Umbra Market Review:
March 2025

Umbra MPS

March 2025

FOR PROFESSIONAL INVESTORS AND

INTERMEDIARIES ONLY. NOT FOR RETAIL INVESTORS.

Umbra

Market Commentary

- March closed out a quarter marked by significant geopolitical shifts, including rising US protectionism and a fiscally proactive EU, reshaping investor sentiment. Amidst this backdrop, inflation expectations have increased, central banks remain cautious, and investors face an increasingly uncertain macroeconomic outlook.
- In the US, erratic and seemingly impulsive policymaking has eroded confidence. While business optimism initially surged following President Trump's election, it has since faded, leaving capital expenditure in a state of paralysis. With neither the promised deregulation nor significant tax reform yet to materialise, the economy appears vulnerable in the near-term.
- Consumer confidence has also weakened, as evidenced by the University of Michigan's Consumer Sentiment Index, which fell sharply by 7.7 points to 57.0. This decline was primarily driven by worsening consumer expectations, with many fearing that economic uncertainty will lead to hardship. Notably, two-thirds of consumers expect unemployment to rise over the next year - the highest level since 2009.
- Companies that serve as economic bellwethers are also feeling the strain. FedEx cut its full-year profit guidance, Delta Airlines warned of macroeconomic uncertainty dampening consumer confidence, and Walmart's CEO noted signs of financial strain among shoppers, driven by high food prices.
- Inflation expectations climbed, with one-year projections rising to +5.0% and long-term forecasts increasing to +4.1% in March.
- Consequently, the Federal Reserve held rates at +4.5% for a second straight meeting, citing slower growth and higher inflation, largely driven by tariffs. Its outlook remains "highly uncertain".

Market Commentary

- Six months after Chancellor Rachel Reeves's first budget, she returned with her Spring statement. A deteriorating economic outlook and rising borrowing costs forced £8.4 billion in spending cuts to keep her fiscal rule on track - ensuring that current spending is covered by tax revenues by 2029/30. Our concern remains that the Chancellor's commitments risk trapping the UK in an economic doom loop. With few levers to generate growth, the economy remains vulnerable to incremental shifts in the economic outlook, which could necessitate further cuts and tax hikes.
- Jean Monnet, one of the EU's founding figures, prophesied that "Europe will be forged in crisis, and will be the sum of the solutions adopted for those crises." With growing uncertainty about the US's willingness to maintain its role as the primary guarantor of global security, European policymakers have been galvanised. Ursula von Der Leyen presented an €800bn plan to increase European defence spending, calling it a "watershed moment for Europe."
- Germany responded with similar urgency. Likely incoming Chancellor Friedrich Merz proposed the largest fiscal expansion in Germany's post-war history, aimed at upgrading the country's aging infrastructure and rearming its military. The massive fiscal stimulus package includes easing the constitutional debt brake and implementing a public investment plan that could total €1 Trillion.

