



City Of London Corporation

Client Specified MMF-USDBF- SDBF Rates

Monthly Investment Analysis Review

May 2025

Monthly Economic Summary

General Economy

The preliminary reading of the UK Manufacturing PMI fell to 45.1 in May from 45.4 in April, below market forecasts of 46. The reading signalled a further deterioration in the manufacturing sector, as output contracted more quickly, and new orders continued to decline amid rising global economic uncertainty. Supplier delivery times lengthened the most since February 2024, reflecting international shipping delays and worsening port performance. On the cost side, input prices continued to rise sharply, though the pace of increase eased. Business sentiment remained among the weakest in over two and a half years, weighed down by concerns over US tariffs. Meanwhile, the UK Services PMI rose to 50.2 in May from 49 in April, slightly above market expectations of 50, according to flash estimates. While indicating a modest expansion in the sector after a period of contraction, new business inflows continued to decline. On the cost side, service providers faced significant price pressures, driven by rising wages, higher utility bills, increased shipping costs, and more expensive technology services. Consequently, the preliminary reading of the UK Composite PMI headline rate rose to 49.4 in May from 48.5 in April, matching market forecasts. Separately, the UK Construction PMI rose to 46.6 in April up from 46.4 in March, reversing the fourth straight month of increased contraction.

The UK economy expanded 0.3% m/m in March, following a 0.5% increase in February and above market forecasts of a flat reading. The services and construction sectors drove the gain, while industrial production declined after its increase in the previous period. Elsewhere, the UK's trade deficit shrank to £3.70 billion in March, shifting from a revised £4.86 billion deficit in February.

The UK recorded a 112k rise in employment in the three months to March, following a five-month high 206k in the previous period. This marked the weakest job growth since the three months ending December 2024, mainly due to a fall in full-time employment. Meanwhile, average weekly earnings (including bonuses) increased 5.5% y/y in the three months to March, compared to 5.7% in the previous period and above market forecasts of a 5.2% increase.

The Bank of England's Monetary Policy Committee voted 5–4 to cut Bank Rate by 25bps to 4.25% in May. Two members preferred a larger cut to 4%, while two opted to hold at 4.5%. The decision reflects continued disinflation progress as external shocks eased and tight policy helped anchor inflation expectations. The MPC remains committed to returning inflation to 2% sustainably, but future policy will depend on evolving risks and inflation dynamics, with members emphasising the need for a “gradual” approach.

The Consumer Price Index increased 1.2% m/m in April from 0.3% in March and above forecasts of 1.1%. The headline annual rate jumped to 3.5% in April, the highest since January 2024, from 2.6% in March and above market expectations of 3.3%. The largest upward contribution came from prices for housing and utilities, mostly electricity and gas, reflecting the rise in the Ofgem energy price cap. Additional upward contributions came from transport, influenced by the introduction of Vehicle Excise Duty on both old and new electric vehicles starting in April.

In the retail sector, overall sales increased to 1.2% m/m in April, accelerating from a downwardly revised 0.1% gain in March and easily beating forecasts of a 0.2% rise. This marks the sharpest monthly growth since January, driven by a 3.9% rebound in food store sales after declines in February and March. Supermarkets, specialist food stores such as butchers and bakers, and alcohol and tobacco outlets all saw gains, with some retailers attributing the rise to favourable weather alongside the later timing of Easter. Meanwhile, the GfK Consumer Confidence Index rose to -20 in May, surpassing expectations of -22 and reversing April's -23 reading. Elsewhere, public sector net borrowing, excluding public sector banks, rose to £20.2 billion in April from £19.1 billion a year earlier and exceeding expectations of £17.9 billion. Total public sector spending increased by £6.6 billion from a year ago, driven by higher spending on public services and benefits, though partially offset by a reduction in debt interest costs.

US Economy

The US economy added 177k jobs in April, a modest slowdown from the downwardly revised 185k in March, but market expectations of 130k rise. Job growth was primarily seen in health care, transportation and warehousing, financial activities, and social assistance. Meanwhile, the US economy contracted an annualised 0.2% in Q1 2025, a slight improvement from the initial estimate of a 0.3% decline, but still marking the first quarterly contraction in three years. The upward revision was driven by stronger-than-expected fixed investment, which partially offset weaker consumer spending and a larger-than-anticipated drag from trade. Finally, the annual inflation rate in the US eased to 2.3% in April, the lowest since February 2021, from 2.4% in March and below market expectations for no change. Energy costs declined, as well as that for food and transportation.

