Monthly Market Commentary

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Asset Management

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Key Points

- Umbra's MPS continued to build on its strong year-to-date momentum in October with the majority of models finishing ahead of their relevant ARC indices. Pleasingly, October's degree of outperformance has now pushed most models ahead of ARC on a year-to-date basis. The long-standing degrees of outperformance remain broadly intact.

- October was another pleasing month from a total return perspective with various parts of the portfolio driving incremental outperformance.

- Within equities, despite our conservative degree of positioning towards the US which remained well bid, Emerging Market equities (Vanguard GEM (+6.3%) alongside the SPDR MSCI World Health Care UCITS ETF (+4.2%) contributed meaningfully. The clouds may be clearing for the world health care sector having been in the crosshairs of the Trump administration since his election victory. Pfizer Inc's announcement of a drug pricing deal with the US government has provided clarity on pricing and this may now be the catalyst for other major pharmaceutical businesses to strike a deal. We saw the buoyancy in health care support a number of our core active managers also with the TB Evenlode UK Income Fund (+4.2%) and the Sarofim Global Equity Fund (+4.9%) benefiting.

- Within fixed income, a supportive backdrop for spread-related areas continued to drive returns across our exposure to Emerging Market debt, Corporate Hybrid Bonds and High Yield.

- The weakness in Sterling (-2% vs the USD) was a further support versus the more UK-centric ARC indices.

- Within Alternatives, Gold (+3.8% in October) performed well despite some intra month volatility, having been +10.0% on the month at one point. Gold may have peaked for now, at least in the short term, with technical indicators looking stretched for now.

Market Comment

- Financial markets were supported in October by easing tensions between the US and China, continued resilience in corporate earnings, and softer inflation data.

- According to FactSet, the S&P 500 reported double-digit year-on-year earnings growth (+10.7%) for the fourth consecutive quarter, underscoring the strength of US corporates. Strong results across the Technology, Communication Services, and Health Care sectors helped sustain investor confidence, with over three-quarters of companies exceeding consensus expectations.

- In the UK, data showed that public sector net borrowing rose to £20.2 billion in September - the highest figure for that month in five years - as rising debt-interest costs and higher welfare payments pushed public finances further into deficit. On a more positive note, inflation held steady at 3.8%, coming in below expectations.

- In Japan, parliament elected Sanae Takaichi as the country's first female prime minister. An admirer of Margaret Thatcher, Takaichi is expected to adopt a pro-growth fiscal stance, including higher government spending on defence and other initiatives, a policy shift that markets viewed favourably.

- The US Federal Reserve (Fed) reduced interest rates by 0.25%, bringing the target range to 3.75%–4.0%. While the cut was widely anticipated, market attention turned to Chair Jerome Powell's comments, in which he cautioned that a further reduction in December was not a "foregone conclusion." The policy outlook remains clouded by the ongoing federal government shutdown, which has disrupted the release of key economic data. With Powell tempering expectations for near-term easing, the US dollar found support, with DXY Index gaining +2.1% over the month.

Equities

- Global equities, as measured by the MSCI All Country World Index, gained +2.2% in October.

- At the global level, Technology (+6.5%) and Health Care (+3.1%) were the standout sectors. The Technology sector continued to benefit from sustained enthusiasm around Artificial Intelligence (AI), with further new partnership and deal activity being announced during the month. Meanwhile, Health Care stocks found reprieve after a challenging period marked by policy, regulatory, and stock-specific pressures. Sentiment improved as the US administration reached an agreement with Pfizer on drug pricing, and investors increasingly valued the sector's defensive characteristics – notably, consistent demand and stable revenues amid rising volatility later in the month.

- Despite experiencing some early-month weakness as tensions between the US and China spilled over into rare mineral export controls, US equities reached further highs, with the S&P 500 gaining +2.3% and the Nasdaq up +4.7%, supported by strong earnings.

- Japanese equities led performance during the month, gaining +6.2% (TOPIX) and +16.6% (Nikkei). Expansionary fiscal policy from the newly elected Prime Minister is likely to be positive for markets, while a weaker yen supported exporters and contributed to the rally.
- UK equities outperformed in October, with the FTSE All-Share rising +3.7%, supported by falling gilt yields, strength in commodity-linked names, and resilient defensive sectors. A softer sterling provided an additional tailwind by enhancing the value of overseas earnings.

- Emerging market equities delivered solid returns, with the MSCI Emerging Markets Index up +4.2%, led by India's S&P BSE Sensex (+4.7%) and Latin America (+0.9%). In India, robust retail demand and buoyant IPO activity continued to underpin market strength, while trade developments between the US and China particularly benefited Korea and Taiwan, whose semiconductor industries are key beneficiaries of AI-driven demand.

Fixed Income

- The Citigroup World Government Bond Index fell -0.27% during the month. Performance was bifurcated as detailed below.

Umbra MPS

Managing assets with discipline and alignment across multiple strategies

MARKET COMMENTARY

MPS Performance

Summary versus Primary ARC Benchmark

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Source: Umbra Capital Partners LLP.

