



City Of London Corporation

Client Designated MMF, USDBF & SDBF Rates

Monthly Investment Analysis Review

May 2023

Monthly Economic Summary

General Economy

The preliminary (i.e. Flash) UK Manufacturing PMI fell to 46.9 in May from 47.8 in April, and below market expectations of 48. The latest reading pointed to the steepest deterioration in activity in the sector for five months, as output declined for a third consecutive month due in part to subdued order books and customer destocking. The UK Services PMI also fell, to 55.1 in May from 55.9 in April and below the market consensus of 55.5. However, by remaining above 50, the survey indicated that service sector activity grew in May – with respondents also noting that they experienced the fastest rise in their cost burdens for three months. The UK Construction PMI (which is released one month behind) meanwhile, edged higher to 51.1 in April from 50.7 in March, marking a third consecutive increase in construction activity, and compared to forecasts of 51. Rising volumes of commercial work and civil engineering activity helped to offset the steepest decline in residential construction output since May 2020.

The UK economy's GDP shrank 0.3% m/m in March, following a flat reading in February and worse than market forecasts of no growth. Details of the report revealed that government spending, foreign trade and inventory destocking drove the contraction, whilst consumer spending (in real terms) was unchanged on the month. Considering the three months to March, GDP grew by 0.1%. Whilst foreign trade acted as a break on growth, the UK trade deficit actually shrank to £2.86 billion in March from a downwardly revised £3.35 billion in February. This was the smallest trade shortfall in four months, as imports slipped 1.8% m/m to a 15-month low of £69.8 billion while exports fell at a slower 1.2% rate to a nine-month low of £66.9 billion. Goods imports fell 2.8% due to a decline in purchases from non-EU countries.

UK employment rose by 182,000 in the three months to March, more than market forecasts of 160,000 growth and up from a 169,000 rise in the previous period. Although this marked the highest advance in ten months, employment in March as a single month fell by 444,000, reversing much of February's huge 504,000 gain. Vacancies also fell slightly to 1.083m from 1.114m in February. Ultimately, a decline in inactivity (which sees people look for work) caused the unemployment rate to rise by 0.1%, reaching 3.9% in the first quarter of 2023. This marked the highest level since the period between November 2021 and January 2022, and slightly higher than the consensus forecast of 3.8%. Alongside this marginal loosening of the labour market, average weekly earnings, including bonuses in the UK, rose 5.8% y/y in the three months to March, the same as in January and in line with market forecasts. Meanwhile, regular pay which excludes bonus payments, rose 6.7%, slightly higher than 6.6% in the previous period but below forecasts of 6.8%.

The annual consumer price inflation rate in the UK fell to 8.7% y/y in April, the lowest since March 2022, due to a sharp slowdown in electricity and gas prices. Still, the inflation rate exceeded both market expectations of 8.2% and the Bank of England's forecast of 8.4% - and remained well above the Bank of England's target of 2.0%. Meanwhile, the core inflation rate, which excludes food and energy, jumped to 6.8%, the highest since March 1992 and well above consensus forecasts of 6.2%. Although the Bank of England had matched expectations by raising Bank Rate to 4.5% earlier in the month, the market responded to this data by pencilling in further rate rises across the bulk of the remainder of this year.

Retail sales volumes in the UK rose by 0.5% m/m in April, partly reversing March's weather related 1.2% decline and exceeding market expectations of 0.3% growth. The improvement in retail sales was mirrored in the GfK Consumer Confidence indicator, which rose to -27 in May from -30 in April, matching consensus forecasts. This represented the fourth consecutive rise in the series as British households became more optimistic about the economy and their finances, despite elevated inflation pressures.

Public sector net borrowing (PSNB ex) was £25.6 billion in April, £11.9 billion more than in April 2022 and the second-highest April borrowing since monthly records began in 1993. Although receipts rose, spending grew by 14.1% courtesy of the additional costs of the energy support schemes, increases in benefit payments and higher debt interest payable.

