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May 2026

Umbra Capital

# Monthly Market Commentary



Asset Management

## Key points

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- Umbra's MPS had a solid May in what was a heavily bifurcated period in terms of regional performance dispersion. All 31 of our standardised MPS models finished ahead of the respective ARC indices and all 31 models remain ahead of benchmark on a year-to-date basis. Our international bias, particularly towards equity markets in Asia and EM continued to underpin performance, whilst on the fixed income side of portfolios, our ongoing bias towards higher carry debt markets in EM and spread related areas underpinned performance in comparison to G7 sovereign bond markets.
- Attribution from our underlying active managers was also exceptional. All 3 of our active fixed income managers outperformed their respective benchmarks in May with a more benign volatility regime driving credit dispersion in comparison to previous months which were heavily influenced by the macro.
- Within equities, our Asia-focused managers performed very well despite a more challenging market environment in China. The First Sentier China Growth Fund (+3.2% vs. -2.8% MSCI China Index GBP) had a strong month, especially in relative terms, with stock selection amongst the technology, consumer-related and health care sectors driving performance. The Man Asia ex-Japan Equity Fund (+12.6% vs. +12.1% MSCI Asia ex-Japan Index GBP) also had a strong May with good stock selection in South Korea driving performance, SK Hynix (+79.8%) and Samsung Electronics +41.7%) benefiting the portfolio. In Europe, the Blackrock European Dynamic Fund (+6.5% vs. +4.3% MSCI Europe ex-UK Index GBP) had a strong month with stock selection in names such as the semiconductor manufacturing equipment maker ASML Holding NV rse. (+13.7%) benefiting from the ongoing demand being seen across the global semiconductor industry currently.
- Our near term view remains one of moderate caution. Markets appear to have looked through the ongoing crisis in the Middle East and have arguably now priced in a near-term resolution. In reality, the world seems able to cope with the oil price at these levels for now, however the challenges posed by a protracted closing of the Strait of Hormuz cannot be ignored.
- The world's insatiable demand for compute being seen across the technology supply chain is underpinning growth globally, especially in the US and in north Asian economies. The regional performance dispersion encountered in May shed light on the arguable winners, relative to the arguable losers in this build-out.
- We continue to skew the shape of portfolios towards these secular growth themes, whilst the role of defensive assets, particularly within equities, should serve as a counterbalance in the event the cyclical narrative currently underpinning markets turns for the wo

## Market Comment

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- May saw global equity markets extend the remarkable gains of recent months, with artificial intelligence-related equities once again providing the principal source of upside. A powerful earnings season - with 85% of reporting S&P 500 companies beating expectations and blended year-on-year earnings growth reaching 28.6%, the highest since the fourth quarter of 2021 - provided fundamental validation for stretched valuations in US technology, while momentum continued to attract capital from an increasingly broad range of investors. The concentration of returns, however, remains striking with only around 10% of S&P 500 constituents outperforming year-to-date, underlining how much of the headline advance is attributable to a narrow group of mega-cap technology names.
- The dominant macro narrative of the month was tentative progress in US-Iran negotiations. Hopes for a resolution to the Strait of Hormuz disruption weighed materially on oil prices over the course of May, though no deal was reached and the situation remained fluid at month-end. The risk of a disorderly outcome has not dissipated - global oil inventories are expected to be substantially depleted by end of June, creating significant pressure on both sides to reach an agreement. The fall in energy prices provided meaningful support to government bond markets, particularly UK gilts, which outperformed the global government bond index in the final weeks of the month.
- Inflation data painted a mixed picture. In the US, April CPI rose 3.8% year-on-year - the fastest annual pace since early 2023 - underscoring persistent underlying price pressures. In Europe, headline inflation picked up to 3.0% year-on-year. Against this backdrop, central banks remain cautious. The Federal Reserve is widely expected to hold rates unchanged, with any resumption of cuts potentially deferred to late 2026 or early 2027. The ECB, whose rates sit materially lower than either the Fed funds rate or Bank of England's rate, is still anticipated to raise rates in June in order to anchor inflation expectations. In the UK, rate hike expectations moderated considerably, with markets now pricing only a single 25 basis point increase by November, down from three priced in March.
- Alongside the genuine earnings progress, however, a number of market structure signals warrant caution. The breadth of the rally has been narrow and the composition of outperformers unusual. Loss-making technology businesses have been among the strongest performers of the year, which historically has been associated with late-cycle speculative excess rather than fundamental re-rating. Retail participation in leveraged AI-linked products has grown sharply, and measures of investor confidence in equities are at levels not seen since the turn of the millennium. The gap between earnings growth in technology and the rest of the market is historically wide, and with the cost of capital elevated, the valuation case for extending that premium further is increasingly difficult to make on conventional metrics alone.

# Umbra MPS

Managing assets with  
discipline and alignment  
across multiple strategies



# MPS Performance

Summary versus Primary ARC Benchmark



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Source: Umbra Capital Partners LLP.

