



Global Fixed Income

September 2025 review

Liontrust GF Strategic Bond Fund



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The Liontrust GF Strategic Bond Fund returned 0.8%* in US dollar terms in September. The average return from the EAA Fund Global Flexible Bond (Morningstar) sector, the Fund's reference sector, was 0.7%.

Market backdrop

In August's monthly report, we discussed how weak US labour market data caused a reappraisal by the market of when the Federal Reserve would resume cutting interest rates. September resumed this theme with payrolls data showing lacklustre hiring levels in the US.

The Federal Open Markets Committee (FOMC) cut US interest rates by 25bps to take the Fed funds rate to the 4.0% to 4.25% range, an action which was widely anticipated. The vote split was 11-1 with Trump's recent appointee Miran voting for a larger 50bps cut. The first interesting point about this meeting is that neither Waller nor Bowman, both of whom had previously voted for a cut when others had not, chose to vote for 50bps. We see this as a positive sign for Federal Reserve integrity – the odds of either of them being given the role of Chair have greatly decreased but they have put the institution's needs ahead of their own ambition.

The FOMC statement continues to describe economic growth as having moderated and inflation as "somewhat elevated." It is the labour market part of the calculation that tipped the Fed's hand. Conditions have moved from being described as "solid" to a statement that "...job gains have slowed, and the unemployment rate has edged up but remains low." It is the risks around the trajectory of labour market conditions that have garnered the Fed's attention, "...the Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment have risen." Thus, in the press conference Fed Chair Powell was keen to characterise this interest rate cut as one of "risk management."

The meeting was accompanied by a quarterly update to the summary of economic projections (SEP). The adjustments to 2026 forecasts jump out, with growth estimates revised up by 0.2 percentage points, headline and core inflation also up 0.2%, and unemployment down 0.1%. Normally when these pro-growth adjustments are being made, they would not be accompanied by a rate cut! Hence why the cut is being phrased as risk

management, and there will be more risk management cuts to come. The SEP also contains the infamous dot plot of FOMC members' projections for where they see rates over the coming years and the long term.

The median for 2025 has come down 25bps, with two more cuts the central case for 2025. The range of views in years further out has become more disparate. Federal Reserve Chair Powell was keen to downplay the two cuts in the dot plot during the press conference given the fragility of the median.

Overall, we see the two cuts this year as a continuation of the insurance cuts/risk management theme. Powell was very open about the uncertainty with upside risks around inflation and downside for labour markets. In our opinion the labour market will be the key driver of US monetary policy for the rest 2025. Labour demand growth is now running a little below labour supply growth, but the key to unemployment is whether the very low layoffs rate starts to increase with hiring being moribund.

Finally, to confuse economic matters further in the US, at the close of business on the last day of the month the government entered a partial shutdown having failed to agree on a budget or continuation resolution. The Democrats can continue to block the budgetary passage through the Senate using a filibuster. How long they continue this tactic for depends on public opinion and blame apportioning. The last shutdown was from 22nd December 2018 to 25th January 2019; the Congressional Budget Office (CBO) estimated the economic cost at \$11 billion with \$3 billion of this permanently lost. For those people impacted at the time it is a huge issue, but for financial markets over the longer term it created merely a small blip. Any volatility that arises in financial markets this time around might create good investment opportunities for the longer term.

Fund positioning and activity

Rates

With the rally in government bonds, the Fund's duration was reduced to just below 6.0 years during September. The Fund remains strategically long duration but as government bond yields fall making valuations less compelling, it is prudent to reduce the size of the position. Furthermore, a little duration was switched out of the US market into German exposure after the former has significantly outperformed the latter this year.

The Fund finished September with 5.8 years of duration exposure split between 2.3 years in the US, 1.7 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 1.0 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 September. The investment grade credit weighting at the end of the month was 58% and high yield exposure was at 9%. 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

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

	Sep-20
Liontrust GF Strategic Bond B5 Acc	6.4%

**Source Financial Express, as at 30.09.25, 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 30.09.25, B5 share class.

This is a marketing communication

Key Features of the Liontrust GF Strategic Bond Fund

Investment objective & policy ¹	<p>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.</p>
Recommended investment horizon	5 years or more
Risk profile (SRI) ²	3
Active/passive investment style	Active
Benchmark	<p>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.</p>
Sustainability profile	<p>The Fund is a financial product subject to Article 8 of the Sustainable Finance Disclosure Regulation (SFDR).</p>

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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