



City Of London Corporation
Client Designated USDBF, SBDF & MMF Rates
Monthly Investment Analysis Review

July 2023

Monthly Economic Summary

General Economy

The UK Manufacturing PMI fell to 45 in July from 46.5 in June and below market expectations of 46.1. The reading pointed to a 12th straight month of falling factory activity and the sharpest contraction since May 2020 as output continued to decline amid lower demand and overstocking among clients. Meanwhile, the UK Services PMI fell to 51.5 in July, from 53.7 in June and below market expectations of 53. This pointed to the weakest pace of expansion in the country's service sector since January and was attributed to softer residential property market conditions and cutbacks to discretionary business and consumer spending. Reflecting developments in the manufacturing and service sectors, the UK Composite PMI (which incorporates both sectors) fell to 50.7 in July from 52.8 in June. The UK Construction PMI, meanwhile (which is released one month behind), fell to 48.9 in June from 51.6 in May, pointing to the first contraction in the construction sector in five months, as housing activity fell the most since May 2020, amid falling demand, rising borrowing costs and a subdued outlook for the market.

The UK economy contracted 0.1% m/m in May, following 0.2% growth in April and compared to forecasts of a bigger 0.3% decline. The UK trade deficit widened sharply to £6.58 billion in May, the largest gap since last December, as exports declined by 2.6% to an 11-month low, and imports rose by 3.1%. Within exports, goods sales to the EU fell by 6.8%, driven by lower crude oil and medicinal and pharmaceutical sales. Exports to non-EU countries fell 2.1%, mainly because of a decrease in fuel exports.

UK employment rose by 102,000 in the three months to May, below market forecasts of a 125,000 rise and following a 250,000 rise in the previous period. In May itself, employment rose by 58,000, evidencing some loosening of the labour market. The easing in employment, combined with a further 141,000 decline in inactivity in the three months to May, meant that the unemployment rate increased from 3.8% to 4.0%, above expectations of an unchanged reading. Despite evidence of an easing in the tightness of the labour market, average weekly earnings including bonuses rose by 6.9% y/y in the three months to May, the highest increase since the three months to August 2021, and above market forecasts of 6.8%. Meanwhile, regular pay which excludes bonus payments, rose 7.3% y/y in the three months to May, reaching its highest since during the coronavirus pandemic period for April to June 2021.

The annual consumer price inflation rate in the UK dropped to 7.9% in June from 8.7% in May, marking the lowest level since March 2022 and slightly below the market consensus of 8.2%, mainly due to a slump in fuel prices. In doing so, inflation matched the forecast the Bank of England published in the May Monetary Policy Report, after two months of upside surprises. The core rate of inflation, which excludes volatile items such as energy and food, also eased to 6.9% y/y from May's 31-year high of 7.1%.

Retail sales in the United Kingdom rose by 0.7% m/m in June, picking up from a downwardly revised 0.1% increase in the prior month and surpassing market expectations of 0.2%. This was the third straight month of growth in retail trade, boosted by summer sales and the impact of good weather, with increases seen in most sectors. However, the improvement in retail sales was not mirrored in the GfK Consumer Confidence indicator in the United Kingdom, which fell to -30 in July 2023 from -24 in June, as persistent inflation and rising interest rates weighed on sentiment.

The strength of tax receipts helped cap public sector net borrowing, excluding public sector banks, at £18.5 billion in June. This was below both the Office for Budget Responsibility's (OBR's) forecast of £21.1 billion and consensus forecasts of £22 billion. Moreover, estimates of borrowing in April and May were also revised lower by a total of £7 billion. As a result, borrowing was reported as £7.5bn lower than the OBR expected after three months of the 2023/24 fiscal year.

The US economy added 209,000 jobs in June, following a downwardly revised 306,000 in May, and below market forecasts of 225,000. Whilst this was the lowest reading since December 2020, the gain was sufficient to nudge the unemployment rate down to 3.6% from 3.7% in May. The US economy, meanwhile, expanded at an annualised 2.4% q/q rate in Q2 compared to 2% in Q1 and above market expectations of 1.8%. According to the Federal Reserve's preferred measure, the personal consumption expenditure price index, the inflation rate in the US matched expectations by easing to 3% y/y in June from 3.8% in May. Despite this fall however, the Federal Reserve elected to raise the target range for the Federal Funds Rate by 0.25% to 5.25%-5.5% at their July meeting, in line with market expectations.

