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UK Asset Manager Cuts U.S. Treasuries Amid Dollar Weakness, Shifts to British Bonds

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As the U.S. dollar continues to slide, a major UK investment firm has moved decisively to reduce exposure to American debt, instead opting for inflation-linked British government bonds. The shift underscores growing concerns about the dollar's stability and reflects a broader trend among global investors reevaluating their reliance on U.S. assets amid rising fiscal uncertainty and market volatility.

London-based CG Asset Management (CGAM), which oversees £1.8 billion across three multi-asset portfolios, has redirected approximately £100 million from *Treasury Inflation-Protected Securities (TIPS)* into UK index-linked gilts since the end of March. The move was driven by the dollar's ongoing depreciation, down around 7% against the British pound this year, alongside unpredictable trade policies and a growing U.S. budget deficit under President Donald Trump's administration.

Emma Moriarty, portfolio manager at CGAM, explained the rationale in a recent interview, noting, "The dollar's decline weighs a bit on any kind of long unhedged allocation to TIPS or U.S. conventional government bonds." She added that the firm's exposure to sterling assets has now reached about 70% the upper limit of its typical range, prompting a pause in further reallocation for now.

Within CGAM's largest fund, the *Capital Gearing Trust*, UK inflation-linked gilts delivered a 1% return in the second quarter, while the TIPS portfolio registered a 6% loss. Since April, Moriarty has increased UK inflation-linked bond holdings from 9% to 15% of the fund. Although long-dated UK bonds have faced pressure due to questions surrounding the nation's fiscal path, Moriarty emphasized that British "linkers" index-linked gilts have shown considerable improvement. "In relative terms, the UK is now in a much better position, as UK real yields are now quite elevated," she said, adding that many gilts have gone from "uninvestable" to "good value."

CGAM has also made tactical shifts within both the U.S. and UK bond markets, reducing exposure at the short and long ends of the yield curve. Short-term holdings were cut due to heightened inflation expectations, while long-term positions were trimmed in light of economic slowdown risks and growing fiscal concerns. The firm currently favors bonds with maturities between five and ten years, where yields are perceived as more stable and better aligned with macroeconomic forecasts.

Historically, CGAM viewed the U.S. as the top destination for inflation protection due to the strength of *real yields*, interest rates adjusted for inflation, tied to the country's relatively fast-paced economic growth. But recent turbulence in April, along with tariff uncertainty and the dollar's retreat, has prompted a reassessment. The firm has cut its holdings in TIPS from 28% to 22% over the past three months.

Moriarty's concerns mirror those of other investors increasingly looking beyond U.S. assets. "The biggest threat to the U.S. dollar is just this rotation away from U.S. assets," she said. As confidence in dollar-denominated securities continues to waver, funds like CGAM are leading the charge in diversifying into markets where inflation-adjusted returns and currency stability offer more attractive value.

This shift serves as a clear signal that while the U.S. has long been a haven for global capital, current trends in fiscal policy, trade, and monetary uncertainty are prompting a realignment of priorities, particularly among conservative investors seeking dependable, real-term returns.