

Dear Investor,

Welcome to the October edition of the CIO newsletter

We're glad to share this month's edition with you. Inside, you'll find:

- A quick look at what's been happening in the global and local economies, and how financial markets are responding.
- An update on how our managed funds and asset classes have performed.
- Our current views on asset allocation and any thematic shifts we're recommending.

We hope you find the insights valuable as you navigate the evolving investment landscape. As always, we're here to support your wealth creation journey.

1. Review of Financial Markets' Performance

1.1. Equity Markets

- Global equities rose in September, lifted by easing policy expectations and resilient sentiment. The S&P 500 (+3.5%) and Stoxx 600 (+1.5%) advanced on solid consumer spending and rate-cut optimism, while Asia's MSCI Index gained 4.3% on China's domestic liquidity and tech-led rally. Emerging markets extended gains (+7%), though India lagged amid tariffs pressures and foreign outflows.

Index	Market Tracked	29-Aug-25	30-Sep-25	Gain/Loss
S&P 500	US Large Cap	6,460.26	6,688.46	3.53%
Dow Jones	US Top 30	45,544.88	46,397.89	1.87%
FTSE 100	UK Market	9,187.34	9,350.43	1.78%
Nikkei	Japan	42,718.47	44,932.63	5.18%
DAX	Germany	23,902.21	23,880.72	-0.09%
Hang Seng	China	25,077.62	26,855.56	7.09%
CAC 40	France	7,703.90	7,895.94	2.49%
NASI	Kenya	172.60	176.74	2.40%

- Kenyan equities market extended the bullish run in September, albeit at a slower pace. All indices closed in the green, with NSE 20 posting the largest gain at 4.46%, while NASI trailed at 2.40% as investors continued profit-taking ahead of book closures for Standard Chartered, EABL, NCBA, and Absa.
- Market activity was largely driven by local investors at 75% of traded volumes, while foreign investors recorded net outflows of USD 38 million compared to August's USD 12.9 million inflows.
- The banking sector was particularly active, with Standard Chartered issuing a profit warning following an adverse pension ruling, DTB announced plans to divest from its Burundi operations, and Family Bank scheduled an October EGM to approve a listing by introduction on the NSE.

- The exchange also launched its Banking Sector Index effective October 1, to enhance sector transparency and benchmarking.

1.2. Bond Markets

- Global bond markets steadied in September as inflation data and central bank guidance anchored sentiment. The Fed resumed rate cuts amidst soft labor data, while the ECB and BoE held steady, balancing growth support against persistent inflation.
- Yields eased across major markets, led by U.S. Treasuries, though long-end rates stayed elevated on fiscal concerns. Credit spreads widened slightly on renewed tariff risks, while emerging-market debt sustained inflows supported by a softer dollar and resilient credit quality.
- Locally, Kenyan Eurobond yields extended their decline on improved investor confidence following S&P's reaffirmation of the sovereign rating. The oversubscribed Eurobond issuance reinforced market access and eased refinancing pressures.
- Yields on KES treasury bonds were largely stable, with short-term rates softening on ample liquidity and solid auction demand. With borrowing targets on track, the anticipated policy rate cut is expected to further anchor yields and sustain fixed-income market stability.

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*

This 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.

Performance	Sept-25	YTD-9 Months	12-Months
Fund	0.78%	10.12%	18.30%
Benchmark	0.66%	6.59%	10.08%
Fund Size	KES 38.91B		

* - Benchmark – 91 Day Treasury Bill rate

- The fund outperformed its benchmark during the month, year-to September and in the last 12 months on account of the lower interest rate environment supporting steady valuations.

We expect the declining interest rates to favor the fund's bonds valuations and sustain an outperformance over the fund benchmark.

Joseph K Thiga
Portfolio Manager
NCBA Fixed Income Fund



2.2. NCBA (USD) Fixed Income Fund**

This 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.

Performance	Sept-25	YTD-9 Months	12-Months
Fund	0.78%	2.79%	3.71%
Benchmark	0.35%	3.29%	4.51%
Fund Size	USD 51.00M		

** - Benchmark – Secured Overnight Financing Rate

- The fund continues to further diversify its investment holdings to enhance the return profile. Our exposure to offshore fixed income investments and other structured solutions has supported the fund's resilience relative to the benchmark.

As Fed rate cuts filter through markets, the fund stands to benefit from improved bond valuations and the gradual alignment of local USD rates with SOFR.

