Umbra Market Review:
May 2025

Umbra MPS

May 2025

FOR PROFESSIONAL INVESTORS AND

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Umbra

Key Points From The Month

- May was a very strong month for risk assets as resilient corporate earnings data, dovish central banks and a more conciliatory tone pertaining to tariffs from President Trump collectively underpinned sentiment.
- The sharp market correction experienced during the months of February and March are increasingly a distant memory if one looks at where major world equity indices are today. Even the epicentre of the market pullback, the Tech-laden NASDAQ Index is now only -3.5% from its all-time high, having been -23% at its low barely two months ago.
- In reality, markets were overly pessimistic on the prospects for corporate earnings growth at their nadir, in fact we have witnessed a significant rebound in analysts' expectations for the remainder of the year. Although the outlook for the world's economy remains fragile and at the political whim of a flippant US President, growth is remaining intact, albeit for now.
- For Umbra's MPS, May was a very strong month with models finishing materially ahead of respective ARC benchmarks in general. This was more pronounced across the Blended and Active model ranges and further out the risk range one goes.
- Within the Blended and Active model ranges, we saw particularly strong outperformance from a number of our active equity and fixed income managers as the month transpired. This outperformance was particularly pronounced in Continental Europe (Blackrock European Dynamic Fund GBP +6.8% versus +3.6% MSCI Europe ex-UK Index GBP) and in Japan (Arcus Japan Fund GBP +6.2% versus +3.1% MSCI Japan GBP Index).
- In fixed income, high yield credit markets were underpinned by the general buoyancy in risk assets and saw corporate spreads tighten as the month progressed. The BNY Mellon Efficient Global high Yield Beta Fund returned +1.6%. in Emerging Market debt, the M&G EM Bond Fund finished +0.6% in GBP terms.
- Although our models remain modestly behind respective ARC indices on a year-to-date basis, their longer-term outperformance (net of all fees) over a rolling 1, 3 and 5 year basis remains intact.
- We were reluctant to make significant changes to portfolios as the turmoil ensued during the months of February and March. Where moderate changes were made, our focus sought to nullify some of the foreign exchange volatility models were experiencing. Being patient and focusing primarily on the fundamentals has served clients well against this more volatile backdrop.

Market Commentary

- The market recovery continued in May, with risk assets supported by rising consumer confidence (albeit from a low base) and easing trade tensions. That said, the on-again, off-again nature of trade policy remains a key focus, particularly as the legal basis for President Trump's tariffs came under scrutiny late in the month.
- Continuing with the tariff theme, the US and China agreed midway through the month to temporarily lower tariffs on each other's goods. The tit-for-tat policymaking that followed President Trump's initial announcements had led to a rapid escalation in levies, with US tariffs on imports from China reaching as high as 145%. Under the new agreement, these will be reduced to 30%, while China's 125% duties on US goods will fall to 10%.
- President Trump's signature tax bill, the 'One Big Beautiful Bill Act', narrowly passed through the House during the month. The legislation proposal includes a $4 trillion increase in the US debt ceiling, an extension of tax cuts introduced during the President's first term, additional tax relief, and cuts to social safety nets such as food stamps and Medicaid. Clause 899 of the bill grants the Treasury Secretary the power to levy retaliatory taxes on US investments by foreign countries that impose unfair taxes on American companies, potentially transforming the current trade war into a capital war.
- May also saw Moody's become the last of the major credit rating agencies to downgrade the US sovereign credit rating from the highest level, joining Fitch and S&P Ratings. The move reflects growing concerns over the US's rising debt levels and persistent fiscal deficits.
- Meanwhile, the UK's budget deficit widened in April to £20.2 billion, driven by a surge in spending on public services and benefits, despite the higher National Insurance contributions that came into effect during the month. If the Chancellor is to stick to her "iron-clad" fiscal rules, further tax rises may be forthcoming in the Autumn Budget.
- Oil prices recovered slightly to $65, rebounding from the four-year low reached after OPEC's surprise April announcement that it would accelerate oil production. The move, led by Riyadh, aims to discipline non-compliant members and strengthen Saudi Arabia's grip on global market share.

