



# City Of London Corporation

Client Designated MMF, SDBF & USDBF Rates

Monthly Investment Analysis Review

December 2024

## Monthly Economic Summary

### General Economy

The S&P Global UK Manufacturing PMI fell to 47 in December 2024 from 48 in the previous month, revised lower from the preliminary estimate of 47.3 and firmly below the initial market expectations of 48.2. The result confirmed the fastest contraction in activity in 11 months, pressured by a second consecutive period of lower output by factories and an accelerated decline in new orders. Producers noted customer destocking and the impact of weaker demand from European clients, which led to the fastest reduction in overall export sales since October 2023. Meanwhile, the UK Services PMI rose to 51.4 in December from 50.8, slightly above forecasts of 51, preliminary data showed. The modest acceleration was driven by rising business activity and reduced backlogs of work amid limited pressure on operations. However, service providers reported a sharp drop in employment at year-end, largely due to the non-replacement of voluntary leavers in response to rising employment costs. The S&P Global UK Construction PMI rose to 55.2 in November 2024, up from 54.3 in October and beating market expectations of a drop to 53.5. The upturn was driven by the sharpest rise in commercial work in 2-½ years, helping offset the steepest decline in residential work since June. New orders across the sector grew for the tenth consecutive month, though the growth rate slowed to its weakest since June. Employment rose marginally, but the rate of job creation eased to a three-month low.

The UK economy contracted by 0.1% m/m in October, following a similar decline in September and falling short of market forecasts of a 0.1% expansion. The largest downward contribution came from production which fell 0.6%, due to manufacturing, mostly pharmaceutical products and preparations, machinery, equipment, and chemicals. Further, GDP for Q3 was revised lower to show no growth in its final reading.

The UK recorded a 173k rise in employment in the three months to October, easing from an upwardly revised 253k advance in the previous period. The reading defied market expectations of a 5k increase and marked the seventh consecutive three-month period of job growth. The unemployment rate was unchanged at 4.3%, while wage growth surprised to the upside, with total pay and that excluding bonuses rising to 5.2% in October as prior readings were also revised higher.

The Consumer Price Index increased 0.1% m/m in November 2024, following a 0.6% rise in October and in line with expectations. The annual inflation rate in the UK edged up for a second month to 2.6% in November 2024 from 2.3% in October, also matching forecasts. It is the highest inflation rate in eight months, with prices rising at a faster pace for recreation and culture, mostly admission fees to live music events and theatres and computer games; housing and utilities, particularly actual rents for housing; and food and non-alcoholic beverages.

Retail sales in the UK edged up 0.2% m/m in November 2024, rebounding from a 0.7% fall in October but below forecasts of 0.5%. Growth in sales at food stores, mostly supermarkets and other non-food stores was partly offset by a fall in clothing retailers, which pushed volumes to their lowest level since January 2022, with retailers reporting that economic factors were affecting sales. Meanwhile, the GfK Consumer Confidence Index rose by 1 point to -17 in December 2024, marking the second consecutive month of improvement. Elsewhere, public sector net borrowing, excluding public sector banks in the UK, decreased to £11.25 billion in November 2024, down from an upwardly revised £18.22 billion in October and below the

expected £13.0 billion. This marked the lowest November borrowing since 2021 and £3.4 billion less than in November last year on lower interest costs. This left total public sector spending for the fiscal year to date up by £0.1 billion from a year earlier to £101.4 billion, with higher spending on public services and benefits nearly offset by reduced debt interest payments. Finally, the Bank of England’s Monetary Policy Committee kept Bank Rate at 4.75% at its final meeting of the year. However, while the decision was in line with market expectations, the vote was not, with the 6-3 outcome providing a dovish twist to the outcome. The three members who voted for an immediate cut cited concerns over the economic outlook, which could pull inflation below target over the medium term.

### US Economy

The US economy added 227K jobs in November 2024, marking a strong recovery from the upwardly revised 36K gain in October, which was heavily influenced by Boeing strikes and the disruptions caused by Hurricanes Helene and Milton. Meanwhile, the US economy expanded an annualised 3.1% in the third quarter of 2024, higher than 2.8% in the second estimate and above 3% in Q2. It is the biggest growth rate so far this year. Finally, the annual inflation rate in the US rose for a 2nd consecutive month to 2.7% in November 2024 from 2.6% in October, in line with expectations. Despite the more positive economic backdrop, the Federal Reserve cut its policy rates by 0.25% at its December meeting.