David Kiriri
Portfolio Manager
NCBA Dollar Fixed Income Fund



2.3. NCBA (KES) Equity Fund***

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

Performance	Sept-25	YTD - 9 Months	12-Months
Fund	2.09%	27.00%	41.60%
Benchmark	2.71%	23.65%	38.17%
Fund Size	KES 164.30M		

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

- The NCBA Equity Fund returned 2.09% in September 2025, slightly underperforming its blended benchmark return of 2.71%. Year-to-date, the fund is up 27.00%, outperforming the benchmark's 23.65%, supported by strong returns from both local and offshore equity selections.

September-25	Fund	NSE 25
P/E (Price-to-Earnings) Ratio	6.20	8.81
P/B (Price-to-Book) Ratio	1.61	2.15
Dividend Yield	4.94%	6.50%

- The fund remains attractively valued relative to NSE 25, underscoring our value approach. While the dividend yield trails the benchmark, the positioning reflects a focus on quality counters with stronger total return potential, a strategy that has paid off on year-to-date outperformance.
- The fund continues to reap off our allocation to offshore equities, which returned 3.33% in September.

The fund is well positioned to benefit from a supportive lower interest rate environment, both locally and globally, which is expected to spur equity valuations and investor risk appetite.



Kenneth Mugira
Portfolio Manager
NCBA Equity Fund

2.4. NCBA Global Equity Special Fund****

This 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.

The fund invests in USD-denominated exchange-traded funds and mutual funds with allocation in U.S., Europe, Emerging Markets, China, Asia Pacific and Japan, using strategic allocation and security selection to outperform its benchmark.

Performance	Sept-25	YTD-9 Months	From Inception
Fund	3.33%	20.70%	17.44%
Benchmark	3.49%	17.05%	15.66%
Fund Size	USD 2.61M		

** - Benchmark - MSCI All Country World Index

- The Global Equity Fund braved a historically low September, slightly underperforming the benchmark. This followed mixed performance across global markets amid renewed tariff uncertainty and sector rotation away from large-cap tech.
- Nonetheless, the fund's performance captures upside from diversified Asia-Pacific and emerging markets and has outperformed its benchmark since inception.

Looking ahead, we expect the fund to benefit from easing monetary conditions and strategic regional bets to counter market volatility.

2.5. NCBA Global Fixed Income Special Fund****

This fund is suitable for investors seeking to earn steady growth in their investment through a globally diversified pool of interest earning assets.

The fund invests in benchmark-tracking fixed income funds, using strategic allocation and security selection to outperform its benchmark.

Performance	Sept-25	YTD-9 Months	From Inception
Fund	0.99%	8.59%	7.19%
Benchmark	1.36%	7.92%	7.54%
Fund Size	USD 8.77M		

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

- The Global Fixed Income Fund recorded a softer performance in September, as higher long-end yields and fiscal concerns offset the impact of expected Fed rate cuts. The fund continues positing strong performance in line with the benchmarks.

The fund is well positioned to benefit from the ongoing global easing cycle, which should support bond valuations. Our focus remains on balancing portfolio quality and duration to capture gains from improving liquidity and declining policy rates.



Daniel Ndung'u
Portfolio Manager
NCBA Global Special Funds

What we are tracking

We're feeling really positive about the performance outlook for the NCBA Unit Trust Funds. Thanks to our strategic approach and the strong market recovery, we believe these funds are well-positioned to deliver solid, sustained returns.

We're especially excited about the NCBA Equity Fund and the NCBA Global Equities Special Fund — ideal choices for investors aiming for capital growth in the near to medium term.

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

- IMF Engagement:** The IMF mission concludes on the 9th of October. Kenyan delegates are expected to head to Washington to progress talks thereafter. Markets are awaiting clarity on the potential new funded program and its fiscal implications.
- Fiscal Update:** The National Treasury is expected to release Supplementary Budget I, revising FY2025/26 revenue, expenditure and borrowing targets.
- Geopolitics:** Markets are closely following progress on talks of a peace deal between Israel and Gaza.
- Global Market Watch:** The U.S. government shutdown risk may weigh on markets and delay key macroeconomic data releases.
- Monetary Policy:** The Federal Reserve's October meeting is expected to deliver further easing, guiding global rate expectations.

If you'd like to explore how these insights and opportunities could fit into your investment strategy, feel free to reach out. We're always happy to discuss what's best for your goals.

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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