

NAVIGATING THE PIVOT: RESILIENCE IN REVIEW AND THE PATH TO 2026

EXECUTIVE SUMMARY

The fourth quarter of 2025 served as a critical transition point for global and domestic markets. While the international stage navigated record-breaking government shutdowns and a shift toward value stocks, the Kenyan market delivered an "astronomical" rally, reclaiming its status as a leading frontier destination. The convergence of the Federal Reserve's easing cycle and a decisive 225bps total rate cut by the Central Bank of Kenya (CBK) sparked a massive rotation from fixed income into high-growth equities.

As we move from the broad resilience of 2025 into the complexities of 2026, the following sections provide a granular deep dive into global sector rotations and the structural "regime shift" within the Nairobi Securities Exchange (NSE).

Key Q4 Market Performance:

Global Snapshot:

- **Equity Markets:** The S&P 500 returned +2.4% for the quarter, led by defensive sectors like healthcare (+12%).
- **Fixed Income:** Driven by two Fed cuts, the Aggregate Bond Index rose +1%, benefiting shorter-duration segments.
- **Credit:** Performance remained positive (+0.70%) as spreads remained historically tight.

Kenyan Pulse:

- **Equity Markets:** The NSE delivered a "beastly" performance; the NSE 20 Index soared +5.6% in Q4 alone, closing the year with a historic +56% gain. The newly launched Banking Sector Index outperformed all benchmarks with a +22.98% return in the final quarter.
- **Fixed Income:** Domestic T-bill yields edged lower by 19–32bps in Q4, following the CBK's move to lower the Central Bank Rate (CBR) to 9.00% in December.
- **Currency:** The Kenyan Shilling remained the regional anchor of stability, trading flat at ~KES 129 against the USD, supported by a massive \$12.3B reserve buffer.

2025 Annual Perspective: A Year of New Highs

Looking at the full year, 2025 was a landmark year characterized by "Remarkable Resilience" and the return of liquidity to frontier assets.

- **Global Equity Dominance:** While the S&P 500 gained 16%, international markets (ACWI ex-US) returned 32%.
- **The Kenya "Trillion-Shilling" Recovery:** The NSE breached the KES 3 Trillion market cap milestone in November. The NASI (All Share) gained +51.1% for the year - its strongest performance since 2008 - as investor wealth expanded by over KES 1 Trillion in just ten months.
- **Monetary Alignment:** The "Great Pivot" was synchronized; as the Fed cut rates to stabilize the US labor market, the CBK slashed the CBR from 11.25% to 9.00%, successfully triggering a 6.3% rebound in private sector credit growth, up from contraction territory at the beginning of the year.
- **Commodity & Currency Standouts:** Gold was the global winner (+65%), while the Kenyan Shilling's stability caught the attention of the IMF, all while successfully refinancing its external debt via a 4x oversubscribed \$1.5B Eurobond.

Looking Ahead to 2026

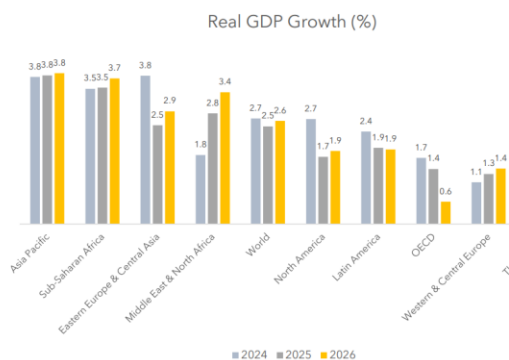
The narrative for the coming year shifts from Recovery to Execution. In the global context, we watch the evolving AI landscape and Fed policy. Domestically, our focus remains on the Privatization Wave (led by the Kenya Pipeline IPO) and the transition to an earnings-led expansion as lower interest rates filter through to corporate bottom lines.

GLOBAL ECONOMY

GLOBAL GROWTH & INFLATION: A Two-Speed Recovery

Global economic growth remains generally positive but is increasingly defined by regional divergence. While AI transformations and shifting fiscal policies are providing a tailwind for the U.S. and India, structural struggles continue to weigh on the Eurozone.

