September 2026

Umbra Capital

Monthly Market Commentary

Umbra

Asset Management

MARKET COMMENTARY

September 2026

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Key points from the month

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- September brought an overdue pause after a strong summer for risk assets. The MSCI ACWI fell -1.1% in local currency terms, but the headline masked a considerably weaker month beneath the surface: technology and communication services were the only global sectors to finish higher, with the largest US hyperscalers rising around +12%. Sterling's -2.1% fall against the US dollar cushioned international returns for UK-based investors. Over the third quarter, global equities still advanced +1.6%, taking year-to-date gains to +13.0%.

- September was a more challenging month for Umbra's MPS in relative terms, particularly at the lower-risk end of the range. The higher bond weighting within our Defensive, Cautious and Moderate portfolios was a clear headwind as yields rose sharply, and these portfolios finished behind their ARC benchmarks, with the Income range the weakest. Further up the risk spectrum, Balanced portfolios finished narrowly behind ARC, Growth broadly in line, all four Adventurous portfolios ahead, while our Equity portfolios returned between +0.6% and +1.0% against a 0.4% decline for ARC Equity Risk. With leadership so concentrated in US mega-caps, active managers – who would need to run overweight positions in an already concentrated index simply to keep pace – found conditions difficult, and our passive models fared best at the higher end of the range given their larger US weighting. Year-to-date, our Cautious, Balanced, Growth, Adventurous and Equity portfolios all remain ahead of ARC, and every portfolio is ahead on a three-year annualised basis.

- Fixed income offered little protection, with the Bloomberg Global Aggregate falling 2.4%. Our hedge fund exposures, however, did exactly what they are there to do: the Argonaut Absolute Return Fund gained around +3% in September and +8% over the quarter, while Aspect Diversified Trends rose +4.7% and +11.4% respectively, offsetting part of the weakness in gold, infrastructure and property.

- Following the valuation reset across equities and bonds, we are making a number of changes to improve the overall risk/reward profile of the MPS. Within equities, we are consolidating exposure into Wellington Global Equity Income, providing a more concentrated and pragmatic approach to quality at a lower OCF, while also capturing a strategy with a strong historical track record. Within fixed income, we are rotating out of European hybrid credit, where spreads and yields have compressed materially, into TwentyFour Income Fund, where the significantly higher yield and shorter duration provide a more compelling opportunity set. Overall, the changes aim to improve expected returns while maintaining appropriate diversification and risk control.

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- Events in the Middle East remained the dominant macro influence during September. Houthi drone strikes on a key Saudi pipeline in mid-September threatened one of the main alternative routes for Gulf crude, pushing oil back towards USD 110 per barrel – close to the USD 120 level that has previously marked a tipping point for risk sentiment. The tone improved towards month-end as Saudi shipments recovered, the UAE continued to export via Fujairah, and President Trump indicated that negotiations with Iran would begin in early October.

- The Federal Reserve raised interest rates by 25 basis points to 3.75%–4.00%, ending a run of five consecutive holds. Equities rallied in the aftermath, suggesting markets viewed the move as measured and data-dependent rather than the start of an aggressive tightening cycle. The updated dot plot pointed to a median policy rate of 4.1% at the end of this year and next, falling to 3.8% and 3.6% in the following two years – still below the path priced by markets, which by mid-month implied a policy rate of around 4.6% by October 2027.

- Strong activity data in the US was a key driver, with the services PMI at 58.7 and the composite at 58.4, levels not seen since the post-COVID reopening, although the US remains a K-shaped economy in which lower-income consumers are under pressure. Encouragingly, core PCE rose just 0.2% month-on-month against expectations of 0.3%, helping to temper rate hike expectations into early October.
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- In Europe, the ECB delivered its widely anticipated 25 basis point hike, with eurozone CPI at 3.3% and the composite PMI beating expectations at 53.1. French fiscal uncertainty returned to the fore, however, with the spread over German 10-year yields widening to almost 130 basis points.