The US economy unexpectedly added 253,000 jobs in April, above forecasts of 180,000 and following a downwardly revised 165,000 gain in March. As a result, the US unemployment rate fell to 3.4% compared to 3.5% in March. Q1 GDP growth, meanwhile, was revised to a 1.3% annualised rate compared to 1.1% according to the preliminary (advance) estimate. The inflation rate eased to 4.9% y/y in April compared to 5% in March as a result of further falls in energy prices and slower growth in food prices. However, the Federal Reserve raised the Fed Funds Rate by 0.25% to a range of 5%-5.25% during its May meeting, bringing borrowing costs to their highest level since September 2007. The initial reading of the Eurozone's quarterly economic growth was confirmed at 0.1% during the first quarter of 2023, matching market expectations. The annual inflation rate in the Euro Area was confirmed at 7% in April compared to 6.9% in March. With inflation still above the central bank's 2% target, it was no surprise to see the European Central Bank raise their key interest rate by 0.25% to 3.75% during their May meeting.

Housing

According to the Nationwide House Price Index, UK house prices fell for the third consecutive month in April, leaving them 2.7% lower than a year ago. Although house prices also fell during April according to the Halifax House Price Index, they remain 0.1% higher twelve months ago.

Currency

Sterling fell slightly against the Dollar but rose marginally against the Euro over the month.

May	Start	End	High	Low
GBP/USD	\$1.2521	\$1.2394	\$1.2630	\$1.2333
GBP/EUR	€1.1403	€1.1626	€1.1626	€1.1339

Forecast

Both Link and Capital Economics revised their Bank Rate forecasts in the wake of the stronger than expected UK inflation data, raising the forecast peak in Bank Rate to at least 5%.

Bank Rate													
	Now	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Link Group	4.50%	4.75%	5.00%	5.00%	4.75%	4.50%	4.00%	3.50%	3.25%	2.75%	2.50%	2.50%	2.50%
Capital Economics	4.50%	4.75%	5.25%	5.25%	5.25%	5.25%	4.75%	4.50%	4.00%	3.50%	3.25%	3.00%	-

