



City of London Corporation

Monthly Investment Analysis Review

July 2021

Monthly Economic Summary

General Economy

Although the Flash (i.e., provisional) UK Manufacturing PMI fell to 60.4 in July from the record high of 65.6 posted in May, it continued to indicate that activity remains robust. Whilst rates of growth in both output and new work both eased to four-month lows, they remained close to recent record peaks, supported by the re-opening of the economy and stronger demand from domestic and overseas markets. Employment levels also continued to increase at a solid pace, amid a further increase in backlogs of work. In a similar vein, the Flash Services PMI fell to 57.8 in July from 62.4 in June, partly due to pandemic imposed restrictions on activity and the ending of the stamp duty holiday, which saw demand for services related to residential property transactions soften. As a result, the Flash Composite PMI (which incorporates both sectors), eased to 57.7 in July from 62.2 in June. The Construction PMI, meanwhile, (which is released one month behind), rose to 66.3 in June from 64.2 in May, signalling the strongest rate of output growth since June 1997.

GDP data for May, meanwhile, revealed that the economy expanded by 0.8% m/m, significantly less than consensus forecasts of a 1.5% expansion. Although the reopening of indoor hospitality in mid-May resulted in 37.1% m/m leap in output in the accommodation & food sector (which contributed 0.7 percentage points of the 0.8% rise), there was little sign of growth elsewhere. Economists speculated that this may have been the result of May's wet weather, a sign that materials and labour shortages are restraining output or that the then prevailing prospect of delay to the final easing in COVID-19 restrictions was hampering the recovery. Trade data, meanwhile, revealed that a 4.4% rise in exports was sufficient to nudge the UK's trade balance into a surplus of £0.9 billion in May, compared to the deficit of £1.6 billion recorded in April.

Although the UK's unemployment rate edged up to 4.8% in the three months to May compared to 4.7% in the previous period, the underlying data pointed to further modest improvement in labour market conditions. The number of people in work in the UK rose by 25,000 in the three months to May, although admittedly the rise was less than market forecasts of 90,000. Moreover, a record 114,800 fewer people claimed unemployment benefit in June, following a 92,600 fall during May. Average weekly earnings (including bonuses), meanwhile, surged by 7.3% y/y in the three months to May compared to 5.6% in the previous period. Similarly, average weekly earnings excluding bonuses rose by 6.6% in the three months to May, compared to a 5.6% rise in the three months to April. However, it is worth noting that these rises are being largely driven by base effects and the impact of many low-paid workers having lost their job during their pandemic. By contrast, the medium annual pay settlement was 2.0% in May.

UK inflation, as measured by the Consumer Price Index, rose to 2.5% y/y in June from 2.1% y/y in May and above market forecasts of 2.3%. This represents the highest inflation rate since August 2018 and was driven by price rises in transport, second-hand cars, clothing and footwear and meals and drinks consumed out. Base effects related to the unusually low level of prices last year were observed to have contributed to some of these gains. On a monthly basis, meanwhile, consumer prices exceeded forecasts of a 0.2% rise by rising 0.5% in June. As a result of the gains, it seems likely that the Monetary Policy Committee will upgrade their inflation forecasts at the next meeting in August, although the market continues to expect that any rate rise will not occur until next year at the earliest.

Retail sales, meanwhile, rose 9.7% y/y in June compared to a 24.6% y/y rise in May, marginally above market expectations of a 9.6% gain. On a monthly basis, sales rose 0.5% during June following a 1.3% decline in May, largely the result of a 4.2% m/m rise in food store

