Umbra Market Review:
November 2024

Key Points From The Month

- Umbra's MPS offering continued to build on its strong year-to-date returns as November progressed with overall performance driven by an array of return drivers from the three core asset classes the MPS has exposure to.
- The US presidential election jolted markets following the overwhelming victory for the Republican party under Donald Trump. Having campaigned on a wide variety of policies aimed at boosting US economic growth, markets were quick to reappraise the outlook for the perceived winners and losers under his tenure.
- Clarity on his key policies is yet to emerge until after the President-elects inauguration in January, however key appointments to the new cabinet have already been made. We believe it is highly likely the new President will go hard and fast in enacting reform and driving his agendas during his initial two-year period until the US mid-term elections.
- Trump campaigned on boosting reform and reducing regulation across large swathes of the private and public sectors, lowering taxes, expanding the manufacturing base of the US, whilst threatening to impose tariffs and other protectionist policies against any international trade partners running a trade surplus with the US, of which there are many.
- Overall, we believe Trump inherits a US economy very different to the one he inherited in 2016 and is likely to tread cautiously on some measures. Inflation has been more problematic of late, whilst government indebtedness has risen materially since. He has also campaigned for a weaker US Dollar to boost US exports. His policies should be broadly positive for growth and markets overall and his victory was seen as such in November, however a great degree of optimism already resides in US equity market valuations and sentiment surveys are looking elevated, at least in the short term.
- Domestically, the near-term outlook for the UK appears increasingly challenged. The recent increase in taxation is having a significant impact on the private sector both in terms of business sentiment and higher frequency activity data. Whilst the subsequent increases in pay across the public sector is making the Bank of England's job harder in attaining its inflation target of 2%. A stagflationary-type of backdrop is likely in the new year.

Key Points From The Month (Cont.)

- It’s perhaps striking to witness the diverging trends of the UK relative to the US at present, with the UK going down the route of bigger government, more borrowing with higher taxation, more regulation and higher energy costs, whilst US policy is gearing up to broadly enact the opposite.
- Within equities, Umbra’s MPS benefited from its international equity exposure with solid performance from the US equity exposure (S&P 500 Index +6.7% & iShares USA Quality Factor ETF +5.9% in GBP terms).
- Within fixed income, rates rallied during the second half of the month following the appointment of Scott Bessent as the new Treasury Secretary under the Trump administration. He has committed to getting the US budget deficit down to a more manageable -3% of GDP level, down from the current -6%. Overall returns were better from the MPS’s unhedged fixed income exposure with EM hard currency $ debt (+2.8% in GBP terms) being particularly accretive.
- Within alternatives, global infrastructure (+4.5% in GBP terms) continued to be buoyed by the ongoing secular growth drivers behind AI and broader technology build-out projects around the world, whilst the property exposure (+2.3%) was also supported by the decline in rates.
- Overall, we continue to believe our MPS’s exposure to these compelling international growth opportunities should continue to diversify returns against an increasingly challenging domestic UK outlook.

