# Monthly Market Commentary

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Asset Management

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# Key points from the month



- July saw a sharp rotation away from high-momentum technology and AI-related names as investors began to question whether unprecedented levels of capital expenditure would generate attractive returns. MSCI World Growth fell 2.5% while MSCI World Value rose 3.6%, with the MSCI ACWI ending the month effectively flat at +0.1%. Umbra's globally diversified equity allocation, a tailwind during Q2's rally, acted as a headwind in this environment.

- UK equities were the standout developed market performer, with MSCI UK All Cap returning +3.9%, and our Evenlode UK Income allocation benefited accordingly, rising +5.4% year-to-date. Within Japan, the divergence between active and passive was striking: our Arcus Japan holding returned approximately +5% while our passive Nikkei 225 exposure fell roughly -10%, as July's sell-off was concentrated in export-oriented and technology-adjacent names rather than the broader market.

- Rising long-term yields were the dominant driver of fixed income performance, with the 30-year US Treasury yield ending the month at its highest level since 2007 following the Fed's decision to hold and Chair Warsh's withdrawal of forward guidance. Our short-dated Treasury exposure provided some insulation, while emerging market hard currency bonds and European equities were the principal detractors within their respective sleeves.

- Despite the volatility, the underlying corporate fundamental backdrop remains highly constructive, with the Q2 earnings season tracking as the strongest in recent memory: 86% of S&P 500 companies have beaten expectations with blended earnings growth running at approximately 36% year-on-year. July's correction appears to reflect multiple compression and positioning unwinds rather than any deterioration in fundamentals.

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# Market Comment



- July saw a partial reversal of the historic gains recorded during the second quarter, as investors began to question the timing and magnitude of returns from unprecedented levels of AI-related capital expenditure. Concerns over elevated valuations, intensifying competition and the risk of AI becoming increasingly commoditised prompted a sharp sell-off in many of the market's strongest performers. The move was compounded by renewed geopolitical tensions in the Middle East, which contributed to higher energy prices and a more cautious risk environment. However, the weakness appeared to reflect positioning and multiple compression rather than any meaningful deterioration in underlying corporate fundamentals.

- Market movements were exacerbated by the unwinding of leveraged positions rather than any deterioration in the economic backdrop. In Asia, leveraged exchange-traded products amplified selling pressure, particularly in South Korea and Taiwan, while in the US the forced liquidation of a large leveraged hedge fund added further pressure before being absorbed in an orderly manner, helping stabilise markets towards month end.

- Monetary policy was a further important influence on market performance. On 29 July, the Federal Open Market Committee voted nine to three to hold the federal funds rate steady at 3.50%–3.75%, marking the fifth consecutive meeting without a change. Federal Reserve Chair Kevin Warsh reiterated the Fed's commitment to the 2% inflation target, offered no forward guidance, whilst suggesting the latter is a crisis-era tool inappropriate for normal conditions.

- Treasuries responded quickly; in the days following the meeting, the 30-year US Treasury yield broke above its post-COVID high of 5.18% set in October 2023, ending the month at 5.27% – its highest level since June 2007. The Bank of England and European Central Bank both held rates unchanged.

- Despite the volatility experienced during the month, the second-quarter 2026 earnings season continued to provide a reassuring backdrop for equity markets. At the time of writing, around 61–63% of S&P 500 constituents had reported results, with 86% delivering earnings above analysts' forecasts. That is comfortably ahead of both the five-year average of 78% and the ten-year average of 76%, placing this reporting season on track to be the strongest since the second quarter of 2021.

- Companies have, on average, exceeded expectations by roughly 31%, representing the largest earnings surprise since FactSet began compiling the data in 2008 and surpassing the previous record set during the exceptional conditions of Q2 2020. Blended year-on-year earnings growth is currently running at approximately 36%, underlining the continued strength of corporate profitability, particularly among businesses benefiting from sustained investment in artificial intelligence. Even so, headline equity markets finished the month broadly unchanged, disguising the significant rotation and heightened volatility that took place beneath the surface.

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# Equities



- Global equities finished July effectively unchanged, with the MSCI ACWI returning +0.1%, masking a markedly more difficult experience in the second half of the month. The headline figure concealed a sharp divergence between styles: MSCI World Growth fell 2.5% while MSCI World Value rose 3.6%, a gap of over six percentage points reflecting the rotation away from high-momentum technology names and toward more defensive, income-oriented sectors.