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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	23,300,000	0.01%		MMF	AAAm	
MMF CCLA	75,400,000	0.02%		MMF	AAAm	
MMF Deutsche	63,400,000	0.02%		MMF	AAAm	
MMF Federated Investors (UK)	48,000,000	0.01%		MMF	AAAm	
MMF Invesco	67,400,000	0.01%		MMF	AAAm	
USDBF Aberdeen Standard Investments	50,396,148	0.28%		USDBF	AAAf	
USDBF Federated Sterling Cash Plus Fund	25,353,469	0.08%		USDBF	AAAf	
USDBF Payden Sterling Reserve Fund	61,939,103	0.70%		USDBF	AAAf	
National Westminster Bank Plc (RFB)	25,000,000	0.27%	07/08/2020	09/08/2021	A	0.001%
National Westminster Bank Plc (RFB)	25,000,000	0.26%	14/08/2020	13/08/2021	A	0.002%
Skipton Building Society	5,000,000	0.35%	09/09/2020	08/09/2021	A-	0.005%
Barclays Bank Plc (NRFB)	25,000,000	0.14%	26/03/2021	27/09/2021	A	0.007%
London Borough of Waltham Forest	5,000,000	0.33%	30/09/2020	29/09/2021	AA-	0.004%
Nationwide Building Society	20,000,000	0.05%	15/07/2021	15/10/2021	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%
Goldman Sachs International Bank	20,000,000	0.13%	08/12/2020	08/12/2021	A+	0.017%
Lloyds Bank Plc (RFB)	20,000,000	0.10%	16/12/2020	16/12/2021	A+	0.018%
Lloyds Bank Plc (RFB)	20,000,000	0.10%	29/12/2020	29/12/2021	A+	0.020%
Nationwide Building Society	20,000,000	0.10%	29/06/2021	29/12/2021	A	0.020%
Nationwide Building Society	20,000,000	0.07%	07/07/2021	07/01/2022	A	0.021%
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%
Australia and New Zealand Banking Group Ltd	10,000,000	0.12%	08/02/2021	08/02/2022	A+	0.025%
Stockport Metropolitan Borough Council	10,000,000	0.10%	26/02/2021	25/02/2022	AA-	0.013%
National Westminster Bank Plc (RFB)	20,000,000	0.19%	26/03/2021	28/03/2022	A	0.031%
Goldman Sachs International Bank	20,000,000	0.33%		Call270	A+	0.035%
Leeds Building Society	20,000,000	0.14%	02/07/2021	01/07/2022	A-	0.043%
National Westminster Bank Plc (RFB)	20,000,000	0.17%	05/07/2021	05/07/2022	A	0.044%
Landesbank Hessen-Thuringen Girozentrale (Helaba)	25,000,000	0.16%	16/07/2021	18/07/2022	A-	0.045%
Landesbank Hessen-Thuringen Girozentrale (Helaba)	25,000,000	0.16%	16/07/2021	18/07/2022	A-	0.045%
Santander UK PLC	50,000,000	0.68%		Call365	A	0.047%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
L&G	81,208,625	2.33%				
ROYAL LONDON	81,243,366	2.53%				

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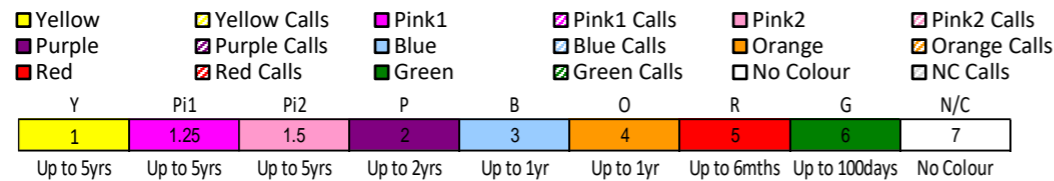
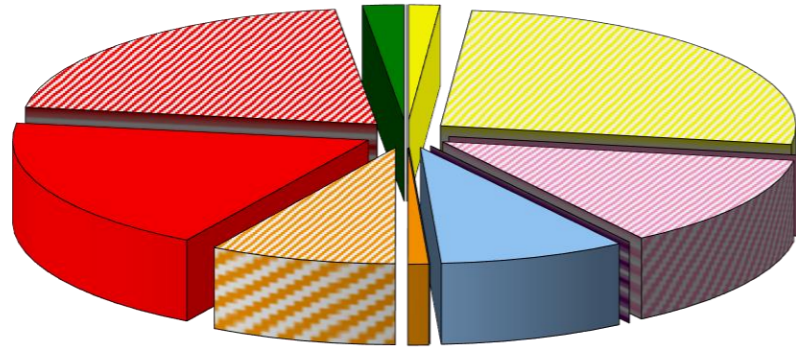
Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
Total Investments	£1,222,640,712	0.51%				
Total Investments - excluding Funds	£1,060,188,720	0.22%				0.024%
Total Investments - Funds Only	£162,451,992	2.43%				