Regional Growth Trends: Shifting Growth Dynamics Across Key Regions

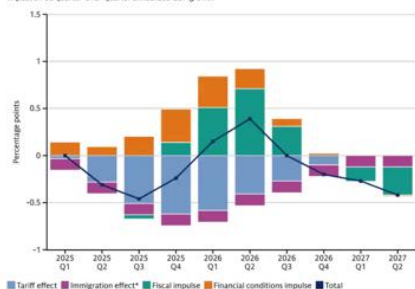


Sources: Haver Analytics, Dun & Bradstreet.

U.S. MACROECONOMIC ENVIRONMENT: Resilience Amidst Transition

US growth is likely to benefit from reduced tariff drag, tax cuts, and easier financial conditions

Impact on US quarter-over-quarter annualized GDP growth



Source: Goldman Sachs Research, As of December 18, 2025.
*Impact of current immigration rate relative to the average pre-pandemic rate of about 1mm per year.

Goldman Sachs

The U.S. economy enters 2026 on a surprisingly strong footing, having exceeded expectations in the third quarter of 2025 with an annualized growth rate of 4.3% (up from 3.8% in Q2).

- **The Growth/Labor Paradox:** This resilience is increasingly "two-speed." While capital-intensive AI spending is propping up GDP, the labor market has been heating up, with unemployment hitting a four-year peak of 4.6% in November.
- **Fiscal Stimulus & Tariffs:** A nuanced change is emerging; rather than sudden escalation, trade disruptions are being addressed through negotiation. Tariff revenue is being strategically recycled, including the proposed \$2,000 "Tariff Dividend" and enhanced

healthcare subsidies, providing a direct cash injection to the American consumer.

- **Monetary Policy Pivot:** The Federal Reserve implemented two 25bp cuts in Q4 2025 (October and December), totaling 75bps for the year. Projections for 2026 suggest a maximum of two additional cuts as the Fed seeks a "neutral" stance, particularly as the administration prepares to nominate a new Fed Chair in May 2026 to succeed Jerome Powell.

REGIONAL GROWTH OUTLOOK: Divergent Trajectories

Global GDP is projected to hold at 3.0% - 3.2% in 2026, though the drivers of this growth vary by bloc:

- **India & SE Asia:** India remains the global growth engine, projected at 6.5%–7.0%. Southeast Asia continues to benefit from supply chain "fragmentation," capturing trade diverted from primary conflict zones.
- **China:** Expected to outperform in H1 2026 due to the front-loading of fiscal spending and delayed implementation of supplementary fiscal measures. However, long-term growth hinges on the timing of further government intervention to address sluggish domestic demand.
- **Europe & Developed Markets:** The Eurozone faces relative stagnation (1.1%–1.3% growth), though Germany is expected to break three years of stagnation via increased defense and green-tech spending. Japan's recovery remains modest as it navigates its first rate-hiking cycle in decades.

INFLATION DYNAMICS: The AI vs. Tariff Tug-of-War

Disinflation trends were disrupted in 2025 by new tariffs and higher shipping costs, yet the "2022-style" price surges did not materialize.

The AI Deflationary Force: We anticipate that AI productivity gains will continue to "trump" tariffs as the primary macro driver. In an economy where trend growth stays under 2%, the massive AI CAPEX cycle will require significant macro adjustments, potentially "crowding out" non-AI spending.

Divergent Monetary Policy: The common "easing bias" of 2025 has ended. Into 2026, we expect:

The Fed: To cut rates by another 50bps.

Bank of Japan: To hike by 50bps as it concludes its normalization cycle.

Other DM Banks: Likely to remain on hold through the first half of 2026.

SUMMARY OF 2026 OUTLOOK

Lower macroeconomic volatility is expected to create favorable conditions for Emerging Markets (ex-China), with growth projected at 3.3%.

The global narrative has shifted from "crisis management" to "progressive adjustment," where geopolitical uncertainties are treated as structural constants rather than temporary shocks. The central risk remains the "May Transition" at the Fed; a move toward a significantly less restrictive chair could reignite inflation expectations and push the 10-year Treasury yield toward 4.5%.

