



City Of London Corporation

Client Designated MMF, SDBF & USDBF Rates

Monthly Investment Analysis Review

August 2025

Monthly Economic Summary

General Economy

The UK Manufacturing PMI slipped to 47.3 in August 2025 from 48 in July, below expectations of 48.3. Output fell again, with firms citing weak new orders and intense competition, as global demand remained subdued amid US tariff uncertainty. Employment cuts deepened leading to the fastest decline in new work since April. Input costs rose at a quicker rate, with firms reporting freight delays and supply disruptions, leading to the sharpest drop in supplier performance since December 2024. Business optimism improved with manufacturers hopeful for a recovery in customer demand and a modest market rebound over the next year, though caution around global trade risks persisted. Meanwhile, the UK Services PMI climbed to 53.6 in August 2025 from 51.8 in July, topping market forecasts of 51.8 and beating its one year high. Business activity rose for the fourth consecutive month, recording the fastest growth in a year, supported by a renewed increase in new orders. Service providers cited improving demand conditions both at home and abroad.

On the price front, inflationary pressures intensified with both input costs and output charges rising faster. Consequently, the UK Composite PMI rose to 53 in August of 2025 from 51.5 in the previous month, ahead of expectations that it would only just inch higher to 51.6, to set the sharpest growth rate in private-sector business activity in one year. The strong momentum for services drove new business volumes at the aggregate level to rise the most since October of last year, even though factories recorded the strongest decline in new work since April, pressured by economic headwinds of higher input costs and a global protectionist swing to goods trade. Input inflation was at the highest since May, with firms citing the burden of higher National Insurance payments and their impact in labour costs. Separately, the UK Construction PMI fell to 44.3 in July 2025 from 48.8 in June, marking the steepest contraction in activity since May 2020, tumbling well below the 50.0 threshold that separates growth from contraction.

The UK economy grew 0.4% m/m in June 2025, rebounding from a 0.1% contraction in the previous two months and surpassing expectations of a 0.1% rise. All three main sectors contributed to the growth, with services output providing the largest boost, increasing 0.3%. Production also rose 0.7%, mainly driven by manufacturing, which increased 0.5%. On a yearly basis, GDP expanded 1.4%, the fastest pace since February, up from 0.9% growth in May. Elsewhere, The UK's trade deficit widened to £5.01 billion in June 2025, up from a downwardly revised £4.55 billion in May, marking the largest deficit since February. Exports fell 2.6% m/m to a six-month low of £74.76 billion, while imports shrank 1.9% to a five-month low of £79.78 billion.

The UK recorded a 238k rise in employment in the three months to June 2025, following a 134k increase in the previous period. This marked the largest employment gain since September 2024, mainly driven by an increase in full-time employees. Compared to the same period a year earlier, employment surged by 725 thousand, largely due to gains among both employees and the self-employed, for both full-time and part-time workers. Meanwhile, average weekly earnings (including bonuses) rose 4.6% y/y to £724 per week in the three months to June 2025, the slowest pace in nine months, down from 5.0% in the previous period and slightly below market forecasts of 4.7%.

The Consumer Price Index rose 0.1% m/m in July 2025, defying forecasts of a 0.1% decline but slowing from June's 0.3% gain. The annual inflation rate in the UK jumped to 3.8% in July 2025, the highest since January 2024, up from 3.6% in June and above market expectations of 3.7%. The main upward pressure came from transport, where prices climbed 3.2% (vs. 1.7% in June), driven by a 30.2% surge in airfares, likely reflecting the timing of school summer holidays. Additional contributions came from higher motor fuel costs, sea fares, and roadside recovery services.

Meanwhile, the GfK Consumer Confidence Index climbed to -17 in August 2025 from -19 in July, the strongest reading in a year, supported by the Bank of England's recent interest rate cut. Still, worries over sticky inflation, rising unemployment, and potential tax hikes continued to cloud sentiment. Elsewhere, Public sector net borrowing, excluding public sector banks, in the UK decreased to £1.1 billion in July 2025 from £3.4 billion in the same month last year, below market expectations of £2.6 billion. This was the lowest level of borrowing in three years, with inflation having little impact on debt interest payable. Tax revenue increased by £14.1 billion, supported by the biannual influx in self-assessment income of £2.7 billion as well as a £2.6 billion increase in employer national insurance contributions. Total public sector spending decreased by £7.4 billion, largely due to a £9.6 billion y/y decline in net investment.

