



City Of London Corporation

Client Designated MMF, SDBF & USDBF Rates

Monthly Investment Analysis Review

May 2024

Monthly Economic Summary

General Economy

The UK manufacturing PMI rose to 51.2 in May from 49.1 the previous month, its highest reading since July 2022, but slightly below market expectations of 51.3. This meant that UK factory activity returned to expansion (ie a reading above 50) with manufacturing production driven by increased new work, strong market conditions and efforts to complete existing contracts. Despite overall improvements, new exports fell for the twenty-eighth consecutive month. Meanwhile, the UK Services PMI fell to 52.9 in May from 55 in April, beneath market expectations of 54.7. Despite the slowdown, this indicates the seventh consecutive expansion in the sector as UK companies continued to adapt to the prolonged period of higher interest rates. However, despite increases in business and consumer spending, activity is still weighed by the effect of the rising living costs which explains the slowdown in activity from the previous month. Consequently, the UK composite PMI dropped to 52.8 in May, a fall from 54.1 in April, and below market expectations of 54 but still a solid expansion in the private sector. Meanwhile, the UK construction PMI increased to 53 in April from 50.2 the previous month (it is released on a one-month lag to other sector reports), its second consecutive expansion led by growth in the commercial and civil engineering sectors.

The UK economy expanded 0.4% m/m in March, following an upwardly revised 0.2% in February, and beating market expectations of 0.1%. The biggest contribution to the rise came from a 0.5% increase in services output helping GDP have its strongest performance in 9 months. Additionally, production grew by 0.2% but, in contrast, construction shrank by 0.4% having been impacted by inclement weather conditions. Elsewhere, the UK's trade deficit narrowed to £1.098 billion in March, from a revised £1.478 billion in February, and its smallest deficit in three months, as imports dropped by 1.5% compared to a fall in exports of just 1%.

The UK recorded a further 178,000 drop in jobs in the three months prior to March, following a 156,00 decrease in the previous period, although this was above market expectations of a 215,000 fall. Meanwhile, average weekly earnings (including bonuses) increased at 5.7% y/y in the three months to March, beating market expectations of 5.3%. The unemployment rate edged up to 4.3% between January and March, just above 4.2% in the previous period and in line with market expectations.

Regarding inflation, the monthly Consumer Price Index (CPI) rose by 0.3% in April, slowing from the 0.6% rise in March but above market expectations of 0.2%. The headline annual rate dropped significantly to 2.3% in April, its lowest since July 2021, largely down to falling gas and electricity costs, as Ofgem lowered the energy price cap. There was also a slowing in rates for food and recreation and culture, however, these were offset primarily by the upward contribution from motor fuels.

In the retail sector, sales declined 2.3% in April, following a downwardly revised 0.2% drop in March and significantly worse than market expectations of a 0.4% fall. This was the largest decrease in retail sales in four months, with non-food stores and motor fuels leading declines, although sales volumes declined in most sectors. Meanwhile, the GfK Consumer Confidence Indicator improved to -17 in May from -19 in April, its highest reading since December 2021 and better than market expectations of -18. Elsewhere, public sector net borrowing, excluding public sector banks, increased to £20.5 billion in April, compared to market expectations of £19.3 billion. It was the largest public deficit since April 2021, as expenditure rose 3%, and receipts increased 1.9%.

US Economy

The US economy added 175,000 jobs in April, in comparison to the upwardly revised 315,000 jobs in March but short of market expectations of a 243,000 increase. The main areas of gain were the healthcare sector, while transportation and warehousing sectors also saw improvements. The US economy expanded an annualised 1.3% in Q1 2024, below the 1.6% advanced estimate mainly due to a downward revision in consumer spending. The US inflation rate eased to 3.4% after its 3.5% reading March, which was its highest since September, and in line with market expectations.

EU Economy

In the Euro area, the inflation rate remained at 2.4% in May, in line with market expectations and still above the ECB's 2% target. Meanwhile, the core rate, excluding food and energy prices, fell to 2.7%, from 2.9% the previous month, matching market expectations. GDP in the Euro area expanded by 0.3% in the first quarter of 2024, recovering from a 0.1% contraction in the two previous months, and in line with initial estimates. It was its largest expansion since Q3 2022, as France, Germany and Italy all expanded at a faster pace than the previous quarter.