Umbra MPS Portfolio	May-26	YtD 2026	2025	Annualised 3Yr	Annualised 5Yr
Umbra MPS Passive Defensive	2.2	3.1	5.3	6.6	2.6
Umbra MPS Dynamic Defensive	1.6	3.0	6.2	6.7	2.9
Umbra MPS Blended Defensive	1.6	2.9	5.8	6.8	3.3
Umbra MPS Active Defensive	1.6	3.2	6.6	7.5	4.3
Umbra MPS Income Defensive	1.2	2.7	7.5	7.6	4.3
ARC Cautious PCI TR GBP	0.5	2.3	6.8	5.7	2.3
Umbra MPS Passive Cautious	3.3	5.5	7.3	9.7	5.4
Umbra MPS Dynamic Cautious	2.5	4.9	8.2	9.3	4.9
Umbra MPS Blended Cautious	2.4	4.6	7.3	9.0	5.6
Umbra MPS Active Cautious	2.5	4.6	7.8	9.9	6.7
Umbra MPS Income Cautious	1.5	3.9	9.3	9.6	6.6
ARC Cautious PCI TR GBP	0.5	2.3	6.8	5.7	2.3
Umbra MPS Passive Moderate	3.9	6.6	8.5	11.3	6.7
Umbra MPS Dynamic Moderate	2.9	5.9	9.5	10.7	6.3
Umbra MPS Blended Moderate	2.9	5.4	8.3	10.2	6.7
Umbra MPS Active Moderate	2.9	5.3	8.3	10.7	7.5
Umbra MPS Income Moderate	1.8	4.4	10.1	10.5	7.5
ARC Balanced Asset PCI TR GBP	1.6	3.8	9.1	8.2	3.9
Umbra MPS Passive Balanced	4.4	7.8	9.4	12.7	7.9
Umbra MPS Dynamic Balanced	3.4	7.0	10.9	12.3	7.6
Umbra MPS Blended Balanced	3.3	6.2	9.5	11.6	7.9
Umbra MPS Active Balanced	3.4	6.0	9.1	11.9	8.5
ARC Balanced Asset PCI TR GBP	1.6	3.8	9.1	8.2	3.9
Umbra MPS Passive Growth	4.9	8.8	10.4	14.2	9.2
Umbra MPS Dynamic Growth	3.9	7.9	11.5	13.6	8.8
Umbra MPS Blended Growth	3.8	6.8	10.0	12.5	8.7
Umbra MPS Active Growth	3.8	6.7	9.8	13.0	9.3
ARC Steady Growth PCI TR GBP	2.6	4.9	9.8	9.5	4.8
Umbra MPS Passive Adventurous	5.5	9.9	11.3	15.6	10.4
Umbra MPS Dynamic Adventurous	4.4	8.6	13.0	15.2	10.2
Umbra MPS Blended Adventurous	4.2	7.5	11.1	13.7	9.7
Umbra MPS Active Adventurous	4.2	7.2	10.4	13.9	10.4
ARC Steady Growth PCI TR GBP	2.6	4.9	9.8	9.5	4.8
Umbra MPS Passive Equity	6.4	12.1	13.7	18.8	12.9
Umbra MPS Dynamic Equity	6.0	10.9	13.2	17.6	12.3
Umbra MPS Blended Equity	5.8	9.5	11.2	15.8	11.5
Umbra MPS Active Equity	5.8	9.0	9.6	15.2	11.7
ARC Equity Risk PCI TR GBP	3.5	5.7	10.1	10.6	5.4

All performance figures are shown in percentage terms in GBP and are net of underlying fund OCFs 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.

# MPS Performance

Summary versus Primary ARC Benchmark



Private & Confidential

Source: Umbra Capital Partners LLP.

<b>Umbra MPS Portfolio</b>	May-26	YtD 2026	2025	Annualised 3 Yr	Annualised 5 Yr
Umbra Absolute Return Portfolio	0.1	1.6	8.8	6.2	5.7
ARC Cautious PCI TR GBP	0.5	2.3	6.8	5.7	2.3
Umbra Multi Asset Balanced Portfolio	2.1	5.5	6.8	9.7	6.9
ARC Balanced Asset PCI TR GBP	1.6	3.8	9.1	8.2	3.9
Umbra Multi Asset Adventurous Portfolio	3.6	7.7	10.9	12.2	9.2
ARC Steady Growth PCI TR GBP	2.6	4.9	9.8	9.5	4.8

