



Financial Investment Board

Date: WEDNESDAY, 30 JUNE 2021

Time: 1.45 pm

Venue: <https://youtu.be/7nR8Kxnoz4o>

Members: Nicholas Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Anne Fairweather
Alderman Prem Goyal
Alderman Robert Howard
Alderman Robert Hughes-Penney
Deputy Clare James
Tim Levene
Deputy Robert Merrett
Deputy Andrien Meyers
John Petrie
Deputy Henry Pollard
James de Sausmarez
Ian Seaton
Deputy Philip Woodhouse

Next Meetings: 14 September 2021

30 November 2021

Enquiries: Joseph Anstee
joseph.anstee@cityoflondon.gov.uk

Accessing the virtual public meeting

Members of the public can observe this virtual public meeting at the below link:

<https://youtu.be/7nR8Kxnoz4o>

This meeting will be a virtual meeting and therefore will not take place in a physical location. Any views reached by the Committee today will have to be considered by the Chamberlain after the meeting in accordance with the Court of Common Council's Covid Approval Procedure who will make a formal decision having considered all relevant matters. This process reflects the current position in respect of the holding of formal Local Authority meetings and the Court of Common Council's decision of 15th April 2021 to continue with virtual meetings and take formal decisions through a delegation to the Town Clerk and other officers nominated by him after the informal meeting has taken place and the will of the Committee is known in open session. Details of all decisions taken under the Covid Approval Procedure will be available on line via the City Corporation's webpages. A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 20 May 2021.

For Decision
(Pages 7 - 10)
4. **OUTSTANDING ACTIONS**
Report of the Town Clerk

For Information
(Pages 11 - 12)
5. **TREASURY MANAGEMENT UPDATE AS AT 31 MAY 2021**
Report of the Chamberlain

For Information
(Pages 13 - 30)
6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
8. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

9. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 20 May 2021.

For Decision
(Pages 31 - 34)

10. **NON-PUBLIC OUTSTANDING ACTIONS**
Report of the Town Clerk

For Information
(Pages 35 - 36)
11. **INVESTMENT PERFORMANCE MONITORING REPORTS**

For Information

 - a) **Performance Monitoring to 31 May 2021: Pension Fund** (Pages 37 - 52)
Report of the Chamberlain
 - b) **Performance Monitoring to 31 May 2021: City's Cash** (Pages 53 - 66)
Report of the Chamberlain
 - c) **Performance Monitoring to 31 May 2021 Bridge House Estates** (Pages 67 - 80)
Report of the Chamberlain
12. **YEAR 1 PLAN FOR CLIMATE ACTION**
Report of the Director of Innovation and Growth and the Chamberlain

For Information
(Pages 81 - 86)
13. **PENSION FUND PROPERTY - PROPOSED TOP UP**
Report of the Chamberlain

For Decision
(Pages 87 - 90)
14. **SIR WILLIAM COXEN TRUST FUND**

For Decision

 - a) **Sir William Coxen Trust Fund Performance Monitoring to 31 March 2021**
(Pages 91 - 96)
Report of the Chamberlain
 - b) **Sir William Coxen Trust Fund - Review of Investment Arrangements**
(Pages 97 - 102)
Report of the Chamberlain
15. **HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT PERFORMANCE MONITORING TO 31 MARCH 2021**
Report of the Chamberlain

For Information
(Pages 103 - 108)
16. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
17. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

FINANCIAL INVESTMENT BOARD

Thursday, 20 May 2021

Minutes of the meeting of the Financial Investment Board held on Thursday, 20 May 2021 at 1.45 pm

Present

Members:

Nicholas Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Anne Fairweather
Alderman Prem Goyal
Alderman Robert Hughes-Penney
Deputy Jamie Ingham Clark
Deputy Clare James
Deputy Robert Merrett
John Petrie
James de Sausmarez
Ian Seaton
Deputy Philip Woodhouse

Officers:

Joseph Anstee	- Town Clerk's Department
Caroline Al-Beyerty	- Chamberlain
Kate Limna	- Chamberlain's Department
James Graham	- Chamberlain's Department
Simi Shah	- Town Clerk's Department

Also in attendance:

Lucy Tusa - Mercer

1. APOLOGIES

Apologies for absence were received from Alderman Robert Howard, Tim Levene, Deputy Andrien Meyers and Deputy Henry Pollard.

The Chairman then welcomed new Members of the Board, Deputy Robert Merrett and John Petrie. The Board then gave thanks to outgoing Member Deputy Tom Hoffman for his many years of valuable service to the work of the Board.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. RESOLUTION OF THE INVESTMENT COMMITTEE

The Board noted a resolution of the Investment Committee meeting on 6 May 2021 appointing the Board and approving its terms of reference. The Town

Clerk advised that at its meeting on 19 May 2021, the Investment Committee had agreed to expand the constitution of the Board by two places, and subsequently to appoint Deputy Clare James and Tim Levene to the Board.

4. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED - That the public minutes and non-public summary of the meeting held on 9 February 2021 be agreed as a correct record.

5. **OUTSTANDING ACTIONS**

There were no public outstanding actions.

6. **TREASURY MANAGEMENT UPDATE AS AT 31 MARCH 2021**

The Board received a report of the Chamberlain providing a summary of the City of London Corporation's treasury management portfolio (investments) as at 31 March 2021. The report included an update on the current asset allocation of the short-term investment portfolio and its performance, the latest cash flow forecast, and a monthly investment review report produced by the Corporation's treasury management consultants. The Chamberlain introduced the report and gave the Board further detail on the key features of the report, including the medium-term cash flow forecast which had been added following a request from Members.

