



City Of London
Client Designated Rates
Monthly Investment Analysis Review

July 2022

Monthly Economic Summary

General Economy

The Flash (i.e. provisional) Manufacturing PMI fell to a two-year low of 52.2 in July of 2022 from 52.8 in June, but above market expectations of 52. In a similar fashion, the Flash Services PMI went down to 53.3 in July of 2022 from 54.3 in June, albeit above market expectations of 53. The slowdown in output growth mostly reflected softer demand, alongside ongoing capacity constraints arising from shortages of materials and staff. The Flash Composite fell to 52.8 in July of 2022 from 53.7 in June, the lowest since February 2021 and compared to market expectations of 52.5. Finally, the Construction PMI fell to 52.6 in June of 2022 from 56.4 in May, pointing to the slowest growth in construction activity since September last year, with house building being the weakest-performing area.

UK GDP expanded 0.8% on quarter in the first three months of 2022, the lowest in a year, and in line with preliminary estimates. The largest contributors were information and communication, and transport and storage while production output was primarily driven by a rise in manufacturing output. The UK trade deficit narrowed slightly to £9.7 billion in May 2022 from an upwardly revised £9.8 billion in the previous month. Exports rose 4.1% as goods' sales advanced 7.4%, pushed up by a 6.5% jump in exports to non-EU countries. Meanwhile, imports grew 3.5% in May 2022, as goods purchases rose 4.3% amid higher imports from both non-EU countries and EU countries.

UK employment rose to 296,000 in the three months to May, the biggest increase since August last year and well above market expectations of a 170,000 rise. This trend continued with those in payrolled employment reaching an all-time high, whilst the claimant count fell by 20,100 in June 2022 following a 34,7000 fall in May. As a result, the unemployment rate held at 3.8% in the three months to May of 2022, compared to forecasts of 3.9%. Meanwhile, average weekly earnings including bonuses rose by 6.2% y/y to in the three months to May 2022, below 6.8% in the three months to April and less than market forecasts of 6.7%. However, average weekly earnings excluding bonuses were 2.9% lower y/y after a revised 3.5% decline in April.

UK inflation, as measured by the Consumer Price Index, edged up to 9.4% in June 2022 which is the highest rate since 1982 and slightly above market forecasts of 9.3%. The increase is driving further pressure on households amid the cost-of-living crisis with policymakers voicing fresh concerns over the rate being so far ahead of the 2% inflation target and likely to continue climbing. While there was no Monetary Policy Committee meeting during the month, market pricing was increasing edging towards a 50bps hike being delivered in the next meeting in early August.

Meanwhile, with affordability continuing to play a greater weight on the mind of consumers, retail sales edged down -0.1% mom in June 2022, following an upwardly revised -0.8% fall in May and compared to market forecasts of a -0.3% fall. Despite this, the Gfk Consumer Confidence index held steady at -41 in July 2022, although remaining at a record low as runaway inflation and economic uncertainties continued to dampen sentiment. The UK government recorded a £22.9 billion deficit in its public finances for June, £0.6 billion more than the Office for Budget Responsibility forecast. This makes it the second-highest June borrowing since monthly records began in 1993 and £4.1 billion more than in June 2021. Public sector net debt excluding public sector banks was £2,387.6 billion at the end of June 2022, or around 96.1% of gross domestic product, which is an increase of £183.0 billion or 1.0% of GDP compared with June 2021.

The US economy added 372,000 jobs in June 2022, much better than market forecasts of 268,000 and only slightly below a downwardly revised 384,000 for May. Despite this, the US unemployment rate was unchanged at 3.6% June of 2022 for the fourth consecutive month, remaining the lowest since February 2020 and in line with market expectations. The US economy contracted at an annualised rate of 0.9% in Q2 2022, following a

1.6% drop in Q1 and technically entering a recession, the advance estimate showed. Against this backdrop, price growth (as measured by the Federal Reserve's preferred Personal Consumption Expenditure deflator) accelerated to 4.8% in June 2022 from 4.7% in the prior month, above market expectations of 4.7%. The Federal Reserve raised the target for the Fed Funds rate by 75bps to 2.25%-2.50% during its July 2022 meeting. This was its fourth consecutive rate hike, pushing borrowing costs to the highest level since 2019, matching market forecasts. Chairman Powell also said the central bank will be looking for a moderately restrictive policy level by the end of the year, with markets interpreting this being a 3% to 3.5% Fed Funds rate.