- The Bank of England held rates, though markets moved to price in around one hike, pushing mortgage rates higher. UK CPI was in line at 3.1%, though as a net energy importer the UK remains more exposed to elevated oil prices than the US. The labour market continued to deteriorate, with payrolls falling by more than 20,000 and losses concentrated in retail, hospitality and construction, while public sector employment continued to grow. Public sector net borrowing of £18 billion in August exceeded forecasts of £15 billion, raising the stakes ahead of October's Budget. At the Labour Party conference, the government announced a new Help to Buy scheme, sparking a sharp rally in housebuilders in the final days of the month.

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Equities

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- Global equities retreated in September, with the MSCI World falling -1.1%. Sector dispersion was striking: technology rose +4.4% and communication services +3.6%, while every other sector declined, led by materials (-7.2%), consumer discretionary (-6.0%) and financials (-5.5%). Traditional defensives provided little shelter, with consumer staples down -3.7%. Energy fell 2.2% despite elevated oil prices, though it remained the strongest sector over the quarter, up +15.4%.

- US equities were held up almost entirely by the largest technology companies. The S&P 500 slipped -0.3% and the Nasdaq gained +1.9%, but breadth was exceptionally poor, with only eight S&P 500 constituents making new 52-week highs at month-end and a majority of index members trading well below their previous peaks. Rising bond yields weighed on valuations across most of the market, with the hyperscalers the notable exception given continued earnings upgrades. Smaller, more leveraged companies fared poorly, with the Russell 2000 falling -5.3% in September and -7.2% over the quarter.

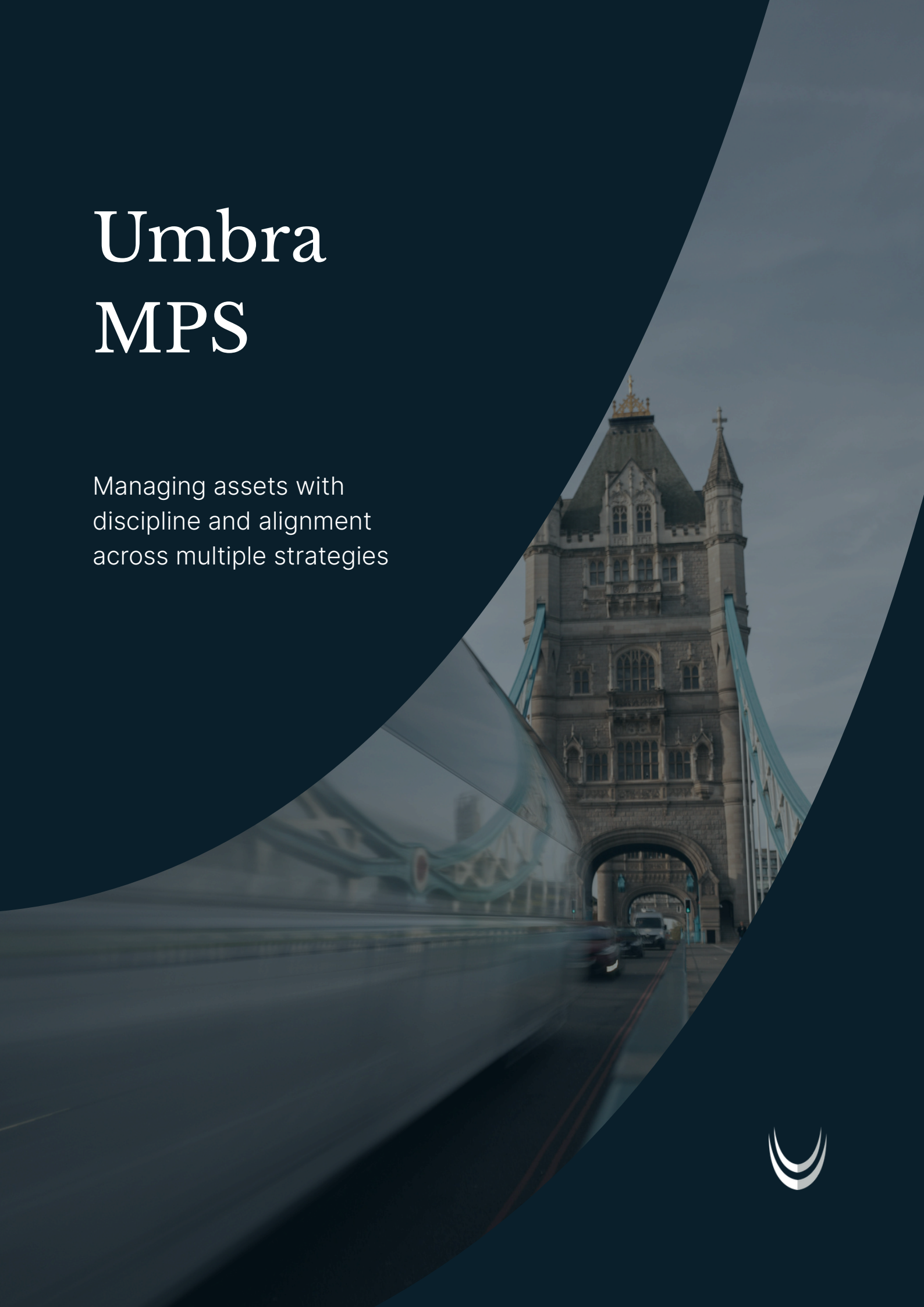
- UK equities gave back some recent gains, with the FTSE 100 falling -2.0%. Domestically oriented areas reversed August's strength as gilt yields and mortgage rates rose, with MSCI UK Mid Cap down -3.9%, although Help to Buy provided a late boost to housebuilders. Over the quarter, UK equities still rose +1.8% and small caps 5.8%. MSCI Europe ex-UK fell -2.6%, with banks weighed down by widening French spreads.

