



# City Of London Corporation

Client Designated MMF, USDBF and SDBF Rates

Monthly Investment Analysis Review

August 2024

## Monthly Economic Summary

### General Economy

The UK Manufacturing PMI rose to 52.5 in August from 52.1 in July, firmly above market expectations and at the fastest pace in over two years. The continued expansion in the manufacturing sector (i.e. a reading above 50) was brought about by an improved sales pipeline and higher risk-taking among clients. On the price front, despite higher shipping and raw material costs, input cost inflation eased to its lowest in nearly four years. Meanwhile, the UK services PMI edged up to 53.3 in August from 52.5 in July, above market expectations of 52.8. This was the tenth consecutive month of expansion in service activity, and the strongest since April, driven by greater business and consumer spending. On the price front, cost pressures eased across the service sector amidst fewer supplier surcharges and more competitive market conditions. However, services providers continued to experience high wage inflation. Consequently, the UK composite PMI rose to 53.4 in August, from 52.8 in July, the highest level since April and exceeding market expectations of 52.9. Meanwhile, the UK Construction PMI rose to 55.3 in July from 52.2 in June (it is released on a one-month lag to other sector reports), and above market expectations of 52.7. This growth extends the current five-month streak of expansion for construction activity, with all categories of construction experiencing increased activity.

The UK economy stalled in June with no growth, after a 0.4% m/m increase in May, and matching market expectations. The largest negative contributions came from retail trade, while professional, scientific, and technical activities were up 0.1%. Meanwhile, industrial production grew by 0.8% m/m in June. Elsewhere, the UK's trade deficit declined to £5.32 billion in June, from an upwardly revised £5.77 billion the previous month. Imports rose by 2.6%, while exports also grew by 3.5%, marking the smallest trade gap since April.

The UK recorded a 97,000 rise in jobs in the three months prior to June, following the 19,000 increase in the previous period. This marked the largest growth in job creation since November 2023, mainly caused by an increase in part-time employees and self-employed workers. Meanwhile, average weekly earnings (including bonuses) increased 4.5% y/y in the three months to June, after 5.7% the previous period. The unemployment rate fell to 4.2% between May and June, below market expectations of 4.5%.

The monthly Consumer Price Index (CPI) fell by 0.2% in the month of July, and in line with market expectations. However, due to the base effect, the headline annual rate edged up to 2.2% in July, but below market forecasts of 2.3%. The largest upward contribution came from housing and household services, while restaurants and hotels slowed considerably since the last period.

In the retail sector, sales rose by 0.5% in July, after a revised 0.9% drop in June and aligning with market expectations. Sales at non-food stores increased by 1.4%, driven by summer discounting and sporting events. Meanwhile, GfK Consumer Confidence indicator remained at -13 in August, defying expectations of a slight improvement to -12. Elsewhere, public sector net borrowing, excluding public sector banks, climbed to £3.1 billion in July compared to market expectations of £1.5 billion. Total public sector spending increased by £3.8 billion, driven by higher central government spending on public services and benefits. Furthermore, receipts rose by £2 billion which was bolstered by self-assessed income tax.