Umbra MPS Range Performance (%): November 2024

Umbra MPS Model	Nov '24	3 Month	YtD 2024	Rolling 1 Year	2023	2022	2021	2020	Annualised 2 Yr	Annualised 3 Yr	Annualised 5 Yr	Tracking Error 3 Yr	Beta 3 Yr	Std Dev 3 Yr
Umbra MPS P-Passive Defensive	2.43	3.04	6.65	10.79	6.57	-11.59	2.79	7.21	5.55	-0.02	1.97	2.77	1.28	6.29
Umbra MPS D-Passive Defensive	1.99	2.49	7.03	11.03	6.16	-9.47	3.53	5.41	6.04	1.01	2.37	2.37	1.31	6.16
Umbra MPS Blended Defensive	1.97	2.89	7.35	11.26	6.56	-8.38	3.90	4.95	6.26	1.61	2.72	2.17	1.28	5.98
Umbra MPS Active Defensive	2.11	3.31	7.80	11.68	7.71	-7.21	5.02	5.05	6.99	2.63	3.57	2.12	1.26	5.90
Umbra MPS Income Defensive	2.11	2.76	7.62	11.50	6.80	-5.15	4.98	2.46	6.54	3.19	3.31	2.12	1.27	5.90
ARC Cautious PCI TR GBP	1.10	1.48	5.00	7.29	3.68	-7.60	4.23	4.20	4.03	0.40	1.96			4.50
Umbra MPS P-Passive Cautious	3.03	4.41	10.26	14.54	8.81	-9.85	7.67	8.66	8.41	2.74	4.81	3.20	1.43	6.87
Umbra MPS D-Passive Cautious	2.44	3.38	9.54	13.88	8.29	-9.46	7.47	6.91	8.14	2.65	4.37	3.02	1.14	7.01
Umbra MPS Blended Cautious	2.39	3.84	10.05	14.00	8.34	-6.31	7.99	5.95	8.46	4.01	5.11	2.66	1.36	6.41
Umbra MPS Active Cautious	2.56	4.22	10.54	14.63	11.11	-6.51	10.25	6.80	9.72	5.07	6.35	3.29	1.46	6.97
Umbra MPS Income Cautious	2.51	3.30	10.05	14.00	7.93	-2.03	9.59	1.61	8.16	5.78	5.44	2.02	0.95	6.36
ARC Cautious PCI TR GBP	1.10	1.48	5.00	7.29	3.68	-7.60	4.23	4.20	4.03	0.40	1.96			4.50
Umbra MPS P-Passive Moderate	3.32	4.96	11.86	16.33	9.94	-9.67	10.05	9.45	9.69	3.78	6.03	2.46	1.10	7.46
Umbra MPS D-Passive Moderate	2.69	3.84	10.96	15.44	9.40	-9.01	9.84	7.89	9.31	3.69	5.63	1.97	1.12	7.42
Umbra MPS Blended Moderate	2.65	4.23	11.41	15.53	9.72	-5.84	10.43	7.10	9.70	5.13	6.48	1.93	1.03	6.90
Umbra MPS Active Moderate	2.75	4.46	11.43	15.62	12.39	-6.72	12.48	7.87	10.63	5.73	7.38	2.51	1.11	7.51
Umbra MPS Income Moderate	2.47	2.74	10.49	14.49	8.80	-0.71	12.13	1.88	8.71	6.79	6.54	2.25	1.00	6.71
ARC Balanced Asset PCI TR GBP	1.60	2.15	7.45	10.99	5.79	-9.14	7.64	4.31	6.00	1.46	3.27			6.42
Umbra MPS P-Passive Balanced	3.63	5.59	13.50	18.13	10.99	-9.25	12.44	10.18	10.93	4.89	7.27	2.92	1.17	7.98
Umbra MPS D-Passive Balanced	2.96	4.32	12.57	17.26	10.78	-8.90	12.54	8.74	10.63	4.78	6.94	2.35	0.96	8.03
Umbra MPS Blended Balanced	2.82	4.47	12.50	16.81	10.65	-6.40	12.87	8.16	10.46	5.62	7.41	2.31	1.13	7.54
Umbra MPS Active Balanced	2.99	4.78	12.64	16.96	13.79	-7.25	15.16	9.31	11.71	6.41	8.55	3.06	1.20	8.13
ARC Balanced Asset PCI TR GBP	1.60	2.15	7.45	10.99	5.79	-9.14	7.64	4.31	6.00	1.46	3.27			6.42
Umbra MPS P-Passive Growth	3.90	6.12	15.07	19.82	12.11	-8.86	14.88	10.87	12.17	5.98	8.50	2.81	1.03	8.53
Umbra MPS D-Passive Growth	3.13	4.80	14.08	19.04	12.07	-8.68	14.92	9.94	11.87	5.78	8.21	2.35	1.07	8.63
Umbra MPS Blended Growth	2.95	4.60	13.29	17.63	11.89	-6.52	14.71	9.35	11.34	6.27	8.38	2.26	0.98	7.94
Umbra MPS Active Growth	3.13	4.86	14.06	18.49	14.75	-7.82	17.68	10.89	12.79	6.98	9.65	2.82	0.99	8.78
ARC Steady Growth PCI TR GBP	2.00	2.53	9.03	13.16	7.20	-10.23	10.24	4.56	7.26	2.15	4.22			7.80
Umbra MPS P-Passive Adventurous	4.20	6.74	16.71	21.61	13.15	-8.39	17.37	11.53	13.39	7.10	9.75	3.32	1.09	9.10
Umbra MPS D-Passive Adventurous	3.35	5.14	15.37	20.35	14.53	-8.87	17.06	12.03	13.62	6.96	9.77	3.23	1.11	9.22
Umbra MPS Blended Adventurous	3.22	4.81	14.44	19.06	14.18	-7.72	17.17	11.36	12.85	6.97	9.68	2.92	1.09	8.92
Umbra MPS Active Adventurous	3.43	5.32	15.07	19.48	16.42	-7.50	19.52	11.91	13.84	8.00	10.83	3.42	1.10	9.20
ARC Steady Growth PCI TR GBP	2.00	2.53	9.03	13.16	7.20	-10.23	10.24	4.56	7.26	2.15	4.22			7.80
Umbra MPS P-Passive Equity	4.71	7.75	20.04	25.30	15.50	-7.91	22.26	12.71	16.10	9.32	12.17	3.83	1.08	10.48
Umbra MPS D-Passive Equity	4.00	6.07	18.44	23.80	18.22	-10.23	22.07	16.07	16.52	8.58	12.47	4.16	1.08	10.68
Umbra MPS Blended Equity	3.85	5.56	17.00	21.89	17.58	-9.09	22.39	15.33	15.35	8.36	12.26	3.90	1.05	10.30
Umbra MPS Active Equity	3.99	5.97	16.87	21.23	19.17	-8.41	23.61	14.84	15.73	9.12	12.85	3.90	1.04	10.24
ARC Equity Risk PCI TR GBP	2.50	2.98	10.57	15.28	8.30	-11.40	12.31	5.82	8.38	2.64	5.19			9.11
IA Global	4.18	5.50	14.75	20.72	12.66	-11.34	17.57	14.81	11.99	5.15	9.35			13.17

