Umbra Market Review:
January 2025

Key Points From The Month

- "There are decades when nothing happens, and there are weeks when decades happen." This may be an exaggeration, but January was undeniably eventful. The month saw the inauguration of Donald Trump, significant - albeit temporary - pressure in global bond markets, and a ceasefire in Gaza.
- Perhaps the most consequential development came late in the month when DeepSeek, a Chinese artificial intelligence (AI) startup spun-out of a quantitative hedge fund, made global headlines. AI has, until now, been a vastly expensive endeavour, with OpenAI's GPT-4 alone costing over $100 million. DeepSeek, its researchers claim, has been developed for a fraction of this cost -$6 million - raising questions for the economics of AI.
- Data released during the month showed that the U.S. economy remains robust, growing at a healthy annualised rate of +2.3% in the fourth quarter. The Federal Reserve kept rates on hold, reiterating that it is in no rush to lower borrowing costs.
- In the UK, the Chancellor of the Exchequer attempted to reframe the increasingly pessimistic economic narrative. Since delivering her budget in October, economic momentum has slowed, consumer confidence has plummeted, and firms are cutting jobs at the fastest pace since the 2008 financial crisis.
- In response, Rachel Reeves pledged to build Britain back to growth in a speech late in the month. While commendable, there is a clear contradiction with other measures previously announced which will, and have, reduced investment and frozen recruitment. The Stagflationary backdrop remains in place within the UK.
- In Europe, the European Central Bank cut its rate by 0.25%, citing slow inflation and zero growth in the fourth quarter. It's two largest contributors to economic activity, Germany and France are faltering, while peripheral countries continue to perform well.