Umbra MPS Range Performance (%): May 2025

Umbra MPS Portfolio	May-25	QTD	YtD 2025	Rolling 1 Year	2024	2023	2022	2021	2020	Total Ret Annlzd 2 Yr	Total Ret Annlzd 3 Yr	Total Ret Annlzd 5 Yr	Tracking Error 3 Yr	Beta 3 Yr
Umbra MPS P-Passive Defensive	0.60	-1.10	-1.33	3.90	5.83	6.57	-11.59	2.79	7.21	4.93	2.21	0.82	2.70	1.33
Umbra MPS D-Passive Defensive	0.65	-0.31	-0.20	4.56	5.41	5.92	-9.58	3.45	5.30	5.26	2.63	1.67	2.38	1.33
Umbra MPS Blended Defensive	0.88	-0.56	-0.53	4.52	6.14	6.36	-8.50	3.81	4.87	5.51	2.99	2.15	2.23	1.32
Umbra MPS Active Defensive	1.20	-0.77	-0.60	4.52	6.74	7.51	-7.31	4.95	4.96	6.00	3.76	3.07	2.28	1.30
Umbra MPS Income Defensive	1.05	0.35	0.37	4.94	6.33	6.60	-5.26	4.91	2.36	6.36	3.88	3.37	2.20	1.35
ARC Cautious PCI TR GBP	0.70	0.23	0.83	3.72	4.57	3.68	-7.60	4.23	4.20	4.37	1.90	2.19		
Umbra MPS P-Passive Cautious	1.87	-2.33	-1.88	4.83	9.56	8.81	-9.85	7.67	8.66	6.95	4.37	3.82	3.59	1.47
Umbra MPS D-Passive Cautious	1.57	-1.25	-0.71	4.97	7.95	8.08	-9.56	7.39	6.81	6.80	4.02	3.75	3.20	1.11
Umbra MPS Blended Cautious	1.83	-1.40	-1.00	5.04	8.93	8.08	-6.48	7.90	5.83	6.97	4.80	4.66	3.10	1.41
Umbra MPS Active Cautious	2.30	-1.84	-1.20	4.63	9.55	10.89	-6.61	10.18	6.71	7.69	5.83	5.96	3.68	1.50
Umbra MPS Income Cautious	1.89	0.33	0.59	5.48	8.62	7.73	-2.13	9.52	1.52	7.97	5.50	5.95	1.50	1.00
ARC Cautious PCI TR GBP	0.70	0.23	0.83	3.72	4.57	3.68	-7.60	4.23	4.20	4.37	1.90	2.19		
Umbra MPS P-Passive Moderate	2.47	-2.94	-2.11	5.20	11.17	9.94	-9.67	10.05	9.45	7.97	5.22	5.10	2.59	1.12
Umbra MPS D-Passive Moderate	2.02	-1.81	-1.10	5.04	9.38	9.25	-9.09	9.78	7.82	7.54	4.84	5.00	1.92	1.11
Umbra MPS Blended Moderate	2.25	-2.08	-1.54	4.70	9.92	9.23	-6.25	10.05	6.70	7.43	5.39	5.67	2.08	1.06
Umbra MPS Active Moderate	2.73	-2.44	-1.58	4.52	10.51	12.23	-6.79	12.42	7.80	8.22	6.47	6.93	2.62	1.12
Umbra MPS Income Moderate	2.05	0.51	0.89	5.35	9.07	8.65	-0.79	12.07	1.81	8.70	6.28	7.23	1.74	1.01
ARC Balanced Asset PCI TR GBP	1.90	-0.70	0.17	3.71	6.41	5.79	-9.14	7.64	4.31	5.80	2.89	3.69		
Umbra MPS P-Passive Balanced	3.06	-3.58	-2.41	5.53	12.85	10.99	-9.25	12.44	10.18	8.91	6.08	6.38	3.21	1.20
Umbra MPS D-Passive Balanced	2.35	-1.66	-0.68	6.09	11.14	10.65	-8.97	12.49	8.68	8.97	6.06	6.54	2.26	0.93
Umbra MPS Blended Balanced	2.54	-1.98	-1.22	5.63	11.50	10.50	-6.51	12.82	8.09	8.67	6.38	7.04	2.46	1.14
Umbra MPS Active Balanced	3.20	-3.07	-1.96	4.49	11.76	13.65	-7.31	15.11	9.25	8.89	7.14	8.01	3.26	1.21
ARC Balanced Asset PCI TR GBP	1.90	-0.70	0.17	3.71	6.41	5.79	-9.14	7.64	4.31	5.80	2.89	3.69		
Umbra MPS P-Passive Growth	3.65	-4.18	-2.64	5.91	14.46	12.11	-8.86	14.88	10.87	9.85	6.93	7.68	3.03	1.06
Umbra MPS D-Passive Growth	2.95	-2.92	-1.99	5.10	12.51	11.95	-8.76	14.87	9.88	9.26	6.52	7.52	2.31	1.06
Umbra MPS Blended Growth	3.06	-3.09	-2.16	4.80	12.42	11.89	-6.48	14.78	9.40	8.87	6.85	7.85	2.38	1.00
Umbra MPS Active Growth	3.54	-3.51	-2.21	4.79	13.02	14.64	-7.87	17.64	10.85	9.65	7.73	9.00	2.86	0.97
ARC Steady Growth PCI TR GBP	2.80	-1.63	-0.39	3.43	7.89	7.20	-10.23	10.24	4.56	6.57	3.68	4.88		
Umbra MPS P-Passive Adventurous	4.24	-4.82	-2.95	6.22	16.15	13.15	-8.39	17.37	11.53	10.76	7.76	8.98	3.68	1.13
Umbra MPS D-Passive Adventurous	3.42	-3.45	-2.13	5.30	14.08	14.45	-8.91	17.03	11.99	10.30	7.91	9.08	3.17	1.10
Umbra MPS Blended Adventurous	3.49	-3.59	-2.20	4.73	13.15	14.09	-7.79	17.13	11.31	9.59	7.72	8.97	3.01	1.09
Umbra MPS Active Adventurous	4.10	-4.29	-2.68	4.66	14.38	16.33	-7.54	19.49	11.87	10.19	8.64	10.08	3.63	1.12
ARC Steady Growth PCI TR GBP	2.80	-1.63	-0.39	3.43	7.89	7.20	-10.23	10.24	4.56	6.57	3.68	4.88		
Umbra MPS P-Passive Equity	5.48	-5.78	-3.06	7.22	19.41	15.50	-7.91	22.26	12.71	12.85	9.64	11.76	4.04	1.11
Umbra MPS D-Passive Equity	4.69	-4.89	-2.78	5.69	17.38	18.22	-10.23	22.07	16.07	12.17	9.74	11.57	4.04	1.07
Umbra MPS Blended Equity	4.65	-4.83	-2.97	4.95	16.14	17.58	-9.09	22.39	15.33	11.20	9.39	11.30	3.90	1.05
Umbra MPS Active Equity	5.26	-5.82	-3.49	4.37	16.39	19.17	-8.41	23.61	14.84	11.11	9.81	11.81	4.13	1.07
ARC Equity Risk PCI TR GBP	3.90	-2.86	-0.89	3.17	9.32	8.30	-11.40	12.31	5.82	7.31	4.36	6.00		