- US equities were broadly flat to slightly negative, with the S&P 500 returning -0.1% and the Nasdaq declining 3.2%. Despite the strongest earnings season in recent memory – with 86% of reporting companies beating expectations and blended year-on-year earnings growth tracking at approximately 36% – the largest technology names came under pressure as investors demanded evidence that unprecedented AI capital expenditure will generate attractive returns. The correction was most acute in semiconductors, with the Philadelphia Semiconductor Index falling 20.6% from its June high. Smaller companies fared worse, with the Russell 2000 declining 3.0%, reflecting the additional sensitivity of smaller businesses to higher long-term interest rates.

- UK equities were the standout developed market performer, with the MSCI UK All Cap returning +3.9%. The index's limited exposure to technology and growth equities proved a significant advantage in July's environment, with defensive sectors – financials, energy, healthcare and consumer staples – driving returns. Energy stocks also supported returns, benefiting from firmer commodity prices.

- European equities were broadly flat, with the MSCI Europe ex UK returning -0.1%. The region's limited exposure to AI and semiconductor-related earnings limited both the upside during the preceding quarter's rally and the downside during July's correction, leaving the index essentially unchanged on the month.

- Japanese equities presented a tale of two indices. The Nikkei fell -8.3%, reflecting its heavier weighting toward export-oriented and technology-adjacent names, which were caught in the broader AI and semiconductor sell-off. The TOPIX, being a broader and more domestically diversified index, held up considerably better, returning +0.2% for the month — illustrating how the correction in July was concentrated in specific sectors rather than representing a broad deterioration in the Japanese economic outlook.

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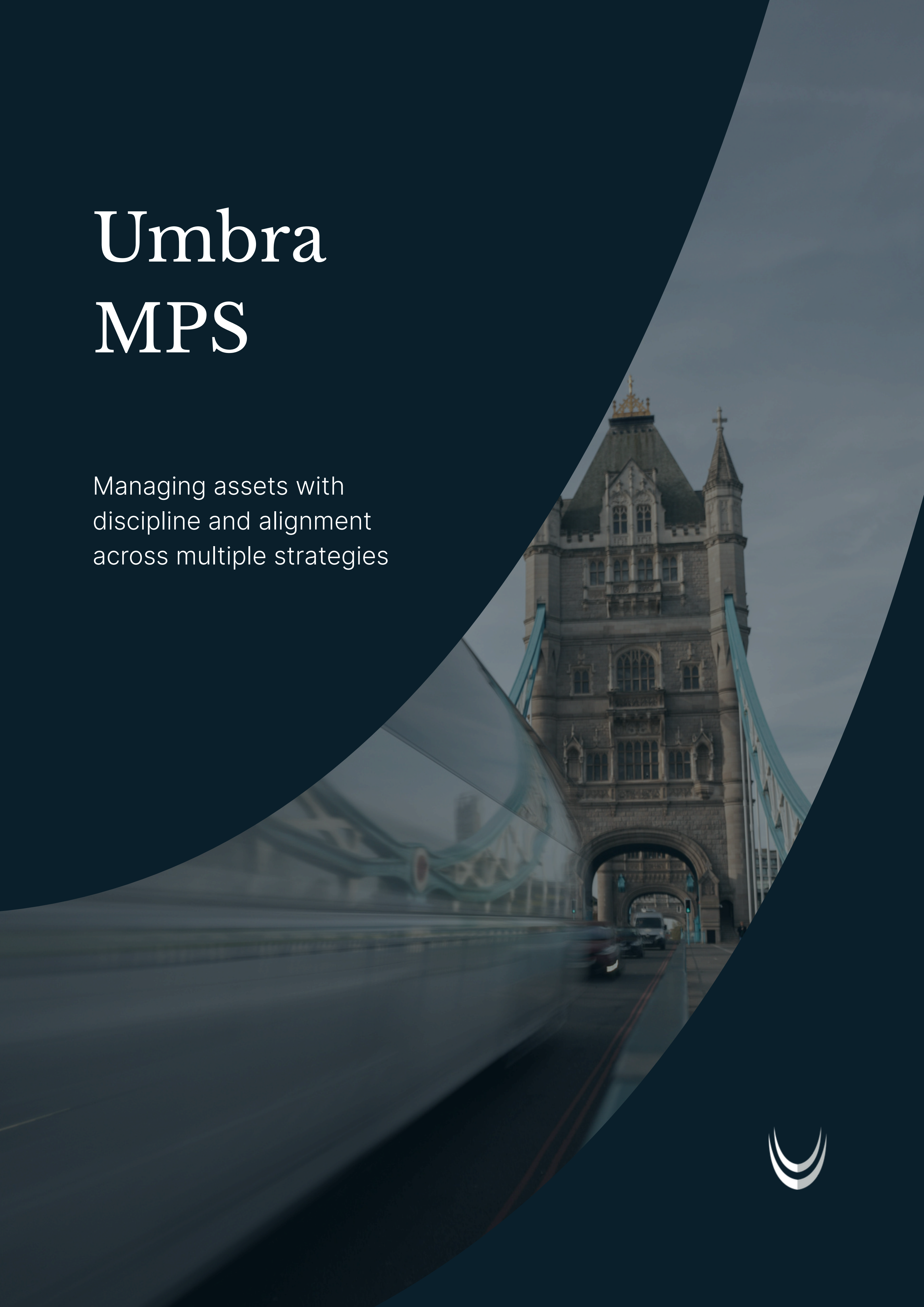
# Umbra MPS