Umbra MPS Range Performance (%): March 2025

Umbra MPS Model	March	Q1 '25	YtD '25	Rolling 1 Yr	2024	2023	2022	2021	2020	Annlzd 2 Yr	Annlzd 3 Yr	Annlzd 5 Yr	Tracking Error 3 Yr	Beta 3 Yr	Std Dev 3 Yr
Umbra MPS P-Passive Defensive	-2.50	-1.10	-1.10	2.86	5.83	6.57	-11.59	2.79	7.21	4.47	1.21	2.09	2.75	1.32	6.18
Umbra MPS D-Passive Defensive	-1.94	-0.22	-0.22	3.67	5.71	6.16	-9.47	3.53	5.41	4.91	1.81	3.24	2.43	1.33	6.05
Umbra MPS Blended Defensive	-2.13	-0.42	-0.42	4.09	6.45	6.56	-8.38	3.90	4.95	5.31	2.41	3.87	2.21	1.31	5.90
Umbra MPS Active Defensive	-2.30	-0.69	-0.69	4.09	7.01	7.71	-7.21	5.02	5.05	5.83	3.14	4.90	2.21	1.28	5.82
Umbra MPS Income Defensive	-1.72	0.42	0.42	4.86	6.59	6.80	-5.15	4.98	2.46	6.10	3.62	5.21	2.12	1.32	5.89
ARC Cautious PCI TR GBP	-0.90	0.78	0.78	3.78	4.57	3.68	-7.60	4.23	4.20	4.04	1.20	3.24			4.34
Umbra MPS P-Passive Cautious	-3.51	-2.33	-2.33	3.23	9.56	8.81	-9.85	7.67	8.66	6.49	3.04	5.41	3.53	1.45	6.91
Umbra MPS D-Passive Cautious	-2.83	-1.19	-1.19	3.61	8.18	8.29	-9.46	7.47	6.91	6.34	2.83	5.56	3.19	1.13	6.93
Umbra MPS Blended Cautious	-3.10	-1.41	-1.41	4.19	9.24	8.34	-6.31	7.99	5.95	6.81	4.06	6.71	2.95	1.39	6.44
Umbra MPS Active Cautious	-3.27	-1.76	-1.76	3.89	9.82	11.11	-6.51	10.25	6.80	7.73	4.89	8.27	3.48	1.47	6.91
Umbra MPS Income Cautious	-2.09	0.41	0.41	5.61	8.88	7.93	-2.03	9.59	1.61	7.81	5.45	8.11	1.57	0.99	6.41
ARC Cautious PCI TR GBP	-0.90	0.78	0.78	3.78	4.57	3.68	-7.60	4.23	4.20	4.04	1.20	3.24			4.34
Umbra MPS P-Passive Moderate	-4.00	-2.94	-2.94	3.24	11.17	9.94	-9.67	10.05	9.45	7.36	3.64	6.86	2.69	1.13	7.54
Umbra MPS D-Passive Moderate	-3.33	-1.75	-1.75	3.50	9.58	9.40	-9.01	9.84	7.89	7.11	3.49	6.97	2.05	1.13	7.35
Umbra MPS Blended Moderate	-3.59	-1.94	-1.94	3.85	10.20	9.39	-6.12	10.10	6.78	7.30	4.51	7.91	2.09	1.06	6.95
Umbra MPS Active Moderate	-3.78	-2.38	-2.38	3.42	10.72	12.39	-6.72	12.48	7.87	8.19	5.26	9.34	2.62	1.13	7.47
Umbra MPS Income Moderate	-2.22	0.56	0.56	5.39	9.27	8.80	-0.71	12.13	1.88	8.43	6.21	9.47	1.84	1.01	6.79
ARC Balanced Asset PCI TR GBP	-2.30	-0.46	-0.46	2.94	6.41	5.79	-9.14	7.64	4.31	5.04	1.75	5.14			6.17
Umbra MPS P-Passive Balanced	-4.51	-3.58	-3.58	3.22	12.85	10.99	-9.25	12.44	10.18	8.20	4.29	8.29	3.29	1.20	8.12
Umbra MPS D-Passive Balanced	-3.80	-2.28	-2.28	3.41	11.12	10.78	-8.90	12.54	8.74	8.07	4.17	8.48	2.34	0.97	7.94
Umbra MPS Blended Balanced	-4.06	-2.47	-2.47	3.68	11.59	10.65	-6.40	12.87	8.16	8.05	4.98	9.17	2.56	1.15	7.59
Umbra MPS Active Balanced	-4.29	-3.02	-3.02	3.09	11.93	13.79	-7.25	15.16	9.31	8.83	5.66	10.49	3.25	1.21	8.10
ARC Balanced Asset PCI TR GBP	-2.30	-0.46	-0.46	2.94	6.41	5.79	-9.14	7.64	4.31	5.04	1.75	5.14			6.17
Umbra MPS P-Passive Growth	-4.97	-4.18	-4.18	3.20	14.46	12.11	-8.86	14.88	10.87	9.04	4.92	9.71	3.19	1.07	8.72
Umbra MPS D-Passive Growth	-4.29	-2.71	-2.71	3.45	12.69	12.07	-8.68	14.92	9.94	9.04	4.92	9.89	2.44	1.08	8.53
Umbra MPS Blended Growth	-4.50	-3.05	-3.05	3.22	12.56	12.00	-6.42	14.82	9.46	8.61	5.47	10.22	2.48	1.01	8.03
Umbra MPS Active Growth	-4.68	-3.47	-3.47	2.95	13.16	14.75	-7.82	17.68	10.89	9.47	5.95	11.50	2.97	0.99	8.73
ARC Steady Growth PCI TR GBP	-3.10	-1.18	-1.18	2.53	7.89	7.20	-10.23	10.24	4.56	5.83	2.26	6.69			7.43
Umbra MPS P-Passive Adventurous	-5.47	-4.82	-4.82	3.16	16.15	13.15	-8.39	17.37	11.53	9.86	5.56	11.15	3.82	1.13	9.34
Umbra MPS D-Passive Adventurous	-4.74	-3.42	-3.42	3.10	14.19	14.53	-8.87	17.06	12.03	10.07	5.88	11.62	3.39	1.12	9.12
Umbra MPS Blended Adventurous	-4.92	-3.42	-3.42	2.90	13.43	14.18	-7.72	17.17	11.36	9.40	5.92	11.62	3.18	1.11	8.97
Umbra MPS Active Adventurous	-5.26	-4.26	-4.26	2.67	14.49	16.42	-7.50	19.52	11.91	10.02	6.69	12.73	3.72	1.12	9.24
ARC Steady Growth PCI TR GBP	-3.10	-1.18	-1.18	2.53	7.89	7.20	-10.23	10.24	4.56	5.83	2.26	6.69			7.43
Umbra MPS P-Passive Equity	-6.28	-5.78	-5.78	3.34	19.41	15.50	-7.91	22.26	12.71	11.66	6.88	14.19	4.43	1.12	10.74
Umbra MPS D-Passive Equity	-5.89	-4.89	-4.89	2.56	17.38	18.22	-10.23	22.07	16.07	11.80	6.95	14.24	4.50	1.10	10.65
Umbra MPS Blended Equity	-6.11	-4.95	-4.95	1.95	16.04	17.58	-9.09	22.39	15.33	10.74	6.73	14.02	4.35	1.08	10.44
Umbra MPS Active Equity	-6.48	-5.82	-5.82	1.43	16.39	19.17	-8.41	23.61	14.84	10.65	7.19	14.50	4.48	1.08	10.48
ARC Equity Risk PCI TR GBP	-3.40	-1.70	-1.70	2.46	9.32	8.30	-11.40	12.31	5.82	6.64	2.75	8.19			8.61

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.

