



# City Of London Corporation

Client Designated MMF, SDBF & USDBF Rates

Monthly Investment Analysis Review

March 2025

## Monthly Economic Summary

### General Economy

The preliminary reading of the UK Manufacturing PMI fell to 44.6 in March from 46.9 in February, below market expectations of 46.4. The reading pointed to the sixth straight month of worsening conditions in the sector (a reading below 50 indicates a contraction), pushing the index to its lowest level since October 2023, weighed by overall weakness including a steep export-led downturn in overall sales. Meanwhile, the UK Services PMI rose to 53.2 in March from 51 in February, surpassing forecasts of 50.9, according to flash estimates. The latest data indicated continued improvement in the sector, marking the strongest growth since August 2024, driven by a rebound in both domestic and overseas sales. Within the report, respondents reported an increase in new work for the first time this year, with some noting a tentative improvement in demand conditions. On the price front, service providers recorded a steep rise in input prices, largely reflecting intense wage pressures and efforts by suppliers to pass on higher payroll costs. Consequently, the preliminary reading of the UK Composite PMI headline rate rose to 52 in March from 50.5 in February, surpassing market expectations of 50.3. While signalling modest private sector growth, the reading reached its highest level since September, driven by the expansion in the service sector. Separately, the UK Construction PMI fell to 44.6 in February from 48.1 in January, below market forecasts of 49.5. The latest reading indicated the sharpest decline in overall construction activity since May 2020, driven by weak demand, elevated borrowing costs, and a shortage of new projects to replace completed ones. On the price front, average cost burdens rose the most in nearly two years. Finally, business expectations worsened albeit remaining positive overall.

The UK economy contracted 0.1% m/m in January, following a 0.4% rise in December, but worse than market expectations of a 0.1% gain. The largest downward contribution came from the production sector which fell 0.9%, after a 0.5% rise in the previous period. Conversely, services expanded 0.1%, after a 0.4% rise in the previous period, led by administrative and support services and wholesale and retail trade. Elsewhere, the UK's trade deficit declined to £2.64 billion in January, down from £2.82 billion in December, marking the smallest trade gap since September.

The UK recorded a 144k rise in employment in the three months to January, following an upwardly revised 88k increase in the previous period, and significantly above market forecasts of a 95k rise. This marked the fastest job growth in three months. Meanwhile, average weekly earnings (including bonuses) increased 5.8% y/y in the three months to January, marking a slowdown from an upwardly revised 6.1% growth in the previous period.

The Chancellor's Spring Statement saw fiscal policy tightened by around £9.7bn in 2029-30, reversing around 30% of the 1% loosening that was put in place last Autumn. Moreover, the Office for Budget Responsibility cut its forecasts for 2025 growth by half to 1% while pushing up their expectations for future years.

The Bank of England's Monetary Policy Committee kept Bank Rate unchanged at 4.5% during its March meeting, matching market expectations. Policymakers maintained their wait-and-see approach amid stubbornly high inflation and global economic uncertainties. One member, Swati Dhingra, suggested a 25bps reduction to 4.25%. The accompanying minutes reiterated that given the medium-term inflation outlook, a gradual and cautious approach to further withdrawal of monetary policy restraint remains appropriate.

The Consumer Price Index increased 0.4% m/m in February, rebounding from a 0.1% drop in January and below forecasts of a 0.5% rise. The headline annual rate fell to 2.8% in February, down from 3% in the previous month, matching the Bank of England's forecasts. The largest downward contribution came from prices of clothing which declined for the first time since October 2021. In contrast, prices rose faster for transport, restaurants and hotels.