US Economy

The US economy added just 73k jobs in July 2025, well short of forecasts of 109k. The Bureau of Labor also slashed the number of jobs added in recent months. May's jobs figure was revised down from 144k to 19k, and June was revised down from 147k to 14k. Meanwhile, the US economy grew at a 3.0% annual rate in Q2 2025, rebounding from a 0.5% contraction in Q1 which was the first decline in three years. The annual inflation rate remained at 2.7% in July 2025, slightly below forecasts of 2.8%. On a monthly basis, CPI rose 0.2%, steadying June's 0.3% gain which was the strongest since January and matching expectations. Core inflation, which excludes food and energy, accelerated to a five-month high of 3.1%. Finally, food price inflation in the US eased to 2.9% in July 2025 from 3.0% in June, driven by a slowdown in food-at-home prices. Energy prices fell by 1.6% y/y, marking the sixth consecutive month of decreases.

EU Economy

The annual inflation rate in the Eurozone was unchanged from the prior month at 2% in July 2025, marking the second consecutive month that inflation has aligned with the European Central Bank's official target. Meanwhile, the core inflation rate, which exclude volatile food and energy prices, steadied at 2.3% in July 2025, the same as in each of the previous two months. The Eurozone economy expanded by 0.1% in Q2 2025, sharp slowdown from the 0.6% growth recorded in the previous quarter, according to a preliminary estimate. Despite beating market expectations of flat growth, it marked the weakest pace of expansion since late 2023. The slowdown reflects growing caution among businesses and households, as they weigh easing inflation and lower borrowing costs against rising trade uncertainty, particularly due to US tariffs. Among the bloc's major economies, Spain and France outperformed with growth of 0.7% and 0.3%, respectively. The Netherlands posted modest growth of 0.1%, while both Germany and Italy slipped into contraction, each shrinking by 0.1%.

Housing

The Halifax House Price Index in the UK rose to 2.4% y/y in July, easing from the 2.7% gain in June and marking the softest annual increase since July 2024. The Nationwide House Price Index rose 2.4% y/y in July, above expectations and June's 2.1% rise.

Currency

Sterling appreciated against the Dollar and the Euro.

August	Start	End	High	Low
GBP/USD	\$1.3262	\$1.3511	\$1.3573	\$1.3262
GBP/EUR	€1.1478	€1.1543	€1.1626	€1.1465

Interest Rate Forecasts

MUFG Corporate Markets revised all its forecasts down 25bps from the end of Q3 2025 to the end of Q3 2026, eventually falling to 3.50%. Capital Economics maintained its current forecast.

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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	23,500,000	4.08%		MMF	AAAm		
	MMF CCLA	44,000,000	4.08%		MMF	AAAm		
	MMF Deutsche	43,000,000	4.09%		MMF	AAAm		
	MMF Federated Investors (UK)	40,000,000	4.12%		MMF	AAAm		
	MMF Invesco	40,900,000	4.13%		MMF	AAAm		
	USDBF Aberdeen Standard Investments	58,338,314	4.79%		USDBF	AAAf		
	USDBF Federated Sterling Cash Plus Fund	29,164,310	4.66%		USDBF	AAAf		
	USDBF Payden Sterling Reserve Fund	70,124,078	4.98%		USDBF	AAAf		
	Doncaster Metropolitan Borough Council	10,000,000	5.65%	03/03/2025	03/09/2025	AA-	0.000%	0
	Lancashire County Council	20,000,000	4.80%	30/09/2024	30/09/2025	AA-	0.002%	0
	Australia and New Zealand Banking Group Ltd	25,000,000	4.49%	29/04/2025	29/10/2025	AA-	0.004%	896
	Standard Chartered Bank	20,000,000	4.54%	17/02/2025	17/11/2025	A+	0.010%	1972
	Toronto Dominion Bank	10,000,000	4.53%	24/02/2025	24/11/2025	A+	0.011%	1075
	Goldman Sachs International Bank	20,000,000	4.60%	21/02/2025	28/11/2025	A+	0.011%	2250
	Rochdale Metropolitan Borough Council	10,000,000	4.75%	06/03/2025	08/12/2025	AA-	0.006%	0
	Doncaster Metropolitan Borough Council	10,000,000	4.75%	14/03/2025	15/12/2025	AA-	0.006%	0
	United Overseas Bank Ltd	20,000,000	4.28%	07/05/2025	07/01/2026	AA-	0.008%	1567
	NatWest Markets Plc (NRFB)	20,000,000	4.79%	10/01/2025	12/01/2026	A	0.017%	3388
	United Overseas Bank Ltd	20,000,000	4.25%	17/07/2025	19/01/2026	AA-	0.009%	1713
	Australia and New Zealand Banking Group Ltd	20,000,000	4.37%	29/04/2025	29/01/2026	AA-	0.009%	1834
	DBS Bank Ltd	10,000,000	4.11%	12/08/2025	12/02/2026	AA-	0.010%	1002
	NatWest Markets Plc (NRFB)	20,000,000	4.47%	13/02/2025	12/02/2026	A	0.021%	4172
	United Overseas Bank Ltd	20,000,000	4.30%	18/06/2025	18/02/2026	AA-	0.010%	2077
	Goldman Sachs International Bank	20,000,000	4.15%	31/07/2025	27/02/2026	A+	0.023%	4551
	United Overseas Bank Ltd	20,000,000	4.20%	28/07/2025	27/02/2026	AA-	0.011%	2186
	Australia and New Zealand Banking Group Ltd	10,000,000	4.40%	03/06/2025	03/03/2026	AA-	0.011%	1118
	Australia and New Zealand Banking Group Ltd	45,000,000	4.18%		Call185	AA-	0.011%	5056
	Landesbank Hessen-Thueringen Girozentrale (Helaba)	20,000,000	4.37%	05/06/2025	05/03/2026	A+	0.024%	4703
	United Overseas Bank Ltd	10,000,000	4.17%	12/08/2025	12/03/2026	AA-	0.012%	1172