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** | June 2026 | Q2 2026 | YTD | 3 Year Annualised | 5 Year Annualised |
|---|---|---|---|---|---|
| Umbra MPS Passive Defensive | 0.72 | 5.14 | 3.83 | 6.81 | 2.25 |
| Umbra MPS Dynamic Defensive | 0.93 | 4.27 | 3.99 | 6.94 | 2.69 |
| Umbra MPS Blended Defensive | 0.97 | 4.14 | 3.88 | 7.07 | 3.06 |
| mbra MPS Active Defensive | 0.88 | 4.17 | 4.08 | 7.67 | 3.98 |
| Umbra MPS Income Defensive | 1.01 | 3.26 | 3.77 | 7.68 | 4.22 |
| ARC Cautious PCI TR GBP | 0.30 | 2.31 | 2.63 | 5.87 | 2.25 |
| | | | | | |
| Umbra MPS Passive Cautious | 0.76 | 7.95 | 6.31 | 9.69 | 5.06 |
| mbra MPS Dynamic Cautious | 1.07 | 6.63 | 6.07 | 9.33 | 4.70 |
| Umbra MPS Blended Cautious | 1.01 | 6.24 | 5.62 | 9.11 | 5.29 |
| Umbra MPS Active Cautious | 0.88 | 6.04 | 5.56 | 9.69 | 6.22 |
| Umbra MPS Income Cautious | 1.05 | 3.98 | 5.02 | 9.54 | 6.47 |
| ARC Cautious PCI TR GBP | 0.30 | 2.31 | 2.63 | 5.87 | 2.25 |
| | | | | | |
| Umbra MPS Passive Moderate | 0.80 | 9.38 | 7.48 | 11.11 | 6.26 |
| Umbra MPS Dynamic Moderate | 1.06 | 7.64 | 7.06 | 10.69 | 5.97 |
| Umbra MPS Blended Moderate | 0.91 | 7.12 | 6.35 | 10.17 | 6.30 |
| Umbra MPS Active Moderate | 0.74 | 6.69 | 6.06 | 10.42 | 6.99 |
| Umbra MPS Income Moderate | 0.92 | 4.42 | 5.37 | 10.24 | 7.33 |
| ARC Balanced Asset PCI TR GBP | 0.80 | 5.49 | 4.64 | 8.37 | 3.79 |
| | | | | | |
| Umbra MPS Passive Balanced | 0.83 | 10.77 | 8.66 | 12.48 | 7.49 |
| Umbra MPS Dynamic Balanced | 1.02 | 8.69 | 8.06 | 12.11 | 7.25 |
| Umbra MPS Blended Balanced | 0.80 | 8.03 | 7.10 | 11.37 | 7.33 |
| Umbra MPS Active Balanced | 0.58 | 7.85 | 6.59 | 11.39 | 7.85 |
| ARC Balanced Asset PCI TR GBP | 0.80 | 4.49 | 4.64 | 8.37 | 3.79 |
| | | | | | |
| Umbra MPS Passive Growth | 0.87 | 12.09 | 9.76 | 13.79 | 8.68 |
| Umbra MPS Dynamic Growth | 1.15 | 9.98 | 9.14 | 13.35 | 8.36 |
| Umbra MPS Blended Growth | 0.78 | 9.03 | 7.67 | 12.12 | 8.12 |
| Umbra MPS Active Growth | 0.48 | 8.79 | 7.22 | 12.33 | 8.58 |
| ARC Steady Growth PCI TR GBP | 0.90 | 7.66 | 5.84 | 9.59 | 4.64 |
| | | | | | |
| Umbra MPS Passive Adventurous | 0.92 | 13.46 | 10.93 | 15.13 | 9.91 |
| Umbra MPS Dynamic Adventurous | 1.06 | 10.87 | 9.72 | 14.70 | 9.70 |
| Umbra MPS Blended Adventurous | 0.62 | 9.92 | 8.17 | 13.13 | 8.98 |
| Umbra MPS Active Adventurous | 0.27 | 9.54 | 7.53 | 13.13 | 9.59 |
| ARC Steady Growth PCI TR GBP | 0.90 | 7.66 | 5.84 | 9.59 | 4.64 |
| | | | | | |
| Umbra MPS Passive Equity | 1.00 | 16.10 | 13.26 | 17.98 | 12.36 |
| Umbra MPS Dynamic Equity | 1.57 | 15.22 | 12.67 | 17.05 | 11.72 |
| Umbra MPS Blended Equity | 1.07 | 14.01 | 10.66 | 15.13 | 10.78 |
| Umbra MPS Active Equity | 0.51 | 13.64 | 9.55 | 14.28 | 10.78 |
| ARC Equity Risk PCI TR GBP | 0.90 | 9.55 | 6.67 | 10.52 | 5.15 |