The Flash estimate showed the Eurozone economy expanded 0.7% on quarter in the three months to June, following a downwardly revised 0.5% growth in Q1 and beating market forecasts of a 0.2% gain. It is the strongest performance in three quarters, prompted by the easing of covid restrictions and the summer tourism season in southern countries. The annual inflation rate in the Eurozone increased to 8.9% in July 2022, a fresh record high, from 8.6% seen the previous month and above market forecasts of 8.6%. In a similar vein, the core inflation, which excludes prices of energy, food, alcohol and tobacco, increased to a record high of 4% in July 2022 from 3.7% in June. During the July 2022 meeting, the ECB raised its 3 key interest rates by 50bps, the first increase since 2011, in response to increasing inflationary pressures. The main refinancing rate is now at 0.50%, the marginal lending facility at 0.75% and the deposit facility at 0.00%. The central bank also said that further normalisation of interest rates will be appropriate in the upcoming meetings, signalling further rate hikes in the future.

Housing

The Nationwide House Price Index increased 10.7% y/y in June, slightly less than 11.2% in May and below market forecasts of 10.8%. On a monthly basis, prices increased 0.3%, below forecasts of 0.6% but maintaining eleven months of consecutive increases. In a similar vein, the Halifax house price index rose 13% y/y in June 2022, the highest rate of growth seen since November 2004.

Currency

The prospect of Bank Rate rising by 0.5% in August helped Sterling rise against both the US dollar and Euro during July.

July	Start	End	High	Low
GBP/USD	\$1.2006	\$1.2169	\$1.2169	\$1.1784
GBP/EUR	€ 1.1553	€ 1.1935	€ 1.1945	€ 1.1553

Forecast

With no Monetary Policy Committee meeting during the month, Bank Rate remained unchanged at 1.25% (and shows as such below). Link will review its forecasts for Bank Rate following August's MPC meeting.

Bank Rate	Now	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Link Group	1.25%	2.25%	2.75%	2.75%	2.75%	2.75%	2.50%	2.50%	2.25%	2.25%	2.25%	2.25%
Capital Economics	1.25%	2.25%	2.50%	2.75%	3.00%	3.00%	3.00%	3.00%	2.75%	2.50%	-	