According to the Flash (i.e. preliminary) estimate, the Eurozone economy grew by 0.3% during Q2 having stagnated during Q1, slightly surpassing market consensus forecasts of a 0.2% expansion. Courtesy of a further drop in energy prices, the consumer price inflation rate in the Euro Area eased to 5.3% y/y in July from 5.5% in June, matching market forecasts. Nevertheless, the European Central Bank raised interest rates by 0.25% to 4.25% at their July meeting, noting that inflation is expected to remain too high for too long.

Housing

The Halifax house price index fell by 0.1% m/m and 2.6% y/y in June, the largest decrease since June 2011, as the squeeze on household finances caused by sticky inflation and ongoing policy tightening continued to exert downward pressure on housing demand. The rate of decline also reflected the impact of historically high house prices last summer, which were supported by the temporary Stamp Duty cut.

Currency

Sterling was little changed against the Euro and the Dollar over the month.

July	Start	End	High	Low
GBP/USD	\$1.2690	\$1.2714	\$1.3119	\$1.2690
GBP/EUR	€1.1635	€1.1653	€1.1735	€1.1515

Forecast

Capital Economics raised their forecast peak in Bank Rate to 5.50%, matching Link Group's unchanged view of the peak.

Bank Rate	Now	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
	Link Group	5.00%	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%	3.25%	2.75%	2.75%	2.50%
Capital Economics	5.00%	5.50%	5.50%	5.50%	5.50%	5.00%	4.50%	4.00%	3.50%	3.25%	3.00%	-	-

