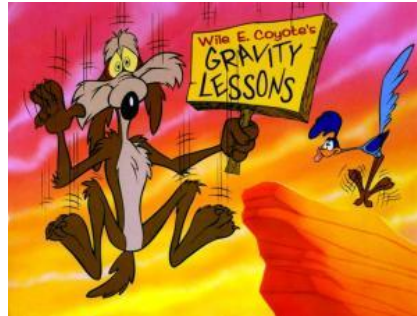


**APRIL 2026**

# CIO NEWSLETTER



Source: Google Images

If there is one thing I've learned from Saturday morning cartoons, it's that **gravity is optional** - until you look down.

We've all seen the scene: Wile E. Coyote, driven by the sheer momentum of the chase, runs straight off a cliff. He keeps running for a good ten seconds, suspended by nothing but pure adrenaline and a lack of self-awareness. It's only when he stops, looks down, and realizes there is no ground beneath him that gravity suddenly remembers its job.

Investing often feels like that mid-air run. In March, "gravity" made a brief appearance for riskier assets across the globe. As global sentiment shifted, some of the higher-flying instruments across the world had to look down, and they felt the inevitable pull of a valuation correction.

However, every good cartoon character has a **safety gag**: a portable hole, a giant ACME spring, or a well-placed trampoline. For our clients, that **safety net** is woven from our **Money Market** and **Fixed Income Funds**.

While the rest of the global market was looking down at the drop, these funds **effectively ignored the cliff**. Why? Because **Money Market Funds**, whether in **KES** or **USD**, don't rely on the momentum of long-term capital gains to stay upright. Instead, they rely on the steady, boring, and utterly reliable physics of **short-term interest**. By operating at the short end of the yield curve, the ground is always close beneath your feet. Similarly, our **Fixed Income Funds** acts as stabilizers, balancing the need for higher yields with a more anchored local focus.

In a month where looking down felt a bit scary for those heavily weighted in **Equity** or **Global USD** products, these grounded interest funds provided the stability that allowed our investors to keep their legs moving towards their long-term goals.

The goal isn't to avoid the cliff entirely. After all, the best views (and the highest returns) are often found at the summit of the **Equity** and **Global Funds** mountains. The goal is to ensure that your portfolio is structured so that even if one part of it is having a "Coyote moment," your **Money Markets** and **Fixed Income Funds** are there to provide the giant spring - the consistent baseline that ensures your overall portfolio isn't waiting for the drop.

**Dear Investor,**

We're excited to share this month's edition of the CIO newsletter with you.

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 Markets' Performance in March**

**1.1. Equity Markets in March**

- Global equities declined in March amid escalating Middle East tensions and a sharp rise in oil prices, which reignited inflation concerns.
- Markets rapidly repriced from expected rate cuts to "higher-for-longer" interest rates, weighing on valuations.
- The MSCI All Country World Index fell 7.36%, reflecting broad-based risk-off sentiment. U.S. equities showed relative resilience, supported by mega-cap technology stocks.
- Europe and Asia underperformed due to higher exposure to energy import shocks. Emerging markets lagged, impacted by capital outflows, currency weakness, and external vulnerabilities.
- Kenyan equities similarly experienced declines. Market activity remained domestically driven, with foreign investors continuing as net sellers.
- Global shocks historically trigger sharp selloffs locally, but reduced foreign ownership in large caps suggests lower vulnerability to abrupt outflows.

Global		
Index	Market	Mar-26
MSCI ACWI	Global	-7.36%

U.S. Market		
Index	Market	Mar-26
S&P 500	U.S.	-5.09%
Nasdaq	U.S.	-4.75%
Dow Jones	U.S.	-5.38%

Europe		
Index	Market	Mar-26
STOXX 600	Europe	-8.00%
FTSE 100	UK	-6.73%
DAX	Germany	-10.30%
CAC 40	France	-8.90%

Asia		
Index	Market	Mar-26
CSI 300	China	-5.53%
Hang Seng	Hong Kong	-6.92%
Nikkei 225	Japan	-13.23%

