October 2026

Umbra Capital

Monthly Market Commentary

Umbra

Asset Management

MARKET COMMENTARY

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Key points from the month

- Global equities declined in October as investors rotated sharply away from the technology and AI-related companies that had led markets through September. The MSCI ACWI fell 1.6% in local currency terms and 2.5% in sterling. The Nasdaq lost 5.3% and global communication services 13.5%, while consumer staples (+10.8%), healthcare (+9.9%) and utilities (+7.9%) rallied. MSCI World Value rose 2.7% and World Growth fell 4.2%, a gap of almost seven percentage points that would be notable over a full year. Government bonds provided the diversification expected of them, with the Bloomberg Global Aggregate returning 1.4% as yields fell.

- Relative performance across Umbra's MPS improved markedly. The positioning that weighed on returns in September, namely our lower exposure to US mega-cap technology, a bias towards quality and defensive companies, and higher bond weightings in lower-risk portfolios, contributed positively. All five Defensive portfolios outperformed ARC, and the Income range returned between 2.0% and 2.7%. Our Blended and Active portfolios outperformed from Cautious through to Growth, supported by TB Evenlode UK Income and Wellington Global Equity Income, which finished around 6% and 5.7% ahead of their respective indices. Wellington was added to the portfolios at the start of the month. The Passive and Dynamic portfolios, which carry a larger US weighting, were broadly in line with ARC at the lower-risk end but lagged from Balanced upwards, and all four Equity portfolios trailed ARC Equity Risk (-1.1%). Year-to-date, every portfolio from Cautious upwards is ahead of ARC, and every portfolio is ahead on a three-year annualised basis.

- On a look-through basis, the Magnificent Seven account for 16% of our blended equity portfolio, compared with 22% of the MSCI ACWI. That underweight helped in October. Valuations in parts of the technology sector now look more reasonable, with Alphabet trading on around 15 times forward earnings against more than 40 times for defensive retailers such as Walmart and Costco. We are reviewing our technology exposure accordingly, but will wait for greater clarity on the Middle East before making changes.

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- The Middle East remained the principal macro risk. Negotiations with Iran made no meaningful progress during the month, and oil rose to just below USD 120 per barrel in the final week. President Trump indicated that there would be no further military action before the US midterm elections, and early November brought tentative signs of progress between Iran, its mediators and the US. Given the extent of de-risking in recent weeks, a credible settlement could prompt a significant relief rally.

- Investors grew more sceptical about the return on AI capital expenditure, and the most heavily indebted 'neo-cloud' providers came under acute pressure. CoreWeave's shares fell around 25% in a single week, the yield on its debt rose to 15% and credit default swaps implied a better than 60% probability of default within five years. A Goldman Sachs basket of AI beneficiaries recorded its second-worst week since the launch of ChatGPT, and Morgan Stanley prime brokerage data showed the largest reduction in hedge fund gross exposure in a decade.

- Corporate fundamentals, by contrast, remain sound. Of the 288 S&P 500 companies that had reported third-quarter results by month-end, sales had beaten expectations by 1.6% and earnings by around 3%, with sales up 12.6% and earnings up around 25% year-on-year. Weakness has therefore come from valuations rather than profits, and global equity multiples have contracted relative to earnings growth at the fastest pace since the mid-1990s.

- US headline CPI rose to 3.7% in September from 3.4%, almost entirely because of energy. Treasury yields nevertheless fell, as markets looked through the energy effect and focused on the risks to growth from tighter financial conditions, weaker credit markets and an uneven economy in which lower-income households remain under strain. Consumer sentiment, as measured by the University of Michigan survey, again disappointed. Fed Chair Kevin Warsh repeated that policy decisions will depend on the data, and by late October markets were pricing fewer than two further 25 basis point increases by March 2027. Polling ahead of the 3 November midterms pointed strongly to the Democrats taking the House. Historically, US equities have tended to rise in the months after midterm elections, whatever the result.

- In Europe, concern over French public finances intensified amid nationwide unrest, and the spread of French 10-year yields over German Bunds widened to around 165 basis points from almost 130 basis points a month earlier. With inflation higher than during the 2011 sovereign debt crisis, the ECB has less room to intervene. Eurozone data softened, with retail sales up only 0.1% on the month, the flash composite PMI slightly below expectations and the automotive sector under particular pressure.