In the retail sector, overall sales increased 1% m/m in February, defying expectations of a 0.3% fall, following a downwardly revised 1.4% gain in the previous month. Sales in household goods stores surged, marking the strongest monthly gain since April 2021, with hardware stores having the largest upward contribution. Meanwhile, the GfK Consumer Confidence Index edged up to -19 in March, marking its second consecutive monthly increase, compared to -20 in February. Elsewhere, public sector net borrowing, excluding public sector banks, rose slightly to £10.7 billion in February from £10.6 billion a year prior, exceeding the expected £6.6 billion. Total public sector spending increased by £3.8 billion year-on-year, driven by higher departmental spending on goods, services, and local government operations.

## US Economy

The US economy added 151k jobs in February, up from a downwardly revised 125k in January and compared to forecasts of 160k. Employment trended up in health care, financial activities, transportation, warehousing, and social assistance. Meanwhile, federal government employment declined by 10K, already reflecting some of the impact of the DOGE layoffs although the effects of federal spending cuts and tariffs are expected to weigh more on the labour market in the coming months. Meanwhile, the US economy expanded an annualised 2.4% in Q4 2024, slightly higher than 2.3% in previous estimates, resultant of a downward revision to imports. However, the reading was still below the 3.1% seen in Q3. Personal consumption remained the main driver of growth, while investment in intellectual property products and fixed investment shrank. Finally, the annual inflation rate in the US eased to 2.8% in February from 3% in January, below forecasts of 2.9%. Away from data releases, the Fed kept the Federal Funds Rate unchanged at 4.25%-4.5% during its March meeting.

## EU Economy

The annual inflation rate in the Eurozone eased to 2.3% in February, slightly below the preliminary estimates of 2.4% and down from a six-month high of 2.5% in January, as price growth slowed for services and energy. Meanwhile, the core inflation rate, which excludes volatile food and energy prices, fell to 2.6%, its lowest level since January 2022. The Eurozone economy grew an annualised 1.2% in Q4 2024, surpassing initial estimates of 0.9% and accelerating from a revised 1% growth in the previous quarter. This marked the fastest expansion since early 2023, fuelled by lower borrowing costs and easing inflationary pressures. Among the bloc's largest economies, Spain led with a strong 3.5% growth, followed by the Netherlands, France, and Italy. In contrast, Germany, the Eurozone's largest economy, remained in contraction, shrinking by 0.2%.

## Housing

The Halifax House Price Index in the UK rose 2.9% y/y in February, unchanged from January's revised six-month low and below market forecasts of 3.1%. The Nationwide House Price Index rose 3.9% y/y in March, matching the pace of February.

## Currency

Sterling appreciated against the Dollar, but depreciated against the Euro.

March	Start	End	High	Low
<b>GBP/USD</b>	\$1.2701	\$1.2908	\$1.2985	\$1.2701
<b>GBP/EUR</b>	€1.2113	€1.1950	€1.2113	€1.1849

## Interest Rate Forecasts

MUFG Corporate Markets maintained its current forecast, while Capital Economics revised their forecasts and predict future cuts to occur a quarter later than previously expected.

