MAY 2026

CIO NEWSLETTER

Dear Investor,

Early in my career, there were books a young investment banker was "expected" to read. In most cases, the books described a world that had already passed but remained no less legendary. At the top of that list was ***Barbarians at the Gate***, chronicling the leveraged buyout of RJR Nabisco, and Michael Lewis's ***Liar's Poker***, an account of life on a 1980s trading floor.

Later, during the ***Global Financial Crisis era***, reading accounts of that period brought back familiar scenes of trading floors shifting from euphoria to despair. Think ***Too Big to Fail*** by Andrew Sorkin or **Stress Test** by former Treasury Secretary Tim Geithner. The films that followed arguably captured the mood just as effectively: ***Margin Call*** remains a must-watch, while ***The Big Short***, which was adapted from another Michael Lewis book, manages to be both entertaining and unnervingly accurate.

There is a common theme here: Lewis. In this note, however, I turn to one of his more niche, less mainstream works that would likely be more difficult to adapt for film: ***The Undoing Project***. It explores the partnership and ideas of two Nobel-winning psychologists and economists: Amos Tversky and Daniel Kahneman (Tversky passed away before the Nobel recognition).

Tversky and Kahneman are famous for upending the apple cart of how humans react to risk, something philosophers refer to as **prospect theory**. Through experiments conducted largely on Israeli students, they posed questions such as:

Which would you prefer?

- A 50% chance to ***win*** 1,000
- 450 **for sure**
- A 50% chance to ***win nothing***

The results showed that contrary to what was then accepted wisdom, individuals do not make decisions purely to maximize utility based on probabilities. Instead, their decisions are shaped by several biases.

First, **reference dependence**: decisions are based on a point of reference and outcomes as losses or gains around this. Secondly, **loss aversion**: losses have a bigger psychological effect than gains. Third, **risk asymmetry**: people are typically risk-averse for gains but risk-seeking for losses. Finally, **probability distortion**: low-probability events are typically overweighted.

In our world, this implies that investors are more likely to avoid losses than seek equivalent gains and fear of loss carries greater weight.

This becomes particularly relevant as we reflect on Q1 – when **volatility** became the norm, and sentiment oscillated between optimism and fear. In such moments, you want your wealth manager to avoid the biases that prospect theory explains all too accurately.

Accordingly, we shifted positioning to reflect a more **selective risk posture**. Within our **Global Fixed Income Fund**, we reduced exposure to corporate and emerging market debt while also lowering duration. In the **Global Equity Fund**, we scaled back our emerging markets exposure, and increased our allocation to the Nasdaq 100, thereby raising our overall exposure to the US market.

During periods of heightened uncertainty, risk is no longer priced purely on fundamentals, but increasingly through the lens of **perception and emotion**. Our approach remains focused on maintaining resilient portfolios while seeking opportunities that offer better **compensation for risk**.

MUATHI KILONZO
MANAGING DIRECTOR, NCBA INVESTMENT BANK

In this month's CIO newsletter, we highlight the key market developments that shaped our investment positioning as we navigated an evolving global and local investment landscape.

1. Review of Markets' Performance in April

1.1. Equity Markets

- **Global equities** staged a rebound, as diverging themes within the regions drove the performance.

- **U.S. equities** led the rebound with the strongest monthly gains as investor sentiment shifted primarily driven by easing geopolitical tensions and strong Q1 corporate earnings. Tech stocks led gains as markets rewarded companies demonstrating tangible returns from AI investments, while easing geopolitical concerns further supported the rally.

- **European** equities also rebounded in April, albeit at a more moderate pace relative to the sharp recovery seen in U.S. markets. They underperformed their U.S. counterparts due to weaker exposure to high-growth technology stocks that drove much of the global equity rally.

