



City Of London Corporation

Client Designated MMF, SDBF & USDBF Rates

Monthly Investment Analysis Review

December 2025

Monthly Economic Summary

General Economy

The UK Manufacturing PMI rose to 50.6 in December, up from 50.2 in November, revised down from the preliminary estimate of 51.2 but ahead of expectations of 50.4. It was the second consecutive expansion after a year of contraction. Output rose for a third month with broad increases in consumer, intermediate, and investment goods sectors, supported by new work intakes, which expanded for the first time in 15 months. The UK Services PMI rose to 52.1 in December from 51.3 in November, exceeding forecasts of 51.6 and marking the 9th straight month of growth. However, employment fell for the 15th consecutive month amid cost pressures. Input costs rose at the fastest pace since May, pushing prices charged to their highest since August.

Combining the above, the UK Composite PMI picked up to 52.1 in December from November's 51.2, surpassing forecasts of 51.6. This was the eighth consecutive month of private sector expansion. On a less positive note, the UK Construction PMI fell to 39.4 in November (released on a one-month lag) from 44.1 in October, pointing to the steepest downturn in five-and-a-half years amid challenging conditions. New orders decreased to the greatest extent since May 2020, with respondents citing weak client confidence and delayed spending decisions linked to uncertainty ahead of the late-November Budget. Employment declined at the steepest rate since August 2020 and optimism was the weakest since December 2022.

UK GDP fell 0.1% in October, following a similar decline in September and missing expectations for a 0.1% expansion, marking the fourth consecutive month without growth. Services output declined 0.3% after a 0.2% gain in September, and construction fell 0.6% from a 0.2% rise. Conversely, production rose 1.1%, rebounding from a 2% plunge. The trade deficit widened to £4.82 billion in October from £1.09 billion in September, its largest gap since February. Exports fell 0.3% m/m to £77.00 billion, while imports rose 4.5% to £81.82 billion. Goods exports fell 0.8% to £30.96 billion, while goods imports rose 6.8% to £53.51 billion.

Employment fell by 16k in October after a 22k decrease in September, driven by fewer full-time positions. Average weekly earnings including bonuses rose 4.7% y/y to £739 in the three months to October, slowing from 4.9% but beating expectations of 4.4%. Private sector wage growth fell to 4.0% from 4.4%, the weakest since Dec 2020–Feb 2021, while public sector pay accelerated to 7.7%, the highest since Jul–Sep 2023. Adjusted for inflation, total earnings rose 0.6%, down from 0.7%, the lowest since May–Jul 2025.

Consumer prices fell 0.2% m/m in November, the first decrease since January and the biggest since July 2024, versus forecasts of flat. Annual inflation eased to 3.2%, the lowest in eight months, from 3.6% in October and below forecasts of 3.5% and the BoE's 3.4% prediction. The largest downward contribution came from food and non-alcoholic items, particularly bread and cereals. Prices also slowed for alcohol and tobacco, transport, and housing and utilities. Services inflation eased to 4.4% from 4.5%, below the BoE forecast. Clothing and footwear costs fell, while recreation and culture prices rose 2.9%, unchanged from October. Core inflation eased to 3.2% from 3.4%.

The GfK Consumer Confidence Index rose to -17 in December from -19 in November, beating forecasts of -18. Public sector net borrowing eased to £11.7 billion in November from £21.2 billion in October, below last year's £13.6bn and the lowest November reading since 2021. Receipts rose £5.9 billion y/y on higher tax revenues and National Insurance contributions, while expenditure rose £4.0 billion on public services and social benefits. Public sector net debt excluding banks stood at 95.6% of GDP.

As expected, the Bank of England cut Bank Rate by 25bps from 4.00% to 3.75% at its December meeting. The voting split was 5-4, with falling inflation persuading Governor Bailey to support a cut.

US Economy

Nonfarm payrolls rose by 64k in November, compared with a 105k loss in October and market expectations of a 50k increase. Headlining gains were health care and construction sectors, while federal government continued to lose jobs as the shutdown weighed with declines also seen in transportation and warehousing. US GDP advanced an annualised 4.3% in Q3 2025, the most in two years compared to 3.8% in Q2, and forecasts of 3.3%, the delayed estimate showed. The growth mainly reflected increases in consumer spending, exports, and government spending. Meanwhile the annual inflation rate in the US came in at 2.7% in December 2025, the lowest since July, below forecasts of 3.1% and 3% reported for September as energy prices rose 4.2% on the year, while food was a more modest 2.6% higher and shelter costs up 3%. Annual core inflation fell to 2.6% in November 2025, the lowest since March 2021 and below market expectations of 3%.