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	Mar-28
<b>MUFG Corporate Markets</b>	<b>4.50%</b>	4.50%	4.25%	4.25%	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
<b>Capital Economics</b>	<b>4.50%</b>	4.50%	4.25%	4.25%	4.00%	3.75%	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	30,000,000	4.54%		MMF	AAAm		
	MMF CCLA	20,000,000	4.50%		MMF	AAAm		
	MMF Deutsche	30,000,000	4.52%		MMF	AAAm		
	MMF Federated Investors (UK)	30,000,000	4.53%		MMF	AAAm		
	MMF Invesco	51,500,000	4.58%		MMF	AAAm		
	USDBF Aberdeen Standard Investments	57,256,134	5.24%		USDBF	AAAf		
	USDBF Federated Sterling Cash Plus Fund	28,635,816	5.07%		USDBF	AAAf		
	USDBF Payden Sterling Reserve Fund	68,605,143	5.08%		USDBF	AAAf		
	Royal Borough of Kensington and Chelsea	10,000,000	6.20%	21/03/2025	10/04/2025	AA-	0.001%	0
	Royal Borough of Kensington and Chelsea	10,000,000	6.28%	21/03/2025	10/04/2025	AA-	0.001%	0
	Australia and New Zealand Banking Group Ltd	20,000,000	4.80%	29/01/2025	29/04/2025	AA-	0.002%	347
	Central Bedfordshire Council	20,000,000	4.90%	08/10/2024	08/05/2025	AA-	0.002%	0
	Surrey County Council	5,000,000	5.70%	28/02/2025	28/05/2025	AA-	0.003%	0
	Stockport Metropolitan Borough Council	20,000,000	4.90%	14/10/2024	05/06/2025	AA-	0.004%	0
	Landesbank Hessen-Thueringen Girozentrale (Helaba)	20,000,000	5.27%	07/06/2024	09/06/2025	A+	0.009%	1746
	Cornwall Council	20,000,000	5.75%	19/03/2025	19/06/2025	AA-	0.005%	0
	Toronto Dominion Bank	20,000,000	5.21%	05/07/2024	04/07/2025	A+	0.012%	2369
	Goldman Sachs International Bank	15,000,000	4.81%		Call106	A+	0.013%	1983
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	Toronto Dominion Bank	20,000,000	5.16%	17/07/2024	17/07/2025	A+	0.013%	2694
	Surrey County Council	20,000,000	5.50%	27/01/2025	28/07/2025	AA-	0.007%	0
	Cooperatieve Rabobank U.A.	20,000,000	5.00%	01/08/2024	01/08/2025	A+	0.015%	3068
	Doncaster Metropolitan Borough Council	10,000,000	5.65%	03/03/2025	03/09/2025	AA-	0.009%	0
	Lancashire County Council	20,000,000	4.80%	30/09/2024	30/09/2025	AA-	0.011%	0
	Australia and New Zealand Banking Group Ltd	45,000,000	4.68%		Call185	AA-	0.011%	4976
	Standard Chartered Bank	20,000,000	4.54%	17/02/2025	17/11/2025	A+	0.029%	5761
	Toronto Dominion Bank	10,000,000	4.53%	24/02/2025	24/11/2025	A+	0.030%	2968
	Goldman Sachs International Bank	20,000,000	4.60%	21/02/2025	28/11/2025	A+	0.030%	6036
	Rochdale Metropolitan Borough Council	10,000,000	4.75%	06/03/2025	08/12/2025	AA-	0.015%	0

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Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
Doncaster Metropolitan Borough Council	10,000,000	4.75%	14/03/2025	15/12/2025	AA-	0.015%	0
NatWest Markets Plc (NRFB)	20,000,000	4.79%	10/01/2025	12/01/2026	A	0.036%	7158
NatWest Markets Plc (NRFB)	20,000,000	4.47%	13/02/2025	12/02/2026	A	0.040%	7931
Walsall Metropolitan Borough Council	10,000,000	4.75%	14/03/2025	13/03/2026	AA-	0.021%	0
NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	A	0.058%	11670
NatWest Markets Plc (NRFB)	30,000,000	6.20%	07/08/2023	07/08/2026	A	0.074%	22218
<b>Borrower - Funds</b>	<b>Principal (£)</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>			
L&G	80,369,926	5.38%					
ROYAL LONDON	80,262,646	5.83%					
<b>Total Investments</b>	<b>£956,629,665</b>	<b>5.09%</b>					
<b>Total Investments - excluding Funds</b>	<b>£795,997,093</b>	<b>4.98%</b>				<b>0.020%</b>	<b>£82,907</b>
<b>Total Investments - Funds Only</b>	<b>£160,632,572</b>	<b>5.60%</b>					