### EU Economy

The annual inflation rate in the Eurozone increased to 2.2% in November 2024 from 2% in October, but below 2.3% in the preliminary estimate. Meanwhile, the core rate, excluding food and energy prices, remained at 2.7%. GDP in the bloc expanded 0.4% on q/q in the three months to September 2024, the strongest growth rate in two years, following a 0.2% rise in Q2 and in line with the previous estimates. Household spending (0.7%), gross fixed capital formation and inventories were the main contributors while government spending also increased. Among the largest economies, GDP in Germany, France, and Spain expanded, whereas Italy and Netherlands stalled. Finally, as widely expected and signalled by speakers in the run-up to the decision, the European Central bank cut its policy rates by 0.25% at its December meeting.

### Housing

The Halifax House Price Index in the UK increased 4.8% y/y in November 2024, the most in two years, following an upwardly revised 4% rise in October and higher than forecasts of 3.6%. The Nationwide House Price Index in the United Kingdom rose by 4.7% y/y in December 2024, the fastest pace since October 2022, following a 3.7% increase in November and exceeding forecasts of 3.8%.

### Currency

Sterling appreciated against the Euro, however it depreciated against the Dollar over the month.

December	Start	End	High	Low
GBP/USD	\$1.2629	\$1.2524	\$1.2798	\$1.2511
GBP/EUR	€1.2062	€1.2095	€1.2148	€1.2018

### Interest Rate Forecasts

Capital Economics revised its forecasts during the month, while Link Group maintained its previous position. Both expect Bank Rate to fall to a low of 3.50%.

Bank Rate	Now	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Link Group	4.75%	4.50%	4.25%	4.00%	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%
Capital Economics	4.75%	4.50%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%	3.50%	-	-	-	-

# City Of London Corporation

## 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	40,300,000	4.77%		MMF	AAAm		
MMF CCLA	47,100,000	4.76%		MMF	AAAm		
MMF Deutsche	29,500,000	4.75%		MMF	AAAm		
MMF Federated Investors (UK)	48,700,000	4.79%		MMF	AAAm		
MMF Invesco	82,100,000	4.81%		MMF	AAAm		
USDBF Aberdeen Standard Investments	56,581,744	5.42%		USDBF	AAAf		
USDBF Federated Sterling Cash Plus Fund	28,299,287	5.18%		USDBF	AAAf		
USDBF Payden Sterling Reserve Fund	67,751,327	4.95%		USDBF	AAAf		
NatWest Markets Plc (NRFB)	20,000,000	5.23%	10/01/2024	10/01/2025	A	0.001%	253
Surrey County Council	20,000,000	5.00%	26/07/2024	27/01/2025	AA-	0.002%	0
Australia and New Zealand Banking Group Ltd	20,000,000	5.31%	29/04/2024	29/01/2025	AA-	0.002%	352
Toronto Dominion Bank	20,000,000	5.19%	15/05/2024	03/02/2025	A+	0.004%	860
NatWest Markets Plc (NRFB)	20,000,000	5.20%	13/05/2024	13/02/2025	A	0.006%	1112
Standard Chartered Bank	20,000,000	4.86%	16/10/2024	17/02/2025	A+	0.006%	1214
Standard Chartered Bank	20,000,000	4.82%	22/11/2024	21/02/2025	A+	0.007%	1315
Toronto Dominion Bank	20,000,000	5.31%	24/05/2024	24/02/2025	A+	0.007%	1391
Goldman Sachs International Bank	20,000,000	4.93%	04/09/2024	04/03/2025	A+	0.008%	1593
United Overseas Bank Ltd	20,000,000	4.83%	09/12/2024	07/03/2025	AA-	0.004%	802
Australia and New Zealand Banking Group Ltd	15,000,000	5.00%	10/09/2024	10/03/2025	AA-	0.004%	629
Goldman Sachs International Bank	10,000,000	4.89%	10/09/2024	10/03/2025	A+	0.009%	872
DBS Bank Ltd	10,000,000	5.15%	15/07/2024	14/03/2025	AA-	0.004%	443
Cooperatieve Rabobank U.A.	20,000,000	5.28%	21/06/2024	18/03/2025	A+	0.010%	1947
Australia and New Zealand Banking Group Ltd	20,000,000	4.90%	19/08/2024	19/03/2025	AA-	0.005%	947
Cornwall Council	20,000,000	5.20%	18/12/2024	19/03/2025	AA-	0.005%	0
Central Bedfordshire Council	20,000,000	4.90%	08/10/2024	08/05/2025	AA-	0.008%	0
Stockport Metropolitan Borough Council	20,000,000	4.90%	14/10/2024	05/06/2025	AA-	0.009%	0
Landesbank Hessen-Thueringen Girozentrale (Helaba)	20,000,000	5.27%	07/06/2024	09/06/2025	A+	0.020%	4045
Toronto Dominion Bank	20,000,000	5.21%	05/07/2024	04/07/2025	A+	0.023%	4677
Australia and New Zealand Banking Group Ltd	45,000,000	4.93%		Call185	AA-	0.011%	5056

