



Global Fixed Income

July 2025 review

Liontrust GF Strategic Bond Fund



Phil Milburn

Co-Head Global Fixed Income Team



Donald Phillips

Co-Head Global Fixed Income Team

The Liontrust GF Strategic Bond Fund returned 0.0* in US dollar terms in July. The average return from the EAA Fund Global Flexible Bond (Morningstar) sector, the Fund's reference sector, was 0.5%.

Market backdrop

July saw progress being made on provisional trade deals between the US and various other countries as the world adjusts to the new order of the US having significant trade tariffs. From a global economic perspective, the most important deal was the one between the US and EU, with the latter paying 15% on most exports into the US. In reality it will be mainly the US consumer that pays; despite the fact that President Trump hates VAT (value added tax), he is effectively introducing a bespoke form of it into the US. Although we are starting to get some clarity on trade deals, there is still heightened uncertainty about whether there will be second order inflationary impacts from tariffs, how much trade will be diverted, and what the economic downside is for export-led countries. This leaves central banks in a bit of a quandary.

Starting with the Federal Open Markets Committee (FOMC), which held US interest rates steady in the 4.25% to 4.50% range. There were two dissenters calling for a 25bps cut (Bowman and Waller) which is the first time there have been two dissenters since 1993. There were two marginal changes to the statement which, due to the economic activity description, erred on the dovish side. Firstly, the July statement now says "...recent indicators suggest that growth of economic activity moderated in the first half of the year," compared to the June description of activity expanding at a solid pace. Secondly, in June the FOMC said that uncertainty had diminished but remains elevated; in July, the diminished reference has been removed, and we are back to "...uncertainty about the economic outlook remains elevated."

Fed Chair Powell had a more hawkish stance at the press conference; my interpretation is that most of the FOMC members need more evidence before they would be persuaded of the case for a rate cut. Regarding the inflationary effects of tariffs Powell stated "... a reasonable base case is that the effects on inflation could be short-lived, reflecting a one-time shift in the price level, but it is also possible that the inflationary effects could instead be more persistent." Hence, there is a desire to see more inflation data before altering rates. The debate

on the secondary inflationary impacts of tariffs is unlikely to be resolved by mid-September, so the strength of the labour market is the key to whether the Fed will cut rates. Weak US employment data released on the 1st of August does bring the September FOMC meeting firmly back into play.

The European Central Bank (ECB) left interest rates unchanged as was widely anticipated, with the deposit rate remaining at 2.0%. The ECB Governing Council clearly contains a range of opinions; in this instance the decision was unanimous. The statement was mercifully short – now that inflation is at 2%, it was repeated that the ECB is “...determined to ensure that inflation stabilises at its 2% target in the medium term.” There was an obvious big caveat about the elephant in the economic room, “...the environment remains exceptionally uncertain, especially because of trade disputes.” The ECB is now in a watch-and-wait mode and continues to follow “...a data-dependent and meeting-by-meeting approach” with no predetermined rate path.

At the accompanying press conference, President Lagarde mentioned that the ECB forecast is for an inflation undershoot in 2026, but it is not going to be moved by a minor deviation. Lagarde stressed that policy will be based on the medium-term target of 2%. There was an admission from Lagarde that a strong euro creates downward pressure on inflation: “...stronger euro could damp inflation more than expected.” On tariffs, Lagarde raised the point that there is not just the direct impact, tariffs could also lead to trade re-routing. Furthermore, there might also be some supply chain bottle necks; so, there is no definite conclusion yet which force will prevail. Lagarde emphasised that the ECB is in a good place to hold and to “wait and watch” how these risks develop over the next few months. Ongoing data and forecasts will determine the monetary policy stance. The next ECB staff economic forecasts are out for the meeting in September. In my opinion if these show inflation below 2% towards the end of the forecast period, then the ECB will act. This would move beyond the “minor deviation” thesis in 2026 that Lagarde was not worried about.

