

# Global Fixed Income

August 2025 review

## Liontrust Strategic Bond Fund



Phil Milburn

Co-Head Global Fixed Income Team



Donald Phillips

Co-Head Global Fixed Income Team

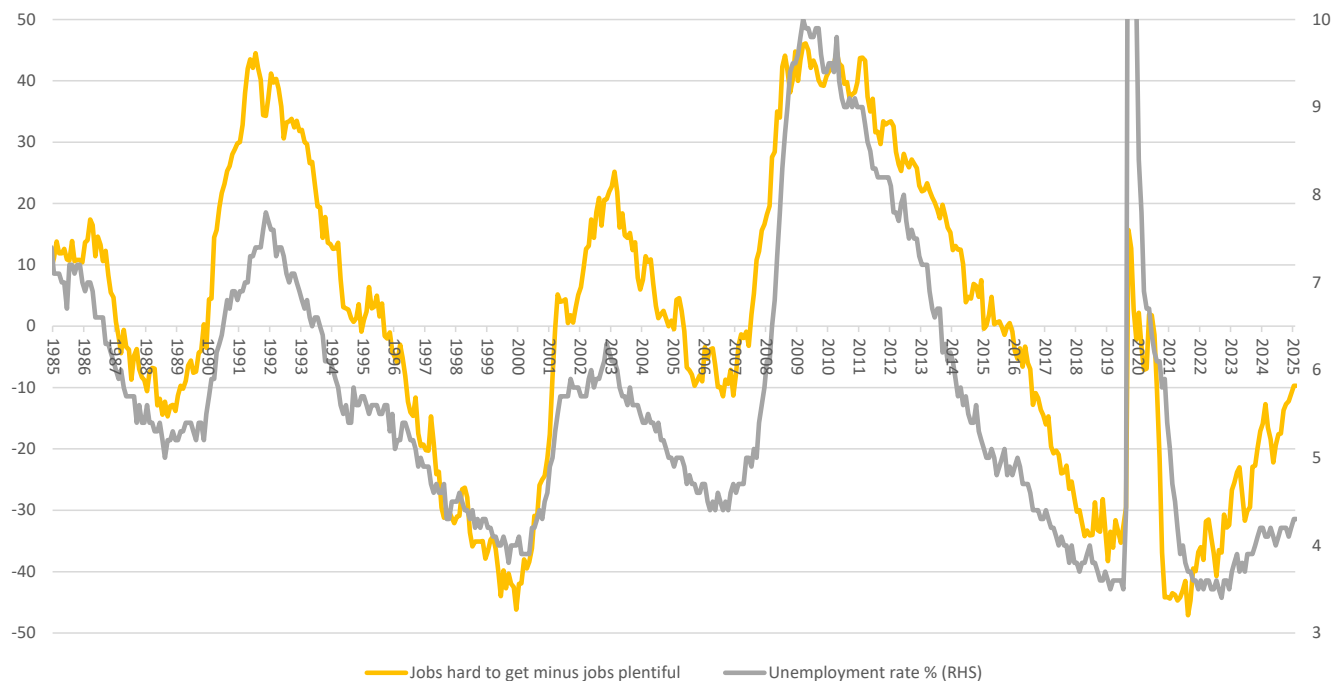
The Liontrust Strategic Bond Fund returned 0.9%\* in sterling terms during August. The average return from the IA Sterling Strategic Bond sector, the Fund's comparator benchmark, was 0.4%.

### Market backdrop

Early in August, weak US labour market data caused a reappraisal by the market of when the Federal Reserve would resume cutting interest rates. Not only were headline payrolls weak, there were also significant downward revisions to past figures. Although the survey response rates have declined and the quality of data deteriorated accordingly, President Trump chose to sack the head of the BLS (Bureau of Labor Statistics) for his own reasons.