Housing

The Halifax House Price index rose 1.1% y/y in April, accelerating after an upwardly revised 0.4% gain in March while relative stability helped buyers gain confidence as mortgage applications rose and industry-wide approvals hit an 18-month high. Meanwhile, the Nationwide House Price Index increased 1.3% y/y in April, which marked the fourth straight price rise but its slowest pace in three months.

Currency

Sterling appreciated against both the Euro and Dollar over the month.

May	Start	End	High	Low
GBP/USD	\$1.2493	\$1.2732	\$1.2778	\$1.2486
GBP/EUR	€1.1694	€1.1728	€1.1767	€1.1611

Interest Rate Forecasts

Link Group and Capital Economics still hold that Bank Rate will peak at 5.25% in this cycle.

Bank Rate	Now	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Link Group	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.25%	3.25%	3.25%	3.25%	3.00%	3.00%	3.00%
Capital Economics	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	3.00%	3.00%	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	Expected Credit Loss (£)
MMF Aberdeen Standard Investments	40,000,000	5.24%		MMF	AAAm		
MMF CCLA	59,600,000	5.22%		MMF	AAAm		
MMF Deutsche	35,000,000	5.20%		MMF	AAAm		
MMF Federated Investors (UK)	60,000,000	5.25%		MMF	AAAm		
MMF Invesco	66,500,000	5.28%		MMF	AAAm		
USDBF Aberdeen Standard Investments	54,916,249	5.66%		USDBF	AAAf		
USDBF Federated Sterling Cash Plus Fund	27,474,553	5.38%		USDBF	AAAf		
USDBF Payden Sterling Reserve Fund	65,763,123	6.07%		USDBF	AAAf		
Santander UK PLC	45,000,000	5.80%		Call7	A	0.001%	398
Central Bedfordshire Council	10,000,000	6.25%	22/03/2024	24/06/2024	AA-	0.001%	0
Stockport Metropolitan Borough Council	20,000,000	6.25%	22/03/2024	24/06/2024	AA-	0.001%	0
Toronto Dominion Bank	20,000,000	6.53%	28/06/2023	26/06/2024	AA-	0.002%	316
DBS Bank Ltd	10,000,000	5.33%	15/01/2024	15/07/2024	AA-	0.003%	273
Toronto Dominion Bank	20,000,000	6.57%	18/07/2023	17/07/2024	AA-	0.003%	571
Surrey County Council	20,000,000	5.40%	26/04/2024	26/07/2024	AA-	0.003%	0
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.010%	1441
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.010%	1441
Australia and New Zealand Banking Group Ltd	20,000,000	5.61%	17/11/2023	19/08/2024	AA-	0.005%	972
Goldman Sachs International Bank	20,000,000	6.15%	04/09/2023	04/09/2024	A+	0.012%	2427
Goldman Sachs International Bank	20,000,000	5.33%	12/04/2024	14/10/2024	A+	0.017%	3438
Santander UK PLC	20,000,000	5.90%	16/10/2023	16/10/2024	A	0.017%	3489
Goldman Sachs International Bank	20,000,000	5.23%	22/03/2024	22/11/2024	A+	0.022%	4424
Australia and New Zealand Banking Group Ltd	45,000,000	5.43%		Call185	AA-	0.011%	5056
United Overseas Bank Ltd	20,000,000	5.23%	28/03/2024	19/12/2024	AA-	0.012%	2454
NatWest Markets Plc (NRFB)	20,000,000	5.23%	10/01/2024	10/01/2025	A	0.028%	5663
Australia and New Zealand Banking Group Ltd	20,000,000	5.31%	29/04/2024	29/01/2025	AA-	0.015%	2952
Toronto Dominion Bank	20,000,000	5.19%	15/05/2024	03/02/2025	AA-	0.015%	3012
NatWest Markets Plc (NRFB)	20,000,000	5.20%	13/05/2024	13/02/2025	A	0.033%	6523
Toronto Dominion Bank	20,000,000	5.31%	24/05/2024	24/02/2025	AA-	0.016%	3268
NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	A	0.129%	25823
NatWest Markets Plc (NRFB)	30,000,000	6.00%	07/08/2023	07/08/2026	A	0.149%	44699
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G	79,450,099	8.01%					
ROYAL LONDON	78,796,779	8.35%					
Total Investments	£1,057,500,803	5.96%					
Total Investments - excluding Funds	£899,253,925	5.57%				0.024%	£118,641
Total Investments - Funds Only	£158,246,878	8.18%					