Umbra MPS Portfolio	October 2025	YtD 2025	Rolling 1 Year	3 Year Annualised	5 Year Annualised
Umbra MPS Passive Defensive	2.03	5.19	6.88	5.83	1.96
Umbra MPS Dynamic Defensive	1.77	5.96	6.67	6.24	2.74
Umbra MPS Blended Defensive	1.92	5.75	6.88	6.49	3.27
Umbra MPS Active Defensive	1.99	6.06	7.45	7.08	4.26
Umbra MPS Income Defensive	1.97	6.98	8.13	7.27	4.75
ARC Cautious PCI TR GBP	1.70	6.47	7.32	5.36	3.01
Umbra MPS Passive Cautious	2.81	7.57	10.13	8.58	5.38
Umbra MPS Dynamic Cautious	2.48	7.85	9.08	8.31	5.17
Umbra MPS Blended Cautious	2.47	7.37	9.03	8.52	6.05
Umbra MPS Active Cautious	2.57	7.50	9.48	9.42	7.35
Umbra MPS Income Cautious	2.30	8.56	10.06	8.98	7.71
ARC Cautious PCI TR GBP	1.70	6.47	7.32	5.36	3.01
Umbra MPS Passive Moderate	3.26	8.82	11.75	9.85	6.90
Umbra MPS Dynamic Moderate	2.99	8.81	10.30	9.41	6.62
Umbra MPS Blended Moderate	2.81	7.78	9.66	9.29	7.22
Umbra MPS Active Moderate	2.81	7.83	10.05	10.17	8.41
Umbra MPS Income Moderate	2.44	9.06	10.71	9.62	8.91
ARC Balanced Asset PCI TR GBP	2.50	8.90	9.98	7.54	5.09
Umbra MPS Passive Balanced	3.71	9.96	13.30	11.05	8.42
Umbra MPS Dynamic Balanced	3.30	10.64	12.25	10.94	8.36
Umbra MPS Blended Balanced	3.18	9.39	11.35	10.71	8.76
Umbra MPS Active Balanced	3.09	8.30	10.81	11.06	9.56
ARC Balanced Asset PCI TR GBP	2.50	8.90	9.98	7.54	5.09
Umbra MPS Passive Growth	4.13	11.08	14.81	12.22	9.95
Umbra MPS Dynamic Growth	3.76	10.44	12.52	11.72	9.54
Umbra MPS Blended Growth	3.48	9.01	11.37	11.13	9.55
Umbra MPS Active Growth	3.29	8.87	11.36	11.98	10.57
ARC Steady Growth PCI TR GBP	2.90	9.69	11.16	8.84	6.48
Umbra MPS Passive Adventurous	4.57	12.17	16.32	13.38	11.49
Umbra MPS Dynamic Adventurous	4.28	11.62	14.16	13.25	11.18
Umbra MPS Blended Adventurous	3.72	9.78	12.28	12.26	10.76
Umbra MPS Active Adventurous	3.62	9.09	12.24	12.83	11.79
ARC Steady Growth PCI TR GBP	2.90	9.69	11.16	8.84	6.48
Umbra MPS Passive Equity	5.38	15.02	19.80	16.20	14.71
Umbra MPS Dynamic Equity	5.13	13.84	17.33	15.94	14.02
Umbra MPS Blended Equity	4.70	11.80	15.26	14.71	13.43
Umbra MPS Active Equity	4.33	10.40	14.33	14.61	13.80
ARC Equity Risk PCI TR GBP	3.20	10.25	12.33	9.96	7.69

All performance figures are shown in percentage terms in GBP and are net of underlying fund OCF's and Net of Umbra's AMC. Returns are Gross of any platform fee. From May 2022, performance reflects actual portfolio returns and reflects portfolio drift in line with market movements, with rebalances carried out on an ad-hoc basis, and informed by prevailing market conditions and portfolio positioning. Performance from July 2019 to April 2022 is based on back-tested data, using simulated past performance derived from the actual historical performance of the underlying investments.

- UK Gilts outperformed in October, gaining +2.9%. With inflation concerns easing and the labour market weakening, expectations have grown that the Bank of England (BoE) may soon resume monetary easing. Chancellor Rachel Reeves is due to deliver her second budget this month and is widely expected to raise taxes, a move that could further weigh on economic growth and, in turn, provide additional scope for the BoE to ease policy.

- In credit markets, US high yield underperformed, with the Bloomberg US High Yield Index gaining just +0.2% over the month. The asset class was briefly weighed down by concerns following a handful of idiosyncratic defaults - notably Tricolor and First Brands - which prompted some short-term repricing in specific segments of the market. However, these cases are broadly seen as isolated – and possibly fraudulent - rather than indicative of wider credit deterioration, and overall fundamentals in high yield remain solid, although spreads are historically tight.

- Euro area government bonds also advanced, rising +0.9%, as inflation moderated further. Italy (+1.2%) and Spain (+0.9%) were notable outperformers, with yields tightening 10–15bps over the month.

- Emerging market debt (EMD) posted positive returns in October, with the Bloomberg EM USD Aggregate Index gaining +1.7% and the Local Currency equivalent +0.3%. Investor sentiment towards the asset class has continued to improve amid stabilising macro conditions, attractive relative valuations, and favourable technicals. With EM central banks having acted sooner than their developed-market counterparts, diverging policy paths and yield differentials should support further appreciation.

Alternatives

- Gold briefly surged to a new record high above $4,300/oz in October before undergoing a healthy correction, retreating below $4,000/oz as profit-taking and improved risk sentiment prompted modest ETF outflows. Even after the pullback, the metal remains up more than 50% year-to-date, supported by ongoing central bank accumulation and resilient investment demand. The broader backdrop – marked by a weaker US dollar, easing monetary policy, and persistent geopolitical risks – continues to provide a constructive outlook for the asset class.

- The iShares Developed Market Property Yield ETF fell –0.6%, weighed down by Jerome Powell's comments tempering expectations of a December rate cut and cautious sentiment towards interest-rate-sensitive sectors.

- In contrast, the iShares Global Infrastructure ETF gained +1.8%, supported by stable cash flows, inflation-linked revenues, and ongoing demand for defensive, income-generating assets.

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