FINANCIAL ASSETS

GLOBAL FIXED INCOME

FIXED INCOME & CREDIT: The Yield Curve Steepens Amidst Fiscal Expansion

The fixed income landscape in 2025 was defined by a transition from inflation-driven volatility to fiscal-driven curve steepening. While central bank easing provided a tailwind for total returns, the quarter concluded with a growing focus on the "term premium" - the extra yield investors demand for holding long-term debt - as government and corporate leverage reached new inflection points.

SOVEREIGN DEBT: 2025 Resilience vs. Q4 Divergence

Rising 30-year yields partially reflect concerns over debt sustainability
Long-end yields are more susceptible to fiscal concerns and inflation expectations



- **The U.S. "Steepener":** Despite the Fed cutting rates to 3.5%–3.75%, U.S. Treasuries saw muted Q4 returns. Long-end yields remained sticky as markets priced in the debt implications of massive fiscal stimulus.
- **The Eurozone Risk-Reset:** Q4 fundamentally blurred the "core-periphery" distinction. Political instability in France caused spreads to exceed those of Italy and Spain. Meanwhile, German Bunds posted negative annual returns as Berlin shifted from fiscal consolidation to aggressive defense and infrastructure spending.
- **Japan's High-Yield Era:** JGBs faced a violent repricing in Q4. A combination of fiscal stimulus and a BoJ rate hike pushed 30-year yields to 3.4%, marking a definitive end to the low-yield regime.

CREDIT MARKETS: Reaching the "Spread Floor"

The 2025 rally in risk assets drove global credit to a 10.3% total return. However, the fourth quarter suggested that the "easy gains" from spread compression have been exhausted.

Credit sectors have offered attractive yields at the resumption of rate-cutting cycles



- **US vs. Europe:** While spreads narrowed globally, the higher absolute starting yields in the U.S. allowed American Investment Grade and High Yield assets to achieve superior total returns over their European counterparts.
- **Emerging Markets (EM):** EM credit emerged as a standout, with sovereign upgrades driven by prudent local fiscal policies and a weakening USD. We now favor EM High-Yield bonds over equities for reliable, risk-adjusted income. Into 2026, these will serve to insulate portfolios from the rising term premiums in developed markets.

Jump in quality

Rating upgrades to emerging market (EM) sovereign debt, 2010-2025

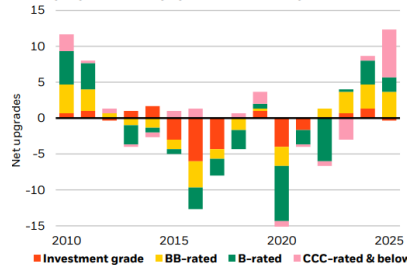
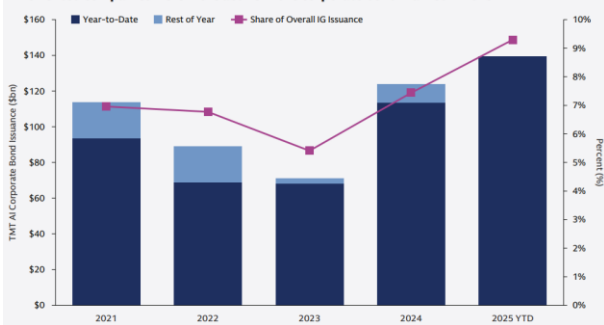


Chart takeaway: Higher-yielding emerging market bonds are driving most of this year's ratings upgrades. We think it highlights a rising quality in EM bonds – that are already attractive as high-income opportunities, in our view.

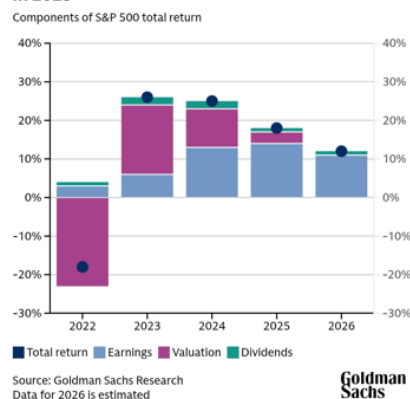
- **The AI Leverage Paradigm:** A critical theme is the rising leverage associated with the AI sector's infrastructure funding, with projected CAPEX of \$5–8 trillion by 2030. These upfront investments are increasing corporate debt levels today for productivity gains that may not materialize for years. As governments compete for capital, the "crowding out" effect is likely to keep long-term borrowing costs elevated.