The FOMC cut the Federal Funds rate by 25bps at its December meeting, bringing it to the 3.50 - 3.75% range, albeit with three dissenting voters (two voted for no change, and one for a 50bps cut) as the committee remains divided. The accompanying statement signalled a pause for the near-term, in line with Governor Powell's press conference whereby he confirmed the Fed is "well positioned to wait and see how the economy performs from here."

EU Economy

The annual inflation rate in the Eurozone was revised down to 2.1% in November from a preliminary of 2.2%, matching the October reading. Services inflation accelerated to 3.5% from 3.4%, marking its highest level since April, while energy prices declined at a slower pace. The annual core inflation rate, which excludes prices of food, energy, and tobacco, was at 2.4% for the third consecutive month. Overall, the report was aligned with commentary from European Central Bank (ECB) Governing Council members suggesting that the central bank is unlikely to deliver more rate cuts under the current macroeconomic backdrop, with the members also voting to keep policy rates unchanged at their December meeting – as widely expected. The Eurozone economy grew 1.4% y/y in Q3 of 2025, compared to the 1.6% expansion recorded in both the first and second quarters, and broadly in line with the initial estimate. Spain led the major economies, expanding 2.8%, followed by the Netherlands at 1.6%. Among the bloc's other largest economies, GDP expanded 0.9% in France, 0.6% in Italy but just by 0.3% in Germany.

Housing

The Halifax House Price Index in the UK was flat from a month earlier in November 2025, following a 0.5% rise in October and missing expectations of a 0.2% gain. Meanwhile, the UK Nationwide House Price index unexpectedly fell 0.4% from a month earlier in December 2025, defying market expectations of a 0.1% increase and reversing a 0.3% rise in the prior period, marking the first monthly decline in four months, due to seasonal effects.

Currency

Sterling appreciated against the Dollar and the Euro.

December	Start	End	High	Low
GBP/USD	\$1.3253	\$1.3451	\$1.3508	\$1.3203
GBP/EUR	€1.1395	€1.1453	€1.1472	€1.1375

Interest Rate Forecast

MUFG Corporate Markets revised its forecast down 25bps from Q2 2026 to Q2 2027, maintaining an expected Bank Rate trough of 3.25% by Q4 2026. Capital Economics also revised its forecast down 25bps for Q2 2026 and Q3 2026, maintaining an expected trough of 3% by Q4 2026.

Bank Rate														
	NOW	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
MUFG Corporate Markets	3.75%	3.75%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Capital Economics	3.75%	3.50%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	-	-	-	-	-

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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	39,000,000	3.91%		MMF	AAAm		
	MMF CCLA	49,700,000	3.85%		MMF	AAAm		
	MMF Deutsche	55,900,000	3.88%		MMF	AAAm		
	MMF Federated Investors (UK)	48,400,000	3.92%		MMF	AAAm		
	MMF Invesco	83,000,000	3.95%		MMF	AAAm		
	USDBF Aberdeen Standard Investments	59,193,888	4.62%		USDBF	AAAf		
	USDBF Federated Sterling Cash Plus Fund	29,574,307	4.51%		USDBF	AAAf		
	USDBF Payden Sterling Reserve Fund	71,271,119	5.19%		USDBF	AAAf		
	United Overseas Bank Ltd	20,000,000	4.28%	07/05/2025	07/01/2026	AA-	0.000%	85
	NatWest Markets Plc (NRFB)	20,000,000	4.79%	10/01/2025	12/01/2026	A	0.002%	303
	United Overseas Bank Ltd	20,000,000	4.25%	17/07/2025	19/01/2026	AA-	0.001%	231
	Australia and New Zealand Banking Group Ltd	20,000,000	4.37%	29/04/2025	29/01/2026	AA-	0.002%	352
	Lancashire County Council	20,000,000	4.50%	29/09/2025	29/01/2026	AA-	0.002%	0
	DBS Bank Ltd	10,000,000	4.11%	12/08/2025	12/02/2026	AA-	0.003%	261
	NatWest Markets Plc (NRFB)	20,000,000	4.47%	13/02/2025	12/02/2026	A	0.005%	1087
	United Overseas Bank Ltd	20,000,000	4.30%	18/06/2025	18/02/2026	AA-	0.003%	595
	Goldman Sachs International Bank	20,000,000	4.15%	31/07/2025	27/02/2026	A+	0.007%	1466
	United Overseas Bank Ltd	20,000,000	4.20%	28/07/2025	27/02/2026	AA-	0.004%	705
	Australia and New Zealand Banking Group Ltd	10,000,000	4.40%	03/06/2025	03/03/2026	AA-	0.004%	377
	Landesbank Hessen-Thuringen Girozentrale (Helaba)	20,000,000	4.37%	05/06/2025	05/03/2026	A+	0.008%	1618
	United Overseas Bank Ltd	10,000,000	4.17%	12/08/2025	12/03/2026	AA-	0.004%	431
	Walsall Metropolitan Borough Council	10,000,000	4.75%	14/03/2025	13/03/2026	AA-	0.004%	0
	Goldman Sachs International Bank	20,000,000	4.16%	04/07/2025	05/05/2026	A+	0.016%	3160
	NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	A	0.019%	3742
	Landesbank Hessen-Thuringen Girozentrale (Helaba)	20,000,000	4.31%	09/06/2025	09/06/2026	A+	0.020%	4045
	Australia and New Zealand Banking Group Ltd	45,000,000	3.93%		Call185	AA-	0.011%	5056
	Goldman Sachs International Bank	15,000,000	4.11%	16/07/2025	15/07/2026	A+	0.025%	3717
	Goldman Sachs International Bank	15,000,000	4.11%	16/07/2025	16/07/2026	A+	0.025%	3735
	NatWest Markets Plc (NRFB)	30,000,000	6.40%	07/08/2023	07/08/2026	A	0.028%	8305