Local		
Index	Market	Mar-26
NASI	Kenya	-9.84%
NSE-25	Kenya	-8.94%

**1.2. Bond Markets**

- Bond markets sold off sharply as energy-driven inflation risks forced a repricing of interest rate expectations.
- Yields rose significantly across the curve, driven by higher inflation expectations, rising term premia, and increased sovereign issuance. Chinese government bonds were the outlier in global bond selloff, emerging as a haven from soaring energy prices and rising global inflation.
- Markets priced out rate cuts in the U.S. and shifted toward potential hikes in Europe and the UK.
- Duration-sensitive assets (long-end bonds) underperformed, while short-term instruments became more attractive. A broad gauge of global government and corporate bonds lost more than 3% during the month.
- Credit markets are pricing corporate risk far more aggressively than equities, as spreads widened, particularly in high yield and emerging markets. Early signs of stress emerged in private credit funds seemingly understating their software exposure. With AI fears disrupting software, private credit funds saw record high withdrawals, resulting in caps on redemption.
- Locally, money market conditions remained liquid and well-supported, with strong oversubscription in Treasury bill auctions. Short-term yields (especially on the 364-day paper) declined, reflecting demand and the government's rate management.
- The yield curve shifted upward modestly (+14bps across the curve), with pressure on mid-to-long tenors.
- Central Bank of Kenya continued active liability management, including switch auctions to manage upcoming maturities in August and November. Investor participation in the month's auction aligned with the higher coupon, longer-dated bond, all while attracting considerable demand.
- The government has been proactive in liability management, effectively switching upcoming maturities into longer-dated papers. With limited bond maturities through the end of Q1, the Central bank has a clear window to maintain downward pressure on rates.
- The Eurobond market experienced significant downward pressure in March, with prices across the entire curve retreating as global investors moved into defensive, "de-risking" positions. This trend is consistent with that of the broader selloff in global bonds, as investors opt for the "safety" of USD cash and shorter-dated developed market treasuries.

## 2. Performance of the 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\*

The Fund is a KES-denominated collective investment scheme that invests in a diversified portfolio of interest income earning assets, while ensuring low risk on the principal investment and access to funds on demand.

Performance	Mar-26	3M	6M	1YR
Fund	0.46%	1.92%	3.66%	9.26%
Benchmark	0.63%	1.92%	3.92%	8.26%
Fund Size	KES 42.04 B			

\* - Benchmark – 91 Day Treasury Bill rate

The fund returned 0.46% in March, underperforming the benchmark return of 0.63%. Performance was driven by steady interest income from treasury bills and bank deposits, which was partially offset by modest mark-to-market losses as yields edged higher across parts of the curve amid rising inflation expectations.

The fund remains well-balanced across income, liquidity, and selective duration exposure, with shorter-term instruments anchoring stability, while government bonds provide yield enhancement.

*Looking ahead, with inflation risks expected to rise and policy likely to remain cautious, the Fund is positioned to maintain high-quality income and flexibility, while selectively taking advantage of opportunities as yields adjust.*



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

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

The Fund is a USD-denominated collective investment scheme that invests in a diversified portfolio of interest income earning assets, while ensuring low risk on the principal investment and access to funds on demand.

Performance	Mar-26	3M	6M	1YR
Fund	-0.96%	-0.52%	1.03%	6.58%
Benchmark	0.31%	0.90%	1.92%	4.15%
Fund Size	USD 50.27 M			

\*\* - Benchmark – Secured Overnight Financing Rate

The fund trailed the benchmark in March, primarily reflecting the impact of a sharp rise in U.S. yields during the month. The sell-off in global bond markets, driven by rising inflation expectations and geopolitical tensions, weighed on the fund's duration exposure, with mark-to-market losses in government bonds offsetting income generated across the portfolio.

While the fund's significant allocation to bank deposits provided stability and helped cushion downside relative to longer-duration strategies, it did not fully offset broader market pressures, particularly in a risk-off environment.

*Looking ahead, the Fund is being positioned more defensively, with a focus on shorter-duration instruments, high-quality income and liquidity, allowing flexibility to navigate continued volatility while capturing opportunities as yields stabilize at more attractive levels.*



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

### 2.3. NCBA (KES) Money Market Fund\*\*\*

The Fund is a KES-denominated collective investment scheme that invests in a diversified portfolio of interest income earning assets, while ensuring low risk on principal investment and access to funds on demand.

Performance	Mar-26	Since Inception
Fund	0.59%	0.92%
Benchmark	0.64%	0.98%
Fund Size	KES 640.31 M	

\*\* - Benchmark – 91 Day Treasury Bill rate

The fund delivered a 0.59% return in March, and 0.92% since its inception in February, modestly tracking below the benchmark over the same periods. As a new fund, performance shows gradual investment in quality short-term assets, prioritizing capital preservation and liquidity.