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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	41,000,000	1.23%		MMF	AAAm	
MMF CCLA	38,900,000	1.23%		MMF	AAAm	
MMF Deutsche	38,000,000	1.19%		MMF	AAAm	
MMF Federated Investors (UK)	41,600,000	1.33%		MMF	AAAm	
MMF Invesco	43,000,000	1.26%		MMF	AAAm	
USDBF Aberdeen Standard Investments	50,531,045	0.23%		USDBF	AAAf	
USDBF Federated Sterling Cash Plus Fund	25,429,306	0.29%		USDBF	AAAf	
USDBF Payden Sterling Reserve Fund	61,284,987	-1.05%		USDBF	AAAf	
National Westminster Bank Plc (RFB)	25,000,000	0.18%	09/08/2021	09/08/2022	A	0.001%
National Westminster Bank Plc (RFB)	25,000,000	0.19%	13/08/2021	12/08/2022	A	0.002%
DBS Bank Ltd	20,000,000	1.57%	21/03/2022	21/09/2022	AA-	0.003%
Toronto Dominion Bank	20,000,000	0.56%	22/12/2021	22/09/2022	AA-	0.003%
Barclays Bank UK PLC (RFB)	25,000,000	0.37%	01/10/2021	03/10/2022	A	0.008%
National Australia Bank Ltd	25,000,000	0.49%	13/10/2021	13/10/2022	A+	0.009%
National Australia Bank Ltd	20,000,000	0.50%	15/10/2021	17/10/2022	A+	0.010%
Landesbank Hessen-Thuringen Girozentrale (Helaba)	25,000,000	0.69%	26/10/2021	26/10/2022	A+	0.011%
National Westminster Bank Plc (RFB)	10,000,000	0.67%	26/10/2021	26/10/2022	A	0.011%
Santander UK PLC	20,000,000	1.05%		Call95	A	0.012%
Goldman Sachs International Bank	10,000,000	0.53%		Call98	A+	0.012%
Yorkshire Building Society	20,000,000	0.55%	17/11/2021	17/11/2022	A-	0.014%
DBS Bank Ltd	20,000,000	0.70%	05/01/2022	05/12/2022	AA-	0.008%
Goldman Sachs International Bank	20,000,000	0.76%	08/12/2021	08/12/2022	A+	0.016%
DBS Bank Ltd	20,000,000	1.75%	21/03/2022	21/12/2022	AA-	0.009%
Toronto Dominion Bank	20,000,000	0.69%	22/12/2021	22/12/2022	AA-	0.009%
Toronto Dominion Bank	20,000,000	0.91%	12/01/2022	12/01/2023	AA-	0.010%
Santander UK PLC	30,000,000	0.95%		Call180	A	0.023%
Australia and New Zealand Banking Group Ltd	90,000,000	1.43%		Call185	A+	0.023%
Goldman Sachs International Bank	20,000,000	0.43%		Call185	A+	0.023%
National Australia Bank Ltd	20,000,000	1.30%	07/02/2022	07/02/2023	A+	0.024%
Barclays Bank UK PLC (RFB)	20,000,000	1.66%	16/02/2022	16/02/2023	A	0.025%
Toronto Dominion Bank	20,000,000	2.07%	17/03/2022	17/03/2023	AA-	0.014%
National Australia Bank Ltd	20,000,000	1.84%	11/04/2022	20/03/2023	A+	0.029%
National Westminster Bank Plc (RFB)	20,000,000	2.28%	05/07/2022	05/04/2023	A	0.031%
Santander UK PLC	25,000,000	1.15%		Call263	A	0.033%
Goldman Sachs International Bank	20,000,000	2.31%	04/05/2022	02/05/2023	A+	0.035%
Goldman Sachs International Bank	20,000,000	2.31%	04/05/2022	04/05/2023	A+	0.035%
Toronto Dominion Bank	20,000,000	2.00%	13/05/2022	15/05/2023	AA-	0.018%
DBS Bank Ltd	20,000,000	2.51%	16/06/2022	16/06/2023	AA-	0.020%