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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 (£)
Walsall Metropolitan Borough Council	10,000,000	4.75%	14/03/2025	13/03/2026	AA-	0.012%	0
Goldman Sachs International Bank	20,000,000	4.16%	04/07/2025	05/05/2026	A+	0.031%	6245
NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	A	0.034%	6826
Landesbank Hessen-Thueringen Girozentrale (Helaba)	20,000,000	4.31%	09/06/2025	09/06/2026	A+	0.036%	7130
Goldman Sachs International Bank	15,000,000	4.11%	16/07/2025	15/07/2026	A+	0.040%	6030
Goldman Sachs International Bank	15,000,000	4.11%	16/07/2025	16/07/2026	A+	0.040%	6049
NatWest Markets Plc (NRFB)	30,000,000	6.40%	07/08/2023	07/08/2026	A	0.043%	12932
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G	80,961,244	5.84%					
ROYAL LONDON	80,811,274	6.57%					
Total Investments	£1,020,799,220	4.78%					
Total Investments - excluding Funds	£859,026,702	4.51%				0.017%	£85,942
Total Investments - Funds Only	£161,772,519	6.20%					

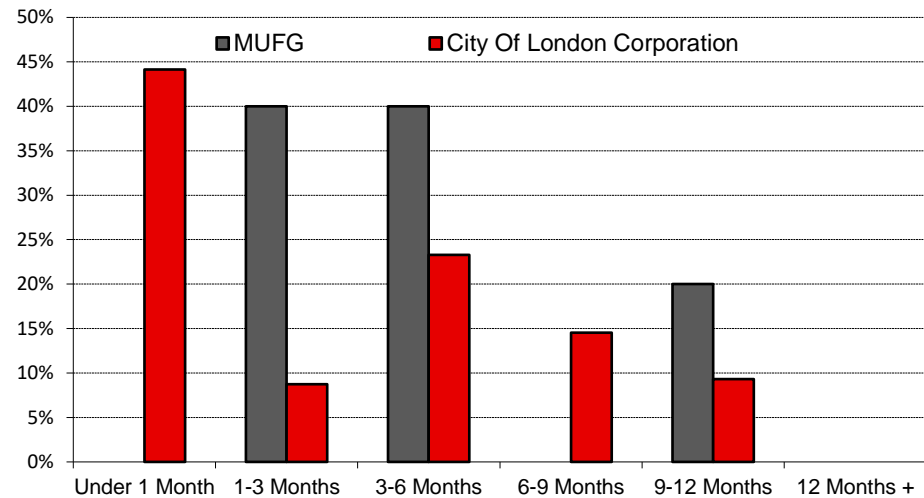
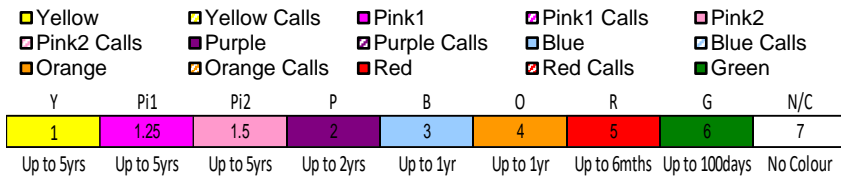
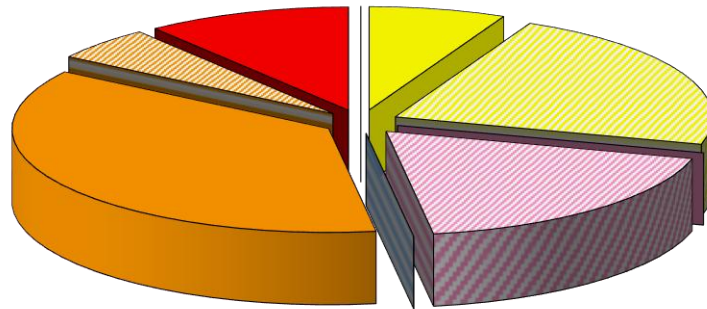
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to 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 June 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 = 2.77