## Equities

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- Global equities extended their year-to-date advance, with growth significantly outperforming value. World growth was up +7% during the month versus around +2.4% for value - a reflection of the depth of AI-related enthusiasm currently driving markets. The technology sector rose +16% in May alone, while defensives lagged materially, with consumer staples declining -2.1% and healthcare down -2.7% year-to-date.
- US equities delivered another strong month, with the S&P 500 rising +5.3% in May (bringing year-to-date gains to +11.3%) and the Nasdaq up +8.4% (+16.3%). Earnings underpinned the advance. Blended Q1 2026 earnings growth for the S&P 500 reached +28.6%, the strongest since Q4 2021, with 85% of companies beating earnings expectations and 81% beating on revenues.
- Emerging markets continued their strong momentum, with the MSCI Emerging Markets Index rising +9.7%, led by Korea (+33%) and Taiwan (+14%). Both markets benefit from their critical positioning within the global semiconductor supply chain. First-quarter earnings growth across Asia was exceptional at approximately +40% - one of the strongest quarters in recent years - though heavily concentrated in technology and semiconductors.
- Japanese equities continued to advance, with the Nikkei rising +11.9% in May. Domestic economic data was encouraging, first-quarter GDP grew +2.1% quarter-on-quarter, ahead of consensus, with household spending, trade and government investment all contributing positively. The new administration's expansionary fiscal stance has underpinned confidence, and Japan's role in the global semiconductor supply chain has given it meaningful exposure to AI-related capital expenditure growth. The combination of macro and structural tailwinds continues to make the market one of the stronger performers globally year-to-date.
- Chinese equities were mixed, with a divergence between onshore and offshore indices. The CSI 300 rose +1.9%, while the MSCI China fell -3.0%, with the gap reflecting differing sector exposures and ongoing concerns about domestic demand. Consumer spending and industrial output both disappointed over the period, with the latter showing its weakest reading in several years. Price pressures edged higher on an annual basis, largely as a consequence of energy costs, though the broader picture remains one of subdued growth momentum.
- European equities faced a difficult environment. The eurozone composite PMI fell to its lowest level since late 2023, pointing to a contraction in business activity. The region's limited exposure to AI and technology-related earnings growth, combined with the prospect of further ECB tightening, meant that Europe lagged the global rally materially during the month.
- UK equities were the weakest major developed market, with the All-Cap Index returning +0.5% in May. Domestic political developments added an additional layer of uncertainty - regional election outcomes and polling trends raised questions about the durability of the current government's fiscal framework, contributing to intra-month volatility in both equities and gilts. The market's sectoral composition - heavily weighted

toward financials, energy and consumer staples - offered little in the way of AI or growth exposure, limiting its ability to participate in a rally driven almost entirely by technology. Softer-than-expected inflation data and labour market cooling helped the gilt market, which in turn provided some late-month support to rate-sensitive equities.

deferred toward the end of 2026 or into 2027. The ECB, by contrast, is still expected to deliver approximately two 25 basis point hikes by November, given that eurozone rates remain materially accommodative relative to the current inflation environment.

## Fixed Income

- Bonds had a modestly positive month, supported by falling energy prices although experienced some intra-month volatility, reflecting ongoing uncertainty around the growth and inflation implications of the Middle East conflict. The Bloomberg Global Aggregate returned +0.3% in May, though it remains up only +0.4% year-to-date.
- UK gilts were a notable outperformer within the government bond complex, with the Vanguard UK Gilt Index returning +1.8% during the month. The rally was driven by a reassessment of the Bank of England's tightening path as inflation came in below consensus and labour market conditions showed signs of deterioration, collectively shifting market pricing toward a much more modest profile of future rate increases.
- Central bank expectations shifted materially over the month. In the UK, markets moved from pricing approximately three 25 basis point hikes to only one by November, as inflation and labour market data surprised to the downside. In the US, the Federal Reserve is expected to remain on hold, with cuts now

## Alternatives

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- Credit markets performed solidly, supported by robust corporate fundamentals. Euro high yield bonds led within fixed income, returning +1.0% over the month, with tight spreads reflecting the resilience of corporate balance sheets. Emerging market bonds delivered +0.8% in May. Spreads across investment grade and high yield remain near historically tight levels, leaving limited valuation cushion were the macro environment to deteriorate.

- Central bank expectations shifted materially over the month. In the UK, markets moved from pricing approximately three 25 basis point hikes to only one by November, as inflation and labour market data surprised to the downside. In the US, the Federal Reserve is expected to remain on hold, with cuts now deferred toward the end of 2026 or into 2027. The ECB, by contrast, is still expected to deliver approximately two 25 basis point hikes by November, given that eurozone rates remain materially accommodative relative to the current inflation environment.

## Alternatives

- The fall in oil prices over the month weighed on energy-related assets, though the near-term outlook remains highly uncertain. The drawdown in global oil inventories is expected to reach a critical level by end of June, at which point the pressure on both sides of the US-Iran negotiations will intensify considerably. An absence of agreement by that point could lead to a sharp reversal in energy prices, with significant implications for inflation expectations and fixed income markets more broadly.
- Gold held up well in a month dominated by risk-on sentiment and strong equity returns. Persistent inflation concerns, geopolitical uncertainty and continued central bank demand continue to underpin the medium-term investment case for the precious metal, even as near-term momentum has favoured higher-risk assets.



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