

Dear Investor,

I take this opportunity to welcome you to review our monthly note from the CIO's desk.

On this publication we shall;

- review recent developments in the global and local economy, and financial markets, and provide insights on how they impact the investment landscape,
- review the performance of the various funds and asset classes that we are currently managing,
- highlight our recommendations on asset allocation and/or thematic changes to investments.

1. Review of Financial Markets' Performance

1.1. Equity Markets

Equity markets rallied in June, supported by easing trade tensions, a weaker U.S. dollar, and renewed policy support. Improved investor sentiment drove broad risk-on rotation, lifting equities and reinforcing expectations of accommodative global monetary policy. Cross-asset volatility remained contained, supported by strong capital flows and resilient corporate earnings.

Global equities posted solid gains, led by Asia ex-Japan (+6.1%) and U.S. markets (S&P 500 +5%), supported by strong tech earnings and macro resilience.

Emerging markets ex-China advanced 5.0%, buoyed by foreign inflows and solid macro data, with India, Brazil, and Mexico posting standout gains.

Index	Market Tracked	31-May-25	30-Jun-25	Gain/(Loss)
S&P 500	US Large Cap	5,911.69	6,204.95	4.96%
FTSE 100	UK Market	8,772.38	8,760.96	-0.13%
Nikkei	Japan	37,965.10	40,487.39	6.64%
DAX	Germany	23,997.48	23,909.61	-0.37%
Dow Jones	US Top 30	42,270.07	44,094.77	4.32%
Hang Seng	China	23,289.77	24,072.28	3.36%
CAC 40	France	7,751.89	7,665.91	-1.11%
NASI	Kenya	134.21	153.43	14.32%

European markets lagged, ending flat, overshadowed by U.S. outperformance. However, Europe still holds a ~10% YTD lead, anchored by ECB easing and euro strength.

Kenyan equities rallied in June, with NASI posting a 14.3% gain. Foreign investor activity rebounded, with ~60% participation and KES 1.1Bn in net inflows. The rally was

supported by improving sentiment, easing inflation and yields, stable interest rate expectations, and renewed risk appetite in line with global trends.

1.2. Bond Markets

Global bond markets were mixed, with short-term U.S. yields falling on Fed cut bets, while long-term yields rose on fiscal and inflation concerns. The Fed held rates steady (4.25% - 4.50%), while markets price in two cuts by year-end amid rising deficit risks and caution on trade policy.

ECB cut rates by 25bps, but flagged caution due to lingering growth and external risks. Bank of England is expected to ease further, while People's Bank of China continued to offer markets liquidity support through aggressive easing.

Domestically, short-term T-bill rates continued their descent, after a 100bps CBR cut since April. Long-term bond yields edged higher, steepening the curve. Caution over delayed external financing and reduced IMF support has led to higher term premiums, with yields expected to remain sticky despite liquidity and weak credit growth.

1.3. Alternative Assets

Global commodities ended the month in the green. Gold rose 0.42%, supported by lingering geopolitical tensions despite some easing in the Middle East. Oil prices climbed 6.71% on fears of supply disruptions, even as the U.S. and OPEC+ signaled higher output.

2. Performance of NCBA Regulated Funds

2.1. NCBA (KES) Fixed Income Fund

NCBA Fixed Income Fund invests in a diversified portfolio of interest-earning assets, with a focus on preserving capital, maintaining liquidity, and delivering stable income over time. The fund minimizes credit and market risk by allocating to high-quality securities such as treasury bills and bonds, bank deposits, commercial paper, and corporate bonds, ensuring both safety and accessibility of investor funds.

Fund Size	KES 34.18B		
Performance			
	June 2025	6-Months	12-Months
Fund	0.66%	4.58%	10.47%
Benchmark	0.68%	4.45%	12.27%

* - Benchmark – 91 Days Treasury Bill rate

The NCBA Fixed Income Fund returned 0.66% in June 2025, slightly trailing the benchmark return of 0.68%. On a year-to-date basis, the fund delivered 4.58%, outperforming the benchmark's 4.45%. The marginal underperformance in June was attributed to a strategic reduction in higher-yielding long-term treasuries, as the fund repositioned toward shorter-term fixed income assets to manage duration risk and enhance liquidity.

Joseph K Thiga
Portfolio Manager
NCBA Fixed Income Fund (KES)



2.2. NCBA (USD) Fixed Income Fund

NCBA Dollar Fixed Income Fund is a USD-denominated collective investment scheme that invests in a diversified portfolio of interest-earning assets, with a focus on capital preservation, liquidity, and consistent income generation. The fund minimizes risk by allocating to high-quality instruments, including bank deposits, Eurobonds, money market securities, mutual funds, and other fixed income assets.