Fund positioning and activity

Rates

Duration exposure was maintained in the vicinity of 6.25 years during July. The Fund finished the month with 6.2 years of duration exposure split between 3.0 years in the US, 1.3 years in the Eurozone, and 1.9 years in the UK. As a reminder, on the yield curve front with a total 15+ years maturity bucket exposure of 1.2 years, the Fund is still underweight relative to indices but no longer has zero exposure having added in April.

Allocation and Selection

Activity in credit markets was low during July. The investment grade credit weighting at the end of the month was 56% with high yield exposure at 7%. We await a period of higher volatility in credit markets to rotate holdings into new value opportunities and increase exposure overall.

Discrete years' performance to previous quarter-end**:

Past performance does not predict future returns

	Jun-25	Jun-24	Jun-23	Jun-22	Jun-21
Liontrust GF Strategic Bond B5 Acc	7.1%	10.1%	3.4%	-13.3%	5.4%

	Jun-20
Liontrust GF Strategic Bond B5 Acc	5.45%

** Source Financial Express, as at 30.06.25, total return, B5 share class. Discrete data is not available for ten full 12-month periods due to the launch date of the portfolio (13.04.18). *Source: Financial Express, as at 31.07.25, B5 share class.

Key Features of the Liontrust GF Strategic Bond Fund

Investment objective & policy ¹	The investment objective of the Fund is to maximise total returns over the long term through a combination of income and capital. The Fund will seek to achieve its objective by investing in bond and credit markets worldwide. The Fund invests in a wide range of bonds issued by corporates and governments, from investment grade through to high yield. The Fund invests in developed and emerging markets, with a maximum of 40% of its net assets invested in emerging markets. Investments may be made in "hard" currencies, such as US Dollar, Euro and Sterling, and up to 25% of the net assets of the Fund may be invested in soft currencies, such as those of emerging markets. Where the Fund invests in non-US Dollar assets, the currency exposure of these investments will generally be hedged back to US Dollar. Up to 10% of the Fund's currency exposure may not be hedged, i.e. the Fund may be exposed to the risks of investing in another currency for up to 10% of its assets. The Fund may invest both directly, and through the use of derivatives. The use of derivatives may generate market leverage (i.e. where the Fund takes market exposure in excess of the value of its assets). In addition, the Fund may invest in cash or cash equivalents, such as deposits and Money Market Instruments, for cash management purposes. Within the limits stated above, there are no geographical or economic sector restrictions on the Fund's investments. The Fund has both Hedged and Unhedged share classes available. The Hedged share classes use forward foreign exchange contracts to protect returns in the base currency of the Fund. The fund manager considers environmental, social and governance ("ESG") characteristics of issuers when selecting investments for the Fund.
Recommended investment horizon	5 years or more
Risk profile (SRI) ²	3
Active/passive investment style	Active
Benchmark	The Fund is actively managed without reference to any benchmark meaning that the Investment Adviser has full discretion over the composition of the Fund's portfolio, subject to the stated investment objectives and policies.
Sustainability profile	The Fund is a financial product subject to Article 8 of the Sustainable Finance Disclosure Regulation (SFDR).

Notes: 1. As specified in the PRIIP KID of the fund; 2. SRI = Summary Risk Indicator. Please refer to the PRIIP KID for further detail on how this is calculated.

Key Risks

Past performance does not predict future returns. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.

The fund manager considers environmental, social and governance ("ESG") characteristics of issuers when selecting investments for the Fund.

Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result;

The creditworthiness of a bond issuer may also affect that bond's value. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts. The value of a bond would be significantly affected if the issuer either refused to pay or was unable to pay.

Overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund.

The Fund can invest in derivatives. Derivatives are used to protect against currency, credit or interest rate moves or for investment purposes. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.

The Fund uses derivative instruments that may result in higher cash levels. Cash may be deposited with several credit counterparties (e.g. international banks) or in short dated bonds. A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

The Fund invests in emerging markets which carries a higher risk than investment in more developed countries. This may result in higher volatility and larger drops in the value of the fund over the short term.

The Fund may encounter liquidity constraints from time to time. Participation rates on advertised volumes could fall reflecting the less liquid nature of the current market conditions.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

The issue of units/shares in Liontrust Funds may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term.

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