*Looking ahead, with inflation expected to rise and policy likely to remain cautious, the fund is well positioned to capture attractive short-term yields, while maintaining flexibility to optimize reinvestment opportunities as rates evolve. This should ensure competitive income generation as the portfolio matures.*

### 2.4. NCBA (USD) Money Market Fund\*\*\*\*

The Fund is a USD-denominated collective investment scheme that invests in a diversified portfolio of interest income earning assets, while ensuring low risk on principal investment and access to funds on demand.

Performance	Mar-26	Since Inception
Fund	0.36%	0.60%
Benchmark	0.31%	0.49%
Fund Size	USD 1.02 M	

\* - Benchmark – Secured Overnight Financing Rate

The fund delivered a 0.36% return in March, and 0.60% since inception, outperforming the benchmark. As a new fund, performance shows capital being gradually invested in premium, near-term assets focused on liquidity, capital preservation, and flexibility amid changing interest rates.

Looking ahead, with U.S. rates expected to remain elevated amid persistent inflation risks, the Fund is well positioned to continue benefiting from attractive short-term yields, while maintaining a disciplined approach to liquidity, credit quality, and capital stability as the portfolio scales.

**Kenneth Mugira**  
**Portfolio Manager**  
**NCBA Money Market Funds**



**2.5. NCBA (KES) Equity Fund\*\*\*\*\***

The Fund is a KES-denominated collective investment scheme that aims to generate total returns by investing in a diversified portfolio of equity securities, providing long-term capital growth through dividends and capital gains.

The fund, an index tracker, classified as a medium-high risk investment, allocates at least 60% of the market value of its assets under management to locally listed equities, equities listed in other regulated exchanges, or unlisted equities.

Performance	Mar-26	3M	6M	1YR
Fund	-6.55%	2.32%	9.28%	35.41%
Benchmark	-5.11%	4.79%	12.08%	34.24%
Fund Size	KES 473.29 M			

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

The Fund declined 6.55% in March, underperforming its benchmark return of -5.11%, amid heightened global volatility and continued foreign investor outflows from the NSE.

While global shocks have historically driven sharp selloffs, reduced foreign ownership in key large-cap stocks suggests the market is now less vulnerable to significant foreign-led exits, with activity increasingly domestically-driven.

More broadly, ongoing developments such as recent listings are gradually improving market depth, which we view as supportive for the market over time.

From a positioning perspective, the Fund benefited from relative outperformance in banking, insurance and manufacturing, while its offshore allocation provided diversification and outperformed local indices despite global pressures.

We remain constructive, focusing on quality, liquidity, and selective growth opportunities while navigating continued global and domestic uncertainties.

**Kenneth Mugira**  
**Portfolio Manager**  
**NCBA Equity Fund**



**2.6. NCBA Global Equity Special Fund\*\*\*\*\***

The Fund is a USD-denominated collective investment scheme that invests in a diversified portfolio of global equity funds and securities, offering investors efficient exposure to global equities and long-term capital growth.

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	Mar-26	3M	6M	1YR
Fund	-7.29%	-2.78%	0.24%	22.37%
Benchmark	-7.36%	-3.52%	-0.59%	18.35%
Fund Size	USD 7.27 M			

\* - Benchmark - MSCI All Country World Index

The Fund declined 7.29% in March, tracking its benchmark, which declined 7.36%. Performance was primarily impacted by the Fund's regional allocation and positioning in more volatile segments, which proved more vulnerable in a risk-off environment driven by rising geopolitical tensions and a sharp repricing of global interest rate expectations.

That said, the Fund's positioning remains deliberate and anchored in long-term growth opportunities across both developed and emerging markets.

Our allocation to emerging markets and select cyclical sectors reflects a conviction in their structural growth potential, despite near-term volatility driven by external shocks and shifting capital flows. Similarly, exposure to developed markets continues to focus on areas with strong earnings resilience and the ability to navigate a higher-rate environment.

Looking ahead, we expect markets to remain sensitive to geopolitical developments and the trajectory of inflation and interest rates. Periods of market dislocation are also being viewed as opportunities to incrementally add to high-conviction positions at more attractive valuations, while ensuring the portfolio remains well-diversified and resilient.