Fund Size	USD 48.98M		
Performance			
	June 2025	6-Months	12-Months
Fund	0.25%	1.44%	3.43%
Benchmark	0.36%	2.17%	4.75%

**** - Benchmark – Secured Overnight Financing Rate**

In June, the NCBA Dollar Fixed Income Fund returned 0.25%, bringing its year-to-date performance to 1.44%, compared to the benchmark's 0.36% (June) and 2.17% YTD. In June, SOFR averaged 4.32% p.a., while local USD deposit rates hovered near 2.0% p.a., significantly lagging the benchmark and reinforcing the yield differential behind the fund's relative lag.

To preserve liquidity, the fund remains overweight in USD deposits, anchoring returns to prevailing local rates while remaining positioned for future diversification. We expect modest performance upside later in the year on rate normalization in line with Fed rate cuts.

David Kiruri
Portfolio Manager
NCBA Dollar Fixed Income Fund



2.3. NCBA (KES) Equity Fund

NCBA is a KES-denominated collective investment scheme focused on long-term capital growth through a diversified portfolio of equity securities, targeting both dividends and capital gains.

Classified as a medium-to-high risk fund, it invests at least 60% of its portfolio in listed or unlisted equities, locally or across regulated markets. The remaining portion is held in cash or cash equivalents for liquidity and risk management.

Fund Size	KES 117.01M		
Performance			
	June 2025	6-Months	12-Months
Fund	9.01%	14.26%	30.68%
Benchmark	7.11%	11.29%	27.37%

**** - Benchmark – 60% NSE 25 and 40% - Treasury Bills**

The NCBA Equity Fund returned 9.01% in June 2025, outperforming its blended benchmark return of 7.11%. Year-to-date, the fund has gained 14.16%, ahead of the benchmark's 11.29%, driven by strong performance in both local and offshore equities.

The fund's offshore allocation posted a strong 4.34% return in June 2025, becoming a significant contributor to the overall returns and continue cushioning the fund against local market volatility.

The fund's portfolio remains undervalued relative to NSE 25, with lower P/E and P/B ratios, reflecting a selective, value-oriented approach. However, its dividend yield currently lags the benchmark due to specific stock positioning.

Year to Date (June 2025)	Fund	NSE 25
P/E (Price-to-Earnings) Ratio	6.52	7.15
P/B (Price-to-Book) Ratio	1.72	1.80
Dividend Yield	6.21%	7.77%

Kenneth Mugira
Portfolio Manager
NCBA Equity Fund



2.4. NCBA Global Special Funds

NCBA Global Equity Special fund is a USD-denominated collective investment scheme that provides investors with exposure to global equities through a diversified portfolio of exchange-traded funds (ETFs) and mutual funds, targeting medium- to long-term capital growth.

Fund Size	USD 1.75M		
Performance			
	June 2025	6-Months	Since Inception
Fund	4.24%	12.04%	9.00%
Benchmark	4.36%	9.10%	7.80%

* - Benchmark - MSCI All Country World Index

NCBA Global Fixed Income Special fund is a USD-denominated fund investing in a globally diversified portfolio of USD-denominated fixed income ETFs and mutual funds, aiming to deliver sustainable, medium-term returns.

Fund Size	USD 5.95M		
Performance			
	June 2025	6-Months	Since Inception
Fund	2.23%	6.84%	5.46%
Benchmark	1.93%	4.64%	4.23%

* - Benchmark - Blended Benchmark reflecting the investment style

Both the Equity and Fixed Income funds delivered positive absolute and risk-adjusted returns, outperforming their respective benchmarks.

Emerging markets ex-China led regional performance, while U.S. equities outperformed Europe. In fixed income, U.S. high-yield spreads narrowed by ~25bps, signaling rising risk appetite and stable earnings outlooks.

Daniel Ndung'u
Portfolio Manager
NCBA Global Special Funds



What we are tracking

During the month of July, we shall closely monitor the following developments:

1. Outcome of ongoing U.S. trade negotiations and their potential impact on local markets.
2. Monitoring any front-loading of government borrowing (local & external), and revenue collection progress as we begin FY2025/26.

Happy Investing.

Yours Sincerely,

Paul Gicheru
Chief Investment Officer



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For further information, please contact our portfolio manager at investmentteam@ncbagroup.com.