WARoR = Weighted Average Rate of Return

WAM = Weighted Average Time to Maturity

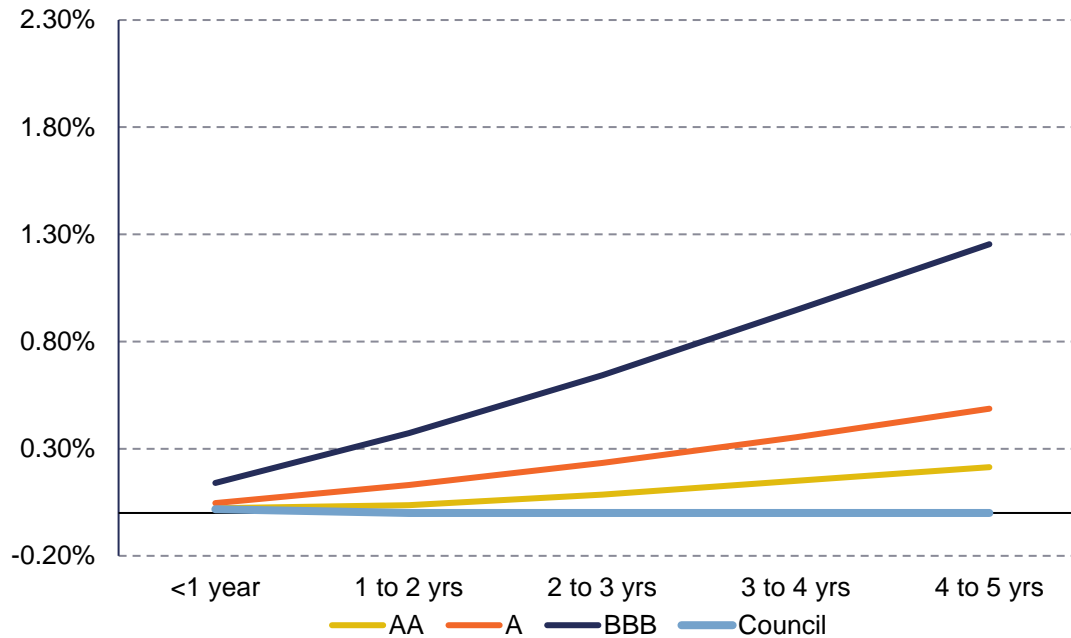
Excluding Calls/MMFs/USDBFs

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow	29.27%	£251,400,000	76.13%	£191,400,000	22.28%	4.30%	18	73	77	305
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	18.35%	£157,626,702	100.00%	£157,626,702	18.35%	4.85%	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	41.91%	£360,000,000	12.50%	£45,000,000	5.24%	4.58%	178	350	177	373
Red	10.48%	£90,000,000	0.00%	£0	0.00%	4.24%	221	298	221	298
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
Total	100.00%	£859,026,702	45.87%	£394,026,702	45.87%	4.51%	103	199	172	350

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Investment Risk and Rating Exposure

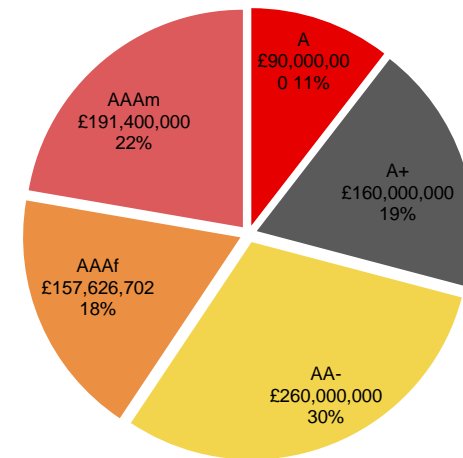
Investment Risk Vs. Rating Categories



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	0.02%	0.00%	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
07/08/2025	2090	Close Brothers Ltd	United Kingdom	The Long Term and Short Term Ratings were downgraded to 'BBB' from 'BBB+' and to 'F3' from 'F2' respectively. At the same time, the Viability Rating was downgraded to 'bbb' from 'bbb+', whilst the Negative Watch on all ratings was removed and the Long Term Rating was placed on Negative Outlook.
19/08/2025	2091	HSBC UK Bank Plc (RFB)	United Kingdom	The Viability Rating was upgraded to 'a+' from 'a'.

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Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
				There were no changes to report.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
26/08/2025	2092	Toronto-Dominion Bank	Canada	The Stable Outlook on the Long Term Rating was removed and the Long Term Rating was placed on Positive Watch.

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