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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 (£)
Toronto Dominion Bank	20,000,000	5.16%	17/07/2024	17/07/2025	A+	0.025%	5006
Cooperatieve Rabobank U.A.	20,000,000	5.00%	01/08/2024	01/08/2025	A+	0.027%	5385
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
Lancashire County Council	20,000,000	4.80%	30/09/2024	30/09/2025	AA-	0.017%	0
NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	A	0.080%	16013
NatWest Markets Plc (NRFB)	30,000,000	6.20%	07/08/2023	07/08/2026	A	0.096%	28902
<b>Borrower - Funds</b>	<b>Principal (£)</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>			
L&G	80,994,095	4.88%					
ROYAL LONDON	79,954,042	5.38%					
<b>Total Investments</b>	<b>£1,121,280,495</b>	<b>5.05%</b>					
<b>Total Investments - excluding Funds</b>	<b>£960,332,358</b>	<b>5.03%</b>				<b>0.018%</b>	<b>£93,129</b>
<b>Total Investments - Funds Only</b>	<b>£160,948,138</b>	<b>5.13%</b>					

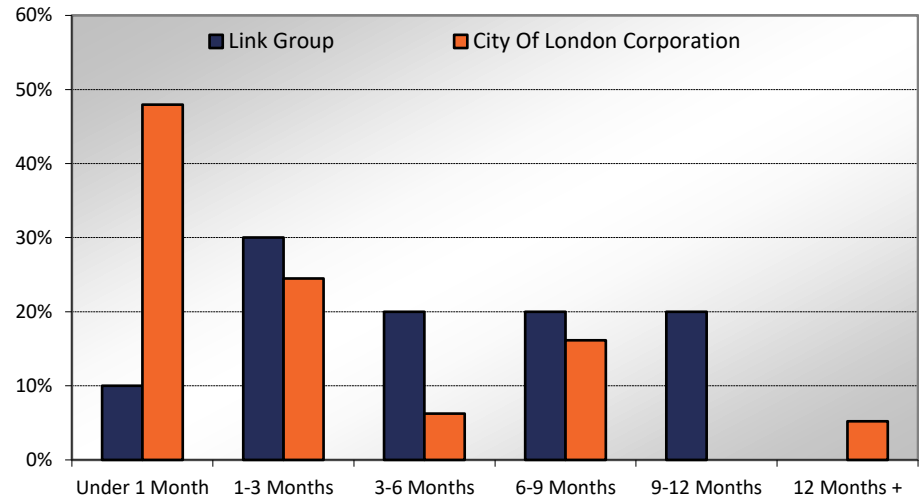
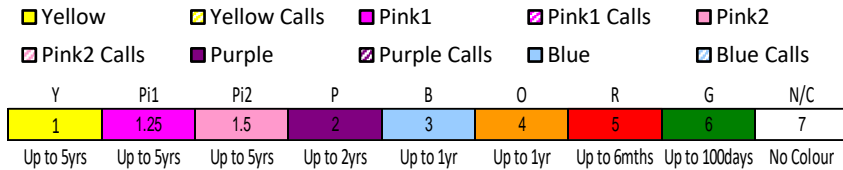
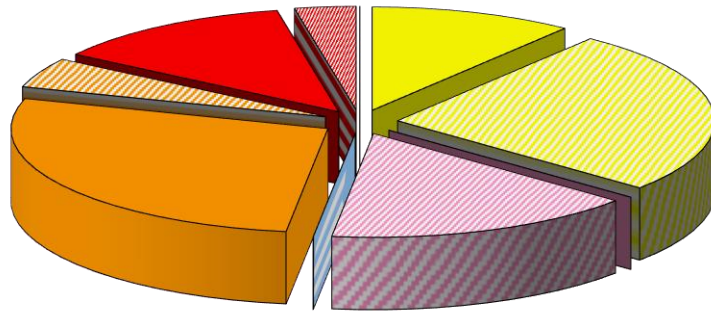
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to 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 September 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 = 2.67