In response to a question from a Member, the Chamberlain advised that the cash flow forecast showed expected cash balances at the end of each year, when cash balances were usually at their lowest, for a six-year period. In addition to this, a more detailed, operational cash flow was maintained and updated daily by officers as part of the treasury management function. A Member suggested that the key assumptions on which the forecast was based be summarised into bullet points for inclusion alongside the table.

The Chamberlain advised that any suggestions regarding the data format were welcome and would be explored with the aim of building towards a useful dashboard on cash flow.

RESOLVED – That the report be noted.

7. **RISK REGISTER FOR THE FINANCIAL INVESTMENT BOARD**

The Board considered a report of the Chamberlain reviewing the Financial Investment Board's risk register. The Board noted that there had been no substantive changes to the risks. The Chamberlain then outlined updates to the narrative risk update on associated actions where necessary, and advised that the inclusion of risks related to Bridge House Estates would need to be reconsidered once the Bridge House Estates Board had finalised the governance arrangements in respect of the Charity's financial investments.

A Member suggested that long-term risks could feature the next key date relevant to them rather than a due date, allowing a longer-term view which accepted rather than managed the risk. The Chamberlain advised that ever-present risks were kept on the register to ensure continuing mindful of the need

to manage and mitigate against them, adding that the format could be reviewed and amended as necessary.

RESOLVED – That the Financial Investment Board:

- a) Review the existing risks and actions present on the Financial Investment Board’s Risk Register, and confirm that appropriate control measures are in place; and
- b) Confirm that there are no further risks relating to the services overseen by the Financial Investment Board.

8. REPORT OF ACTION TAKEN

The Board received a report of the Town Clerk advising Members of an action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chair, in accordance with Standing Order No. 41(b). The Chamberlain advised that the PRI submission had been made as planned, and officers were awaiting a response ahead of the September meeting of the Board. The submission was made under the new PRI framework and this would be the first year in which the City of London Corporation’s results were public.

RESOLVED – That the report be noted.

9. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

10. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

The Chairman then thanked members of the public watching via YouTube for their attendance.

11. EXCLUSION OF THE PUBLIC

RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item No.	Paragraph(s) in Schedule 12A
12-17	3
18-19	-

12. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the non-public minutes of the meeting held on 9 February 2021 be agreed as a correct record.

13. NON-PUBLIC OUTSTANDING ACTIONS

The Board received a list of non-public outstanding actions.

14. INVESTMENT PERFORMANCE MONITORING REPORTS

a) Quarterly Monitoring Report to 31 March 2021

The Board received a report of Mercer.

b) Performance Monitoring to 31 March 2021: Pension Fund

The Board received a report of the Chamberlain.

c) Performance Monitoring to 31 March 2021: City's Cash and Bridge House Estates

The Board received a report of the Chamberlain.

15. YEAR 1 PLAN FOR CLIMATE ACTION

The Board considered a report of the Chamberlain.

16. EQUITIES ALLOCATION DISCUSSION PAPER: ROLE OF UK EQUITIES AND VALUE MANAGERS

The Board received a report of the Chamberlain.

17. BAILLIE GIFFORD GLOBAL ALPHA PARIS-ALIGNED FUND

The Board received a report of the Chamberlain.

18. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no non-public questions.

19. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There was other business.

The meeting ended at 3.06 pm

Chairman

Contact Officer: Joseph Anstee
joseph.anstee@cityoflondon.gov.uk

Financial Investment Board – Outstanding Actions

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
There are currently no outstanding actions.					

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Committee: Financial Investment Board	Dated: 30 June 2021
Subject: Treasury Management Update as at 31 May 2021	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Information
Report author: James Graham – Chamberlain's Department	

Summary

This report provides a summary of the City of London Corporation's treasury management portfolio (investments) as at 31 May 2021. The report includes an update on the current asset allocation of the short term investment portfolio and its performance and also includes the latest cash flow forecast. A monthly investment review report produced by the Corporation's treasury management consultants, Link Asset Services, is included at Appendix 2.

Recommendation

Members are asked to note the report.

Main Report

Background

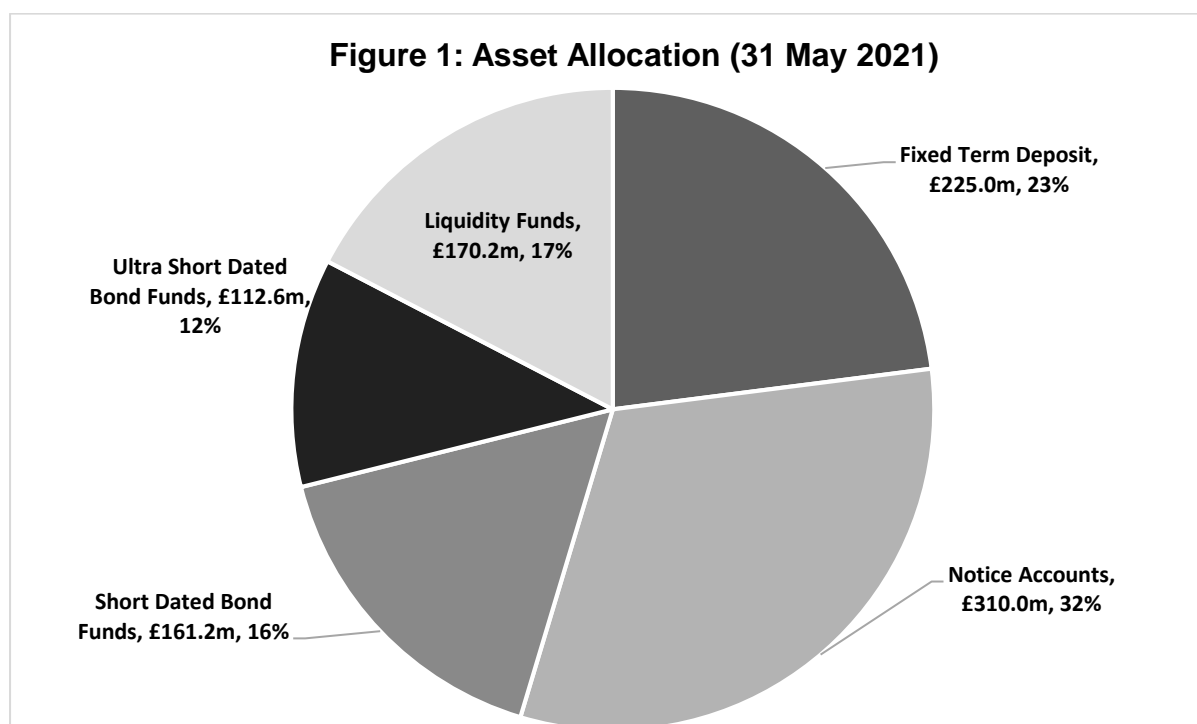
1. The Financial Investment Board receives an update on the treasury management portfolio at each meeting. At its meeting on 9 February 2021 the Board requested an update on the current cash flow forecast at its next meeting. Officers have compiled this report to provide additional context to the short term investment portfolio and the forecast for short term investments as at 31 May 2021.