Umbra MPS Range Performance (%): January 2025

Umbra MPS Model	Jan-25	2024	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	1.63	5.83	6.57	-11.59	2.79	7.21	5.84	1.49	1.90	2.67	1.28	6.09
Umbra MPS D-Passive Defensive	1.81	5.71	6.16	-9.47	3.53	5.41	5.65	2.11	2.24	2.39	1.31	6.04
Umbra MPS Blended Defensive	1.81	6.45	6.56	-8.38	3.90	4.95	6.10	2.75	2.70	2.17	1.29	5.89
Umbra MPS Active Defensive	1.93	7.01	7.71	-7.21	5.02	5.05	6.97	3.76	3.57	2.13	1.27	5.80
Umbra MPS Income Defensive	2.09	6.59	6.80	-5.15	4.98	2.46	6.49	3.84	3.33	2.15	1.31	5.93
ARC Cautious PCI TR GBP	1.80	4.57	3.68	-7.60	4.23	4.20	4.18	1.45	2.02			4.39
Umbra MPS P-Passive Cautious	2.34	9.56	8.81	-9.85	7.67	8.66	8.98	4.49	4.96	3.09	1.41	6.62
Umbra MPS D-Passive Cautious	2.44	8.18	8.29	-9.46	7.47	6.91	8.03	4.05	4.40	2.99	1.14	6.82
Umbra MPS Blended Cautious	2.52	9.24	8.34	-6.31	7.99	5.95	8.62	5.37	5.31	2.67	1.36	6.29
Umbra MPS Active Cautious	2.53	9.82	11.11	-6.51	10.25	6.80	10.04	6.43	6.51	3.27	1.45	6.80
Umbra MPS Income Cautious	2.74	8.88	7.93	-2.03	9.59	1.61	8.52	6.21	5.65	1.66	1.00	6.44
ARC Cautious PCI TR GBP	1.80	4.57	3.68	-7.60	4.23	4.20	4.18	1.45	2.02			4.39
Umbra MPS P-Passive Moderate	2.69	11.17	9.94	-9.67	10.05	9.45	10.41	5.68	6.26	2.37	1.09	7.16
Umbra MPS D-Passive Moderate	2.80	9.58	9.40	-9.01	9.84	7.89	9.37	5.28	5.75	1.92	1.12	7.18
Umbra MPS Blended Moderate	2.85	10.20	9.39	-6.12	10.10	6.78	9.68	6.33	6.43	1.93	1.04	6.74
Umbra MPS Active Moderate	2.77	10.72	12.39	-6.72	12.48	7.87	11.12	7.27	7.61	2.51	1.11	7.30
Umbra MPS Income Moderate	3.19	9.27	8.80	-0.71	12.13	1.88	9.34	7.23	6.86	1.93	1.01	6.82
ARC Balanced Asset PCI TR GBP	2.40	6.41	5.79	-9.14	7.64	4.31	6.01	2.79	3.37			6.23
Umbra MPS P-Passive Balanced	3.02	12.85	10.99	-9.25	12.44	10.18	11.85	6.94	7.61	2.82	1.15	7.65
Umbra MPS D-Passive Balanced	3.12	11.12	10.78	-8.90	12.54	8.74	10.91	6.53	7.12	2.28	0.96	7.73
Umbra MPS Blended Balanced	3.07	11.59	10.65	-6.40	12.87	8.16	11.15	7.31	7.73	2.31	1.13	7.32
Umbra MPS Active Balanced	2.96	11.93	13.79	-7.25	15.16	9.31	12.37	8.14	8.82	3.03	1.18	7.85
ARC Balanced Asset PCI TR GBP	2.40	6.41	5.79	-9.14	7.64	4.31	6.01	2.79	3.37			6.23
Umbra MPS P-Passive Growth	3.34	14.46	12.11	-8.86	14.88	10.87	13.28	8.18	8.94	2.76	1.03	8.17
Umbra MPS D-Passive Growth	3.46	12.69	12.07	-8.68	14.92	9.94	12.59	7.78	8.49	2.34	1.07	8.28
Umbra MPS Blended Growth	3.34	12.56	12.00	-6.42	14.82	9.46	12.43	8.26	8.88	2.25	0.98	7.68
Umbra MPS Active Growth	3.20	13.16	14.75	-7.82	17.68	10.89	13.74	8.88	9.93	2.82	0.99	8.45
ARC Steady Growth PCI TR GBP	2.80	7.89	7.20	-10.23	10.24	4.56	7.36	3.77	4.34			7.49
Umbra MPS P-Passive Adventurous	3.66	16.15	13.15	-8.39	17.37	11.53	14.71	9.45	10.30	3.27	1.08	8.70
Umbra MPS D-Passive Adventurous	3.77	14.19	14.53	-8.87	17.06	12.03	14.34	9.29	10.18	3.16	1.10	8.76
Umbra MPS Blended Adventurous	3.72	13.43	14.18	-7.72	17.17	11.36	13.70	9.13	10.12	2.91	1.08	8.58
Umbra MPS Active Adventurous	3.40	14.49	16.42	-7.50	19.52	11.91	14.95	10.12	11.24	3.41	1.09	8.81
ARC Steady Growth PCI TR GBP	2.80	7.89	7.20	-10.23	10.24	4.56	7.36	3.77	4.34			7.49
Umbra MPS P-Passive Equity	4.29	19.41	15.50	-7.91	22.26	12.71	17.53	11.90	12.90	3.83	1.07	10.00
Umbra MPS D-Passive Equity	4.44	17.38	18.22	-10.23	22.07	16.07	17.81	11.56	13.07	4.11	1.06	10.08
Umbra MPS Blended Equity	4.37	16.04	17.58	-9.09	22.39	15.33	16.79	11.12	12.87	3.91	1.04	9.84
Umbra MPS Active Equity	3.97	16.39	19.17	-8.41	23.61	14.84	17.30	11.73	13.45	3.91	1.03	9.76
ARC Equity Risk PCI TR GBP	3.00	9.32	8.30	-11.40	12.31	5.82	8.44	4.53	5.31			8.67