- Japan remained a relative outperformer, with the Nikkei rising +1.2% and now up +34.5% year-to-date in local currency terms, the best performing developed market this year.

- Emerging markets fell -0.6%, held back by China (-4.5%) and India (-5.8%), while Brazil's Ibovespa gained 5.0%, supported by its commodity exposure and valuations of under 9x forward earnings.

Umbra MPS

Managing assets with discipline and alignment across multiple strategies



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MPS Performance

Summary versus Primary ARC Benchmark

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Source: Umbra Capital Partners LLP.

Umbra MPS Portfolio	Sept 2026	Q3	YTD	3 Year Annualised	5 Year Annualised
Umbra MPS Passive Defensive	-1.8	-2.6	1.1	6.0	1.5
Umbra MPS Dynamic Defensive	-1.6	-2.3	1.6	6.3	2.1
Umbra MPS Blended Defensive	-1.6	-2.3	1.5	6.3	2.4
mbra MPS Active Defensive	-1.7	-2.3	1.7	6.8	3.3
Umbra MPS Income Defensive	-2.1	-2.1	1.6	6.9	3.6
ARC Cautious PCI TR GBP	-0.7	0.0	2.5	5.7	2.1
Umbra MPS Passive Cautious	-1.3	-1.6	4.6	9.1	4.4
Umbra MPS Dynamic Cautious	-1.2	-1.6	4.4	8.9	4.2
Umbra MPS Blended Cautious	-1.2	-1.4	4.2	8.5	4.7
Umbra MPS Active Cautious	-1.2	-1.4	4.1	9.1	5.6
Umbra MPS Income Cautious	-2.0	-1.0	4.0	9.0	5.9
ARC Cautious PCI TR GBP	-0.7	0.0	2.5	5.7	2.1
Umbra MPS Passive Moderate	-1.0	-1.0	6.4	10.7	5.7
Umbra MPS Dynamic Moderate	-1.0	-1.1	5.8	10.3	5.5
Umbra MPS Blended Moderate	-1.0	-0.8	5.5	9.7	5.8
Umbra MPS Active Moderate	-1.0	-0.8	5.2	10.0	6.5
Umbra MPS Income Moderate	-2.0	-0.3	5.0	9.9	6.9
ARC Balanced Asset PCI TR GBP	-0.6	0.6	5.6	8.7	3.8
Umbra MPS Passive Balanced	-0.8	-0.4	8.2	12.2	7.0
Umbra MPS Dynamic Balanced	-0.8	-0.7	7.3	11.9	6.8
Umbra MPS Blended Balanced	-0.8	-0.3	6.7	11.1	6.9
Umbra MPS Active Balanced	-0.7	-0.2	6.4	11.1	7.4
ARC Balanced Asset PCI TR GBP	-0.6	0.6	5.6	8.7	3.8
Umbra MPS Passive Growth	-0.4	0.1	9.9	13.6	8.3
Umbra MPS Dynamic Growth	-0.6	-0.4	8.7	13.1	7.9
Umbra MPS Blended Growth	-0.5	0.2	7.9	12.0	7.8
Umbra MPS Active Growth	-0.5	0.4	7.6	12.2	8.2
ARC Steady Growth PCI TR GBP	-0.5	0.9	7.3	10.2	4.7
Umbra MPS Passive Adventurous	0.0	1.0	12.0	15.2	9.6
Umbra MPS Dynamic Adventurous	-0.3	0.2	9.9	14.5	9.3
Umbra MPS Blended Adventurous	-0.4	0.7	9.0	13.1	8.7
Umbra MPS Active Adventurous	-0.3	1.1	8.7	13.2	9.4
ARC Steady Growth PCI TR GBP	-0.5	0.9	7.3	10.2	4.7
Umbra MPS Passive Equity	1.0	2.0	15.5	18.5	12.2
Umbra MPS Dynamic Equity	0.8	1.4	14.2	17.2	11.5
Umbra MPS Blended Equity	0.7	2.0	12.8	15.5	10.7
Umbra MPS Active Equity	0.6	2.3	12.1	14.7	10.8
ARC Equity Risk PCI TR GBP	-0.4	1.5	9.2	11.6	5.4

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.