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 (%): May 2025

Umbra MPS Portfolio	May-25	QTD	YtD 2025	Rolling 1 Year	2024	2023	2022	2021	2020	Total Ret Annlzd 2 Yr	Total Ret Annlzd 3 Yr	Total Ret Annlzd 5 Yr	Tracking Error 3 Yr	Beta 3 Yr
Umbra Absolute Return Portfolio	0.43	1.88	1.19	2.42	6.69	2.43	2.98	11.69	3.73	4.59	3.31	5.60	3.37	0.63
ARC Cautious PCI TR GBP	0.70	0.23	0.83	3.72	4.57	3.68	-7.60	4.23	4.20	4.37	1.90	2.19		
Umbra Multi Asset Balanced Portfolio	1.41	-0.85	-1.94	3.71	9.58	7.80	-4.82	14.65	8.21	7.15	4.93	6.26	2.83	1.13
ARC Balanced Asset PCI TR GBP	1.90	-0.70	0.17	3.71	6.41	5.79	-9.14	7.64	4.31	5.80	2.89	3.69		
Umbra Multi Asset Adventurous Portfolio	2.43	-0.91	-1.75	3.35	10.86	11.74	-5.84	19.68	13.77	8.83	6.70	8.64	2.97	1.12
ARC Steady Growth PCI TR GBP	2.80	-1.63	-0.39	3.43	7.89	7.20	-10.23	10.24	4.56	6.57	3.68	4.88		