AI-oriented companies were more active in the corporate bond market in 2025



U.S. EQUITIES: Resilient Amidst Concentration

Earnings drove the majority of S&P 500 returns in 2025



2026 STRATEGIC OUTLOOK: Defensive Duration

As we move into 2026, we prioritize shorter-term quality to capture yield while avoiding the volatility of the long end of the curve.

- U.S. Treasuries (Neutral/Defensive):** We favor the short end. We expect term premiums on the long end to rise as the market absorbs high debt-servicing costs and increased issuance.
- Credit Strategy (Neutral):** We anticipate spreads will widen to ~110bps by late 2026. High-grade bonds will be most affected by the surge in AI-related issuance and increased corporate borrowing.
- Japanese Bonds (Underweight):** Anticipated rate hikes and heavy bond supply will likely push yields even higher in the coming year.
- European Credit:** We expect the credit cycle to progress as companies adjust balance sheets amidst lower funding costs, though policy uncertainty remains a localized risk.

GLOBAL EQUITIES

Global equity markets achieved moderate gains in Q4 2025, with major indices reaching record highs. The MSCI World Index rose 21% for the year in US dollars. Global stocks outperformed US equities thanks to broad regional growth, strong earnings, and interest in AI companies.

Although profit-taking slowed momentum late in the year, investor sentiment stayed positive. Technology and growth sectors led early, but value and international markets gained traction later due to better valuations. Expectations for moderate central bank easing in 2026 supported continued equity risk appetite.

U.S. stock markets displayed remarkable resilience in Q4 2025, overcoming a record-breaking government shutdown and rising job cuts to deliver a third consecutive year of double-digit returns. Despite an April selloff triggered by new tariff announcements, the S&P 500 gained nearly 17% for the full year. While year-end profit-taking tempered a December rally, market fundamentals remained robust, supported by strong consumer spending and a solid 3Q GDP print.

The primary narrative of Q4 was the AI arms race. Concerns over a potential valuation bubble led to a significant momentum slowdown in the "Magnificent 7," which saw returns cool to 4.5% in Q4 (down from 17.6% in Q3). Nonetheless, these mega-cap leaders finished the year with a strong 25% return.

Tactical Outlook for 2026:

- Outlook:** Neutral.
- Drivers:** We expect corporate earnings to be bolstered by tax incentives from the "Big Beautiful Bill" and continued Fed rate cuts.
- Strategy:** While we remain "risk-on" regarding the macroeconomic impact of AI, we are seeing a distinct sector rotation. Investors are shifting toward "real economy" sectors - banking, materials, and healthcare - as tech valuations face increased scrutiny.

UK & EUROPE: The Safe-Haven Rally

The FTSE 100 was a global standout in 2025, closing the year with a 21.5% gain and hitting a historic 10,000-point milestone in late December. The index benefited from a "rotation out of the U.S." following trade tensions, as well as a depreciated pound that made UK exporters more attractive.

UK Drivers: Performance was anchored by mining and financials. Record highs in gold, silver, and copper turned the UK's commodity-heavy index into a safe-haven play.

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Q4 2025



Eurozone Performance: The Stoxx 600 rose 17%, with Germany's DAX matching the UK at 21.5%. European markets were supported by easing inflation and expectations that the ECB would maintain a stable-to-dovish stance.

Regional Pressure: Despite strong returns, Europe faces headwinds from U.S. protectionism and high energy costs. We remain neutral on European equities, favoring defense technology and utilities as spending on infrastructure and energy security accelerates.

ASIA-PACIFIC: AI Dominance and Structural Reforms

Asia was the epicenter of the 2025 tech rally, with the region playing a critical role in the global AI supply chain.

