

Dear Investor,

I take this opportunity to welcome you to review the August edition of the CIO Newsletter in which we shall;

- developments in the global and local economy, and financial markets.
- 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

- Global equity markets advanced the gains in July, albeit at a slower pace compared to June supported by easing trade tensions, a weaker U.S. dollar, and stronger-than-expected corporate earnings.
- Improved investor sentiment drove broad risk-on rotation, lifting equities and reinforcing expectations of accommodative global monetary policy.

Index	Market Tracked	30-Jun-25	31-Jul-25	Gain/(Loss)
S&P 500	US Large Cap	6,204.95	6,339.39	+2.17%
Dow Jones	US Top 30	44,094.77	44,130.98	+0.08%
FTSE 100	UK Market	8,760.96	9,132.81	+4.24%
Nikkei	Japan	40,487.39	41,069.82	+1.44%
DAX	Germany	23,909.61	24,065.47	+0.65%
Hang Seng	China	24,072.28	24,773.33	+2.91%
CAC 40	France	7,665.91	7,771.97	+1.38%
NASI	Kenya	153.43	160.22	+4.43%

- Kenyan equities advanced by 4.4% in July buoyed by resilient corporate earnings, stable interest rate expectations, and renewed risk appetite in line with global trends.
- Foreign investors recorded net outflows reflecting a rotation back into US markets as global investors reassess risk-reward dynamics.

### 1.2. Bond Markets

- Global bond markets moderated slightly over the month, as expectations for interest rate cuts supported demand while lingering fiscal and inflation concerns kept term premiums elevated.

- The Fed held rates steady, balancing rising inflationary pressures against uncertainty over trade policy. Markets are pricing in three Fed cuts by year-end, commencing September.
- In a display of caution, central banks in Europe, China, and Japan held interest rates at their July meetings.
- Domestically, short-term yields continued their decrease in July, though at a more tempered pace compared to June while long-term yields edged higher, steepening the yield 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.

## 2. Performance of NCBA Unit Trust Funds

The funds continue to post competitive returns while ensuring the underlying risks are consistent with the objectives of each fund as outlined below;

### 2.1. NCBA (KES) Fixed Income Fund\*

**Suitability;** The fund is suitable for investors seeking a low-risk **KES denominated** fund that generates steady returns by earning and re-investing of interest income while ensuring safety of the principal.

Fund Size	KES 35.89B		
Performance			
	July 2025	YTD-7 Months	12-Months
Fund	0.68%	5.29%	10.15%
Benchmark	0.69%	5.17%	11.52%

\* - Benchmark – 91 Days Treasury Bill rate

- The marginal underperformance in July 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 amid anticipation of rise in long dated interest rates.

**We expect the fund to outperform its benchmark in the upcoming months driven by the balanced asset allocation that will cushion the fund against the decline in treasury bills and fixed deposits rates.**

**Joseph K Thiga**  
Portfolio Manager  
NCBA Fixed Income Fund



## 2.2. NCBA (USD) Fixed Income Fund\*\*

**Suitability:** The fund is suitable for investors seeking a low-risk **USD denominated** fund that generates steady returns by earning and re-investing of interest income while ensuring safety of the principal.

Fund Size	USD 49.79M		
Performance			
	July 2025	YTD-7 Months	12-Months
Fund	0.26%	1.69%	3.30%
Benchmark	0.37%	2.54%	4.66%

\*\* - Benchmark – Secured Overnight Financing Rate

- The underperformance against the benchmark is linked to the stickiness of the benchmark due to delayed reduction in US Fed rates. The fund is invested in local USD fixed deposits which have quickly repriced lower in comparison.
- Due to the current volatile interest rates environment, we prefer high liquidity and low duration risks in the fund and thus remain overweight in short-dated investments including mutual funds and USD fixed deposits.

**We are in the process of executing various investments that we anticipate should bolster the rate of return on the fund within this quarter.**



**David Kiruri**  
Portfolio Manager  
NCBA Dollar Fixed Income Fund

## 2.3. NCBA (KES) Equity Fund\*\*\*

**Suitability:** The fund is suitable for investors seeking long-term capital growth through investing in a diversified pool of local equity investments.

Fund Size	KES 143.22M		
Performance			
	July 2025	6-Months	12-Months
Fund	4.06%	18.90%	38.09%
Benchmark	3.27%	14.93%	32.35%

\*\* - Benchmark – 60% NSE 25 and 40% 91-day TBill

- The NCBA Equity Fund returned 4.06% in July 2025, outperforming its blended benchmark return of 3.27%. Year-to-date, the fund has gained 18.90%,

ahead of the benchmark's 14.93%, driven by impressive performance in the selected investments in both local and offshore equities.