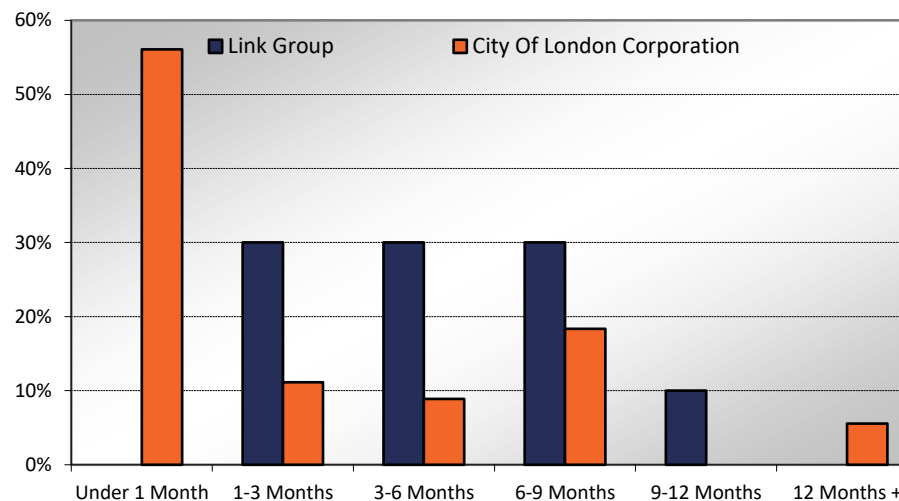
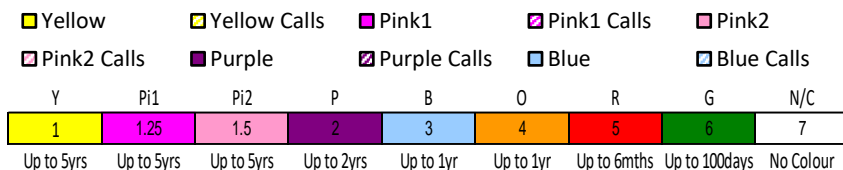
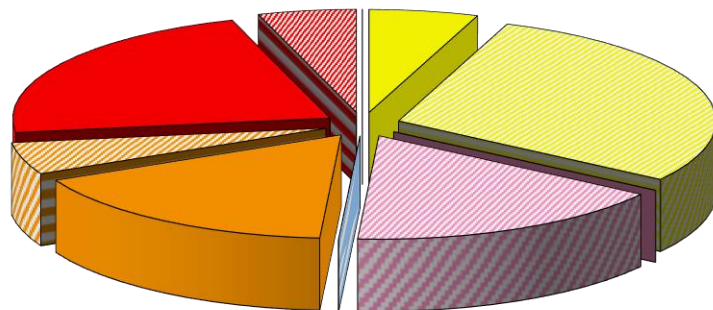
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 1990-2023 for Fitch, 1983-2023 for Moody's and 1981 to 2023 for S&P.

Where Link Group have provided a return for a property fund, that return covers the 12 months to December 2023, which are the latest returns currently available.

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Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = 2.82