- **South Korea:** The standout performer of the year, the KOSPI surged 79.5% (approx. 100% in USD terms), fueled by massive demand for AI-related memory chips and corporate governance reforms.
- **Japan:** The "Takaichi Reflation" trade drove the Nikkei 225 up 26% for the year, surpassing the 50,000-point mark for the first time. Despite a December rate hike by the BoJ, corporate governance improvements and robust earnings continue to support a positive outlook.
- **China:** While Chinese equities delivered a 31.4% return for the year, Q4 saw significant profit-taking. We maintain a neutral position, "ring-fencing" our optimism within the AI and automation sectors while remaining cautious about the ongoing property sector stress.

EMERGING MARKETS (EM): Strategic Diversification

The EM index outperformed the MSCI World Index in Q4, led by technology-heavy markets and resource-rich nations.

Latin America: Rebounded sharply from a difficult 2024 to deliver 55.7% returns in USD terms, supported by strengthening local currencies and attractive valuations.

India & South Africa: Both markets remained resilient. India performed in line with the broader EM index, while South Africa saw double-digit gains driven by precious metals and a well-received medium-term budget.

Tactical Focus: In 2026, strategic EM exposure should prioritize countries benefiting from "near-shoring" (Mexico, Vietnam) and those integrated into the AI and energy transition ecosystems.

Outlook for global equities

12-month forward return forecasts with consensus estimates for dividends

Index	Current	Price target	Price return	Total returns	Returns in USD	EPS growth
S&P 500	6,945	7,600	9%	11%	11%	12%
STOXX 600	605	625	3%	7%	13%	5%
TOPIX	3,538	3,600	2%	4%	7%	9%
MSCI AP ex Japan	753	825	10%	12%	12%	19%

Source: Datastream, Goldman Sachs Research
Data as of January 6, 2026

Goldman Sachs

COMMODITIES: Strategic Divergence & the Precious Metal Breakout

Commodities delivered an overall return of 15.8% in 2025, though this headline figure masks a dramatic divergence between asset classes. While energy markets faced significant headwinds, precious and industrial metals staged a historic rally, driven by a "perfect storm" of geopolitical tension, currency fluctuations, and the physical demands of the AI revolution.

PRECIOUS AND INDUSTRIAL METALS: Safe Havens & AI Essentials

Precious metals were the undisputed standout asset class of 2025, with the Bloomberg Precious Metals Index returning a massive 80.2%.

- **Gold:** Surged 65% annually (and 12% in Q4 alone), fueled by safe-haven demand amidst Trump's tariff policies, a softening U.S. dollar, and anticipation of Fed rate cuts.
- **Silver:** Outperformed even gold, rising 148% annually. Silver's rally was catalyzed by its addition to the U.S. critical minerals list and its indispensable role in the rapidly expanding AI and solar infrastructure.
- **Base Metals:** Copper and aluminum also saw robust gains as AI data center construction and the global energy transition created tight supply-demand imbalances and localized shortages.

ENERGY: Oversupply Weighs on Crude

In stark contrast to the metals rally, energy markets significantly underperformed. West Texas Intermediate (WTI) crude finished the year at \$57 per barrel, representing a 15% annual decline - the sharpest yearly drop since 2020.

- **Drivers of Decline:** A combination of increased output from both OPEC and non-OPEC producers, coupled with lackluster global demand growth, kept prices under constant pressure throughout the fourth quarter.

Year-End Volatility and Exchange Interventions

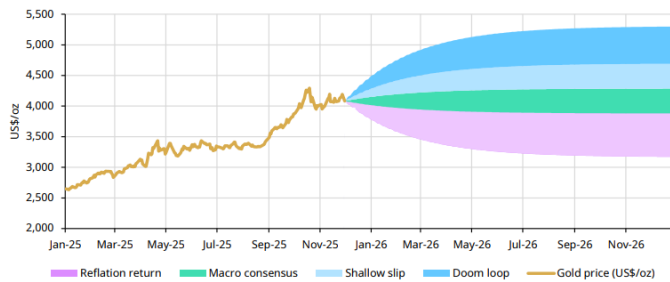
The final week of December saw extraordinary volatility in metals, driven by aggressive profit-taking and robust trading volumes in Asia.