EU Economy

The annual inflation rate in the Eurozone stayed at 2.2% in April, matching the previous month's figure and hovering just above the ECB's 2.0% target midpoint. Meanwhile, the core inflation rate, which excludes volatile food and energy prices, rose to 2.7% in April, up from an over three-year low of 2.4% in March. The Eurozone economy expanded by 0.3% in Q1 2025, slightly below the preliminary estimate of 0.4%, but marking the fifth consecutive quarter of expansion. Growth was supported by stronger domestic demand, fuelled by easing inflation and lower borrowing costs, and renewed optimism following Germany's decision to relax fiscal constraints. Among the major economies, Germany expanded by 0.2%, while Spain and Italy outperformed with growth rates of 0.6% and 0.3%, respectively. In contrast, France and the Netherlands posted more modest gains, each growing by just 0.1%.

Housing

The Halifax House Price Index in the UK rose to 3.2% y/y in April, following a revised 2.9% increase in March, exceeding forecasts of a 2.6% rise. The Nationwide House Price Index rose 3.5% y/y in May, following a 3.4% increase in April, while exceeding market expectations of 2.9%.

Currency

Sterling appreciated against the Dollar and the Euro.

May	Start	End	High	Low
GBP/USD	\$1.3297	\$1.3486	\$1.3563	\$1.3203
GBP/EUR	€1.1786	€1.1879	€1.1921	€1.1718

Interest Rate Forecasts

MUFG Corporate Markets maintained its current forecast, while Capital Economics expect rates to fall to 3.50% sooner than previously anticipated.

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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	30,000,000	4.31%		MMF	AAAm		
MMF CCLA	30,000,000	4.32%		MMF	AAAm		
MMF Deutsche	45,000,000	4.32%		MMF	AAAm		
MMF Federated Investors (UK)	50,500,000	4.33%		MMF	AAAm		
MMF Invesco	64,300,000	4.36%		MMF	AAAm		
USDBF Aberdeen Standard Investments	57,678,207	5.03%		USDBF	AAAf		
USDBF Federated Sterling Cash Plus Fund	28,844,370	4.99%		USDBF	AAAf		
USDBF Payden Sterling Reserve Fund	69,199,844	5.23%		USDBF	AAAf		
Stockport Metropolitan Borough Council	20,000,000	4.90%	14/10/2024	05/06/2025	AA-	0.000%	0
Landesbank Hessen-Thueringen Girozentrale (Helaba)	20,000,000	5.27%	07/06/2024	09/06/2025	A+	0.001%	228
Cornwall Council	20,000,000	5.75%	19/03/2025	19/06/2025	AA-	0.001%	0
Toronto Dominion Bank	20,000,000	5.21%	05/07/2024	04/07/2025	A+	0.004%	860
Toronto Dominion Bank	20,000,000	5.16%	17/07/2024	17/07/2025	A+	0.006%	1188
Surrey County Council	20,000,000	5.50%	27/01/2025	28/07/2025	AA-	0.004%	0
Cooperatieve Rabobank U.A.	20,000,000	5.00%	01/08/2024	01/08/2025	A+	0.008%	1568
DBS Bank Ltd	20,000,000	4.36%	07/05/2025	07/08/2025	AA-	0.004%	826
Doncaster Metropolitan Borough Council	10,000,000	5.65%	03/03/2025	03/09/2025	AA-	0.006%	0
Lancashire County Council	20,000,000	4.80%	30/09/2024	30/09/2025	AA-	0.007%	0
Australia and New Zealand Banking Group Ltd	25,000,000	4.49%	29/04/2025	29/10/2025	AA-	0.009%	2293
Standard Chartered Bank	20,000,000	4.54%	17/02/2025	17/11/2025	A+	0.021%	4298
Toronto Dominion Bank	10,000,000	4.53%	24/02/2025	24/11/2025	A+	0.022%	2238
Goldman Sachs International Bank	20,000,000	4.60%	21/02/2025	28/11/2025	A+	0.023%	4576
Australia and New Zealand Banking Group Ltd	45,000,000	4.43%		Call185	AA-	0.011%	5056
Rochdale Metropolitan Borough Council	10,000,000	4.75%	06/03/2025	08/12/2025	AA-	0.012%	0
Doncaster Metropolitan Borough Council	10,000,000	4.75%	14/03/2025	15/12/2025	AA-	0.012%	0