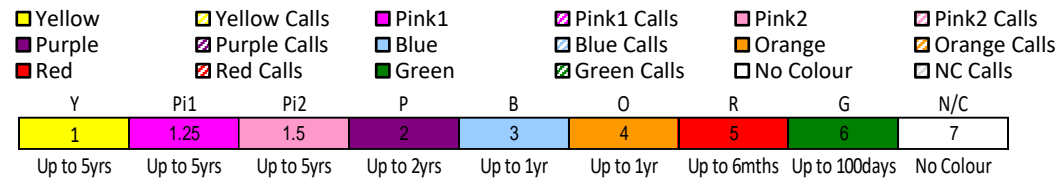
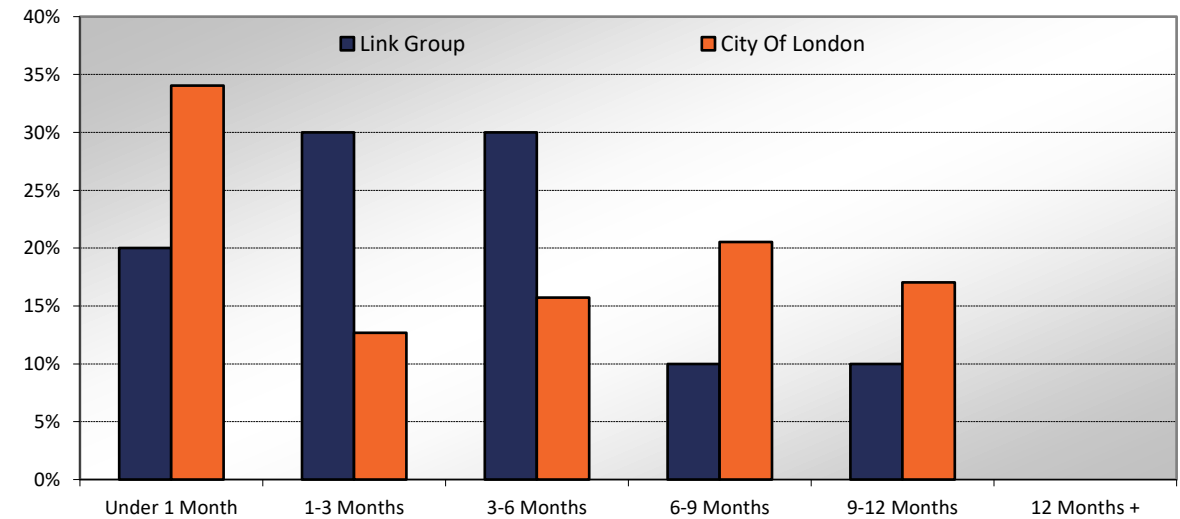
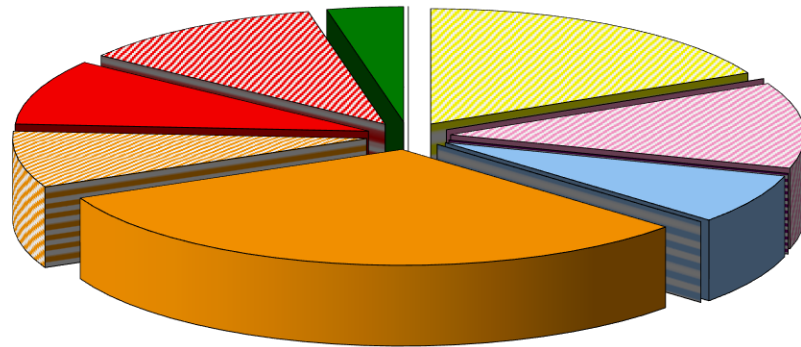
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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
Cooperatieve Rabobank U.A.	20,000,000	2.90%	30/06/2022	29/06/2023	A+	0.042%
Leeds Building Society	20,000,000	2.09%	01/07/2022	03/07/2023	A-	0.043%
Landesbank Hessen-Thuringen Girozentrale (Helaba)	50,000,000	2.79%	18/07/2022	18/07/2023	A+	0.044%
Santander UK PLC	25,000,000	1.35%		Call365	A	0.046%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
L&G	76,628,384	-5.68%				
ROYAL LONDON	77,115,454	-5.10%				
Total Investments	£1,298,489,177	0.35%				
Total Investments - excluding Funds	£1,144,745,339	1.12%				0.021%
Total Investments - Funds Only	£153,743,838	-5.39%				

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 = **3.37**

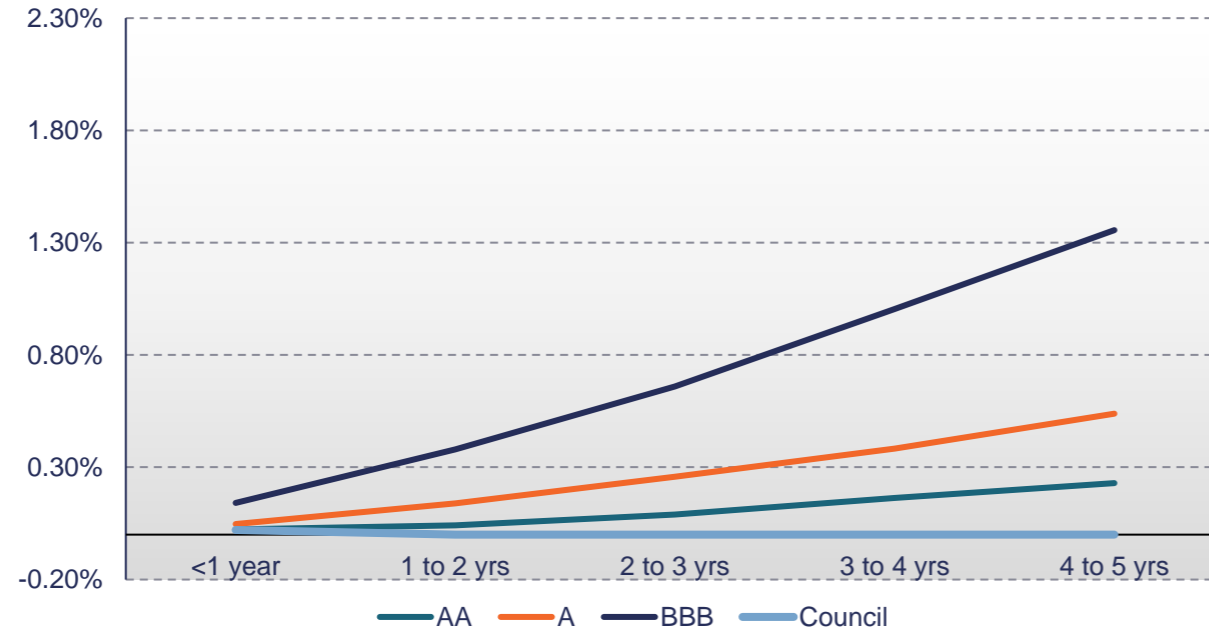
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	17.69%	£202,500,000	100.00%	£202,500,000	17.69%	1.25%	0	0	0	0
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	11.99%	£137,245,339	100.00%	£137,245,339	11.99%	-0.33%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	6.99%	£80,000,000	0.00%	£0	0.00%	0.77%	79	342	79	342
Orange	39.31%	£450,000,000	20.00%	£90,000,000	7.86%	1.52%	190	311	191	342
Red	20.53%	£235,000,000	55.32%	£130,000,000	11.36%	1.17%	200	281	183	365
Green	3.49%	£40,000,000	0.00%	£0	0.00%	1.32%	223	366	223	366
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	#####	48.90%	£559,745,339	48.90%	1.12%	129	216	176	348