Current Position

2. The treasury management investment portfolio had a market value of £979.1m as at 31 May 2021. This represents a net increase in cash of £32.0m over the two-month period from 31 March 2021 (when the portfolio amounted to £947.1m). Historically, the Corporation has experienced higher cash balances at the start of the financial year compared to the end of the prior year due to the profile of business rates income received by the City Fund.

Asset Allocation

3. In accordance with the Treasury Management Strategy Statement 2021/22, surplus cash is invested first and foremost with the aim of securing the Corporation's financial assets and secondly in line with the organisation's liquidity requirements (i.e. ensuring the cash is available when needed to meet the Corporation's spending obligations). Once these two objectives have been satisfied, the Corporation targets the best returns available in the sterling money markets.
4. A summary of the asset allocation by instrument type as at 31 May 2021 is displayed in figure 1.

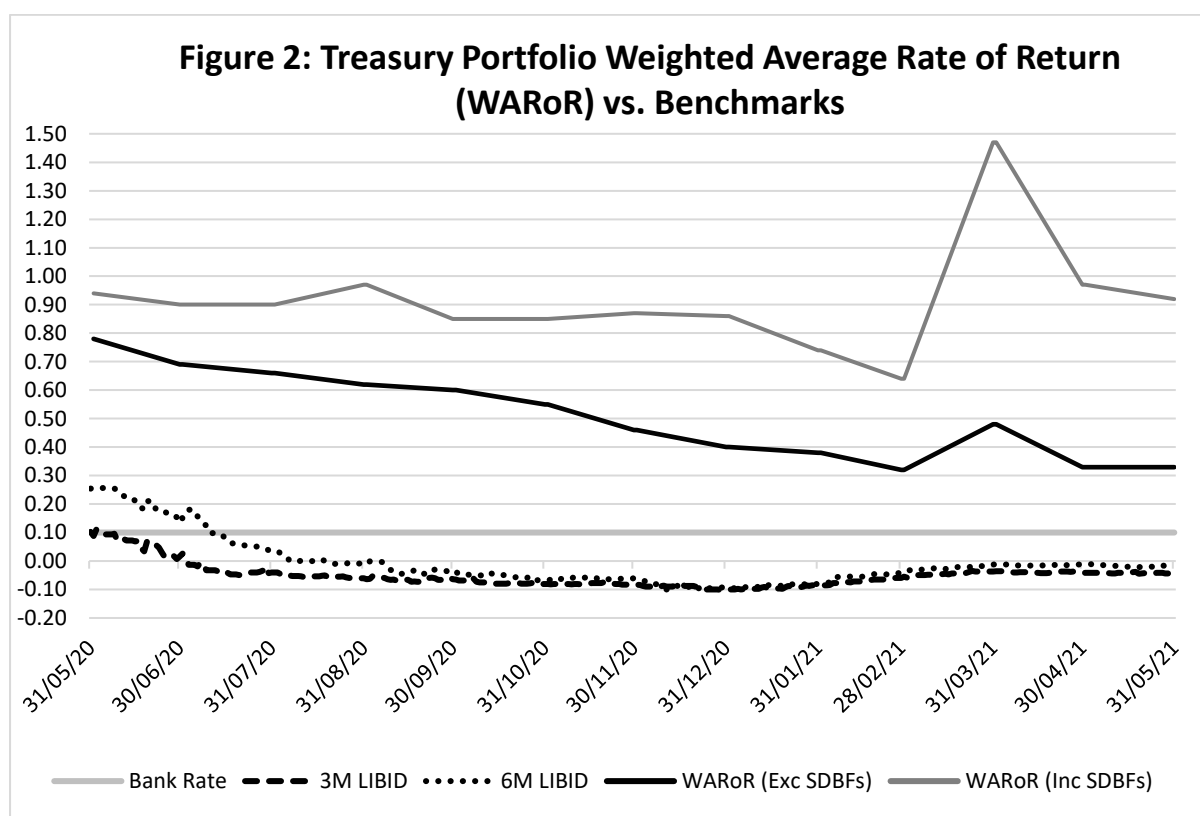


5. As at 31 May 2021, most of the Corporation's cash balances were invested on a short term (under one year) basis with eligible banks, building societies and local authorities via fixed term deposits (23%) and notice accounts (32%).
6. A further 17% was held in liquidity funds. These balances are very liquid and can be accessed on the day. 12% was invested in ultra-short dated bond funds. These instruments are also highly liquid (funds can be redeemed with two to three days' notice) but they are more volatile than liquidity funds. Ultra-short dated bond funds are suitable for surplus cash balances with an investment horizon of six months or more.
7. The remaining portion of the portfolio (16%) was invested in short dated bond funds at the reporting date. These funds are invested in investment grade credit instruments with an average duration of 2-3 years. Short dated bond funds can be volatile in the short term and should only be used for surplus cash balances with an investment horizon of at least two years.