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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 (£)
United Overseas Bank Ltd	20,000,000	4.28%	07/05/2025	07/01/2026	AA-	0.013%	2684
NatWest Markets Plc (NRFB)	20,000,000	4.79%	10/01/2025	12/01/2026	A	0.029%	5714
Australia and New Zealand Banking Group Ltd	20,000,000	4.37%	29/04/2025	29/01/2026	AA-	0.015%	2952
NatWest Markets Plc (NRFB)	20,000,000	4.47%	13/02/2025	12/02/2026	A	0.032%	6498
Goldman Sachs International Bank	15,000,000	4.81%		Call272	A+	0.034%	5158
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Walsall Metropolitan Borough Council	10,000,000	4.75%	14/03/2025	13/03/2026	AA-	0.017%	0
NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	A	0.046%	9152
NatWest Markets Plc (NRFB)	30,000,000	6.20%	07/08/2023	07/08/2026	A	0.062%	18518
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G	81,224,052	6.41%					
ROYAL LONDON	80,168,350	6.89%					
Total Investments	£1,036,914,823	5.09%					
Total Investments - excluding Funds	£875,522,421	4.80%				0.017%	£78,963
Total Investments - Funds Only	£161,392,402	6.65%					

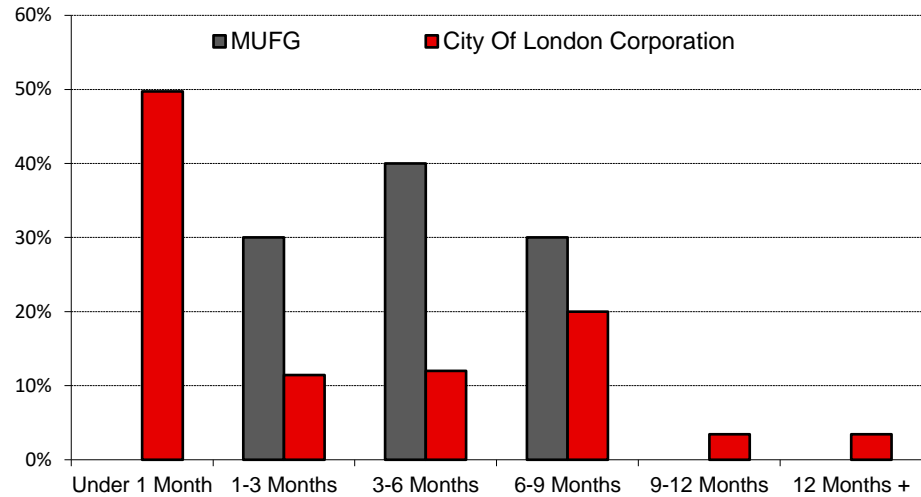
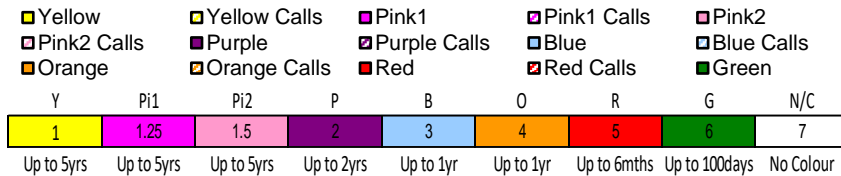
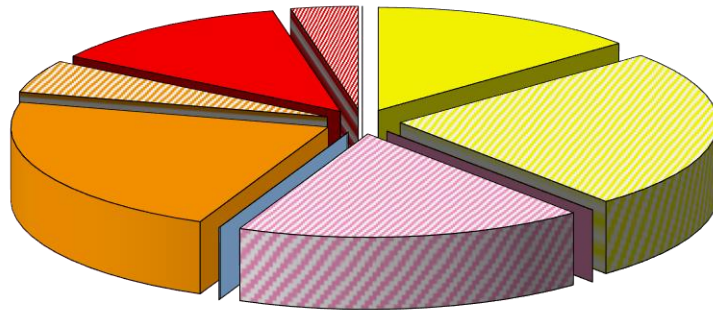
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to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

Where MUFG Corporate Markets have provided a return for a property fund, that return covers the 12 months to March 2025, which are the latest returns currently available.