In response to market dynamics and regular volatility reviews, CME Group, one of the world's largest commodity exchanges, increased margin requirements for precious metal futures twice in that last week to ensure sufficient collateral for trading positions.

2026 OUTLOOK: High-Conviction Diversification

We maintain a constructive view on precious metals as a core portfolio diversifier for 2026, though we anticipate higher volatility following the 2025 surge.

2026 implied gold performance based on hypothetical macroeconomic scenarios*



- Base Case:** We expect gold to remain well-supported by ongoing central bank buying and a "lower-for-longer" real yield environment as the Fed continues its easing cycle.
- Upside Risk:** A severe global downturn or heightened protectionism could trigger a secondary rally toward our bull-case targets of \$4,700–\$5,000/oz.
- Downside Risk:** Successful U.S. policy implementation that strengthens the dollar and cools geopolitical tensions remains the primary headwind for the sector.

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Q4 2025



KENYAN ECONOMY

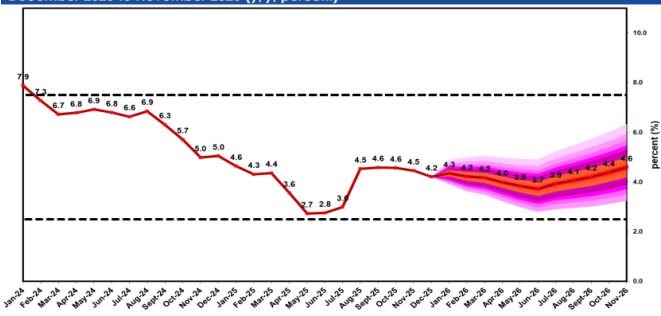
ECONOMIC GROWTH: The Industrial and Services Rebound

Real GDP growth remained robust through the end of 2025, buoyed by sectoral rebounds and improved credit access.

- Q3 Performance:** Growth reached 4.9%, a slight moderation from the 5.0% in Q2 but a significant uptick from the 4.2% recorded in the same period of 2024.
- Key Drivers:** Agriculture remained the primary engine of growth, while the construction and mining sectors staged a vital recovery, fueled by a resurgence in project financing as banks released credit to the private sector.
- 2026 Outlook:** The World Bank projects a sustained growth rate of 4.9%, as the economy balances the dividends of lower interest rates against persistent cost-of-living pressures and fiscal consolidation.

INFLATION & CBR POLICY: The Cautious Pivot

Actual and Forecasts of overall inflation December 2025 to November 2026 (y/y, percent)



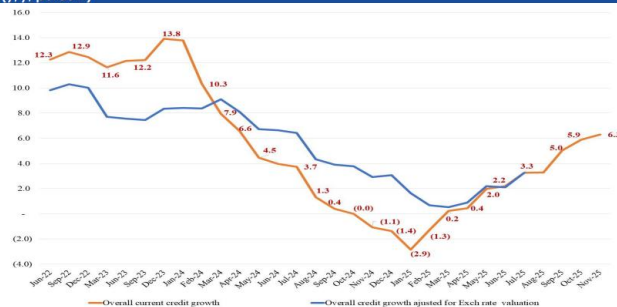
Source: KNBS, and CBK for projections

The Monetary Policy Committee (MPC) executed a dual-easing strategy in Q4, navigating a "sticky" inflation floor.

- Sticky Headline, Rising Non-Core:** Headline inflation held steady at 4.5% in November and December. However, a significant divergence emerged as non-core inflation climbed to 11.2% in December (from 10.1% in November, and 9.9% in October), reflecting lingering supply-side pressures.
- The Path to 9.00%:** To support credit growth, the MPC lowered the Central Bank Rate (CBR) by 25bps in October to 9.25% and a further 25bps in December, closing the year at 9.00%. This 50bp Q4 reduction brought the total annual easing to a historic 225bps.