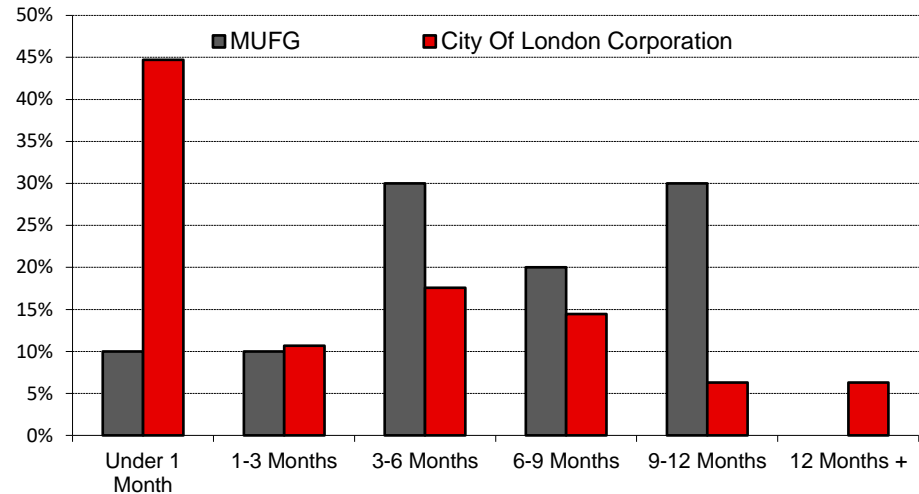
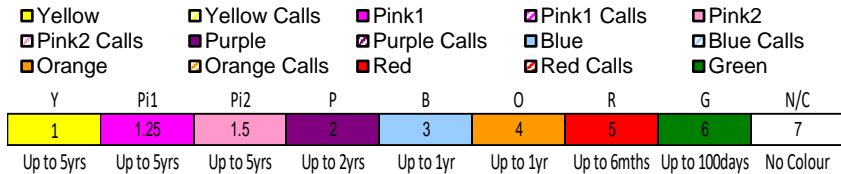
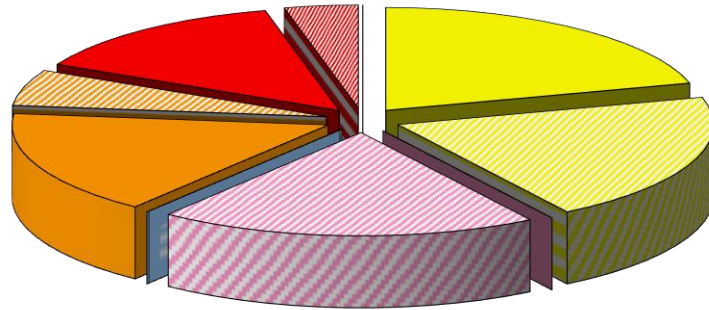
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to 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 1990-2024 for Fitch, 1983-2024 for Moody's and 1981 to 2024 for S&P.

Where MUFG Corporate Markets have provided a return for a property fund, that return covers the 12 months to December 2024, which are the latest returns currently available.