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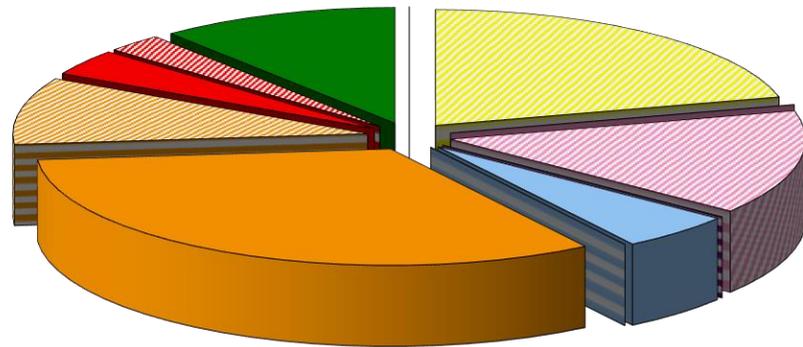
Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	31,000,000	4.44%		MMF	AAAm	
MMF CCLA	50,800,000	4.46%		MMF	AAAm	
MMF Deutsche	43,000,000	4.45%		MMF	AAAm	
MMF Federated Investors (UK)	40,000,000	4.44%		MMF	AAAm	
MMF Invesco	37,800,000	4.42%		MMF	AAAm	
USDBF Aberdeen Standard Investments	51,973,351	3.01%		USDBF	AAAf	
USDBF Federated Sterling Cash Plus Fund	26,076,296	2.71%		USDBF	AAAf	
USDBF Payden Sterling Reserve Fund	62,000,719	1.25%		USDBF	AAAf	
Australia and New Zealand Banking Group Ltd	45,000,000	4.68%		Call5	A+	0.001%
Toronto Dominion Bank	20,000,000	4.08%	12/01/2023	12/06/2023	AA-	0.001%
DBS Bank Ltd	20,000,000	2.51%	16/06/2022	16/06/2023	AA-	0.001%
Toronto Dominion Bank	20,000,000	3.97%	22/09/2022	22/06/2023	AA-	0.001%
Cooperatieve Rabobank U.A.	20,000,000	2.90%	30/06/2022	29/06/2023	A+	0.004%
Leeds Building Society	20,000,000	2.09%	01/07/2022	03/07/2023	A-	0.004%
National Australia Bank Ltd	25,000,000	5.10%	13/10/2022	13/07/2023	A+	0.005%
Landesbank Hessen-Thueringen Girozentrale (Helaba)	50,000,000	2.79%	18/07/2022	18/07/2023	A+	0.006%
National Westminster Bank Plc (RFB)	25,000,000	2.80%	09/08/2022	09/08/2023	A+	0.009%
National Westminster Bank Plc (RFB)	25,000,000	2.80%	12/08/2022	14/08/2023	A+	0.009%
Goldman Sachs International Bank	15,000,000	3.02%	15/08/2022	15/08/2023	A+	0.009%
Goldman Sachs International Bank	20,000,000	4.75%	02/05/2023	04/09/2023	A+	0.012%
Toronto Dominion Bank	20,000,000	4.70%	22/12/2022	22/09/2023	AA-	0.007%
DBS Bank Ltd	20,000,000	4.87%	12/05/2023	12/10/2023	AA-	0.008%
DBS Bank Ltd	25,000,000	5.10%	30/05/2023	30/10/2023	AA-	0.009%
National Australia Bank Ltd	20,000,000	4.39%	07/02/2023	07/11/2023	A+	0.020%
Cooperatieve Rabobank U.A.	15,000,000	4.57%	15/02/2023	15/11/2023	A+	0.021%
Barclays Bank Plc (NRFB)	20,000,000	4.73%	17/11/2022	17/11/2023	A+	0.021%
Barclays Bank Plc (NRFB)	20,000,000	4.66%	16/01/2023	30/11/2023	A+	0.023%
Santander UK PLC	25,000,000	4.10%		Call184	A	0.023%
Australia and New Zealand Banking Group Ltd	45,000,000	4.68%		Call185	A+	0.023%
National Australia Bank Ltd	20,000,000	4.98%	17/04/2023	17/01/2024	A+	0.029%
Barclays Bank Plc (NRFB)	25,000,000	4.81%	01/02/2023	01/02/2024	A+	0.030%
Barclays Bank Plc (NRFB)	20,000,000	4.75%	16/02/2023	16/02/2024	A+	0.032%
Toronto Dominion Bank	20,000,000	5.27%	15/05/2023	15/05/2024	AA-	0.022%
Toronto Dominion Bank	20,000,000	5.72%	24/05/2023	24/05/2024	AA-	0.022%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
L&G	74,882,250	-3.09%				
ROYAL LONDON	74,595,248	-3.03%				
Total Investments	£1,112,127,864	2.99%				
Total Investments - excluding Funds	£962,650,366	3.93%				0.013%
Total Investments - Funds Only	£149,477,498	-3.06%				