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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           | 50,000,000    | 5.04%         |            | MMF           | AAAm                    |                          |                          |
| MMF CCLA                                    | 40,000,000    | 5.04%         |            | MMF           | AAAm                    |                          |                          |
| MMF Deutsche                                | 39,600,000    | 5.02%         |            | MMF           | AAAm                    |                          |                          |
| MMF Federated Investors (UK)                | 55,000,000    | 5.07%         |            | MMF           | AAAm                    |                          |                          |
| MMF Invesco                                 | 60,000,000    | 5.08%         |            | MMF           | AAAm                    |                          |                          |
| USDBF Aberdeen Standard Investments         | 55,672,796    | 5.76%         |            | USDBF         | AAAf                    |                          |                          |
| USDBF Federated Sterling Cash Plus Fund     | 27,858,481    | 5.55%         |            | USDBF         | AAAf                    |                          |                          |
| USDBF Payden Sterling Reserve Fund          | 66,795,184    | 6.41%         |            | USDBF         | AAAf                    |                          |                          |
| Goldman Sachs International Bank            | 20,000,000    | 6.15%         | 04/09/2023 | 04/09/2024    | A+                      | 0.001%                   | 101                      |
| Santander UK PLC                            | 45,000,000    | 5.00%         |            | Call10        | A                       | 0.001%                   | 569                      |
| DBS Bank Ltd                                | 20,000,000    | 5.28%         | 08/07/2024 | 08/10/2024    | AA-                     | 0.002%                   | 462                      |
| Goldman Sachs International Bank            | 20,000,000    | 5.33%         | 12/04/2024 | 14/10/2024    | A+                      | 0.006%                   | 1112                     |
| Santander UK PLC                            | 20,000,000    | 5.90%         | 16/10/2023 | 16/10/2024    | A                       | 0.006%                   | 1163                     |
| Goldman Sachs International Bank            | 20,000,000    | 5.23%         | 22/03/2024 | 22/11/2024    | A+                      | 0.010%                   | 2098                     |
| United Overseas Bank Ltd                    | 20,000,000    | 5.35%         | 07/06/2024 | 09/12/2024    | AA-                     | 0.006%                   | 1215                     |
| United Overseas Bank Ltd                    | 20,000,000    | 5.28%         | 26/06/2024 | 18/12/2024    | AA-                     | 0.007%                   | 1324                     |
| United Overseas Bank Ltd                    | 20,000,000    | 5.23%         | 28/03/2024 | 19/12/2024    | AA-                     | 0.007%                   | 1336                     |
| NatWest Markets Plc (NRFB)                  | 20,000,000    | 5.23%         | 10/01/2024 | 10/01/2025    | A                       | 0.017%                   | 3337                     |
| Surrey County Council                       | 20,000,000    | 5.00%         | 26/07/2024 | 27/01/2025    | AA-                     | 0.009%                   | 0                        |
| Australia and New Zealand Banking Group Ltd | 20,000,000    | 5.31%         | 29/04/2024 | 29/01/2025    | AA-                     | 0.009%                   | 1834                     |
| Toronto Dominion Bank                       | 20,000,000    | 5.19%         | 15/05/2024 | 03/02/2025    | AA-                     | 0.009%                   | 1895                     |
| NatWest Markets Plc (NRFB)                  | 20,000,000    | 5.20%         | 13/05/2024 | 13/02/2025    | A                       | 0.021%                   | 4197                     |
| Toronto Dominion Bank                       | 20,000,000    | 5.31%         | 24/05/2024 | 24/02/2025    | AA-                     | 0.011%                   | 2150                     |
| Australia and New Zealand Banking Group Ltd | 45,000,000    | 5.18%         |            | Call185       | AA-                     | 0.011%                   | 5056                     |
| DBS Bank Ltd                                | 10,000,000    | 5.15%         | 15/07/2024 | 14/03/2025    | AA-                     | 0.012%                   | 1184                     |
| Cooperatieve Rabobank U.A.                  | 20,000,000    | 5.28%         | 21/06/2024 | 18/03/2025    | A+                      | 0.025%                   | 5031                     |
| Australia and New Zealand Banking Group Ltd | 20,000,000    | 4.90%         | 19/08/2024 | 19/03/2025    | AA-                     | 0.012%                   | 2429                     |
| Goldman Sachs International Bank            | 15,000,000    | 4.81%         |            | Call272       | A+                      | 0.034%                   | 5158                     |
| Goldman Sachs International Bank            | 15,000,000    | 4.81%         |            | Call272       | A+                      | 0.034%                   | 5158                     |

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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 (£) |
|--|-----------------------|----------------------|-------------------|----------------------|-------------------------|--------------------------|--------------------------|
| Landesbank Hessen-Thueringen Girozentrale (Helaba) | 20,000,000            | 5.27%                | 07/06/2024        | 09/06/2025           | A+                      | 0.036%                   | 7130                     |
| Toronto Dominion Bank                              | 20,000,000            | 5.21%                | 05/07/2024        | 04/07/2025           | AA-                     | 0.019%                   | 3729                     |
| Toronto Dominion Bank                              | 20,000,000            | 5.16%                | 17/07/2024        | 17/07/2025           | AA-                     | 0.019%                   | 3887                     |
| Cooperatieve Rabobank U.A.                         | 20,000,000            | 5.00%                | 01/08/2024        | 01/08/2025           | A+                      | 0.042%                   | 8470                     |
| NatWest Markets Plc (NRFB)                         | 20,000,000            | 5.30%                | 28/05/2024        | 28/05/2026           | A                       | 0.108%                   | 21606                    |
| NatWest Markets Plc (NRFB)                         | 30,000,000            | 6.20%                | 07/08/2023        | 07/08/2026           | A                       | 0.124%                   | 37291                    |
| <b>Borrower - Funds</b>                            | <b>Principal (£)</b>  | <b>Interest Rate</b> | <b>Start Date</b> | <b>Maturity Date</b> |                         |                          |                          |
| L&G  | 79,860,736            | 9.35%                |                   |                      |                         |                          |                          |
| ROYAL LONDON                                       | 79,705,445            | 9.77%                |                   |                      |                         |                          |                          |
| <b>Total Investments</b>                           | <b>£1,134,492,642</b> | <b>5.93%</b>         |                   |                      |                         |                          |                          |
| <b>Total Investments - excluding Funds</b>         | <b>£974,926,461</b>   | <b>5.34%</b>         |                   |                      |                         | <b>0.023%</b>            | <b>£128,922</b>          |
| <b>Total Investments - Funds Only</b>              | <b>£159,566,181</b>   | <b>9.56%</b>         |                   |                      |                         |                          |                          |