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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 (£)
Standard Chartered Bank	20,000,000	3.99%	17/11/2025	17/08/2026	A+	0.029%	5790
Toronto Dominion Bank	10,000,000	3.95%	24/11/2025	24/09/2026	A+	0.034%	3375
Standard Chartered Bank	25,000,000	4.03%	29/10/2025	28/10/2026	A+	0.038%	9513
Rochdale Metropolitan Borough Council	10,000,000	4.30%	08/12/2025	07/12/2026	AA-	0.021%	0
Rochdale Metropolitan Borough Council	10,000,000	4.30%	10/12/2025	09/12/2026	AA-	0.021%	0
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G	82,850,176	6.79%					
ROYAL LONDON	81,968,538	7.75%					
Total Investments	£1,080,858,027	4.79%					
Total Investments - excluding Funds	£916,039,314	4.34%				0.013%	£57,950
Total Investments - Funds Only	£164,818,714	7.27%					

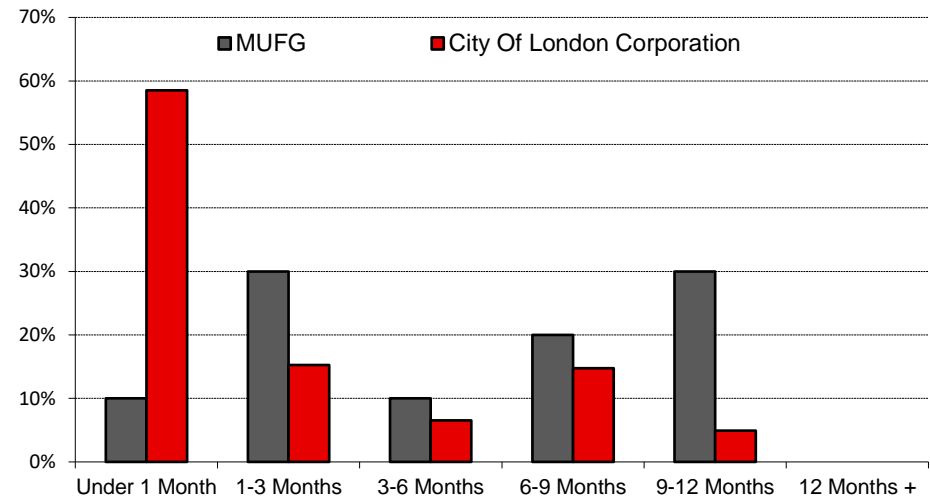
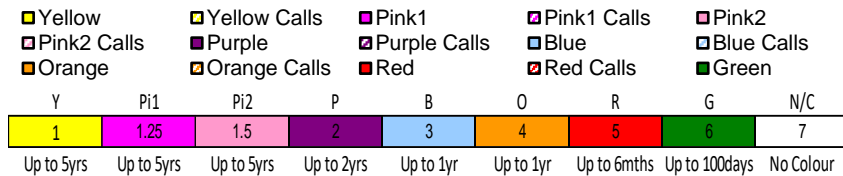
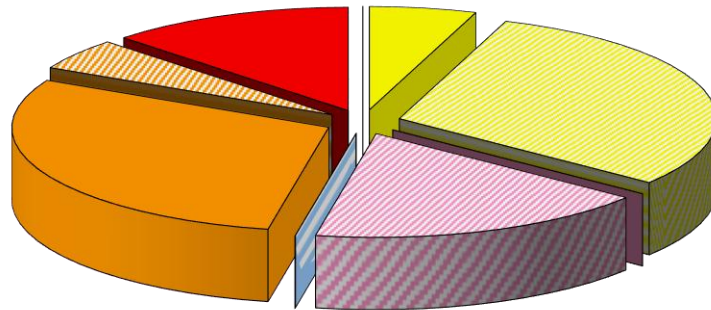
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to 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 September 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 = 2.62