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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Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **3.20**

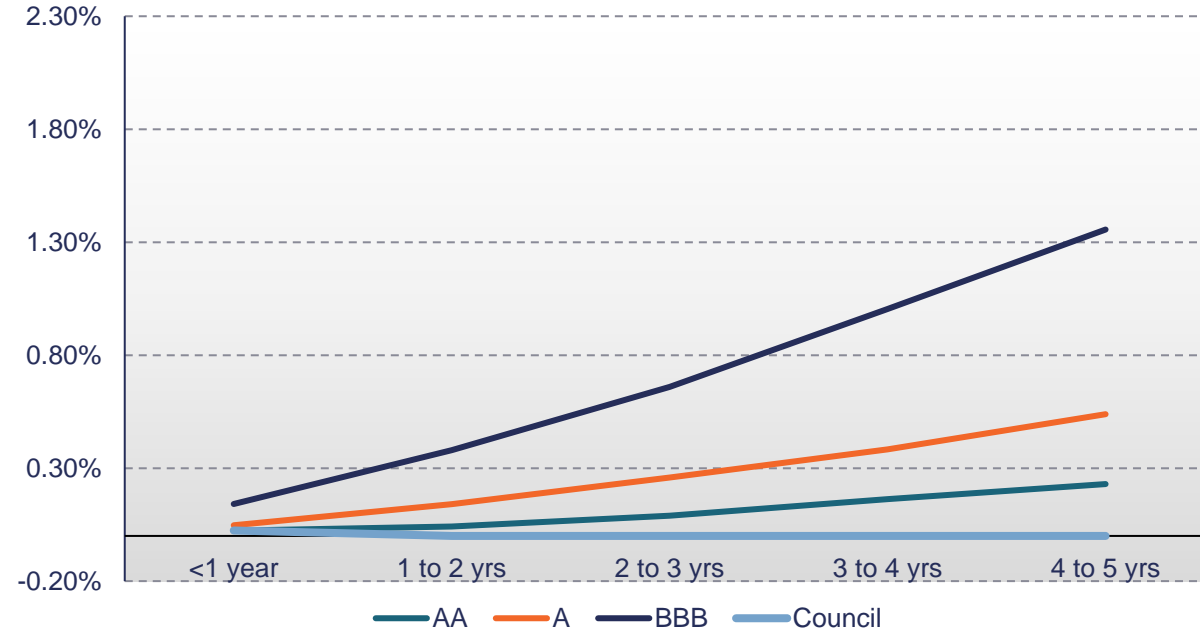
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	27.59%	£292,500,000	94.87%	£277,500,000	26.17%	0.02%	8	19	159	364
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	12.99%	£137,688,720	100.00%	£137,688,720	12.99%	0.43%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	8.49%	£90,000,000	0.00%	£0	0.00%	0.23%	135	366	135	366
Orange	9.43%	£100,000,000	90.00%	£90,000,000	8.49%	0.37%	186	203	192	365
Red	39.62%	£420,000,000	52.38%	£220,000,000	20.75%	0.25%	193	242	177	279
Green	1.89%	£20,000,000	0.00%	£0	0.00%	0.14%	335	364	335	364
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	#####	68.40%	£725,188,720	68.40%	0.22%	114	158	175	314

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Investment Risk and Rating Exposure