- The UK Budget contained nothing significant enough to unsettle the gilt market. Activity data were stronger than expected, with the flash composite PMI at 53.1 against a forecast of 51.7 and both manufacturing and services ahead of estimates, although construction remains in contraction. Headline CPI was 3.5%, with core inflation in line with expectations at 2.8%.

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Equities

- The MSCI World fell 0.8% in October, with wide divergence between sectors. Technology fell 7.0% and communication services 13.5%, while consumer staples, healthcare and utilities led and energy rose 12.8% on higher oil prices. Market breadth improved as the narrow leadership of recent months unwound, and the S&P SmallCap 600 gained 3.2%.

- The S&P 500 fell 0.9% and the Nasdaq 5.3%. Communication services (-15.1%) and technology (-6.8%) were the weakest sectors, and Intel fell around 30% on the last trading day of the month after disappointing results. Energy (+14.0%), consumer staples (+11.6%) and utilities (+10.2%) were the strongest. Large-cap value rose 4.9%, while growth fell 5.4% and momentum 10.5%. Around 40% of S&P 500 constituents are now in correction territory, down 10% or more from their highs.

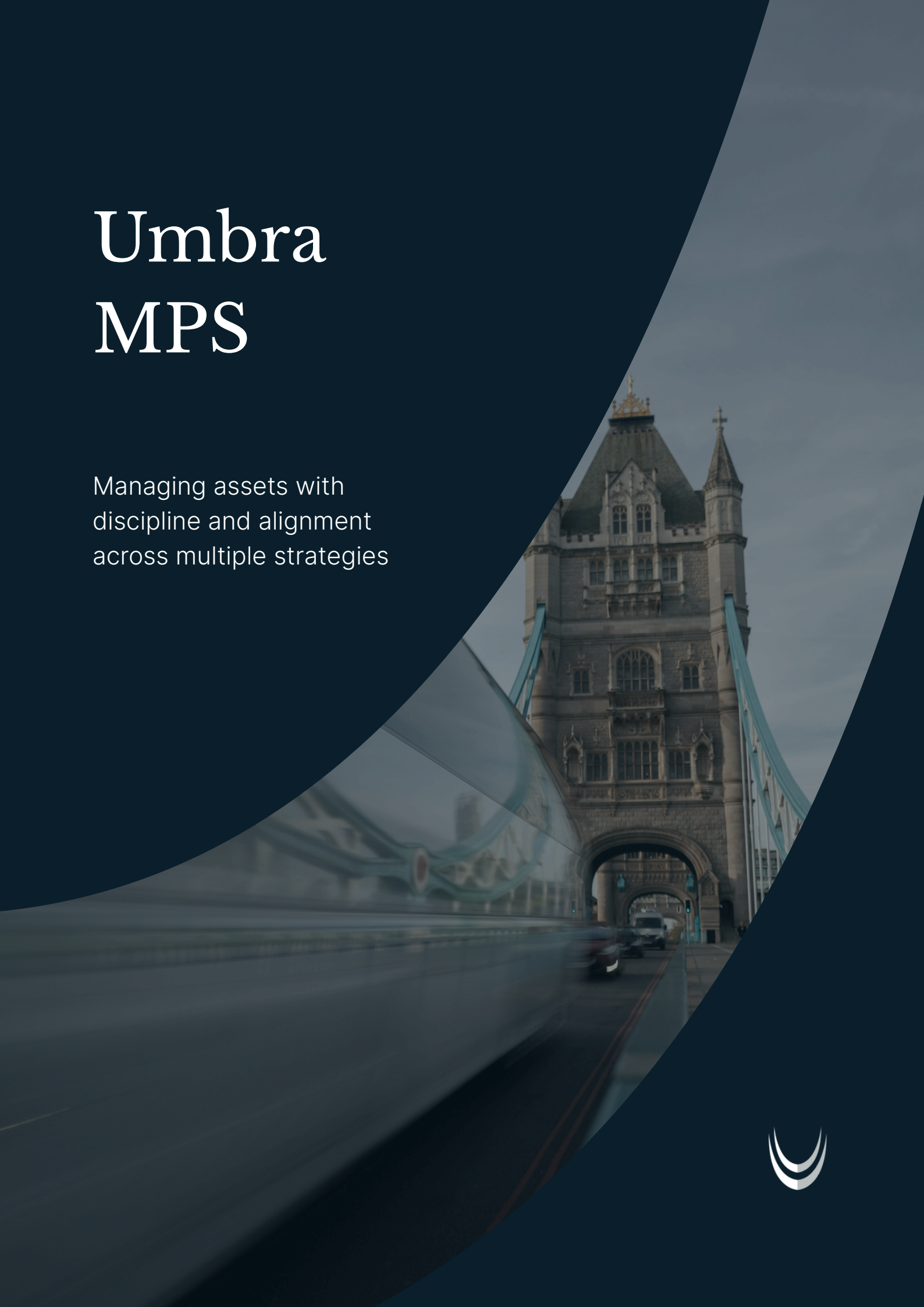
- UK equities were among the best-performing developed markets, with the FTSE 100 up 1.3% and MSCI UK Mid Cap up 3.6%, helped by the market's defensive make-up, its energy weighting and its limited exposure to AI. MSCI Europe ex-UK rose 1.6%. Gains in healthcare (+14.1%), consumer staples (+12.5%) and energy (+13.7%) more than offset a 4.2% fall in financials, where European banks lost around 10% on concerns over French sovereign risk.