All performance figures are shown in percentage (%) terms and are in GBP and are net of underlying fund OCF's and Net of UCP's AMC. Returns are Gross of any platform fee.

Market Commentary

- 2024 can be dubbed ‘the year of elections’, with elections held or scheduled in at least 64 countries, representing approximately 49% of the global population. Among these, the most pivotal concluded in November as former President Donald Trump was re-elected and will become the 47th President of the United States following his inauguration in January. Backed by promises of a more nationalist trade policy, tax cuts, and expansionary fiscal measures, the Republican party secured a comprehensive victory, achieving majorities in both the Senate and the House of Representatives.
- The US election coincided with strong macroeconomic data. October retail sales rose by 0.4%, exceeding expectations, while the November Flash Composite PMI surged to 55.3, outpacing the eurozone (48.1) and UK (49.9).
- Both the US Federal Reserve (FED) and the Bank of England cut interest rates by 0.25%. However, monetary policy took a back seat to fiscal and political developments. U.S. CPI accelerated to 2.3% year-over-year in November, while UK headline inflation also increased to 2.3%, though core inflation remained steady.
- The US dollar rallied, marking its strongest consecutive monthly gain in 26 months, supported by robust economic data and rising expectations for a pro-growth fiscal agenda and what this may mean for monetary policy.
- In commodities, geopolitical tensions intensified. Russia further curtailed natural gas deliveries to Austria, while an emergency shutdown at the Pluto LNG facility in Australia drove gas prices up by 20% during the month.

Equities

- Global equity markets, as measured by the MSCI AC World Index, gained 3.3% in USD.
- US markets soared following the election result. The S&P500 recorded its largest one-day gain on the day following an election before going on to make its largest monthly return this year. There was a notable broadening out of market gains with strong performance coming from financials (10.3%), which are likely to benefit from anticipated deregulation. Consumer discretionary (+12.1%) and small caps in the form of the Russell 2000 (+10.6%) rallied too as likely winners from increasingly pro-US policies. Interest rate-sensitive sectors lagged, reflecting uncertainty about inflationary pressures from Trump’s fiscal agenda.
- European equities underperformed, with the MSCI European ex-UK declining by -0.6%. Political instability in Germany and France - the region’s two most important economies -, tariff risks and weak consumer demand from China weighing on the region’s consumer goods sector, hurt sentiment. Meanwhile, China’s growing dominance in the electric vehicle market exerted pressure on the region’s automotive industry.
- The strength of the US dollar weighed on Emerging Markets (-3.5%) and Latin American (-5.5%).

Fixed Income & Alternatives

- Interest rate cuts in the US and UK were supportive of bond market returns, although these were tempered by Trump's election which clouds the FED's outlook. Comments from Chairman Jerome Powell opened the door to a dialling down of policy easing too.
- Against this backdrop, high yield bonds performed best, particularly in the US where risk sentiment endured and boosted by robust corporate earnings. Sovereign bonds in aggregate, as shown by the Citigroup World Government Bond Index were marginally lower by -0.2%.
- The strength of the US dollar weighed on local currency Emerging Market debt.
- Gold experienced its first significant selloff in 2024, declining by -3.7% in sterling terms. Expectations for fewer rate cuts and a stronger US dollar weighed on the metal. However, in a landscape of rising deficits, government debt and enduring geopolitical risks, the long-term outlook for gold remains compelling.

Disclaimer

Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

Simulated past performance is not a guide to future performance. The value of investments and any income from them can fall and you may get back less than you invested. The annualised return for each model portfolio, up until May 2023, are simulated back-tested returns with monthly rebalancing to the target portfolio. No investment decisions should be made solely off these back-tested returns. Performance is shown net of underlying fund charges and is net of Umbra’s investment management charge. Performance is gross of any platform fee and assumes all income is reinvested.

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