**2.7. NCBA Global Fixed Income Special Fund\*\*\*\*\***

The Fund is a USD-denominated collective investment scheme that invests in global fixed-income exchange traded funds and mutual funds sourced from global financial markets to generate sustainable medium-term returns.

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

Performance	Mar-26	3M	6M	1YR
Fund	-3.34%	-1.87%	-0.73%	5.40%
Benchmark	-2.30%	-0.68%	1.22%	6.67%
Fund Size	USD 14.56 M			

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

The Fund declined 3.34% in March, underperforming its benchmark, primarily due to its positioning in higher-yielding and more credit-sensitive segments of the market.

In a month dominated by a sharp rise in global yields and a pronounced risk-off shift, defensive core fixed income exposures outperformed, while spread products and emerging market debt came under increased pressure.

The fund's relative underperformance was therefore driven by its overweight to credit and emerging markets, which detracted more significantly than the benchmark's more diversified and higher allocation to core government bonds.

Additionally, the Fund's duration profile modestly weighed on performance as yields rose across the curve. While this positioning has historically supported income generation, it proved less resilient in March's environment of tightening financial conditions and elevated volatility.

*In an increasingly dynamic and sensitive global interest rate environment, we are keen to ensure that the fund's income generation remains well anchored. We continue to evaluate attractive entry points to balance off risk, stability and duration.*

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



**Looking Ahead**

**Globally:**

- **Ceasefire negotiations and their aftermath:** Globally, we are closely monitoring progress on the implementation of ceasefire proposals in the Middle East, as well as the developments that follow the conclusion of the two-week negotiation period. These outcomes will be critical for regional stability and their impact on global markets.
- **Q1 2026 U.S. earnings season:** We are also watching the start of the first quarter U.S. earnings season, looking for signals on corporate performance and forward guidance, which will influence broader investor sentiment.
- **April bulls:** Historically, April (and November) have been strong months for global equities. We are alert to the possibility that the market may benefit from the "April bulls" effect, with seasonal tailwinds supporting risk assets.

**Back Home - Kenya**

- **EPRA April Fuel Price Review:** Supply chain concerns and limited fuel storage may drive pump prices higher in April. A government fuel subsidy could offer some relief, but budget constraints might limit its impact. These developments will shed light on how Middle East supply disruptions affect energy prices and inflation.

*While the global stage continues to feel increasingly crowded with "noise" from Middle East geopolitical developments and resulting market shocks, our strategy remains anchored on positioning your investments to withstand them.*

*We invite you to speak with your advisor to ensure your cash is working as hard as it should be in this environment.*

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 (KES) Money Market Fund** invests in a diversified portfolio of interest-earning securities and money market instruments such as bank deposits, treasury bills and bonds, commercial papers, and corporate bonds, ensuring low risk on the principal investment and liquidity of investor funds.

\*\*\*\* **NCBA (USD) Money Market Fund** invests in a diversified portfolio of interest-earning securities and money market instruments, East African government securities, USD denominated corporate bonds, commercial papers and USD denominated offshore debt securities, ensuring low risk on the principal investment and liquidity of investor funds.

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

## Disclaimer

The information furnished in this CIO note is for informational purposes only. The information does constitute an offer to buy or sell securities. It should not be relied upon for making investment decisions. No representation is made regarding the accuracy or completeness of the information contained herein.

The publication may include past performance data and forward-looking statements based on assumptions that may not materialize. Past performance is not indicative of future results. The price of shares and the income derived from them may fluctuate, and investors may not recover the full amount invested. In certain circumstances, the right to redeem participatory interests may be suspended.

The views and opinions expressed are subject to change without notice and do not constitute investment advice.

This publication is not intended to replace professional financial advice. Investors are encouraged to consult their financial advisors before making investment decisions.

If this collective investment scheme is described as having been approved by the Capital Markets Authority (CMA), such approval does not imply that the Authority takes responsibility for the financial soundness of the scheme, or the correctness of any statements made.

Any material conflicts of interest that could reasonably be expected to impair the rendering of unbiased and objective advice, including compensation arrangements connected with advisory services that are in addition to compensation from clients for such services, are disclosed herein.

Unauthorized disclosure, copying, or distribution of this publication without prior written consent from NCBA Investment Bank is prohibited.

For further information, please contact our portfolio manager at [investmentteam@ncbagroup.com](mailto:investmentteam@ncbagroup.com)