WARoR = Weighted Average Rate of Return

WAM = Weighted Average Time to Maturity

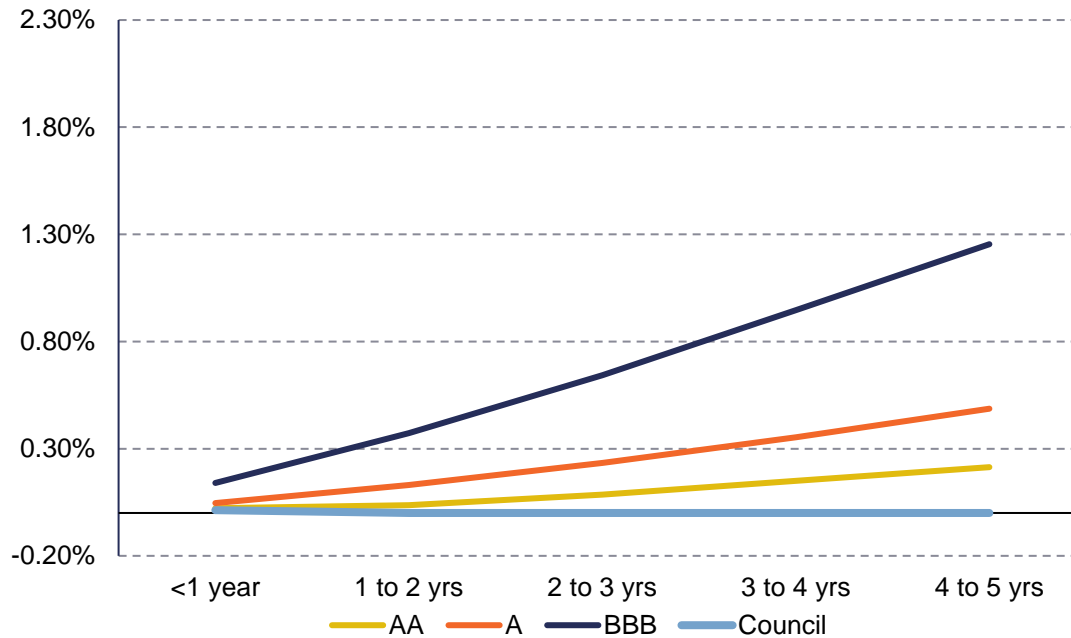
Excluding Calls/MMFs/USDBFs

	% 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	35.59%	£326,000,000	84.66%	£276,000,000	30.13%	3.99%	25	41	163	267
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	17.47%	£160,039,314	100.00%	£160,039,314	17.47%	4.86%	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	34.39%	£315,000,000	14.29%	£45,000,000	4.91%	4.53%	99	369	84	400
Red	12.55%	£115,000,000	0.00%	£0	0.00%	4.09%	188	311	188	311
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%	£916,039,314	52.51%	£481,039,314	52.51%	4.34%	66	181	121	361

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Investment Risk and Rating Exposure

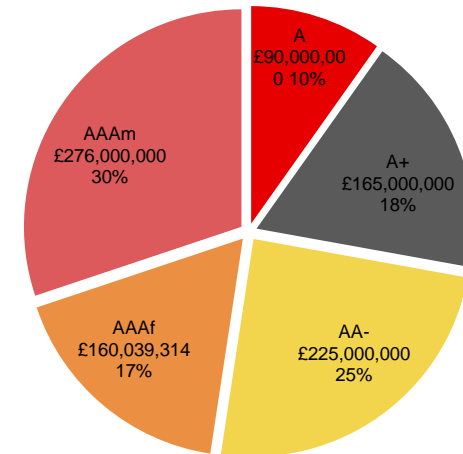
Investment Risk Vs. Rating Categories



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%	0.00%	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
05/12/2025	2109	Credit Industriel et Commercial	France	The Outlook on the Long Term Rating was changed to Negative from Stable.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
05/12/2025	2110	Commerzbank AG	Germany	The Outlook on the Long Term Rating was changed to Positive from Stable.
05/12/2025	2111	Deutsche Bank AG	Germany	The Outlook on the Long Term Rating was changed to Positive from Stable.
12/12/2025	2112	ABN AMRO Bank N.V.	Netherlands	The Outlook on the Long Term Rating was changed to Positive from Stable.

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Monthly Credit Rating Changes MOODY'S

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

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