- Asian markets were hit hardest by the sell-off in AI-related stocks, and MSCI Asia Pacific fell 6.9%. The Nikkei fell 5.2%, and South Korea's KOSPI reached a six-month low as memory-chip makers sold off. SK Hynix is now around 50% below its peak, even though DRAM spot prices continue to rise; if memory pricing holds, we expect the share price to recover. The CSI 300 fell 8.3% as China's economy stalled in the absence of meaningful policy stimulus.

- Emerging markets fell 8.0% overall. Brazil's Ibovespa reversed its strong rally after the first round of the presidential election and ended the month down 9.9%, while India's Sensex rose 2.8%.

Umbra MPS

Managing assets with discipline and alignment across multiple strategies



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MPS Performance

Summary versus Primary ARC Benchmark

Source: Umbra Capital Partners LLP.

Umbra MPS Portfolio	Oct 2026	3 Month	YTD	1 Year	3 Year Annualised	5 Year Annualised
Umbra MPS Passive Defensive	1.0	-0.4	2.1	2.2	6.7	1.7
Umbra MPS Dynamic Defensive	0.9	-0.1	2.5	2.6	7.1	2.2
Umbra MPS Blended Defensive	1.4	0.3	2.8	2.8	7.2	2.6
Umbra MPS Active Defensive	0.9	-0.2	2.7	2.6	7.5	3.4
Umbra MPS Income Defensive	2.0	0.1	3.6	4.1	8.0	3.9
ARC Cautious PCI TR GBP	0.2	0.3	2.7	3.2	6.1	2.1
Umbra MPS Passive Cautious	0.0	-0.2	4.6	4.4	9.7	4.3
Umbra MPS Dynamic Cautious	0.1	0.1	4.5	4.5	9.5	4.0
Umbra MPS Blended Cautious	0.7	0.6	4.9	4.7	9.3	4.8
Umbra MPS Active Cautious	0.4	0.1	4.5	4.2	9.7	5.5
Umbra MPS Income Cautious	2.4	0.7	6.3	7.1	10.3	6.3
ARC Cautious PCI TR GBP	0.2	0.3	2.7	3.2	6.1	2.1
Umbra MPS Passive Moderate	-0.5	-0.1	5.8	5.5	11.2	5.4
Umbra MPS Dynamic Moderate	-0.3	0.2	5.5	5.5	10.9	5.2
Umbra MPS Blended Moderate	0.3	0.8	5.8	5.7	10.5	5.7
Umbra MPS Active Moderate	0.0	0.3	5.3	4.9	10.6	6.2
Umbra MPS Income Moderate	2.7	1.2	7.7	8.7	11.3	7.2
ARC Balanced Asset PCI TR GBP	-0.5	0.1	4.6	4.8	9.0	3.4
Umbra MPS Passive Balanced	-1.1	0.0	7.0	6.5	12.6	6.5
Umbra MPS Dynamic Balanced	-0.8	0.3	6.5	6.5	12.4	6.3
Umbra MPS Blended Balanced	-0.1	0.8	6.7	6.5	11.8	6.6
Umbra MPS Active Balanced	-0.4	0.4	6.0	5.7	11.6	7.0
ARC Balanced Asset PCI TR GBP	-0.5	0.1	4.6	4.8	9.0	3.4
Umbra MPS Passive Growth	-1.5	0.1	8.2	7.5	13.9	7.6
Umbra MPS Dynamic Growth	-1.1	0.4	7.5	7.4	13.6	7.3
Umbra MPS Blended Growth	-0.5	1.0	7.4	7.3	12.6	7.3
Umbra MPS Active Growth	-0.7	0.6	6.9	6.5	12.7	7.7
ARC Steady Growth PCI TR GBP	-0.8	0.3	6.1	6.2	10.6	4.2
Umbra MPS Passive Adventurous	-2.2	0.3	9.5	8.6	15.3	8.7
Umbra MPS Dynamic Adventurous	-1.6	0.6	8.1	8.1	14.9	8.5
Umbra MPS Blended Adventurous	-0.8	1.3	8.1	8.1	13.8	8.1
Umbra MPS Active Adventurous	-1.1	0.9	7.5	7.2	13.6	8.6
ARC Steady Growth PCI TR GBP	-0.8	0.3	6.1	6.2	10.6	4.2
Umbra MPS Passive Equity	-2.9	0.8	12.2	10.9	18.5	11.0