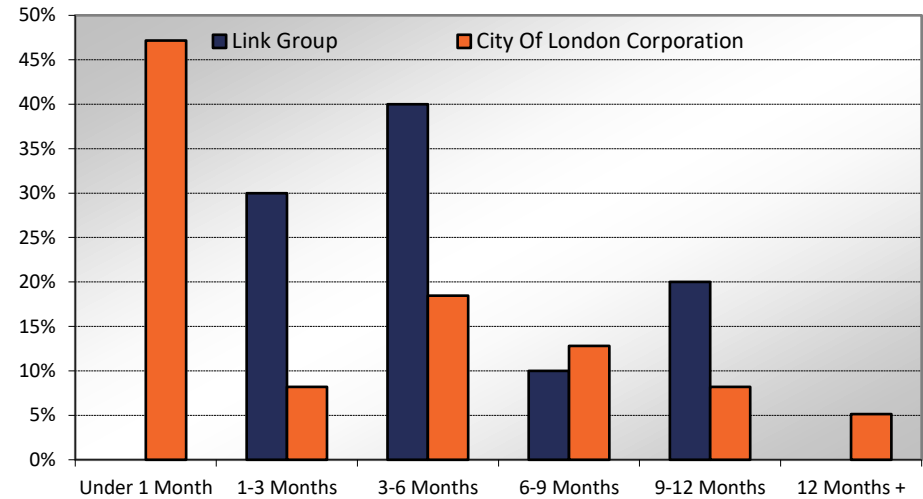
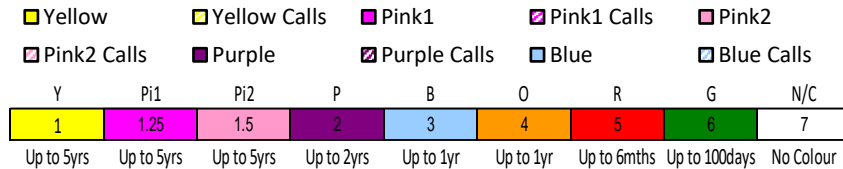
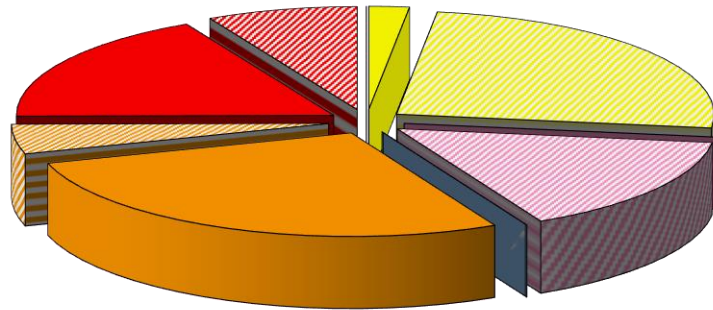
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to 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 June 2024, 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 = 3.05