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, advanced +5.8% in May as improved risk sentiment supported gains across most major regions and sectors.
- US outperformed, rebounding from earlier-year underperformance. The S&P500 rose +5.6%, while the Nasdaq surged +9.7%. Gains were broad based across sectors although leadership came from Technology (+10.5%), Communication Services (+9.0%) and Industrials (+8.2%). Market strength was underpinned by solid Q1 earnings, with 78% of S&P500 constituents exceeding EPS estimates, resulting in year-on-year earnings growth of +12.9%, the second straight quarter of double-digit expansion. Nonetheless, forward guidance skewed negative, reflecting elevated uncertainty related to tariffs, which we are watching closely.
- Conversely, Healthcare (-3.5%) was a drag on performance following President Trump's executive order to cap prescription drug prices. Real Estate (-3.4%) also lagged, pressured by the higher-for-longer rate environment.
- Europe continued its strong start to the year, with the MSCI Europe ex-UK Index gaining +4.7%, led by Technology (+8.3%), Industrials (+8.1%), and Financials (+6.6%). Expansionary policies, including increased infrastructure spending and supportive monetary conditions, have bolstered investor optimism, alongside a renewed focus on industrial growth. Financials have been particularly strong, ranking among the top-performing sectors globally year-to-date. This outperformance reflects strengthened balance sheets, borne out of post-GFC reforms, and a sharp increase in Net Interest Income, driven by the higher interest rate environment. As a result, European banks have returned substantial capital to shareholders through both dividends and share buybacks, the latter of which are expected to reach record levels for the sector in 2025.
- UK equities were the weakest among major developed markets, with the MSCI UK All Cap Index rising +3.4%. Performance was held back by weakness in Healthcare, Consumer Staples, and Utilities. Large-cap pharmaceuticals came under pressure given their large US revenues. Consumer staples struggled amid persistent inflation and heightened competitive pressures, which constrained their ability to pass through rising input costs. Meanwhile, Utilities underperformed as elevated bond yields reduced their relative attractiveness.
- Emerging market equities underperformed their developed market counterparts in May, with the MSCI Emerging Markets Index rising 4.3% over the month. Despite this relative lag, gains were supported by a weaker US dollar and improved sentiment around global trade. Taiwan (+12.5%) and South Korea (+7.8%) stood out, buoyed by the $600 billion in AI-related investments pledged by Saudi Arabia through a series of deals with the US.