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Investment Risk and Rating Exposure

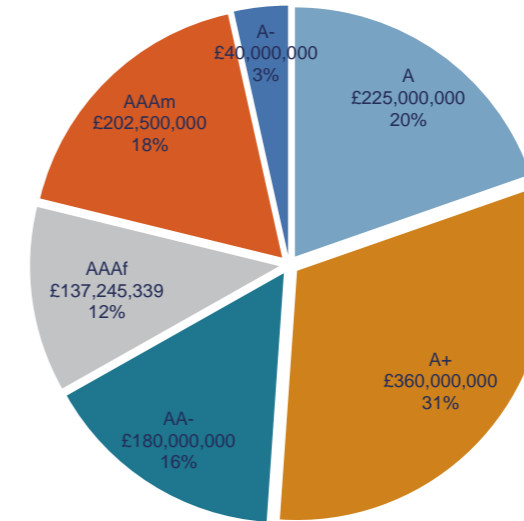
Investment Risk Vs. Rating Categories



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 MOODY'S

Date	Update Number	Institution	Country	Rating Action
07/07/2022	1909	Landesbank Berlin AG	Germany	The Long Term Rating was downgraded to 'Aa3' from 'Aa2'. At the same time the Outlook on the Long Term Rating was changed to Stable from Negative
15/07/2022	1912	Bayerische Landesbank	Germany	The Outlook on the Long Term Rating was changed to Positive from Stable.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
01/07/2022	1904	Swedbank AB	Sweden	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'. The Viability Rating was upgraded to 'aa-' from 'a+'. At the same time the Support Rating was withdrawn.
01/07/2022	1905	Svenska Handelsbanken AB	Sweden	The Support Rating was withdrawn
01/07/2022	1905	Handelsbanken Plc	United Kingdom	The Support Rating was withdrawn
01/07/2022	1906	Skandinaviska Enskilda Banken AB	Sweden	The Support Rating was withdrawn
01/07/2022	1907	Nordea Bank Abp	Finland	The Support Rating was withdrawn
07/07/2022	1908	Standard Chartered Bank	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative. At the same time, the Support Rating was withdrawn.
11/07/2022	1910	United States Sovereign	United States	The Outlook on the Long Term Rating was changed to Stable from Negative.
11/07/2022	1911	National Bank of Canada	Canada	The Support Rating was withdrawn
11/07/2022	1911	Canadian Imperial Bank of Commerce	Canada	The Support Rating was withdrawn
11/07/2022	1911	Royal Bank of Canada	Canada	The Support Rating was withdrawn
11/07/2022	1911	Bank of Nova Scotia	Canada	The Support Rating was withdrawn
11/07/2022	1911	Toronto-Dominion Bank	Canada	The Support Rating was withdrawn

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
26/07/2022	1914	KBC Bank N.V.	Belgium	The Support Rating was withdrawn

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
01/07/2022	1903	Landesbank Hessen-Thuringen Girozentrale	Germany	The Long Term and Short Term Rating were withdrawn
20/07/2022	1913	National Bank Of Kuwait (International) PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative

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