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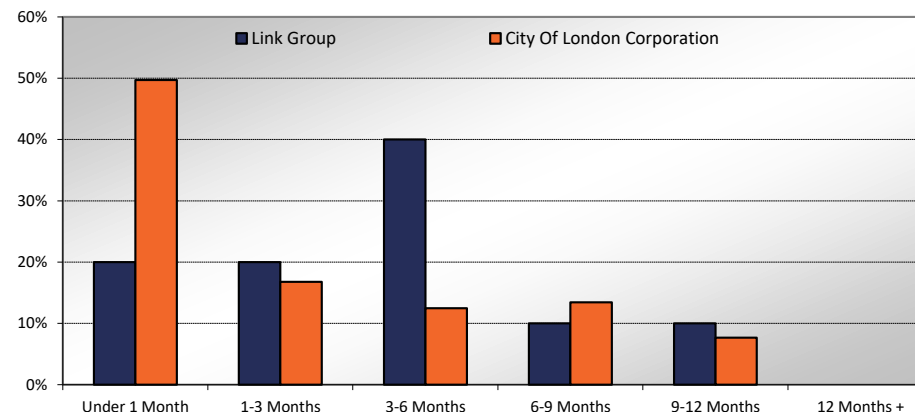
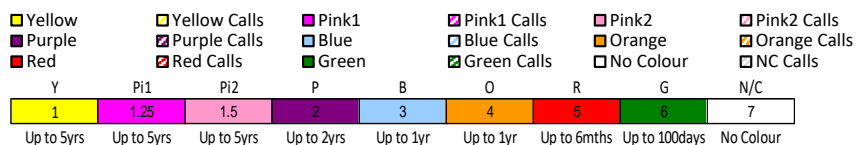
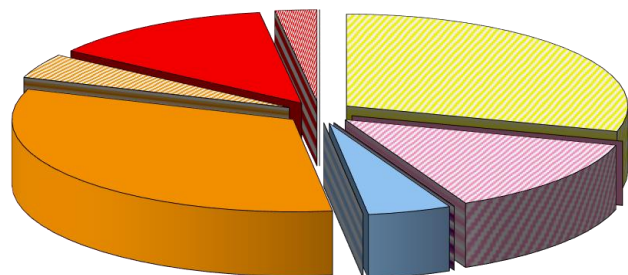
Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	42,500,000	4.96%		MMF	AAAm	
MMF CCLA	70,000,000	4.94%		MMF	AAAm	
MMF Deutsche	70,000,000	4.91%		MMF	AAAm	
MMF Federated Investors (UK)	50,000,000	4.92%		MMF	AAAm	
MMF Invesco	75,000,000	5.01%		MMF	AAAm	
USDBF Aberdeen Standard Investments	52,397,931	3.55%		USDBF	AAAf	
USDBF Federated Sterling Cash Plus Fund	26,277,740	3.34%		USDBF	AAAf	
USDBF Payden Sterling Reserve Fund	62,440,830	1.89%		USDBF	AAAf	
National Westminster Bank Plc (RFB)	25,000,000	2.80%	09/08/2022	09/08/2023	A+	0.001%
DBS Bank Ltd	5,000,000	5.05%	10/07/2023	10/08/2023	AA-	0.001%
National Westminster Bank Plc (RFB)	25,000,000	2.80%	12/08/2022	14/08/2023	A+	0.002%
Goldman Sachs International Bank	15,000,000	3.02%	15/08/2022	15/08/2023	A+	0.002%
Goldman Sachs International Bank	20,000,000	4.75%	02/05/2023	04/09/2023	A+	0.004%
Australia and New Zealand Banking Group Ltd	25,000,000	4.97%	05/06/2023	05/09/2023	A+	0.004%
Toronto Dominion Bank	20,000,000	4.70%	22/12/2022	22/09/2023	AA-	0.003%
Australia and New Zealand Banking Group Ltd	5,000,000	5.61%	07/07/2023	09/10/2023	A+	0.009%
Australia and New Zealand Banking Group Ltd	5,000,000	5.61%	10/07/2023	10/10/2023	A+	0.009%
Australia and New Zealand Banking Group Ltd	20,000,000	5.18%	12/06/2023	12/10/2023	A+	0.009%
DBS Bank Ltd	20,000,000	4.87%	12/05/2023	12/10/2023	AA-	0.005%
Barclays Bank Plc (NRFB)	15,000,000	5.66%	13/07/2023	13/10/2023	A+	0.009%
DBS Bank Ltd	20,000,000	5.22%	16/06/2023	16/10/2023	AA-	0.005%
DBS Bank Ltd	25,000,000	5.10%	30/05/2023	30/10/2023	AA-	0.006%
National Australia Bank Ltd	20,000,000	4.39%	07/02/2023	07/11/2023	A+	0.012%
Cooperative Rabobank U.A.	15,000,000	4.57%	15/02/2023	15/11/2023	A+	0.013%
Barclays Bank Plc (NRFB)	20,000,000	4.73%	17/11/2022	17/11/2023	A+	0.013%
Barclays Bank Plc (NRFB)	20,000,000	4.66%	16/01/2023	30/11/2023	A+	0.015%
Santander UK PLC	25,000,000	4.90%		Call124	A	0.015%
DBS Bank Ltd	10,000,000	6.02%	13/07/2023	15/01/2024	AA-	0.010%
National Australia Bank Ltd	20,000,000	4.98%	17/04/2023	17/01/2024	A+	0.021%
Barclays Bank Plc (NRFB)	25,000,000	4.81%	01/02/2023	01/02/2024	A+	0.023%
Australia and New Zealand Banking Group Ltd	45,000,000	5.18%		Call185	A+	0.023%
Barclays Bank Plc (NRFB)	20,000,000	4.75%	16/02/2023	16/02/2024	A+	0.025%
National Australia Bank Ltd	30,000,000	6.16%	18/07/2023	18/03/2024	A+	0.029%
Cooperative Rabobank U.A.	20,000,000	6.14%	29/06/2023	28/03/2024	A+	0.030%
Toronto Dominion Bank	20,000,000	5.27%	15/05/2023	15/05/2024	AA-	0.018%
Toronto Dominion Bank	20,000,000	5.72%	24/05/2023	24/05/2024	AA-	0.018%
Toronto Dominion Bank	20,000,000	6.53%	28/06/2023	26/06/2024	AA-	0.020%
Toronto Dominion Bank	20,000,000	6.57%	18/07/2023	17/07/2024	AA-	0.022%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
L&G	75,392,659	-1.67%				
ROYAL LONDON	75,769,828	-1.77%				
Total Investments	£1,194,778,987	3.86%				
Total Investments - excluding Funds	£1,043,616,501	4.67%				0.014%
Total Investments - Funds Only	£151,162,486	-1.72%				