# City Of London Corporation

## Portfolio Composition by MUFG's Suggested Lending Criteria



**Portfolios weighted average risk number = 2.46**

WARoR = Weighted Average Rate of Return

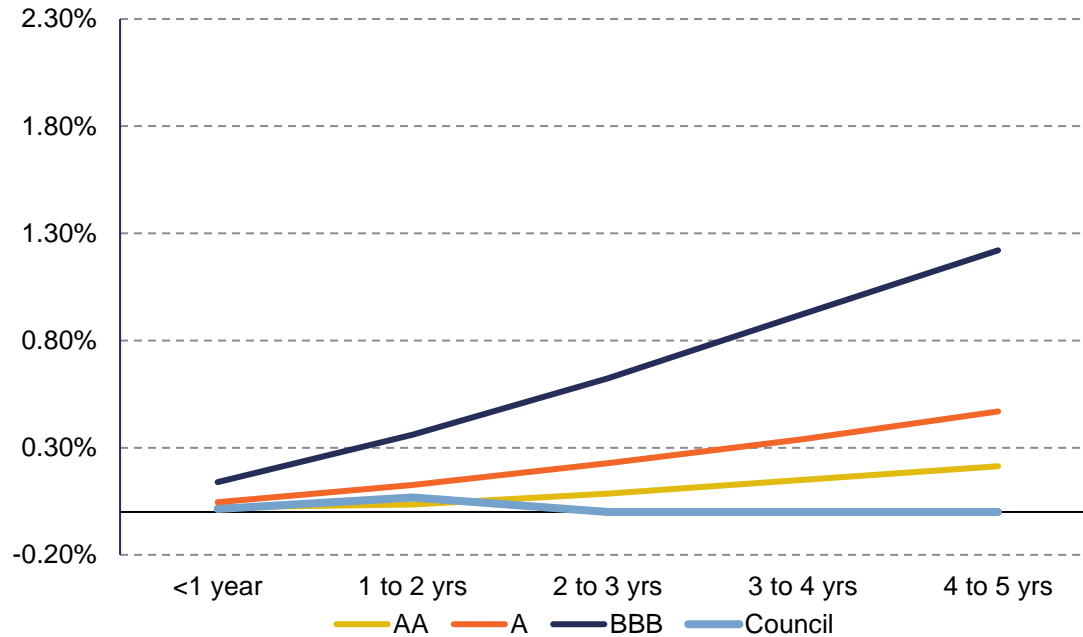
WAM = Weighted Average Time to Maturity

	% 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	41.02%	£326,500,000	49.46%	£161,500,000	20.29%	4.91%	62	103	123	203
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	19.41%	£154,497,093	100.00%	£154,497,093	19.41%	5.14%	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	21.99%	£175,000,000	25.71%	£45,000,000	5.65%	4.89%	136	272	119	302
Red	17.59%	£140,000,000	21.43%	£30,000,000	3.77%	5.10%	310	506	366	615
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>Total</b>	<b>100.00%</b>	<b>£795,997,093</b>	<b>49.12%</b>	<b>£390,997,093</b>	<b>49.12%</b>	<b>4.98%</b>	<b>110</b>	<b>191</b>	<b>188</b>	<b>347</b>

# City Of London Corporation

## Investment Risk and Rating Exposure

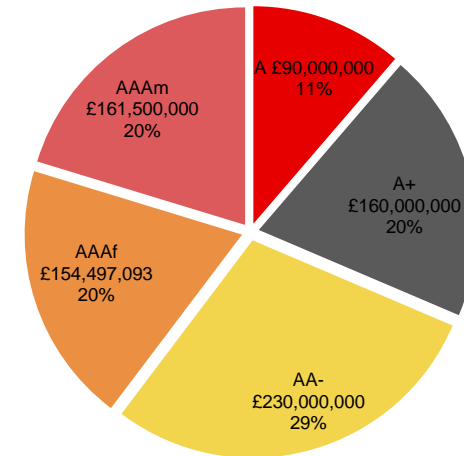
Investment Risk Vs. Rating Categories



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%	0.34%	0.47%
BBB	0.14%	0.36%	0.62%	0.92%	1.22%
Council	0.01%	0.07%	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
06/03/2025	2072	Co-operative Bank PLC (The)	United Kingdom	All ratings were withdrawn.
26/03/2025	2074	Commonwealth Bank of Australia	Australia	The Outlook on the Long Term Rating was changed to Positive from Stable. All other ratings were affirmed.



## City Of London Corporation

### Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
03/03/2025	2071	France	France	The Outlook on the Sovereign Rating was changed to Negative from Stable. All other ratings were affirmed.

## City Of London Corporation

### Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
31/03/2025	2073	Close Brothers Ltd	United Kingdom	The Long Term Rating was downgraded to A2 from A1. All other ratings were affirmed and remain on Negative Watch.

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