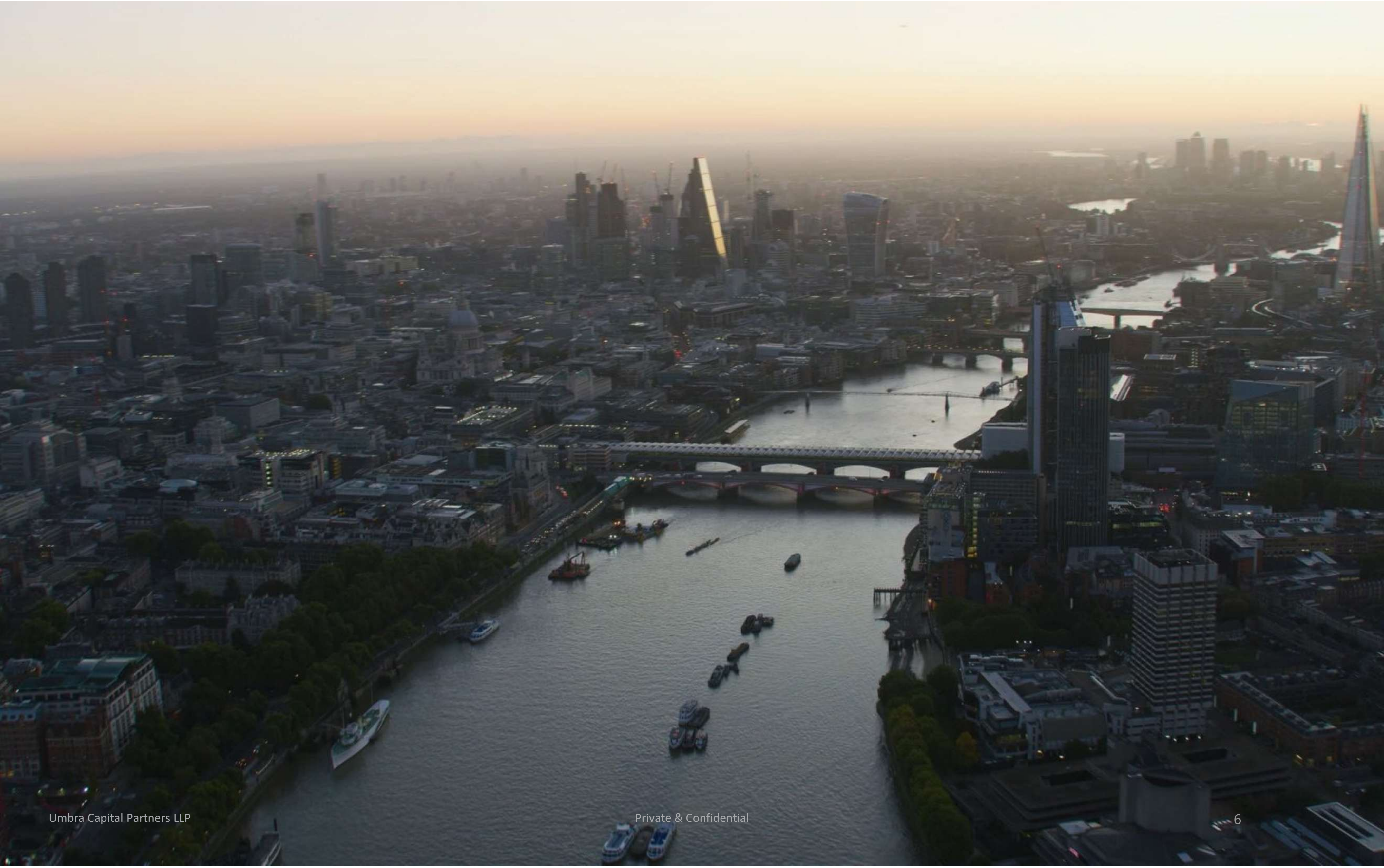
All performance figures are shown in percentage (%) terms and are in GBP and are Net of underlying fund OCF's and Net of Umbra's AMC. Returns are Gross of any platform fee.

Equities

- January saw a shift from the status quo of the last two years, with value stocks outperforming their growth counterparts. Against this backdrop, global equities, as measured by the MSCI ACWI, gained +3.8%.
- In the U.S., midcap stocks - typically more cyclically geared - outperformed large-cap counterparts, fuelled by optimism of regulatory and tax changes. DeepSeek's emergence raised questions about the sustained dominance of the "Magnificent 7", whose strong returns have defined the AI-driven market rally. With valuations stretched and priced for perfection, sentiment shifted abruptly, leading to a dramatic one-day decline for Nvidia, which fell 17% and lost $600 billion in market capitalization - the largest single-day dollar loss in history. The fallout was felt in a wide range of sectors, ranging from the chipmakers to infrastructure providers.
- Europe was the strongest performing region in January, with the MSCI Europe ex-UK Index returning +6.9%. The market was buoyed by a return to growth in business activity after two months of contraction, as modest expansion in the services sector offset ongoing manufacturing weakness.
- UK assets benefited from a sharp decline in GBP, with the FTSE 100 gaining +5% and the All-Share Index rising +4.5%.
- Japanese equities lagged, with the Topix and Nikkei falling -0.1% and -1.0%, respectively. Growing confidence in Japan's economy led the Bank of Japan to increase interest rates by 0.25%, strengthening the yen and creating headwinds for the country's export-driven market

Fixed Income & Alternatives

- January was a month of two halves, with fixed income enduring a volatile start to the year. Donald Trump's return to the White House raised concerns about growth and inflation, while idiosyncratic risks weighed on sentiment.
- More favourable economic readings, even before the DeepSeek shock, helped the asset class recover losses and generate incremental returns.
- The UK, no stranger to debt market turmoil, saw bond yields at one point climb to levels not seen since 2008. While international factors played a role, domestic concerns loomed larger. Markets appear to be losing confidence in the government's economic strategy, which, despite rhetoric on growth, risks stifling investment and hiring. Labour's claims of fiscal prudence also seem at odds with the £300 billion in expected borrowing this year.
- A broad basket of commodities gained during the month, including oil prices, which were supported by cold weather and Russian sanctions. Gold gained +6.9% (in GBP) during January for several reasons including the growing threat of Trump's tariff policies, alongside the general debasement of fiat currencies.



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