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 = **2.88**

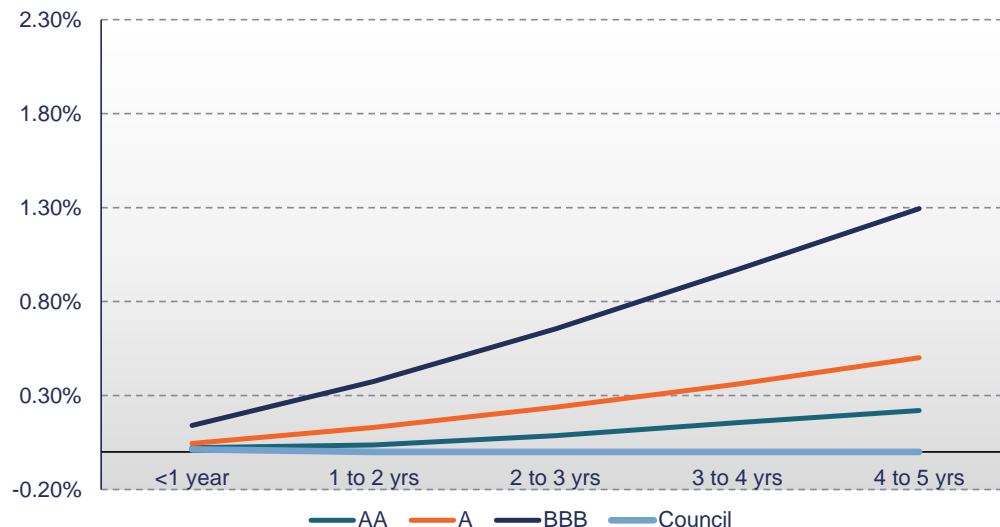
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	29.46%	£307,500,000	100.00%	£307,500,000	29.46%	4.95%	0	0	0	0
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	13.52%	£141,116,501	100.00%	£141,116,501	13.52%	2.78%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	4.79%	£50,000,000	0.00%	£0	0.00%	2.80%	12	366	12	366
Orange	36.89%	£385,000,000	11.69%	£45,000,000	4.31%	5.38%	165	228	163	234
Red	15.33%	£160,000,000	15.63%	£25,000,000	2.40%	4.69%	115	266	113	292
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
Total	100.00%	£1,043,616,501	49.69%	£518,616,501	49.69%	4.67%	79	142	135	261

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Investment Risk and Rating Exposure

Investment Risk Vs. Rating Categories

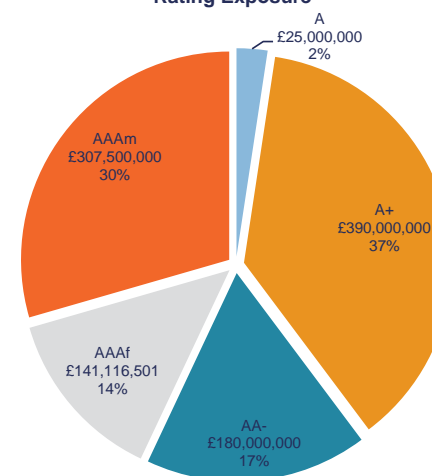


Historic Risk of Default

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%

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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
03/07/2023	1980	Principality Building Society	UK	The Long Term Rating was upgraded to 'Baa1' from 'Baa2'.
07/07/2023	1983	ABN AMRO Bank N.V.	Netherlands	The Long Term Rating was upgraded to 'Aa3' from 'A1'.
10/07/2023	1984	Svenska Handelsbanken AB	Sweden	The Outlook on the Long Term Rating was changed to Negative from Stable.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
03/07/2023	1981	Deutsche Bank AG	Germany	The Long Term Rating was upgraded to 'A-' from 'BBB+' and the Viability Rating was upgraded to 'a-' from 'bbb+'. The Outlook on the Long Term Rating was also changed to Stable from Positive.
04/07/2023	1982	Societe Generale	France	The Outlook on the Long Term Rating was changed to Positive from Stable.
11/07/2023	1985	Danske Bank A/S	Denmark	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

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