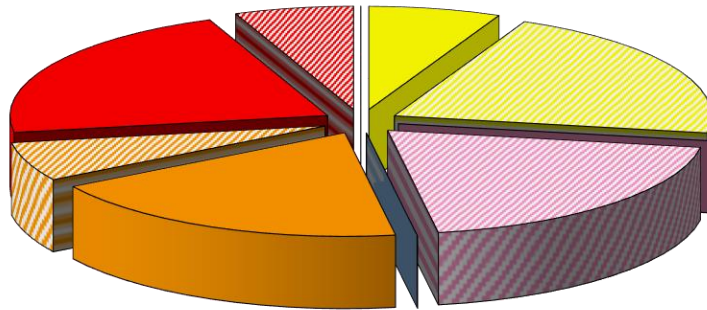
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 1990-2023 for Fitch, 1983-2023 for Moody's, S&P data was not available at the time of completion of this report.

Where Link Group have provided a return for a property fund, that return covers the 12 months to December 2023, which are the latest returns currently available.

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Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = 2.95

WARoR = Weighted Average Rate of Return

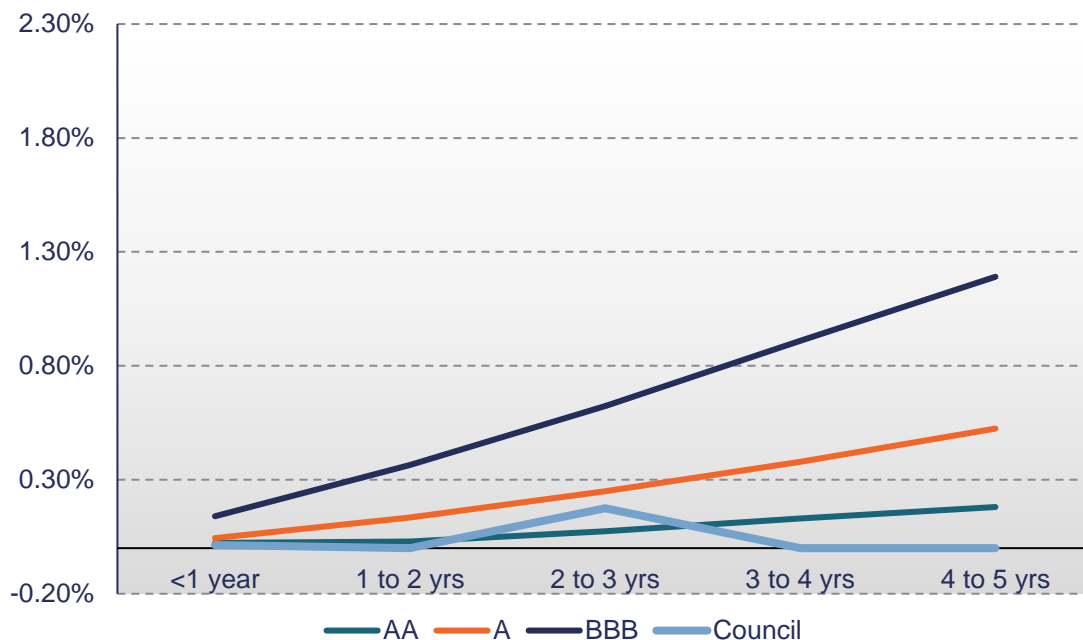
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	Excluding Calls/MMFs/USDBFs		
								WAM at Execution	WAM	WAM at Execution
Yellow	27.65%	£205,200,000	75.63%	£155,200,000	20.91%	5.54%	15	17	61	69
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	19.80%	£146,949,330	100.00%	£146,949,330	19.80%	5.52%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	24.93%	£185,000,000	24.32%	£45,000,000	6.06%	5.68%	122	271	102	299
Red	27.62%	£205,000,000	21.95%	£45,000,000	6.06%	5.80%	250	381	302	469
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
100.00%	£742,149,330	52.84%	£392,149,330	52.84%	5.64%	104	177	187	344	

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Investment Risk and Rating Exposure

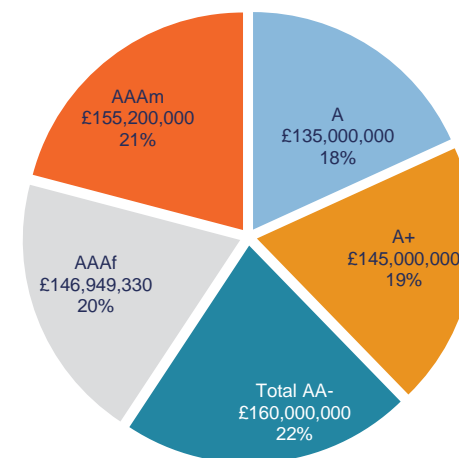
Investment Risk Vs. Rating Categories



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%	0.03%	0.07%	0.13%	0.18%
A	0.04%	0.13%	0.25%	0.38%	0.52%
BBB	0.14%	0.36%	0.62%	0.91%	1.19%
Council	0.01%	0.00%	0.18%	0.00%	0.00%

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.

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
20/03/2024	2010	Qatar	Qatar	The Sovereign Rating was upgraded to 'AA' from 'AA-'. The Outlook on the Sovereign Rating was changed to Stable from Positive.
22/03/2024	2011	Clydesdale Bank PLC	United Kingdom	The Short Term Rating was placed on Postive Watch.
25/03/2024	2015	United Kingdom	United Kingdom	The Outlook on the Sovereign Rating was changed to Stable from Negative.
28/03/2024	2016	Qatar National Bank	Qatar	The Long Term Rating was upgraded to 'A+' from 'A'. The Outlook on the Long Term Rating was changed to Stable from Positive.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
06/03/2024	2003	National Australia Bank Ltd.	Australia	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
06/03/2024	2003	Westpac Banking Corp.	Australia	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
06/03/2024	2003	Australia and New Zealand Banking Group Ltd.	Australia	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
06/03/2024	2003	Commonwealth Bank of Australia	Australia	The Stable Outlook on the Long Term Rating was removed. The Long Term Rating was placed on Positive Watch.
06/03/2024	2003	Macquarie Bank Ltd.	Australia	The Long Term Rating was upgraded to 'Aa2' from 'A1'.
08/03/2024	2004	Clydesdale Bank PLC	United Kingdom	The Outlook on Long Term Rating was changed to Positive from Stable.
12/03/2024	2005	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was upgraded to 'Baa3' from 'Ba1' and the Short Term Rating was upgraded to 'P-3' from 'NP'.
15/03/2024	2006	Bayerische Landesbank	Germany	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
15/03/2024	2007	Landesbank Hessen-Thueringen Girozentrale	Germany	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
15/03/2024	2008	Norddeutsche Landesbank Girozentrale	Germany	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
15/03/2024	2009	Landesbank Baden-Wuerttemberg	Germany	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
22/03/2024	2012	Skandinaviska Enskilda Banken AB	Sweden	The Outlook on the Long Term Rating was changed to Positive from Stable.
22/03/2024	2014	Clydesdale Bank PLC	United Kingdom	The Positive Outlook on the Long Term Rating was removed. The Long Term Rating and Short Term Rating were placed on Positive Watch.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
22/03/2024	2013	Clydesdale Bank PLC	United Kingdom	The Stable Outlook on the Long Term Rating was removed. The Long Term Rating and Short Term Rating were placed on Positive Watch.

Whilst Link Group makes every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Link Group should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the advice or information as a substitute for the exercise by the Client of its own judgement.

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