8. Further analysis on the composition of the portfolio as at 31 May 2021 is provided in the Monthly Investment Report at Appendix 2. A summary of counterparty exposure is also included at Appendix 1.

Performance

9. The weighted average rate of return for the portfolio over the past 12 months is shown in figure 2 below. In this chart, the solid lines represent the level of returns achieved by the Corporation while the “dashed” lines represent suitable performance comparators.



10. After declining for much of 2020, sterling money market rates have stabilised somewhat recently and have even shown signs of recovery in 2021. This has occurred against an improving economic backdrop where the debate over appropriate monetary policy has moved from further loosening to possible tightening in order to manage inflation (the Bank of England’s policy rate remains the key determinant of money market returns). This is evident in figure 2 by the 3-month and 6-month London Interbank Bid Rate (LIBID).

11. The Corporation’s short term investment portfolio has followed this trend (albeit with a lag) as existing, higher yielding deposits have matured and been replaced with new investments at a lower yield. This is visible in the weighted average return excluding short dated bond funds above (which omits the two longer-term short dated bond fund investments in the portfolio).

12. As month-to-month returns from the ultra-short and short dated bond fund investments can be volatile, for these instruments, officers have used the trailing 12 month total return to 31 May 2021 in calculating the portfolio returns displayed in figure 2. The short dated bond funds recovered strongly from the abrupt downturn in March 2020 (which explains the sudden “bump” in the one year return to 31 March 2021 shown in figure 2 above, as a short-term decline in values experienced in the month of March 2020 dropped out of the performance calculation).

13. To aid an effective assessment of performance, table 1 shows the historical return of the ultra-short and short dated bond fund investments on a total return basis over various time horizons under one year.

Table 1: Bond Fund Returns as at 31 May 2021

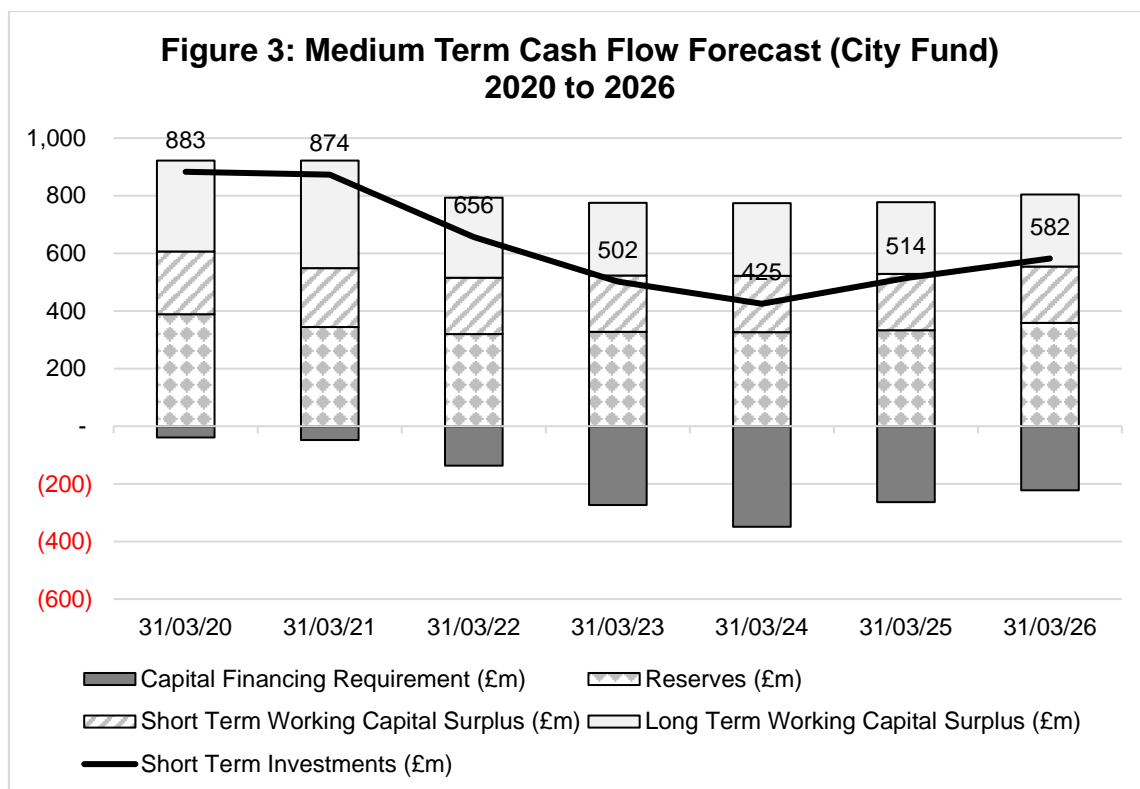
Fund	1 Month Return (30/04/2021 to 31/05/2021)	3 Month Return (28/02/2021 to 31/05/2021)	12 Month Return (31/05/2020 to 31/05/2021)
Federated Hermes Sterling Cash Plus Fund	0.00%	0.00%	0.14%
Aberdeen Standard Liquidity Fund Ultra Short Duration Sterling	0.01%	0.05%	1.15%
Payden Sterling Reserve Fund	0.04%	0.13%	1.32%
L&G Short Dated Sterling Corporate Bond Index Fund	0.52%	0.07%	4.24%
Royal London Investment Grade Short Dated Credit Fund	-0.49%	0.46%	3.64%

14. The most conservative fund (Federated) is listed first in table 1 and the longer term investments (L&G and Royal London) are listed at the bottom to the table. All funds have produced positive returns over the year to the end of May 2021 and the two short dated bond funds managed by L&G and Royal London have performed strongly.