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Portfolio Composition by MUFG's Suggested Lending Criteria



Portfolios weighted average risk number = 2.55

WARoR = Weighted Average Rate of Return

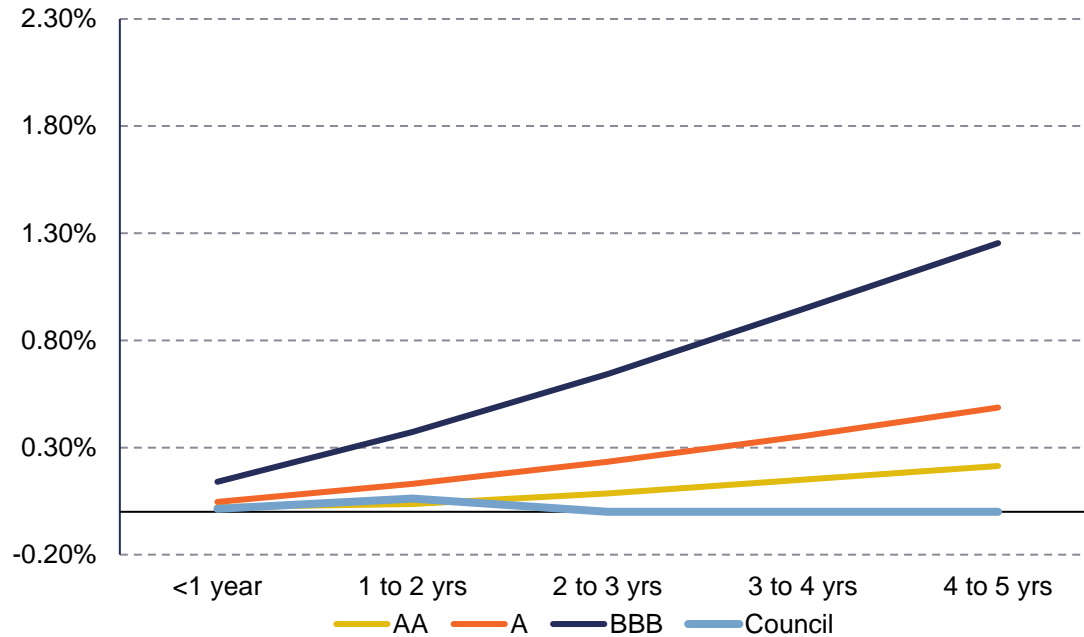
WAM = Weighted Average Time to Maturity

	% 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	WAM
Yellow	38.81%	£339,800,000	64.69%	£219,800,000	25.11%	4.62%	35	84	98	237	
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0	0
Pink2	17.79%	£155,722,421	100.00%	£155,722,421	17.79%	5.11%	0	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0	0
Orange	27.41%	£240,000,000	18.75%	£45,000,000	5.14%	4.67%	129	261	116	278	
Red	15.99%	£140,000,000	21.43%	£30,000,000	3.43%	5.10%	298	542	305	615	
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0	0
Total	100.00%	£875,522,421	51.46%	£450,522,421	51.46%	4.80%	96	191	160	354	

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Investment Risk and Rating Exposure

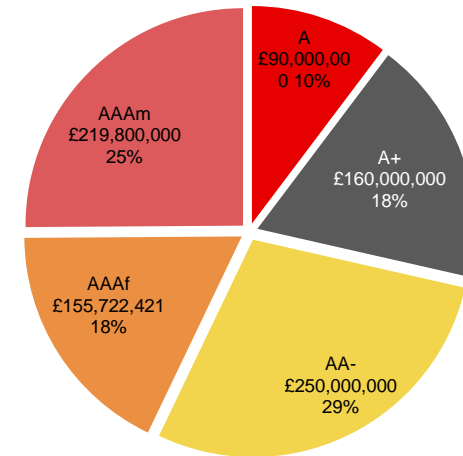
Investment Risk Vs. Rating Categories



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%	0.06%	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.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
22/05/2025	2079	UBS AG	Switzerland	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
				No changes to report.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
19/05/2025	2077	United States of America (Sovereign)	United States of America	The Sovereign Rating was downgraded to Aa1 from Aaa. The Outlook on the Sovereign Rating was changed to Stable from Negative.
20/05/2025	2078	JPMorgan Chase Bank N.A.	United States of America	The Long Term Rating was downgraded to Aa2 from Aa1. The Outlook on the Long Term Rating was changed to Positive from Negative.
20/05/2025	2078	Bank of America N.A.	United States of America	The Long Term Rating was downgraded to Aa2 from Aa1. The Outlook on the Long Term Rating was changed to Stable from Negative.
20/05/2025	2078	Wells Fargo Bank, NA	United States of America	The Long Term Rating was downgraded to Aa2 from Aa1. The Outlook on the Long Term Rating was changed to Stable from Negative.

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