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.

MARKET COMMENTARY

# MPS Performance

Summary versus Primary ARC Benchmark

Umbra



Source: Umbra Capital Partners LLP.

| **Umbra MPS Portfolio** | July 2026 | YTD | 1 Year | 3 Year Annualised | 5 Year Annualised |
|---|---|---|---|---|---|
| Umbra MPS Passive Defensive | -1.3 | 2.5 | 5.5 | 6.2 | 1.8 |
| Umbra MPS Dynamic Defensive | -1.3 | 2.6 | 6.2 | 6.1 | 2.3 |
| Umbra MPS Blended Defensive | -1.3 | 2.6 | 5.9 | 6.3 | 2.7 |
| mbra MPS Active Defensive | -1.2 | 2.9 | 6.5 | 6.9 | 3.6 |
| Umbra MPS Income Defensive | -0.2 | 3.5 | 7.7 | 7.2 | 4.1 |
| ARC Cautious PCI TR GBP | 0.0 | 2.5 | 5.9 | 5.5 | 2.1 |
| | | | | | |
| Umbra MPS Passive Cautious | -1.4 | 4.8 | 9.2 | 8.9 | 4.6 |
| mbra MPS Dynamic Cautious | -1.6 | 4.4 | 9.4 | 8.3 | 4.2 |
| Umbra MPS Blended Cautious | -1.3 | 4.3 | 8.7 | 8.2 | 4.9 |
| Umbra MPS Active Cautious | -1.1 | 4.4 | 8.9 | 8.8 | 5.8 |
| Umbra MPS Income Cautious | 0.7 | 5.7 | 10.9 | 9.4 | 6.5 |
| ARC Cautious PCI TR GBP | 0.0 | 2.5 | 5.9 | 5.5 | 2.1 |
| | | | | | |
| Umbra MPS Passive Moderate | -1.4 | 5.9 | 11.1 | 10.2 | 5.8 |
| Umbra MPS Dynamic Moderate | -1.7 | 5.3 | 11.2 | 9.6 | 5.5 |
| Umbra MPS Blended Moderate | -1.3 | 5.0 | 10.2 | 9.2 | 5.9 |
| Umbra MPS Active Moderate | -1.0 | 5.0 | 9.9 | 9.5 | 6.6 |
| Umbra MPS Income Moderate | 1.1 | 6.5 | 12.3 | 10.2 | 7.5 |
| ARC Balanced Asset PCI TR GBP | 0.1 | 5.1 | 10.1 | 8.1 | 3.8 |
| | | | | | |
| Umbra MPS Passive Balanced | -1.5 | 7.1 | 12.9 | 11.4 | 7.0 |
| Umbra MPS Dynamic Balanced | -1.7 | 6.2 | 13.0 | 10.9 | 6.7 |
| Umbra MPS Blended Balanced | -1.2 | 5.8 | 11.8 | 10.4 | 6.9 |
| Umbra MPS Active Balanced | -1.0 | 5.6 | 11.1 | 10.4 | 7.5 |
| ARC Balanced Asset PCI TR GBP | 0.1 | 5.1 | 10.1 | 8.1 | 3.8 |
| | | | | | |
| Umbra MPS Passive Growth | -1.5 | 8.1 | 14.6 | 12.7 | 8.2 |
| Umbra MPS Dynamic Growth | -1.9 | 7.1 | 14.5 | 11.9 | 7.8 |
| Umbra MPS Blended Growth | -1.3 | 6.3 | 12.8 | 11.0 | 7.7 |
| Umbra MPS Active Growth | -0.9 | 6.3 | 12.3 | 11.3 | 8.2 |
| ARC Steady Growth PCI TR GBP | 0.2 | 6.6 | 12.2 | 9.3 | 4.7 |
| | | | | | |
| Umbra MPS Passive Adventurous | -1.6 | 9.2 | 16.4 | 13.9 | 9.4 |
| Umbra MPS Dynamic Adventurous | -2.0 | 7.5 | 16.0 | 13.2 | 9.1 |
| Umbra MPS Blended Adventurous | -1.3 | 6.8 | 14.0 | 12.0 | 8.6 |
| Umbra MPS Active Adventurous | -0.9 | 6.6 | 13.1 | 12.1 | 9.2 |
| ARC Steady Growth PCI TR GBP | 0.2 | 6.6 | 12.2 | 9.3 | 4.7 |
| | | | | | |
| Umbra MPS Passive Equity | -1.7 | 11.3 | 20.1 | 16.4 | 11.9 |
| Umbra MPS Dynamic Equity | -2.3 | 10.1 | 19.2 | 15.3 | 11.1 |
| Umbra MPS Blended Equity | -1.4 | 9.1 | 16.9 | 13.8 | 10.3 |
| Umbra MPS Active Equity | -0.9 | 8.6 | 15.2 | 13.2 | 10.3 |
| ARC Equity Risk PCI TR GBP | 0.4 | 8.0 | 13.8 | 10.4 | 5.3 |