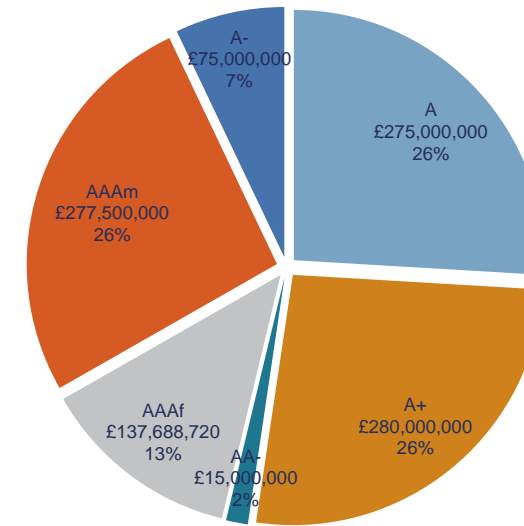
Investment Risk Vs. Rating Categories



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%	0.04%	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.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
01/07/2021	1820	Landesbank Hessen-Thueringen Girozentrale	Germany	The Outlook on the Long Term Rating was changed to Stable from Negative.
02/07/2021	1821	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	Germany	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	Bank of Scotland PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	Clydesdale Bank PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	Lloyds Bank Corporate Markets PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	Lloyds Bank PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	Natwest Markets PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	Santander Financial Services PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	Santander UK PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	Nationwide Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	National Westminster Bank PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1822	The Royal Bank of Scotland PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
06/07/2021	1823	Bayerische Landesbank	Germany	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1823	Landesbank Baden-Wuerttemberg	Germany	The Outlook on the Long Term Rating was changed to Stable from Negative.
06/07/2021	1823	Norddeutsche Landesbank Girozentrale	Germany	The Outlook on the Long Term Rating was changed to Stable from Negative.
16/07/2021	1824	Canadian Imperial Bank of Commerce	Canada	The Outlook on the Long Term Rating was changed to Stable from Negative.
16/07/2021	1824	Royal Bank of Canada	Canada	The Long Term Rating was downgraded to 'AA-' from 'AA' and the Viability Rating was downgraded to 'aa-' from 'aa'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.
16/07/2021	1824	Toronto-Dominion Bank	Canada	The Outlook on the Long Term Rating was changed to Stable from Negative.
21/07/2021	1835	Barclays Bank UK PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
21/07/2021	1835	Barclays Bank PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
21/07/2021	1836	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was upgraded to 'B+' from 'B' and the Viability Rating was upgraded to 'b' from 'b-'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.
23/07/2021	1837	Svenska Handelsbanken AB	Sweden	The Outlook on the Long Term Rating was changed to Stable from Negative.
23/07/2021	1837	Handelsbanken PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
23/07/2021	1838	Nordea Bank Abp	Finland	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
26/07/2021	1839	Swedbank AB	Sweden	The Outlook on the Long Term Rating was changed to Positive from Stable.
26/07/2021	1840	Skandinaviska Enskilda Banken AB	Sweden	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
19/07/2021	1825	Coventry Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
19/07/2021	1825	Leeds Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
19/07/2021	1825	Nottingham Building Society	United Kingdom	The Long Term Rating was downgraded to 'Baa3' from 'Baa2' and the Short Term Rating was downgraded to 'P-2' from 'P-1'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.
19/07/2021	1825	Principality Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
19/07/2021	1825	West Bromwich Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
19/07/2021	1825	Yorkshire Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
20/07/2021	1826	HSBC UK Bank PLC (RFB)	United Kingdom	The Long Term Rating was downgraded to 'A1' from 'Aa3'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.
20/07/2021	1827	Barclays Bank UK PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
20/07/2021	1828	Skipton Building Society	United Kingdom	The Long Term Rating was upgraded to 'A2' from 'Baa1' and the Short Term Rating was upgraded to 'P-1' from 'P-2'.
20/07/2021	1829	KBC Bank N.V.	Belgium	The Long Term Rating was downgraded to 'A1' from 'Aa3'.
20/07/2021	1830	Cooperatieve Rabobank U.A.	Netherland	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
20/07/2021	1831	Natwest Markets PLC (RFB)	United Kingdom	The Long Term Rating was upgraded to 'A2' from 'A3' and the Short Term Rating was upgraded to 'P-1' from 'P-2'.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
20/07/2021	1832	Credit Suisse AG	Switzerland	The Long Term Rating was downgraded to 'A1' from 'Aa3'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.
20/07/2021	1833	Danske A/S	Denmark	The Outlook on the Long Term Rating was changed to Stable from Negative.
20/07/2021	1834	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was upgraded to 'B2' from 'B3'. At the same time, the Outlook on the Long Term Rating was changed to Positive from Stable.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
26/07/2021	1841	National Bank of Kuwait (International) PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.

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