Cash Flow Forecast

15. The City Fund’s medium-term cash flow forecast is shown below in figure 3. City Fund’s cash investments amount to £874m as at 31 March 2021, or 92% of the total cash under management in the treasury portfolio at that time. The remainder belongs to City’s Cash (1%), Bridge House Estates (3%) and other bodies (4%).

16. Cash investments (represented by the black line in figure 3) are expected to be below historic levels over the next few years before recovering towards the end of the forecast period.



17. Compared to the position reported the Board at its last meeting, officers have updated the composition of cash balances as at 31 March 2021 using new information from the final accounts process. As a result, the long-term working capital surplus is larger than previously forecast, although the fundamental direction of expected cash balances is unchanged. The forecast will be reviewed by officers in tandem with the medium term financial planning process.

18. While this forecast is based on the City Fund’s current financial plans it includes several assumptions and it is unlikely that actual cash balances will materialise exactly as forecast. In particular, Members should note the following:

- Historically planned capital expenditure has been subject to re-profiling (“slippage”). If the City Fund’s current capital spending plans are re-profiled during the forecast period then the forecast will shift to the right.
- The forecast will need to be continually updated in line with the medium-term financial planning process and the Corporation’s financial decisions.
- Officers also expect to make methodological improvements to the forecast calculation to improve its accuracy.

19. In terms of the key financial assumptions implicit in the forecast, Members may observe that the critical factor driving the forecast is the pace at which the City Fund’s capital spending plans are progressed. The forecast assumes spending on the major projects programme (City Fund components) will increase in intensity over the next few years and be substantively complete by the end of 2025/26. The forecast assumes the programme will be funded in the main by a mixture of capital receipts, grant funding, fundraising and internal borrowing (i.e. no external borrowing is assumed).

Conclusion

20. This report has provided a summary of the City of London Corporation's treasury management portfolio (investments) as at 31 May 2021. Cash is invested across a range of counterparties and instruments in accordance with the Corporation's Treasury Management Strategy Statement 2021/22. Returns have been driven by the prevailing rates available in the sterling money markets, which in turn are dominated by an ultra-low interest rate environment. Rates have shown some tentative signs of recovery recently (although remain near historic lows) in the context of a more positive economic outlook. Performance from the ultra- and short dated bond fund investments has been positive over the year to date. The City Fund's short term investment balances are forecast to decline gradually over the next few years before increasing again towards the end of the medium-term forecast period. The forecast is highly contingent on the pace of the capital programme.

Appendices

Appendix 1: Counterparty Exposure as at 31 May 2021

Appendix 2: Monthly Investment Analysis Review May 2021

Background Papers

James Graham

Group Accountant – Pensions & Treasury Management

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APPENDIX 1: COUNTERPARTY EXPOSURE AS AT 31 MAY 2021

	Counterparty Limit	Total Invested as at 31-May-21	Average Rate of Return
	£M	£M	%
<u>TOTAL INVESTED</u>		<u>979.1</u>	<u>0.92%</u>
<u>FIXED TERM DEPOSITS</u>			
<u>UK BANKS</u>			
Barclays	100.0	20.0	0.19%
Goldman Sachs	100.0	20.0	0.13%
Lloyds	150.0	40.0	0.10%
NatWest	100.0	95.0	0.26%
		<u>175.0</u>	
<u>BUILDING SOCIETIES</u>			
Leeds	20.0	20.0	0.10%
Skipton	20.0	5.0	0.35%
		<u>25.0</u>	
<u>FOREIGN BANKS</u>			
Australia & New Zealand	100.0	10.0	0.12%
		<u>10.0</u>	
<u>LOCAL AUTHORITIES</u>			
LB Waltham Forest	25.0	5.0	0.33%
Stockport City Council	25.0	10.0	0.10%
		<u>15.0</u>	
<u>LIQUIDITY FUNDS</u>			
Aberdeen SLI Liquidity Fund	100.0	47.2	0.01%
CCLA - Public Sector Deposit Fund	100.0	40.1	0.04%
Deutsche Global Liquidity Fund	100.0	33.0	0.01%
Federated Prime Liquidity Fund	100.0	13.4	0.01%
Invesco Sterling Liquidity Fund	100.0	36.5	0.02%
		<u>170.2</u>	
<u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	61.9	1.32%
Aberdeen SLI Short Duration Fund	100.0	25.4	0.51%
Federated Sterling Cash Plus Fund	100.0	25.4	0.14%
		<u>112.7</u>	
<u>SHORT DATED BOND FUNDS</u>			
L&G	100.0	81.0	4.24%
Royal London	100.0	80.2	3.58%
		<u>161.2</u>	