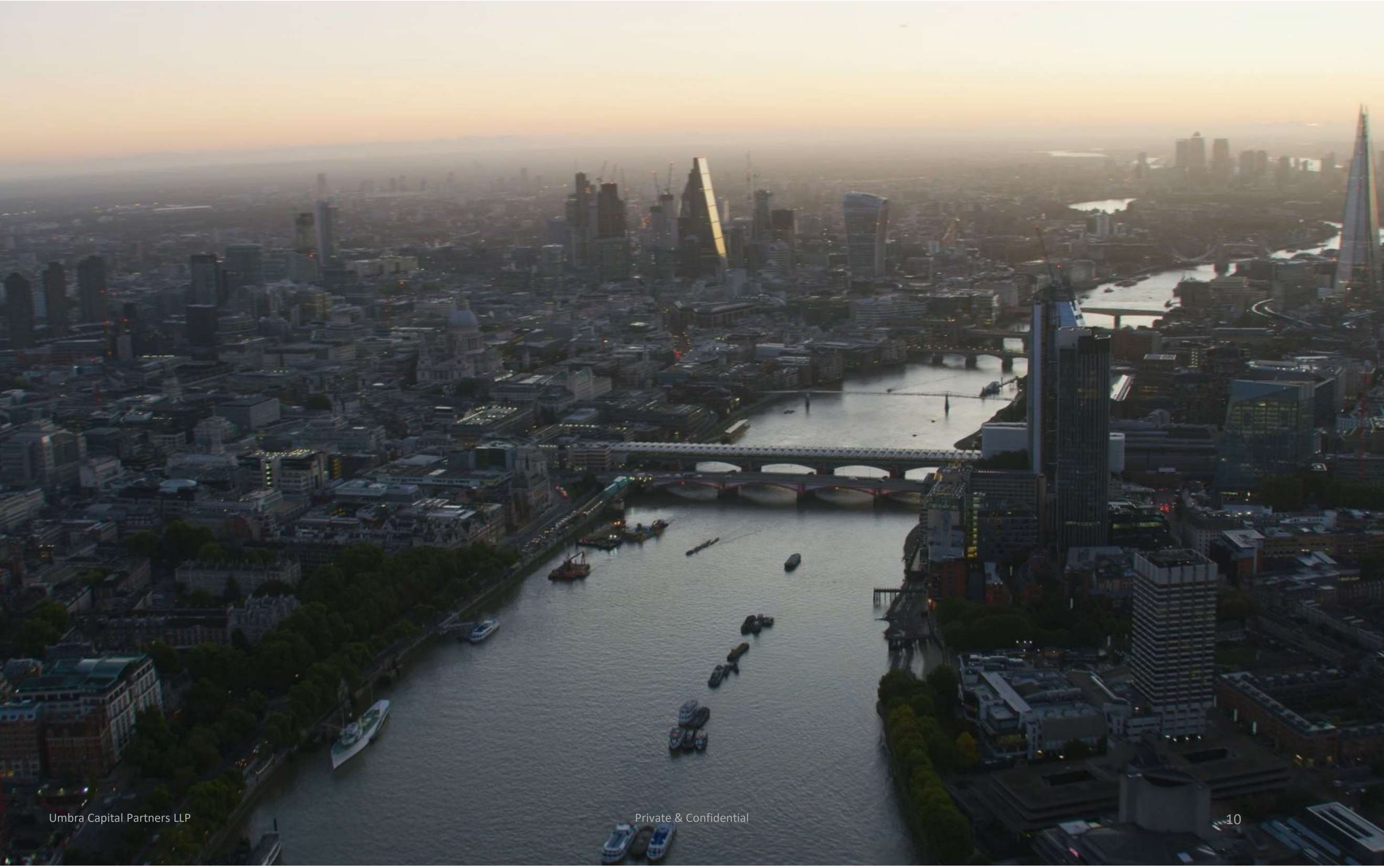
Performance is shown in local currency terms unless stated otherwise

Fixed Income

- Fixed income returns were mixed in May. Sovereign bonds declined overall, while corporate investment grade, high yield, and emerging market debt delivered flat to positive performance.
- Investor concerns over fiscal sustainability, widening deficits, and shifting inflation expectations weighed on sovereign bond markets in May. The Citigroup World Government Bond Index fell -0.7%, dragged lower by Moody's downgrade of the US credit rating, weak demand at Japanese bond auctions that steepened the yield curve, and heightened scrutiny of the UK's fiscal outlook ahead of Chancellor Rachel Reeves' spending review.
- In the US, the proposed fiscal stimulus package, the 'Big, Beautiful Bill', is projected to add $2.4 trillion to the federal deficit, further heightening concerns around the long-term trajectory of government borrowing.
- Elsewhere, the Bloomberg Global High Yield Index rose +1.7%, while the Bloomberg EM Local Currency Index gained +1.1%, supported by renewed appetite for risk assets and, in the latter's case, a continued weakening of the US dollar.

Alternatives

- Gold was modestly negative during the month as the retreat in tariff policy and returning risk appetite led investors elsewhere. The iShares Global Infrastructure ETF was flat during the month, while the iShares Developed Markets property Yield ETF gained +2.2%.



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