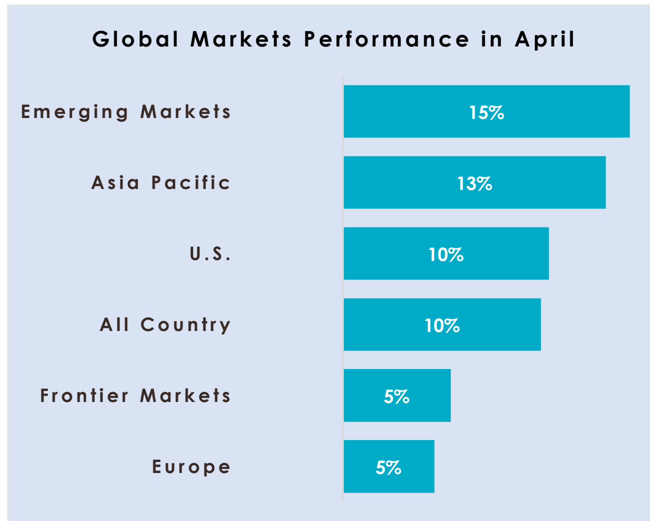
- In **Asia**, equities delivered a strong but highly differentiated performance with regional strength masking notable dispersion beneath the surface. Technology-heavy markets such as Japan and South Korea significantly outperformed while China and parts of Southeast Asia delivered more moderate gains.

- **Emerging market** equities delivered a solid performance outperforming developed peers in aggregate despite the significant exposure to energy shocks. Markets benefited from easing fears around prolonged energy supply disruptions, improving investor positioning, and a return of global risk appetite following the March selloff.

- **Kenyan equities** sustained strong momentum anchored by the start of the earnings season. The rally was supported by broad-based strength across banking and telecommunication sectors. Trading activity remained primarily supported by domestic investors, while foreign investors continued to maintain a net selling position amid persistent global risk sensitivity.

- Following April's sharp rebound, equities enter May with momentum remaining broadly positive supported by easing geopolitical tensions. Attention will remain focused on inflation trends, central bank policy expectations, and the sustainability of economic growth momentum.

- Locally, Kenyan equities are expected to remain supported by banking and technology sector earnings releases, dividend-related activity, and continued domestic investor participation



Global		
Index	**Market**	**Apr-26**
MSCI ACWI	Global	10.03%

U.S. Market		
Index	**Market**	**Apr-26**
S&P 500	U.S.	10.42%
Nasdaq	U.S.	15.29%
Dow Jones	U.S.	0.67%

Europe		
Index	**Market**	**Apr-26**
STOXX 600	Europe	4.83%
FTSE 100	UK	1.99%
DAX	Germany	7.11%
CAC 40	France	3.81%

Asia		
Index	**Market**	**Apr-26**
CSI 300	China	8.03%
Hang Seng	Hong Kong	3.99%
Nikkei 225	Japan	16.10%

Local		
Index	**Market**	**Apr-26**
NASI	Kenya	5.40%
NSE-25	Kenya	4.64%

1.2. Bond Markets

- The global fixed income landscape shifted from rate-cut expectations to pricing in geo-political risk premiums.

- At its April meeting, the Federal Reserve held interest rates steady at 3.50%–3.75%, adopting a cautious "wait-and-see" stance amid elevated inflation and heightened uncertainty. The decision reflected growing concern that conflict-driven energy shocks could sustain inflation above target, complicating the path toward policy easing.

- U.S. Treasury yields were volatile and directionally mixed through April as markets tugged between safe-haven demand and inflationary driven repricing.

- Short-term yields remained elevated as markets scaled back expectations for rate cuts in 2026, with investors now anticipating a prolonged pause. Inflation expectations pushed long-term yields above ~4.0%, as markets repriced risks tied to higher energy costs.

- The European Central Bank (ECB) and the Bank of England (BoE) held policy rates steady at 2.00% (ECB) and 3.75% (BoE). Market pricing nevertheless suggests that rate relief in the UK may be delayed by inflationary pressures linked to energy shocks, while the ECB appears content to remain on hold amid uneven growth.

- Locally, the Monetary Policy Committee (MPC) held the policy rate steady at 8.75% during its April meeting, marking the first pause in the easing cycle since June 2024. The pause comes against a backdrop of heightened global uncertainty, driven by an oil price shock linked to escalating conflict in the Middle East. The decision reflects a shift toward caution following a period of sustained monetary loosening.

- While the MPC adopted a cautious pause in its easing cycle, yields moved higher across the curve, driven by renewed inflation concerns, global uncertainty, and uneven investor demand.

- Yields rose across the curve with the most pronounced movements observed in the mid-curve as investor demand remained strong for reopened issues. The government was proactive in liability management, effectively switching upcoming maturities into longer-dated papers.