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Fixed Income

- Government bonds endured a difficult month as yields rose sharply. The US 10-year Treasury yield ended September at 5.28%, up from 4.75% at the end of August, the UK 10-year gilt yield climbed to 5.42% and the German Bund to 3.59%. The Citigroup World Government Bond Index fell 2.3%, the Bloomberg Global Aggregate -2.4% and UK gilts -1.4%. Notably, the move does not appear to have been driven primarily by inflation fears, with inflation swaps relatively contained; rather, strong US nominal growth, persistent G7 budget deficits and heavy issuance, including by hyperscalers funding AI infrastructure which may be having a crowded out effect, added upward pressure on yields.

- Unlike previous months, spread related sectors offered no refuge. US investment grade fell -2.7% and EUR investment grade -1.9%, reflecting their duration sensitivity, while global high yield fell -3.0% and emerging market hard currency bonds -2.9%.

- Despite the disappointing month, we believe the outlook for fixed income is becoming increasingly constructive. Yields are back around long-run averages, curves have normalised, and roughly a quarter of the global bond universe now yields above 6%, meaning a substantial further rise in yields would be required to erase a year's carry. We continue to favour markets where nominal growth comfortably exceeds bond yields, such as the US, Germany and Japan, over the UK, France and Italy, where weaker growth and elevated debt levels remain a concern. Any breakthrough in the Middle East would likely provide further support to longer-dated bonds.

Alternatives

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- Gold fell by around -6%, giving back part of August's +12.8% gain as a more hawkish Fed, a firmer dollar and higher real yields weighed on the metal. We continue to view the structural case as intact: since 2022 the traditional relationship between gold and real yields has broken down as central banks have steadily diversified their reserves away from US Treasuries – a trend we expect to persist given that gold reserves remain well below historical levels. Real assets were held back by rising long-term yields, with global infrastructure down by around 4% and the MSCI World Real Estate index falling 3.4%, as higher discount rates reduced the appeal of long-duration, income-oriented assets.

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Team

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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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