WARoR = Weighted Average Rate of Return

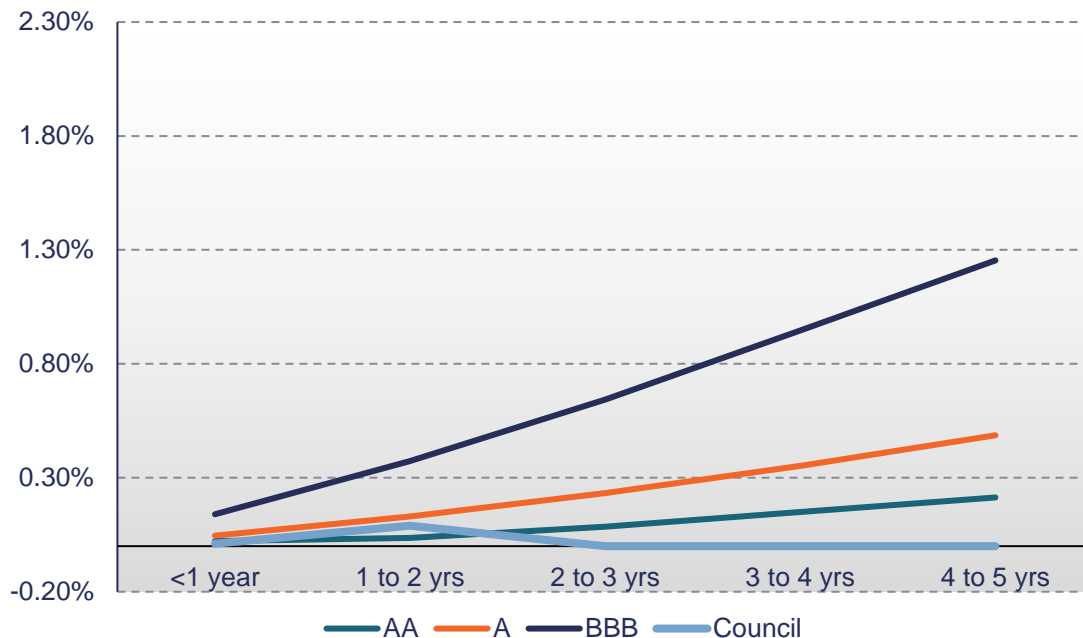
WAM = Weighted Average Time to Maturity

	% 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	36.21%	£347,700,000	71.24%	£247,700,000	25.79%	4.83%	38	63	132	217
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	15.89%	£152,632,358	100.00%	£152,632,358	15.89%	5.17%	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	32.28%	£310,000,000	14.52%	£45,000,000	4.69%	5.07%	110	241	97	250
Red	15.62%	£150,000,000	20.00%	£30,000,000	3.12%	5.28%	260	493	257	548
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>£960,332,358</b>	<b>49.50%</b>	<b>£475,332,358</b>	<b>49.50%</b>	<b>5.03%</b>	<b>90</b>	<b>177</b>	<b>144</b>	<b>317</b>	

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## Investment Risk and Rating Exposure

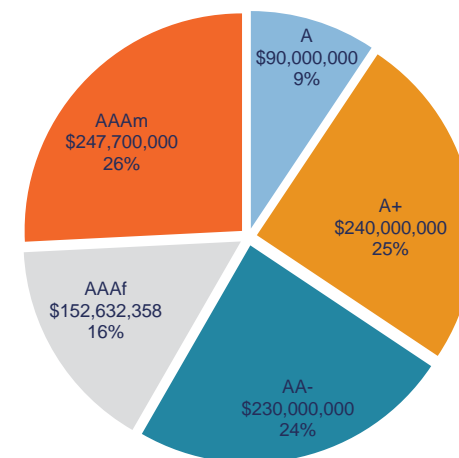
Investment Risk Vs. Rating Categories



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%	0.09%	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
16/12/2024	2065	Landesbank Hessen-Thuringen Girozentrale	Germany	A Viability Rating of bbb was assigned.



# City Of London Corporation

## Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
16/12/2024	2064	France	France	The Sovereign Rating was downgraded to Aa3 from Aa2 and the Outlook on the Sovereign Rating was changed to Stable from Negative.
17/12/2024	2066	National Bank of Canada	Canada	The Long Term Rating was upgraded to Aa2 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Positive Watch.
18/12/2024	2067	BNP Paribas	France	The Long Term Rating was downgraded to A1 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Negative.
18/12/2024	2067	Credit Agricole S.A.	France	The Long Term Rating was downgraded to A1 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Negative.
18/12/2024	2067	Credit Agricole Corporate and Investment Bank	France	The Long Term Rating was downgraded to A1 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Negative.
18/12/2024	2067	Credit Industriel et Commercial	France	The Long Term Rating was downgraded to A1 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Negative.
19/12/2024	2068	Co-operative Bank PLC (The)	United Kingdom	The Long Term and Short Term Ratings were upgraded to A3 from Baa3 and to P-2 from P-3 respectively. The Outlook on the Long Term Rating was changed to Stable from Positive Watch.
19/12/2024	2068	Coventry Building Society	United Kingdom	The Long Term and Short Term Ratings were downgraded to A3 from A2 and to P-2 from P-1 respectively. The Outlook on the Long Term Rating was changed to Stable from Negative Watch.

# City Of London Corporation

## Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
02/12/2024	2063	KBC Bank N.V.	Belgium	The Outlook on the Long Term Rating was changed to Positive from Stable.

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