WARoR = Weighted Average Rate of Return

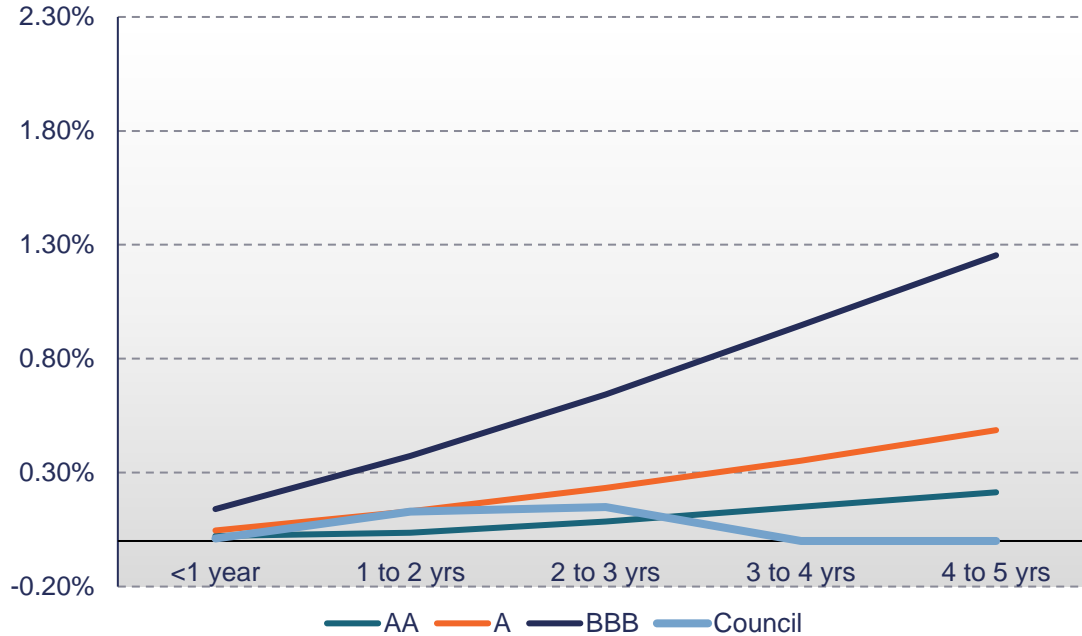
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	Excluding Calls/MMFs/USDBFs		
								WAM at Execution	WAM	WAM at Execution
Yellow	34.60%	£311,100,000	83.93%	£261,100,000	29.04%	5.35%	6	15	37	93
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	16.48%	£148,153,925	100.00%	£148,153,925	16.48%	5.79%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	21.68%	£195,000,000	23.08%	£45,000,000	5.00%	5.60%	159	266	152	290
Red	27.24%	£245,000,000	18.37%	£45,000,000	5.00%	5.68%	251	387	307	473
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
100.00%	£899,253,925	55.52%	£499,253,925	55.52%	5.57%	105	168	215	357	

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Investment Risk and Rating Exposure

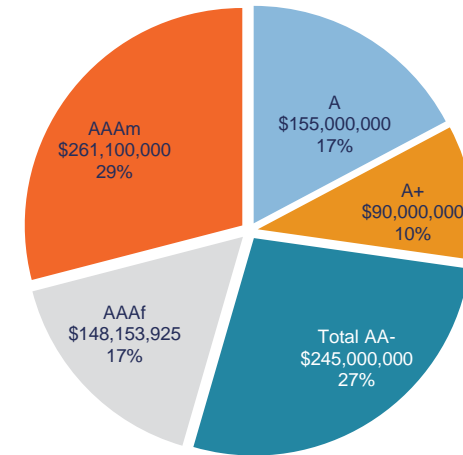
Investment Risk Vs. Rating Categories



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%	0.15%	0.21%
A	0.05%	0.13%	0.23%	0.35%	0.49%
BBB	0.14%	0.37%	0.64%	0.95%	1.25%
Council	0.01%	0.13%	0.15%	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
28/05/2024	2026	Toronto-Dominion Bank	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable.
29/05/2024	2028	National Australia Bank Ltd.	Australia	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'.
29/05/2024	2028	Commonwealth Bank of Australia	Australia	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'.
29/05/2024	2028	Westpac Banking Corp.	Australia	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'.
29/05/2024	2028	Australia and New Zealand Banking Group Ltd.	Australia	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'.
29/05/2024	2028	Macquarie Bank Ltd.	Australia	The Long Term Rating was upgraded to 'A+' from 'A'.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
02/05/2024	2023	Danske A/S	Denmark	The Long Term Rating was upgraded to 'A1' from 'A2'. The Outlook on the Long Term Rating was changed to Stable from Positive.
14/05/2024	2024	Nordea Bank Abp	Finland	The Outlook on the Long Term Rating was changed to Positive from Stable.
28/05/2024	2025	Al Rayan Bank Plc	United Kingdom	The Long Term Rating was downgraded to 'A2' from 'A1'. The Outlook of the Long Term Rating was changed to Stable from Negative.
28/05/2024	2027	Commonwealth Bank of Australia	Australia	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'. The Outlook on the Long Term Rating was added as Stable.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
30/05/2024	2029	Toronto-Dominion Bank	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable

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