	Counterparty Limit	Total Invested as at 31-Mar-21	Average Rate of Return
	£M	£M	%
<u>NOTICE ACCOUNTS</u>			
Australia and New Zealand 185 Days Ac	100.0	90.0	0.40%
Goldman Sachs 185 Days Account	100.0	20.0	0.24%
Goldman Sachs 185 Days Account	100.0	20.0	0.23%
Goldman Sachs 185 Days Account	100.0	20.0	0.23%
Goldman Sachs 270 Days Account	100.0	20.0	0.53%
Lloyds 95 Days Account	150.0	40.0	0.05%
Santander 95 Days Account	100.0	20.0	0.40%
Santander 180 Days Account	100.0	30.0	0.58%
Santander 365 Days Account	100.0	50.0	0.68%
		<u>310.0</u>	
<u>TOTAL</u>		<u>979.1</u>	



City of London Corporation

Monthly Investment Analysis Review

May 2021

General Economy

By rising to 66.1 in May from 60.9 in April, the Flash (i.e. provisional) UK Manufacturing PMI signalled that the sector grew at a record-breaking pace this month. Output, new orders and employment components all rose, whilst purchasing costs recorded their fastest increase since the series began in 1992. The Flash Services PMI, meanwhile, rose to 61.8 in May from 61.0 in April, signalling the fastest pace of expansion in service sector activity since October 2013. As a result, the Flash Composite PMI (which incorporates both sectors), rose to 62.0 in May from 60.7 in April, itself a record high since the index was first compiled in January 1998. The construction PMI, meanwhile, which is released one month behind, eased to 61.6 in April from 61.7 in March. Total new work increased for the 11th consecutive month and at the fastest rate for just over six-and-a-half years, while the pace of job creation was the steepest since December 2015.

GDP data for March showed that, ahead of the unwinding of the third national lockdown, the UK economy grew by 2.1% m/m compared to February's upwardly revised 0.7% m/m gain. Despite this improvement, output still contracted by 1.5% during the first quarter of 2021 thanks to January's contraction. At quarter end, the economy was still 6.1% below that seen just ahead of the pandemic, in Q1 2020. Trade data, meanwhile, revealed that an 8% jump in imports caused the UK's trade deficit to rise to £2.1 billion in March compared to a downwardly revised £0.9 billion in February.

The UK's unemployment rate fell to 4.8% in the three months to March, compared to 4.9% in the previous period and marginally below forecasts of 5%. Within the data, it was notable that employment in fact rose by 84,000 in the three months to March – posting its first gain since March 2020. Vacancies also rose by 36,000 during the period, although they remain 15% below their pre-pandemic level. More timely claimant count data for April also suggested that the number of people who claimed unemployment benefits during the month fell by 15,100 to 2.6 million. Finally, average weekly earnings (including bonuses) rose by 4% y/y in the three months to March compared to a 4.5% y/y rise previously. However, when excluding “compositional effects”, caused by the loss of low paid jobs during the pandemic, economists estimate that pay growth was nearer 2.5%.

UK inflation, as measured by the Consumer Price Index, rose to 1.5% y/y in April from 0.7% y/y in March and marginally above market forecasts of 1.4%. The biggest upward contributions came from rising fuel price inflation and energy prices as Ofgem's price caps returned to their pre-pandemic levels. On a monthly basis, consumer prices matched forecasts by rising 0.6% in April, compared to a 0.3% increase in March. With the annual rate still well below the Monetary Policy Committee's 2% target, the Committee voted to maintain Bank Rate at 0.1% and leave their quantitative easing strategy unchanged during their May meeting.

Retail sales, meanwhile, surged 42.4% y/y in April compared to a 7.2% y/y rise in March, significantly above expectations of a 36.8% gain. This abnormally high figure was due to the impact of the first national lockdown depressing sales in April 2020, thus setting an abnormally low base for comparative purposes. On a monthly basis, sales rose 9.2% during April following a 5.1% rise in March, largely the result of a 69.4% m/m leap in clothing and footwear sales following the re-opening of non-essential stores during the month. Reflecting increased optimism amid continued vaccination rollouts, the GfK Consumer Confidence index also posted a gain of 6 points during May to reach -9, exceeding expectations of a rise to -12.

The UK's public sector net borrowing (excluding public sector banks) reached £31.7 billion in April, although this was £15.6 billion less than in April last year. Nevertheless, it still represented the second highest April borrowing since monthly records began in 1993. Public sector net borrowing in the financial year-to-March, meanwhile, was estimated to have been £300.3 billion, £246.1 billion more than in the previous year and the highest nominal public sector borrowing in any financial year since records began in 1947.

In the US, non-farm payrolls rose by 266,000 in April, which was significantly less than both expectations of a rise of 978,000 and March's downwardly revised 770,000 gain. The "miss" was more put down to a lack of available workers, rather than a lack of available jobs. Despite this, the unemployment rate rose to 6.1% from 6% in March as more workers re-entered the labour market and began looking for work. The US economy, meanwhile, expanded at an annualised 6.4% (1.6% q/q) rate in Q1 2021, slightly less than market expectations of 6.5%, and following a 4.3% (1.08% q/q) expansion in the previous quarter. Against this backdrop, price growth (as measured by the Federal Reserve's preferred core Personal Consumption Expenditure deflator) accelerated to 3.1% y/y in April compared to 1.9% in March. This represented the highest inflation rate since the 1990s and well above the Fed's 2% target. Fed officials however, continued to reiterate that such price pressures, caused by fiscal stimulus, supply constraints and rising commodity prices, are expected to be transitory.

In contrast, the Eurozone economy contracted by 1.8% y/y during Q1, following a 4.9% slump during Q4, as several countries across the region reimposed social distancing and lockdown measures. This left output 5.5% lower than prior to the pandemic. Meanwhile, core inflation was confirmed at just 0.7% y/y in April compared to the Flash estimate of 0.9%.