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.

# Fixed Income

- Government bonds had a difficult month, with rising yields the dominant driver of returns. The Citigroup World Government Bond Index returned -0.5% and the Bloomberg US Aggregate fell 1.3%, as both two-year and ten-year Treasury yields moved higher despite the Federal Reserve holding rates unchanged. Chair Warsh's withdrawal of forward guidance reinforced the view that markets must now navigate a more uncertain rate environment without central bank signalling to anchor expectations.

- Investment grade credit underperformed, with the Bloomberg US Investment Grade Index returning -1.67% and European investment grade -1.47%. Losses reflected the direct impact of rising yields on longer-duration assets rather than any deterioration in credit quality, with spreads widening only modestly. Within investment grade, technology sector spreads widened relative to the broader index as large-scale debt issuance by US hyperscalers increased bond supply.

- High yield held up considerably better. The Bloomberg Global High Yield Index returned -0.28% and US High Yield -0.25%, with Asia high yield marginally positive at +0.05%. The shorter duration and higher carry of high yield indices cushioned the impact of rising yields — despite spreads widening by more than investment grade in absolute terms, total returns were materially less negative.

- Emerging market local currency bonds were a notable exception, with the Bloomberg EM Local Currency Index returning +1.06%, bucking the broader trend of negative fixed income returns. EM hard currency bonds were less fortunate, with the Bloomberg EM USD Aggregate returning -1.30%, more in line with other dollar-denominated credit markets.

# Alternatives

- Infrastructure declined 1.6% as rising long-term yields increased discount rates for long-duration real assets, while property proved more resilient, returning +1.2%.

- Gold was broadly flat at +0.2%, holding up despite the headwind from rising real yields and a stronger dollar.

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management charge, and gross of any platform or product fees and assumes all income is reinvested. No investment decisions should be made solely based on these returns. The performance figures are calculated based on a standard model and may not reflect the performance of individual client portfolios.

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# Team

Umbra



## Marcus Szemruk

CIO

Marcus joined Umbra in 2021 and is the firm's CIO.

Prior to joining the firm, he was the sole Senior Portfolio Manager of the UBAM MF Flexible Allocation Fund from January 2020 to June 2021, having been named the ACPI Balanced Fund prior to that from 2008 to 2020. He was a Partner and Head of Fund Research whilst at ACPI. From 2005 to 2008 he covered active long only and hedge fund strategies whilst at Stonehage Fleming. Marcus began his investment career in 1999 as an analyst at Phillips & Drew, UBS Global Asset Management. Marcus holds a BSc. in Banking and Finance from Loughborough University and holds the Securities Institute Certificate in Investment Management (CertIM).

## Laurence Harper

Analyst

Laurence is an Investment Analyst in Umbra's investment team.

Prior to Umbra, he was a part of the investment consulting team for a London based IFA for HNW and UHNW individuals. Laurence holds a BSc in Economics from the University of Liverpool and has passed level one of the Chartered Financial Analyst (CFA) qualification and holds the Investment Management Certificate (IMC).

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