- Our recent allocation to offshore equities paid off, posting a strong return of 1.76% in July 2025, contributing significantly to the overall returns and cushioning the fund against local market volatility.
- The fund remains cheaper relative to NSE 25, with lower P/E and P/B ratios, reflecting our value-based approach to asset selection.

Year to Date (July 2025)	Fund	NSE 25
P/E (Price-to-Earnings) Ratio	5.92	7.46
P/B (Price-to-Book) Ratio	1.60	1.93
Dividend Yield	5.04%	7.41%

**We expect the fund to consistently outperform its benchmark during the year and report robust performance for the full year in 2025, through careful asset selection.**



**Kenneth Mugira**  
Portfolio Manager  
NCBA Equity Fund

## 2.4. NCBA Global Equity Special Fund

**Suitability:** The fund is suitable for investors seeking long-term capital growth through investing in a diversified pool of global equities while diversifying the local currency risks.

Fund Size	USD 1.91M		
Performance			
	July 2025	6-Months	Since Inception
Fund	1.76%	10.74%	10.97%
Benchmark	1.28%	6.97%	9.18%

\*\* - Benchmark - MSCI All Country World Index

- The Global Equity Fund continues to significantly outperform the benchmark on account of being overweight emerging markets (underweight the US Markets) against a backdrop of a rallying China market and clearing of the trade tariff fog in the U.S. markets.

## 2.5. NCBA Global Fixed Income Special Fund

**Suitability:** The fund is suitable for investors seeking to earn steady growth in their investment through a globally diversified pool of interest earning assets. The fund incorporates both interest earning and moderate capital gains.

Fund Size	USD 6.51M		
Performance			
	July 2025	6-Months	Since Inception
Fund	-0.68%	5.37%	4.75%
Benchmark	0.47%	4.22%	4.73%

\* - Benchmark – Blended Benchmark reflecting the investment style.

- The Global Fixed Income Fund reported a slight negative return in July, impacted by the rising global bond yields. This is attributed to the cautious stance by the Federal Reserve in delaying rate cuts, growing fiscal concerns from expectations of fiscal expansion in the U.S. and major economies as part of the trade deals.



**Daniel Ndung'u**  
Portfolio Manager  
NCBA Global Special Funds

## What we are tracking

We are confident of sustained strong returns on the NCBA banquet of Unit Trust Funds driven by our investment strategies coupled with the strong market recovery.

We are especially bullish about the performance of the NCBA Equity and NCBA Global Equities Special Fund for investors seeking capital growth over the near to medium term.

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

1. Monetary policy discussion in the US, with any decision to lower the Fed rate in September likely to be a major favorable mover of the global financial markets, with the trade tariff negotiations taking a back seat.
2. The Kenya Monetary Policy Committee met on 12<sup>th</sup> of August and reduced the CBR rate by 25bps to 9.50%. We expect this to lead to further reduction in short-term interest rates on money market funds, treasury bills, and bank deposits with a lower implication in the bonds market.
3. We expect robust trading activity at the Nairobi Securities Exchange, especially from the banking sector due to the ongoing Half 1 reporting season. Banking counters are reporting strong H1 returns, and we expect an overall improvement in stock prices.
4. The Infrastructure Bond issuance in August reported remarkable level of over subscription of Kes323BN, against a target of Kes 90Bn indicating a market awash with liquidity. With the significant bids rejection totaling 228BN, we expected heightened secondary market activity on the bond market, as investors seek to deploy the liquidity.

**Happy Investing.**

Yours Sincerely,

**Paul Gicheru**  
Chief Investment Officer



**\* 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 invests in high-quality interest earning securities such as treasury bills and bonds, bank deposits, commercial paper, and corporate bonds, ensuring both safety and accessibility of investor funds.

**\*\* NCBA Dollar Fixed Income Fund** invests in a diversified portfolio of interest-earning assets, with a focus on capital preservation, liquidity, and consistent income generation. The fund invests in high-quality interest earning instruments, including bank deposits, Eurobonds, money market securities and mutual funds, and other fixed income assets.

**\*\*\* NCBA Equity Fund** is focused on long-term capital growth through a diversified portfolio of equity securities, targeting both dividend income 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.

**\*\*\*\* 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 global exchange-traded funds (ETFs) and mutual funds, targeting medium- to long-term capital growth.

**\*\*\*\*\* 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.

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