Umbra Building Blocks Performance (%): March 2025

Umbra Building Block Model	March	Q1 '25	YtD '25	Rolling 1 Yr	2024	2023	2022	2021	2020	Annlzd 2 Yr	Annlzd 3 Yr	Annlzd 5 Yr	Tracking Error 3 Yr	Beta 3 Yr	Std Dev 3 Yr
Umbra Absolute Return Portfolio	-0.92	1.88	1.88	3.18	6.69	2.43	2.98	11.69	3.73	5.34	3.65	6.84	3.50	0.59	4.00
ARC Cautious PCI TR GBP	-0.90	0.78	0.78	3.78	4.57	3.68	-7.60	4.23	4.20	4.04	1.20	3.24			4.34
Umbra Multi Asset Balanced Portfolio	-3.33	-0.85	-0.85	3.96	9.58	7.80	-4.82	14.65	8.21	7.29	4.81	8.57	2.77	1.13	7.54
ARC Balanced Asset PCI TR GBP	-2.30	-0.46	-0.46	2.94	6.41	5.79	-9.14	7.64	4.31	5.04	1.75	5.14			6.17
Umbra Multi Asset Adventurous Portfolio	-3.52	-0.91	-0.91	3.59	10.86	11.74	-5.84	19.68	13.77	9.27	6.18	11.67	2.93	1.11	8.89
ARC Steady Growth PCI TR GBP	-3.10	-1.18	-1.18	2.53	7.89	7.20	-10.23	10.24	4.56	5.83	2.26	6.69			7.43

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

- Equities, as measured by the MSCI ACWI, fell -1.3% during the month and -4.0% for the quarter.
- The U.S. equity market suffered its worst quarter relative to the rest of the world since the 1980s, with the S&P500 declining by -4.3% during the quarter and -5.6% for the month. Following years of strong performance driven by the emergence of Artificial Intelligence, valuations had become stretched, and positioning was extended, leaving the market vulnerable heading into 2025. The emergence of DeepSeek in January and subsequent concerns regarding AI becoming a more commoditised technology - potentially leading to lower margins - was the initial trigger for the deflation of the Magnificent 7, dragging down index returns. Protectionist and anti-immigration policies have further weighed on sentiment, fuelling concerns over slower growth, rising costs, and ultimately weaker earnings.
- Capital has flown out of the US and into Europe, where fiscal stimulus provides support. Markets also found support from the European Central Bank's decision to cut interest rates, with inflation data suggesting further relief may be forthcoming. The MSCI Europe ex-UK gained +6.1% in Q1, though a -4.3% drop in March tempered these gains.
- China's technology sector rebounded, driven by the DeepSeek breakthrough and a more friendly stance from Beijing. The MSCI China Index gained +2.0% in March and +15.3% for the quarter.

Performance is shown in local currency terms unless stated otherwise

Fixed Income

- Despite rising inflation expectations, bonds fulfilled their traditional role in multi-asset portfolios, partially offsetting the weakness seen in equity markets and providing stability. The Bloomberg Global Aggregate Hedged GBP Index gained +0.6% during the month and +2.6% for the quarter.
- Rising recession risks and an increasingly uncertain outlook led the Bloomberg US Treasury Total Return Unhedged Index to gain +0.2% during the month and +2.9% during the quarter. In contrast, European bond yields rose, as expectations of stronger economic growth and increased debt issuance gained traction following Germany's pivot from its historically conservative approach to fiscal policy.
- In our last update, we noted that local rate debt had outperformed hard currency debt in Emerging Markets despite US dollar weakness. However, signs of a reversal emerged this month, with local rate debt gaining +0.3% during the month and +1.6% across the quarter, while hard currency debt returned -0.4% +2.3%.
- Despite the threat that tariffs pose to the growth outlook, solid corporate fundamentals had continued to support credit spreads. However, signs of strain have begun to emerge as spreads widened in recent weeks, although they remain at historically tight levels. For the first time in two years, junk-rated U.S. debt now carries a higher premium than its European equivalent, reflecting concerns over aggressive tariff policies.

Alternatives

- Gold remained a standout performer reaching a record high above $3,000 for the first time, driven by heightened geopolitical risks, inflation concerns and sustained central bank buying, particularly from emerging markets.
- Elsewhere, the Global Property and Infrastructure exposures fell -2.4% and -0.4% during the month, bringing the quarterly performance to +1.8% and +2.0%, supported by the slight decline in government bond yields.

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