PRIVATE SECTOR CREDIT & PMI: A Leading Indicator of Recovery

12 Month growth in credit to the private sector (y/y, percent)

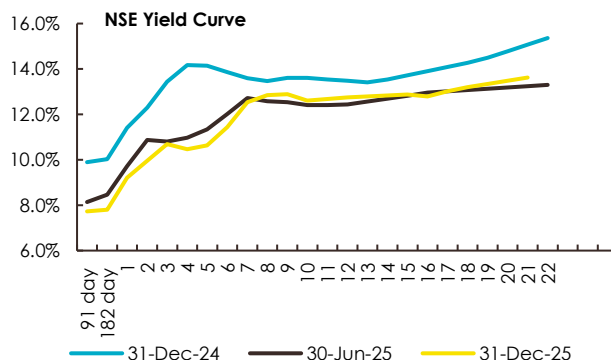


Source: CBK

The most dramatic shift of 2025 was the reversal of the "credit crunch" that defined the previous year.

- Credit Expansion:** Private sector credit growth surged to 6.3% y-o-y in November, a remarkable recovery from the -2.9% contraction seen in January. Demand was concentrated in Manufacturing, Construction, and Trade.
- Asset Quality:** The Gross NPL ratio improved to 16.5% (down from 17.1% in September), signaling that lower interest rates are beginning to ease the debt service burden on households and SMEs.
- PMI Momentum:** The Stanbic Bank PMI closed the year at 53.7, marking its highest levels in four years. Firms reported the strongest employment expansion in six years, though input price pressures (fuel and taxes) suggest a potential inflationary "demand-pull" in early 2026.

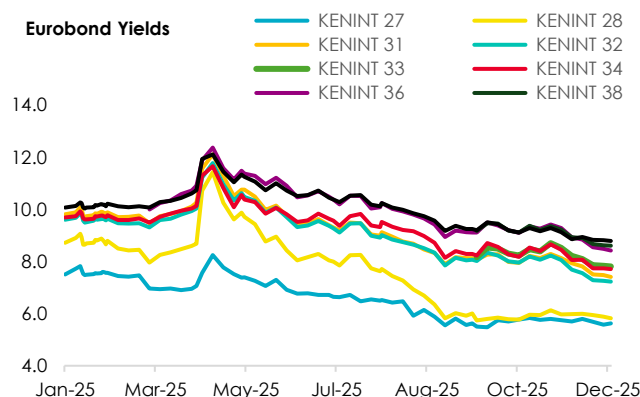
FIXED INCOME: Proactive Liability Management



The National Treasury shifted its focus to lengthening the maturity profile and reducing short-term "cliff" risks.

- T-Bill Dynamics:** Yields edged lower by 19–32bps across all tenors in Q4, though rates just "barely" tracked the December CBR cut as the government prioritized net borrowing targets in a crowded market.

- **The May 2026 De-risking:** In a strategic move, the government successfully bought back KES 20B of the FXD1/2023/003 bond maturing in May 2026. By retiring this 14.2% coupon debt early at a discount, the Treasury significantly smoothed its mid-year redemption profile.
- **Global Access:** Kenya tapped the Eurobond market with a \$1.5B dual-tranche issue (2033 and 2038 maturities) to refinance the 2028 notes. The 4x oversubscription (\$7B+ in bids) underscores a massive return of risk appetite for Kenyan debt among global institutional investors.

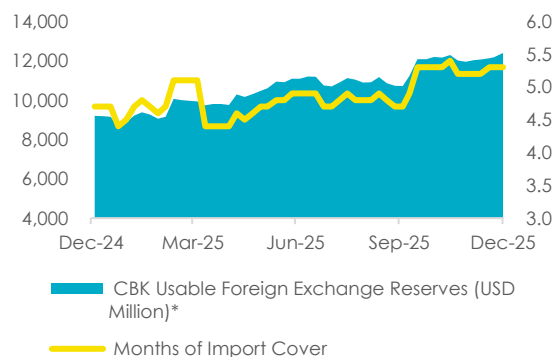


CURRENCY: A Stabilizing Buffer

The Kenya Shilling remained remarkably flat throughout the quarter, ending the year with a marginal 0.22% appreciation against the USD.

- **Central Bank Intervention:** The CBK actively accumulated dollar flows from the market to build FX reserves, providing a critical buffer for 2026 debt repayments.
- **Resilient Flows:** Reserves were propped up by the October Eurobond proceeds and robust diaspora remittances, which now average over \$450M per month. Market sentiment suggests the Shilling may gain further ground in Q1 2026 on the back of tea and horticulture export seasons.