Housing

Reflecting the continuation of the stamp duty holiday and the desire to re-evaluate living space requirements, the Halifax and Nationwide house price indices both posted robust gains in April. The former saw monthly increases of 1.4% and an annual improvement of 8.2%. This compared to a 2.1% monthly rise and a 7.1% annual gain for the latter.

Currency

The prospect of lockdown ending in June helped Sterling gain ground against both the Dollar and the Euro this month.

May	Start	End	High	Low
GBP/USD	\$1.3928	\$1.4215	\$1.4215	\$1.3885
GBP/EUR	€1.1535	€1.1626	€1.1674	€1.1513

Forecast

Link Group changed its Bank Rate forecast this month to incorporate a Bank Rate rise to 0.25% in 2023.

Bank Rate	Now	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%
Capital Economics	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-	

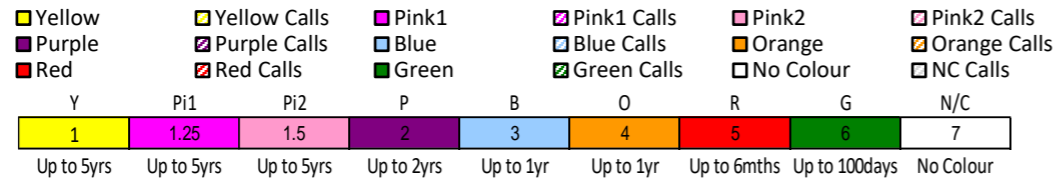
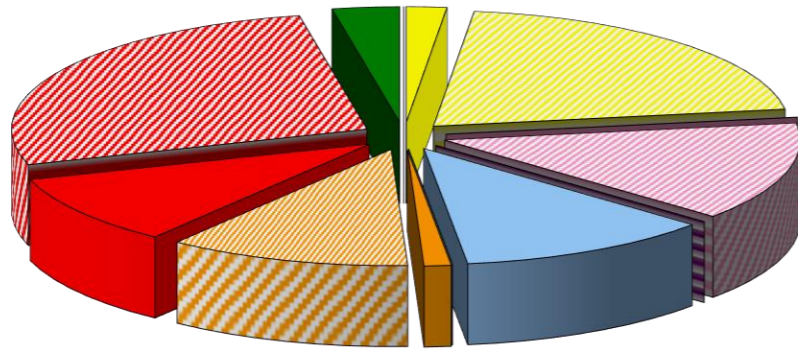
City of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	47,200,000	0.01%		MMF	AAAm	
MMF CCLA	40,100,000	0.04%		MMF	AAAm	
MMF Deutsche	33,000,000	0.02%		MMF	AAAm	
MMF Federated Investors (UK)	13,400,000	0.01%		MMF	AAAm	
MMF Invesco	36,500,000	0.02%		MMF	AAAm	
USDBF Aberdeen Standard Investments	25,391,226	0.51%		USDBF	AAAf	
USDBF Federated Sterling Cash Plus Fund	25,351,099	0.14%		USDBF	AAAf	
USDBF Payden Sterling Reserve Fund	61,900,043	1.32%		USDBF	AAAf	
Leeds Building Society	20,000,000	0.10%	29/03/2021	02/07/2021	A-	0.004%
National Westminster Bank Plc (RFB)	20,000,000	0.42%	03/07/2020	05/07/2021	A	0.005%
National Westminster Bank Plc (RFB)	25,000,000	0.27%	07/08/2020	09/08/2021	A	0.009%
National Westminster Bank Plc (RFB)	25,000,000	0.26%	14/08/2020	13/08/2021	A	0.010%
Lloyds Bank Plc (RFB)	40,000,000	0.05%		Call95	A+	0.012%
Santander UK Plc	20,000,000	0.40%		Call95	A	0.012%
Skipton Building Society	5,000,000	0.35%	09/09/2020	08/09/2021	BBB+	0.039%
National Westminster Bank Plc (RFB)	25,000,000	0.14%	26/03/2021	27/09/2021	A	0.015%
London Borough of Waltham Forest	5,000,000	0.33%	30/09/2020	29/09/2021	AA-	0.008%
Santander UK Plc	30,000,000	0.58%		Call180	A	0.023%
Australia and New Zealand Banking Group Ltd	90,000,000	0.40%		Call185	A+	0.024%
Goldman Sachs International Bank	20,000,000	0.24%		Call185	A+	0.024%
Goldman Sachs International Bank	20,000,000	0.23%		Call185	A+	0.024%
Goldman Sachs International Bank	20,000,000	0.23%		Call185	A+	0.024%
Goldman Sachs International Bank	20,000,000	0.13%	08/12/2020	08/12/2021	A+	0.025%
Lloyds Bank Plc (RFB)	20,000,000	0.10%	16/12/2020	16/12/2021	A+	0.026%
Lloyds Bank Plc (RFB)	20,000,000	0.10%	29/12/2020	29/12/2021	A+	0.027%
Australia and New Zealand Banking Group Ltd	10,000,000	0.12%	08/02/2021	08/02/2022	A+	0.033%
Stockport Metropolitan Borough Council	10,000,000	0.10%	26/02/2021	25/02/2022	AA-	0.017%
Goldman Sachs International Bank	20,000,000	0.53%		Call270	A+	0.035%
Barclays Bank Plc (NRFB)	20,000,000	0.19%	26/03/2021	28/03/2022	A	0.039%
Santander UK Plc	50,000,000	0.68%		Call365	A	0.047%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
L&G	80,980,285	4.24%				
ROYAL LONDON	80,244,825	3.58%				
Total Investments	£979,067,479	0.92%				
Total Investments - excluding Funds	£817,842,368	0.33%				0.023%
Total Investments - Funds Only	£161,225,110	3.91%				

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.

Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **3.29**

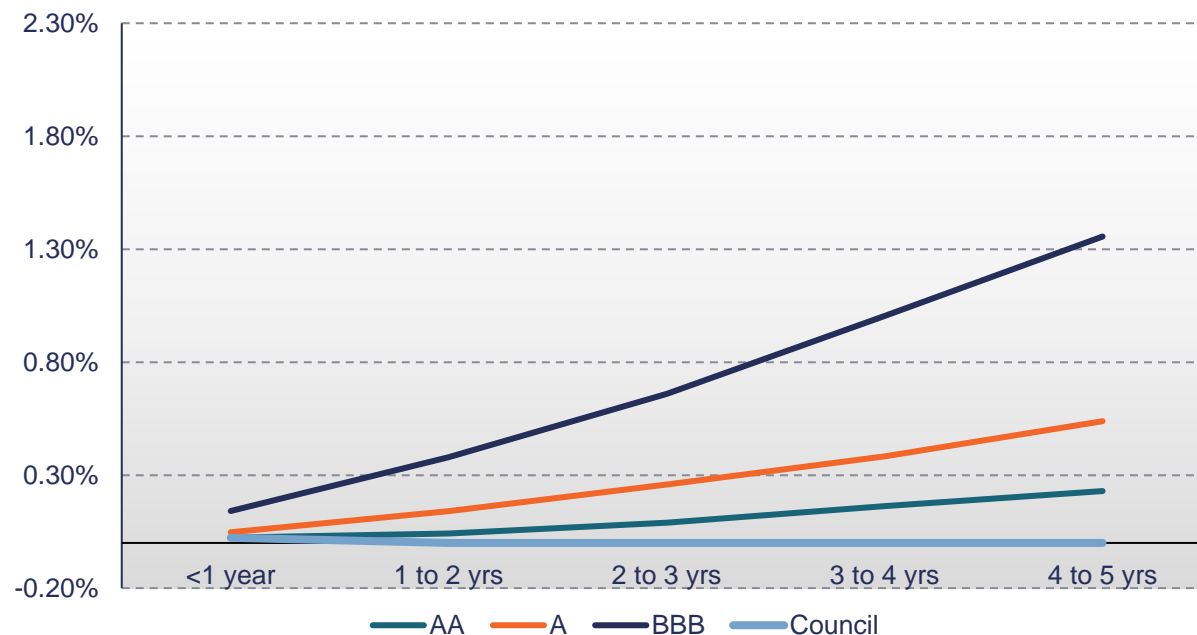
WARoR = Weighted Average Rate of Return
 WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	22.64%	£185,200,000	91.90%	£170,200,000	20.81%	0.03%	18	29	220	364
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	13.77%	£112,642,368	100.00%	£112,642,368	13.77%	0.87%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	11.62%	£95,000,000	0.00%	£0	0.00%	0.26%	77	318	77	318
Orange	12.23%	£100,000,000	90.00%	£90,000,000	11.00%	0.37%	192	203	253	365
Red	36.68%	£300,000,000	73.33%	£220,000,000	26.90%	0.32%	213	250	226	366
Green	3.06%	£25,000,000	0.00%	£0	0.00%	0.15%	46	149	46	149
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£817,842,368	72.49%	£592,842,368	72.49%	0.33%	116	165	144	321

City of London Corporation

Investment Risk and Rating Exposure

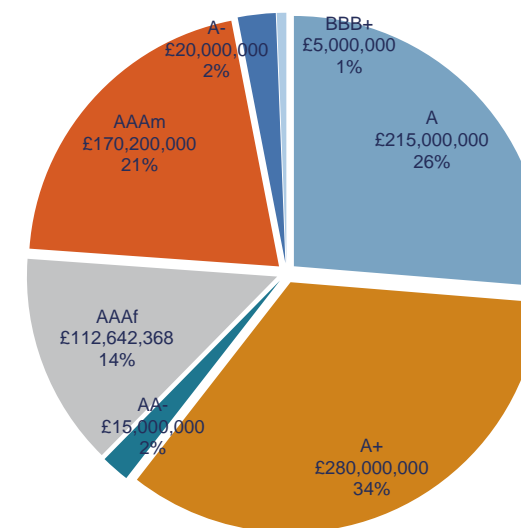
Investment Risk Vs. Rating Categories



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%	0.09%	0.16%	0.23%
A	0.05%	0.14%	0.26%	0.38%	0.54%
BBB	0.14%	0.38%	0.66%	1.01%	1.36%
Council	0.02%	0.00%	0.00%	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.

City of London Corporation

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
13/05/2021	1805	Citibank N.A.	United States	The Outlook on the Long Term Rating was changed to Stable from Negative.
19/05/2021	1806	Macquarie Bank Ltd	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
27/05/2021	1809	Close Brothers Ltd	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.

City of London Corporation

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
				There were no rating changes to report.

City of London Corporation

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
13/05/2021	1804	Santander Financial Services Plc (NRFB)	United Kingdom	'A2' Long Term Rating and 'A-2' Short Term Rating were assigned to this entity. At the same time, a Negative Outlook was assigned to the Long Term Rating.
24/05/2021	1807	JP Morgan Chase Bank N.A.	United States	The Outlook on the Long Term Rating was changed to Positive from Stable.
24/05/2021	1808	Bank of America N.A.	United States	The Outlook on the Long Term Rating was changed to Positive from Stable.

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