- Interest rate expectations adjusted upward, as markets responded to the halt in the easing cycle and emerging inflationary risks largely driven by higher energy prices. Elevated bond maturities through May and June will support this upward bias in yields.

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 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.

Fund Size	KES 41.71 B

Performance	Fund	Benchmark
Apr-26	0.48%	0.63%
3 Months	1.66%	1.90%
6 Months	3.78%	3.89%
1YR	8.40%	8.17%
3 YR (annualized)	11.81%	13.95%
5 YR (annualized)	10.20%	13.28%

' - Benchmark – 91 Day Treasury Bill rate*

The Fund delivered a moderate return though performance trailed the benchmark as the fixed in-come market adjusted to shifting monetary policy expectations and rising inflation concerns.

Returns were supported by steady income from corporate bonds, treasury bills, and deposits. This was however, partially offset by mark-to-market losses as yields moved higher across the curve amid renewed inflationary pressures and cautious investor sentiment following the pause in the monetary easing cycle.

The Fund's short-duration bias continued to provide resilience against heightened rate volatility, helping limit sensitivity to the upward repricing in yields. This positioning remains appropriate in the current environment.

Looking ahead, we expect yields to maintain an upward bias in the near term as inflation risks persist and market sentiment remains cautious.

The Fund will continue to prioritize high-quality income generation, liquidity flexibility, and selective participation in short-term instruments while opportunistically taking advantage of attractive entry points arising from ongoing yield curve adjustments.

Joseph K Thiga
Portfolio Manager
NCBA Fixed Income Fund

2.2. NCBA Dollar 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.

Fund Size	USD 49.88 M

Performance	Fund	Benchmark
Apr-26	0.84%	0.31%
3 Months	-0.12%	0.90%
6 Months	1.50%	1.87%
1YR	7.75%	4.10%
3 YR (annualized)	7.52%	5.03%
5 YR (annualized)	3.81%	4.18%

'* - Benchmark – Secured Overnight Financing Rate

The Fund delivered a positive return, outperforming its benchmark as gains from its Eurobond allocation more than offset the impact of elevated global fixed income volatility during the month.

The Fund's allocation to bank deposits and shorter-duration instruments continued to provide portfolio stability and liquidity, helping cushion against broader market volatility.

Global fixed income markets remained volatile during the month as U.S. Treasury yields moved higher, particularly across the short- and medium-term segments of the curve, following persistent inflation concerns, and the U.S. Federal Reserve's cautious "wait-and-see" stance.

Looking ahead, shifts in global interest rate expectations and geopolitical events may cause market volatility in the Eurobond markets.

Our allocations to offshore fixed-income instruments and structured solutions provided constructive stability, supporting performance relative to the benchmark.

The fund continues to diversify its holdings to strengthen returns. With U.S. rates expected to remain elevated amid persistent inflation risks, we are actively locking in attractive yields to bolster income.

David Kiruri
Portfolio Manager
NCBA Dollar Fixed Income Fund

2.3. NCBA 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	Apr-26	Since Inception
Fund	0.60%	1.53%
Benchmark	0.62%	1.60%
Fund Size		KES 1.14 B

'* - Benchmark – 91 Day Treasury Bill rate

The Fund delivered a solid return in April, slightly tracking below the benchmark over the same periods. The performance reflects gradual portfolio build-up and deployment into high-quality, short-term instruments, with emphasis on capital preservation and liquidity.

Looking ahead, with mounting pressure on inflation and yields adjusting upwards, the fund is well positioned to capture attractive short-term yields, while maintaining flexibility to optimize reinvestment opportunities as rates evolve.

2.4. NCBA Dollar 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	Apr-26	Since Inception
Fund	0.29%	0.89%
Benchmark	0.30%	0.79%
Fund Size		USD 2.29 M

'* - Benchmark – Secured Overnight Financing Rate

The Fund delivered a moderate return in April relatively tracking the benchmark. The performance reflects the progressive deployment of capital into high-quality, short-duration instruments, with a focus on liquidity and capital preservation, while maintaining flexibility in a dynamic interest rate environment.

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.