FX Reserves



2026 STRATEGIC OUTLOOK: The "Risk-On" Pivot

We anticipate 2026 will be defined by Portfolio Rebalancing. As Treasury Bill yields continue to decline, we expect both retail and institutional investors to shift toward:

1. **Corporate Quality:** Continued oversubscription of corporate notes (Safaricom/EABL) as investors seek "safe" yields above the falling government curve.
2. **Equity Upside:** A "risk-on" rotation into the NSE as lower rates boost corporate valuations and consumer purchasing power.
3. **Alternative Debt:** Moves to securitize the fuel levy and the launch of the "Talanta Stadium" infrastructure bond represent a shift toward non-exchequer development funding.

Overall, the Kenyan economy has successfully navigated its most difficult debt-servicing hurdle. With the CBR at 9.00% and credit flowing back into the real economy, the focus now shifts to whether the private sector can convert this liquidity into sustained GDP expansion.

KENYAN EQUITIES: A Year of Astronomical Gains and Local Dominance

The Nairobi Securities Exchange (NSE) delivered a historic performance in 2025, characterized by local investor dominance and a total market capitalization that breached the KES 3 trillion mark in November.

A combination of aggressive central bank easing, the elimination of minimum board lot rules, and a wave of high-impact corporate actions propelled the market to a ~51% annual gain.

The Performance Matrix: A Bullish Sweep

The market's performance in 2025 was broad-based, rewarding fundamental transformations and defensive financial plays.

Index	Q4 2025 Return	FY 2025 Return	Principal Catalyst
NASI	5.57%	51.10%	Broad recovery led by Safaricom and banking.
NSE 20	5.60%	56.13%	Accumulation of undervalued dividend players.
NSE 25	10.21%	49.78%	Targeted institutional and local retail inflows into highly liquid counters.
NSE 10	10.20%	50.90%	
Banking Sector	22.98%	-	Q3 earnings cycle, dividend plays and re-rating of NCBA and KCB in Q4.

Sectoral Pulse: Earnings, Speculation and Global Interest

Financials: Regional restructuring dominated; with DTB offloading non-core subsidiaries, KCB proposing the acquisition of a minority stake in Pesapal to deepen fintech integration, Family Bank's Sh8b in capital raising via private placement.

The October launch of the Banking Sector Index acted as a force multiplier.

Manufacturing: Asahi Group made its intention known to buyout 65% of Diageo's stake in EABL at a decent premium over the trading price, injecting massive institutional confidence into the bourse.

Technology: Vodafone announced intention to acquire 15% of GoK's stake in Safaricom, a move expected to inject ~204B liquidity into Treasury.

Speculative Small-Caps: While blue-chips moved on fundamentals, the year saw extreme volatility in penny stocks (Uchumi +505%, Sameer +486%), driven largely by local retail speculation rather than structural earnings.

Regulatory & Digital Asset Modernization

- **Digital Assets:** Parliament passed the Virtual Asset Service Providers (VASP) Bill, 2025, placing crypto oversight under the CBK and CMA. This provides a legal home for digital assets while requiring physical offices and local boards to ensure domestic accountability.
- **Democratized Trading:** The shift to single-unit trading (scrapping the 100-share minimum) and the temporary trading halts for market-moving news have ensured information symmetry across the bourse.

2026 OUTLOOK: The Privatization Wave

We anticipate that the momentum of 2025 will transition into a Primary Market boom in 2026.

- **Kenya Pipeline (KPC) Listing:** The government has set a March 2026 deadline for the partial privatization of KPC. Expected to be the largest IPO since Safaricom, this listing will be the primary liquidity magnet for the year.
- **Offshore Exposure:** The bourse has seen dollar-denominated alternatives (ETFs, I-REITs) that offer investors geographical and currency diversification.
- **Institutional Conviction:** We expect the "Dividend Play" to remain the dominant strategy as investors rotate out of high-yielding government paper (due to the CBR easing cycle) and into high-quality equity names.

MACROECONOMIC COMMENTARY

Q4 2025



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