We believe that one should look at various data sources for assessing the strength of the US labour market. In this regard, the latest Conference Board survey showed a continued softening in labour market conditions – this has been an ongoing trend from a starting point of extreme post-lockdown hiring spree. The chart below shows the difference between the *jobs hard to get* and *jobs plentiful* data series (yellow line); a lower net number means a tighter labour market. The grey line is the US unemployment rate. The continued loosening in labour market conditions that the yellow line shows does imply that unemployment is likely to be rising soon, albeit this is complicated somewhat by an abrupt slowdown in US net immigration. There is now a fragile calm with low hiring and firing rates; a minor pickup in the latter would quickly feed through to increases in unemployment.

## Job availability versus unemployment rate



Source: Conference Board, BLS, Bloomberg, Liontrust.

The payrolls data released in early September remained weak enough that a September interest rate cut in the US is close to a certainty. This remains the case even if/when goods prices continue to increase in the US as the tariff impacts wash through with lags.

In August we had a chance to hear from the proverbial horse's mouth as Federal Reserve Chair Powell made his much-anticipated speech at the annual Jackson Hole symposium. In our opinion, there were two quotes that were the most important. Firstly, in the discussion about the risks to the Fed's dual mandate becoming more balanced there was a recognition that the labour market has softened: "...in the near term, risks to inflation are tilted to the upside, and risks to employment to the downside." This then leads on to the following comment on monetary policy, "...with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." The bond markets interpreted this as a signal that a rate cut is likely at the next FOMC (Federal Open Markets Committee) on 17th September, a conclusion that we agree with.

## Fund positioning and activity

### Rates

Duration exposure was maintained in the vicinity of 6.5 years during August. The Fund finished the month with 6.5 years of duration exposure split between 3.8 years in the US, -0.5 years in Canada, 1.4 years in the Eurozone, and 1.8 years in the UK. As a reminder, on the yield curve front with a total 15+ years maturity bucket exposure of 0.9 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 August; the investment grade credit weighting at the end of the month was 66%. One new holding in Bank of Montreal (BMO) subordinated debt was purchased; we like the diverse revenue streams the bank has as well as a strict regulatory environment in Canada. High yield exposure is at 18%, this is constituted by 23% in high yield bonds and a -5% risk reducing overlay using the iTraxx Xover credit default swap index.

Discrete years' performance (%) to previous quarter-end\*\*:

	Jun-25	Jun-24	Jun-23	Jun-22	Jun-21
Liontrust Strategic Bond B Acc	7.8%	9.6%	1.2%	-12.5%	5.1%
IA Sterling Strategic Bond	6.6%	8.8%	-0.2%	-10.2%	6.1%
Quartile	2	2	2	3	3

	Jun-20
Liontrust Strategic Bond B Acc	2.8%
IA Sterling Strategic Bond	3.8%
Quartile	3

\*Source: Financial Express, as at 31.08.25, accumulation B share class, total return (net of fees and income reinvested). \*\*Source: Financial Express, as at 30.06.25, accumulation B share class, total return (net of fees and income reinvested).

For a comprehensive list of common financial words and terms, see our glossary at:  
<https://www.liontrust.co.uk/benefits-of-investing/guide-financial-words-terms>

## 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

## Disclaimer

This document is issued by Liontrust Investment Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518552) to undertake regulated investment business.]

It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. The investment being promoted is for units in a fund, not directly in the underlying assets.

This information and analysis is believed to be accurate at the time of publication, but is subject to change without notice. Whilst care has been taken in compiling the content, no representation or warranty is given, whether express or implied, by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified.

**This is a marketing communication.** Before making an investment, you should read the relevant Prospectus and the Key Investor Information Document (KIID) and/or PRIIP/KID, which provide full product details including investment charges and risks. These documents can be obtained, free of charge, from [www.liontrust.co.uk](http://www.liontrust.co.uk) or direct from Liontrust. If you are not a professional investor please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances. All use of company logos, images or trademarks in this document are for reference purposes only.