Umbra MPS Dynamic Equity	-2.4	1.2	11.5	10.9	17.4	10.4
Umbra MPS Blended Equity	-1.6	1.8	11.0	10.5	15.9	9.7
Umbra MPS Active Equity	-1.6	1.5	10.2	9.4	15.0	9.7
ARC Equity Risk PCI TR GBP	-1.1	0.6	7.5	7.1	12.1	4.8

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 rallied as yields came down from September's highs. The US 10-year Treasury yield ended October at 4.93%, from 5.28%, the 10-year gilt yield at 5.28%, from 5.42%, and the 10-year Bund at 3.32%, from 3.59%. The Citigroup World Government Bond Index returned 1.4%, the Bloomberg US Aggregate 2.4% and UK gilts around 1.7%. Wage growth is slowing and labour markets are considerably looser than in 2022, which reduces the risk of a wage-price spiral and allows central banks to look through energy-driven inflation.

- Investment grade credit benefited from its longer duration, with US investment grade returning 2.2% and euro investment grade 1.0%. High yield lagged as spreads widened on concerns about AI-related borrowing. Global high yield fell 0.2% and European high yield 1.1%, US high yield spreads reached a six-month high, and issuance this year is running at three to four times the 2025 total. We sold our high yield exposure late last year, when spreads were exceptionally tight. Emerging market hard currency debt returned 1.3%. French 10-year yields, at 4.97%, are now well above those of Italy, at 4.51%.

- In our view, bonds now offer an attractive balance of risk and return. Including income, a fall in the US 10-year yield to 4% would produce a total return of around 15% over twelve months. In a deeper recession, yields of 3% or 2% would imply returns of around 23% and 32% respectively, yet markets currently attach a low probability to a US recession.

Alternatives

- Gold fell around 6% in sterling terms for a second consecutive month, as the US dollar strengthened. We believe the longer-term case, supported by central banks diversifying their reserves, remains intact. Lower bond yields lifted real assets, with our global infrastructure exposure up around 7% and property up 1.2%, as falling discount rates increased the value of their long-dated cash flows.

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Past performance is not a guide to future performance. The value of investments and any income from them can fall, and you may get back less than you invested. From May 2022, performance reflects actual 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. The simulated past performance assumes monthly rebalancing to the target asset or fund allocation. Performance is shown net of underlying fund charges and Umbra's investment 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



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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