WARoR = Weighted Average Rate of Return

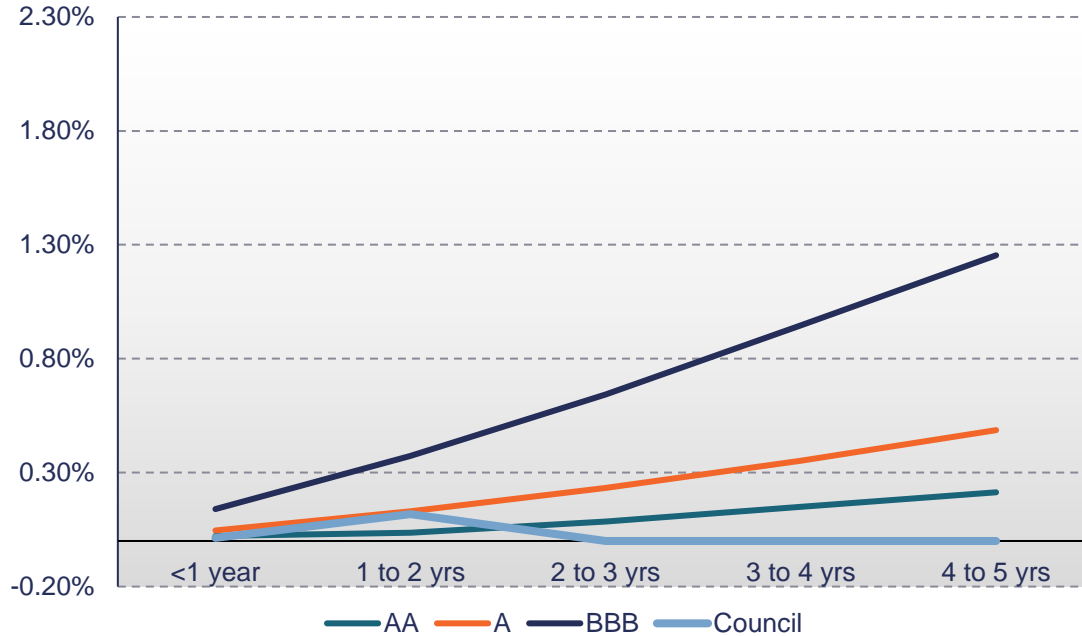
WAM = Weighted Average Time to Maturity

|                | % 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         | 27.14%              | £264,600,000  | 92.44%               | £244,600,000              | 25.09%                 | 5.05%      | 11         | 14                          | 149        | 185              |
| Pink1          | 0.00%               | £0            | 0.00%                | £0                        | 0.00%                  | 0.00%      | 0          | 0                           | 0          | 0                |
| Pink2          | 15.42%              | £150,326,461  | 100.00%              | £150,326,461              | 15.42%                 | 6.01%      | 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         | 32.31%              | £315,000,000  | 14.29%               | £45,000,000               | 4.62%                  | 5.21%      | 190        | 255                         | 191        | 266              |
| Red            | 25.13%              | £245,000,000  | 30.61%               | £75,000,000               | 7.69%                  | 5.40%      | 212        | 376                         | 255        | 492              |
| 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                |
| <b>100.00%</b> | <b>£974,926,461</b> | <b>52.82%</b> | <b>£514,926,461</b>  | <b>52.82%</b>             | <b>5.34%</b>           | <b>118</b> | <b>181</b> | <b>213</b>                  | <b>346</b> |                  |

# City Of London Corporation

## Investment Risk and Rating Exposure

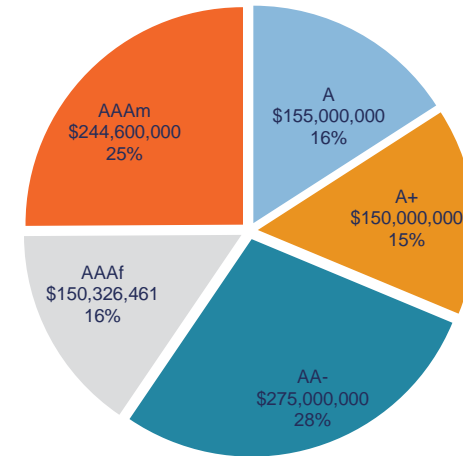
Investment Risk Vs. Rating Categories



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%   | 0.12%      | 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.

City Of London Corporation

Monthly Credit Rating Changes  
FITCH

| Date | Update Number | Institution | Country | Rating Action |
|------|---------------|-------------|---------|---------------|
|      |               |             |         |               |



# City Of London Corporation

## Monthly Credit Rating Changes MOODY'S

| Date       | Update Number | Institution           | Country | Rating Action   |
|------------|---------------|-----------------------|---------|---|
| 28/08/2024 | 2040          | Toronto-Dominion Bank | Canada  | The Outlook on the Long Term Rating of Toronto-Dominion Bank was changed to 'Negative' from 'Stable'. |

# City Of London Corporation

## Monthly Credit Rating Changes S&P

| Date       | Update Number | Institution             | Country | Rating Action   |
|------------|---------------|-------------------------|---------|---|
| 07/08/2024 | 2038          | Commerzbank AG          | Germany | The Long Term Rating was Upgraded to 'A' from 'A-' and the Short Term Rating was Upgraded to 'A-1' from 'A-2'. The Outlook on the Long Term Rating was changed to Stable from Positive. |
| 27/08/2024 | 2039          | National Bank of Canada | Canada  | The Long Term Rating was Upgraded to 'A+' from 'A'.   |

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