Kenneth Mugira
Portfolio Manager
NCBA Money Market Funds

2.5. NCBA 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.

Fund Size	KES 528.44 M

Performance	Fund	Benchmark
Apr-26	5.16%	3.03%
3 Months	4.71%	4.92%
6 Months	8.83%	9.86%
1YR	33.41%	40.77%
3 YR (annualized)	21.47%	25.41%
5 YR (annualized)	12.59%	12.47%

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

The Fund delivered a strong rebound, outperforming its blended benchmark, as investor sentiment shifted primarily driven by easing geopolitical tensions.

Local equities delivered broad-based recovery led by banking and telecommunication sectors as focus remained on the resilience of earnings. Trading activity remained primarily supported by domestic investors, while foreign investors continued to maintain a net selling position amid persistent global risk sensitivity.

Allocations in select banking counters largely supported relative outperformance while the offshore allocation continued to provide stable support to overall returns as global equity markets recovered.

We are proactively positioning the fund to capitalize on dividend opportunities and are closely monitoring upcoming Q1 results from banks.

We expect continued strong investor participation to support the market in the near-term and remain flexible in adjusting allocations as opportunities arise amid evolving market conditions and valuation considerations.

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.

Fund Size	USD 9.24 M

Performance	Fund	Benchmark
Apr-26	9.28%	10.03%
3 Months	2.89%	3.14%
6 Months	7.24%	7.04%
1YR	29.93%	29.22%
Since Inception (annualized)	19.45%	18.05%

' - Benchmark - MSCI All Country World Index*

The fund delivered a return of 9.28% in April, slightly underperforming its benchmark return of 10.03%, in a month characterized by a strong rebound in global equities.

Notably, the fund fully recouped the losses experienced in March, in line with the broader market recovery, driven by improved risk appetite alongside renewed investor interest in artificial intelligence (AI)-linked stocks. Performance was supported by broad-based gains across regions, with North America and emerging markets contributing the most to returns.

The portfolio introduced exposure to U.S. tech, positioning to benefit from continued strength in AI-driven growth themes. While this supported absolute returns, relative performance was impacted by benchmark dynamics, particularly changes in regional composition that increased exposure to markets such as Taiwan, a key technology-oriented market, which per-formed strongly over the period.

We continue employing disciplined portfolio construction and effective rotation toward sectors and regions with stronger near-term growth and policy support.

Daniel Ndung'u
Portfolio Manager
NCBA Global Special Funds

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.

Fund Size	USD 14.50 M

Performance	Fund	Benchmark
Apr-26	1.95%	1.19%
3 Months	-0.66%	0.30%
6 Months	1.16%	1.42%
1YR	5.67%	8.23%
Since Inception (annualized)	5.91%	7.06%

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

The fund delivered a return of 1.95% in April, outperforming its benchmark return of 1.19%. Performance was driven by positioning in higher-yielding segments, with the largest contributions from global high yield corporate bonds and emerging market bonds, while global government bonds and Africa Eurobonds also added positively.

Market conditions improved during the month, with investors rotating back into risk assets de-spite ongoing geopolitical tensions and elevated oil prices. This supported credit markets through tighter spreads and strong carry, while government bond returns remained more subdued as yields stayed elevated amid persistent inflation concerns.

U.S. Treasury longer-term holdings detracted due to increased volatility however, the Fund's emphasis on high-yielding investment-grade instruments with attractive spreads helped mitigate broader market swings.

We remain well positioned to tap on sentiment around emerging market debt and sustained inflows. With global monetary policy rates anchored in the near-term, and spreads at historically slim levels, we are keen on balancing instruments with attractive risk-return, and duration profiles.

Daniel Ndung'u
Portfolio Manager
NCBA Global Special Funds

Looking Ahead

Global: Easing geopolitical tensions

Geopolitical tensions in the Middle East remain the dominant global risk factor shaping investor sentiment. While signs of easing tensions have supported a recovery in risk appetite, uncertainty around the conflict continues to influence oil prices and sustain concerns around renewed inflationary pressures and slower global growth.

Locally: Earnings Season

- Safaricom releases its full-year results with investor focus on M-Pesa performance, Ethiopian operations, and guidance amid an evolving consumer and operating environment.
- Banks are set to release their Q12026 results during the month with our attention being on the sustainability of earnings momentum, asset quality trends, and the outlook for private sector credit growth within a shifting interest rate environment.

While the global stage feels increasingly crowded with "noise" - from geo-political shocks to shifts in policy - our strategy remains anchored on clarity. We aren't just watching these risks; we are actively 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

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