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 = 3.23

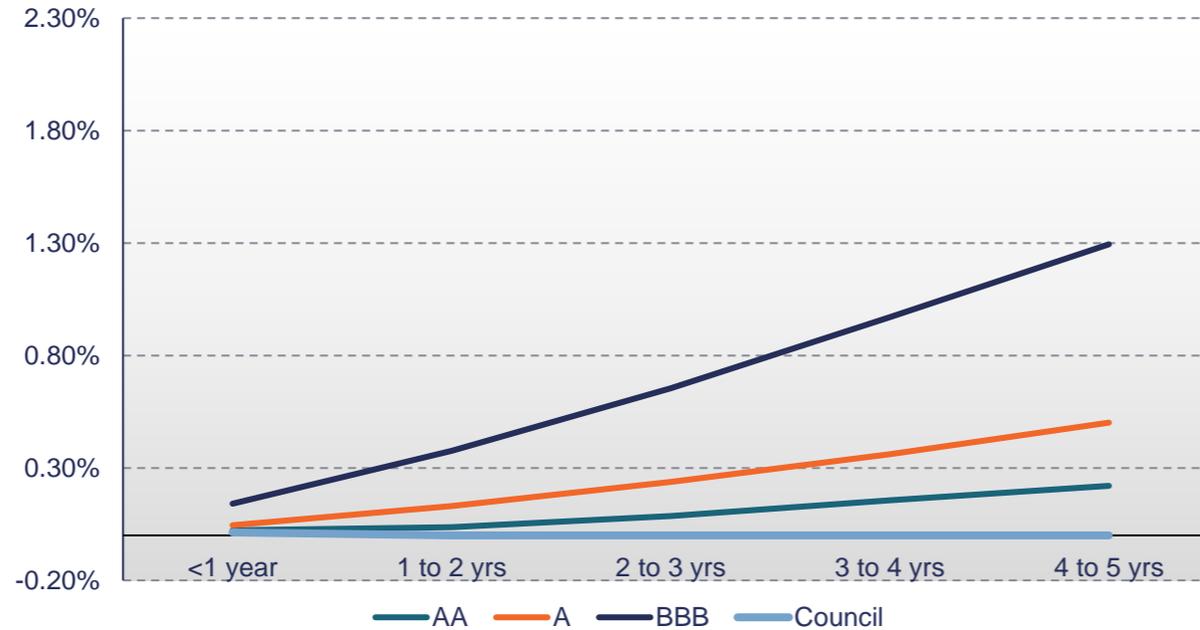
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	21.05%	£202,600,000	100.00%	£202,600,000	21.05%	4.44%	0	0	0	0
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	14.55%	£140,050,366	100.00%	£140,050,366	14.55%	2.17%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	5.19%	£50,000,000	0.00%	£0	0.00%	2.80%	73	366	73	366
Orange	42.07%	£405,000,000	22.22%	£90,000,000	9.35%	4.33%	116	244	122	286
Red	6.23%	£60,000,000	41.67%	£25,000,000	2.60%	4.04%	128	210	87	228
Green	10.91%	£105,000,000	0.00%	£0	0.00%	4.24%	182	356	182	356
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£962,650,366	47.54%	£457,650,366	47.54%	3.93%	80	174	127	305

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Investment Risk and Rating Exposure

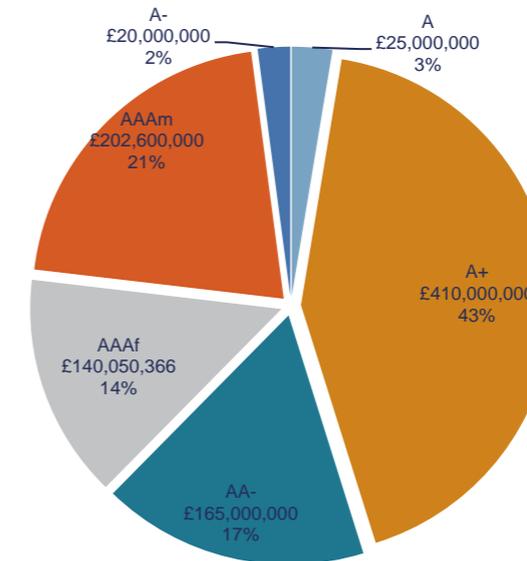
Investment Risk Vs. Rating Categories



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%	0.22%
A	0.05%	0.13%	0.24%	0.36%	0.50%
BBB	0.14%	0.38%	0.65%	0.97%	1.29%
Council	0.01%	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.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
04/05/2023	1969	Bank of America N.A.	United States	The Long Term Rating was upgraded to 'Aa1' from 'Aa2' and the Outlook on the Long Term Rating was changed to Stable and removed from Positive Watch.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
02/05/2023	1968	France (Sovereign Rating)	France	The Sovereign Rating was downgraded to 'AA-' from 'AA' and the Outlook on the Sovereign Rating was changed to Stable from Negative.
25/05/2023	1972	United States (Sovereign Rating)	United States	The Sovereign Rating was placed on Negative Watch and removed from Stable Outlook.
31/05/2023	1973	United Overseas Bank Ltd.	Singapore	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
17/05/2023	1970	Deutsche Bank AG	Germany	The Outlook on the Long Term Rating was changed to Positive from Stable.
19/05/2023	1971	Barclays Bank UK PLC (RFB)	United Kingdom	The Long Term Rating was upgraded to 'A+' from 'A' and the Outlook on the Long Term Rating was changed to Stable from Positive.
19/05/2023	1971	Barclays Bank PLC (NRFB)	United Kingdom	The Long Term Rating was upgraded to 'A+' from 'A' and the Outlook on the Long Term Rating was changed to Stable from Positive.

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