NCBA

JULY 2026

CIO NEWSLETTER

Dear Investor,

Someone with a sense of humor named a group of giraffes a ***tower***. Fitting, really, a cluster of angled necks all straining skyward. Unfortunately for the gerenuk, with the same improbable neck but none of the legs, and all they got was ***herd***. Poor gerenuk!

The giraffe's greatest strength isn't just the height, it's what the height buys: a ***long-term view***, and an early warning system thanks to that ***wide field of vision***. Charles Darwin called this natural selection where not the strongest survive, but the best adapted. And if you grew up on Tingatinga cartoons, you'll know exactly how the story ends for the giraffe that stops watching, with its neck down at the waterhole, and crocodile jaws closing in.

Which brings us to the question we ask ourselves every day:

what are appropriate levels of risk and what adaptations give you a leg up?

In ***finance***, we have our own version of the giraffe's eyesight, the Sharpe ratio, a number that tells you how much return you are earning for the risk you're carrying. You'll find it in every ***fact sheet*** we send you, because the honest answer is we're not in the business of big bets with your money.

At ***NCBA Wealth Management***, our philosophy has always been to invest like the giraffe. We take a long-necked, far-sighted view on markets, and like a giraffe, careful and watchful. There's a catch to being that tall: there's nowhere to hide which is why we tell you exactly what we own, and in what proportion.

This brings us to an interesting idea from the philosopher John Rawls. In A ***Theory of Justice***, Rawls argued that the fairest decisions are made from behind a "veil of ignorance". In other words, you must imagine yourself as anyone, i.e. ignorant of your place or position in society. Once you do this, you naturally choose to protect the worst-case outcome, because it might be yours.

Should investing work the same way? Not quite.

Investing asks the opposite of ignorance

Investing asks you to know exactly who you are: your ***goals***, your ***appetite for risk***, your ***time horizon***. You should consider the worst outcome and make choices that maximize results for you.

That's precisely the veil a good wealth advisor lifts for you. This is what we do at NCBA, particularly within ***Private Wealth***, where we open a wide range of options matched to your risk appetite. Suitability is the whole point.

In a marketplace crowded with products and promises, we continue to believe that human touch, through thoughtful advice grounded in a ***deep understanding of each client***, remains our greatest differentiator.

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 June

1.1. Equity Markets

- **Global equities** extended their rally in June despite bouts of volatility, as diverging themes within the regions drove the performance.

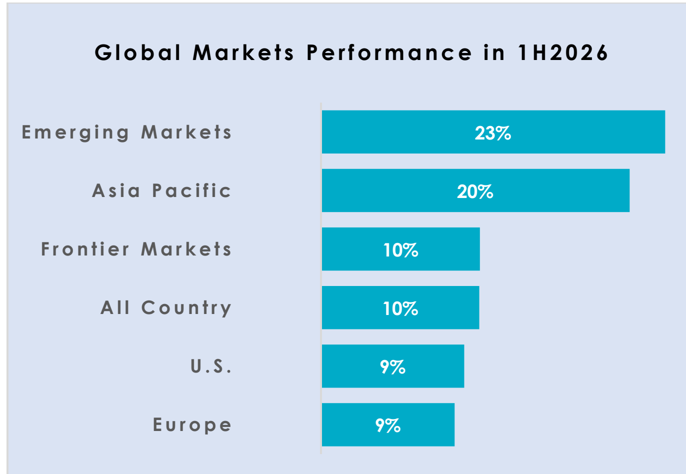
- **U.S. equities** delivered mixed performance with the Dow Jones Industrial posting gains of 2.5% while the Nasdaq posted a 2.8% decline. The broader S&P 500 also ended the month lower, falling 1.06%. This was driven by profit-taking following the strong gains recorded by technology stocks earlier in the year.

- **European** recorded modest gains with the STOXX 600 advancing 2.5% supported by easing concerns around energy markets. Broader gains were constrained by concerns around domestic economic growth and persistent inflationary pressures.

- In **Asia**, Chinese equities struggled, with the Shanghai Composite largely unchanged with a 0.6% gain and the Hang Seng falling 9.1%as profit-taking in technology stocks and persistent concerns over weak domestic demand weighed on investor sentiment. Japan remained one of the strongest-performing equity markets globally in June, with the Nikkei 225 rising approximately 6% and reaching record highs during the month. The rally was supported by continued strength in semiconductor and technology stocks, investor optimism, and sustained foreign investor inflows.

- **Emerging market** paused in June, with the MSCI Emerging Markets Index declining 1.7% as investors took profits following a strong first half of the year. Nevertheless, emerging markets remained among the strongest-performing asset classes globally, delivering a year-to-date return of 22.7%, second only to Japan, supported by robust earnings growth, favorable capital flows and continued investor demand for technology and structural growth opportunities.

- **Kenyan equities** extended their rally in June, supported by broad-based strength across banking and telco sectors. The rally pushed the All-Share Index to fresh record highs, capping one of the strongest quarters in recent years. Trading activity remained primarily supported by domestic investors, while foreign investors continued to maintain a net selling position amid persistent global risk sensitivity.



Global			
Index	**Market**	**Jun-26**	**YTD**
MSCI ACWI	Global	(0.91%)	10.43%

U.S. Market			
S&P 500	US	(1.06%)	9.55%
Dow Jones	US	2.52%	8.85%
Nasdaq	US	(2.81%)	12.79%

Europe			
STOXX 600	Europe	2.51%	8.37%
FTSE 100	UK	0.84%	5.70%
DAX	Germany	(0.43%)	2.06%
CAC 40	France	2.70%	3.12%

Asia			
CSI 300	China	0.63%	3.16%
Hang Seng	China	(9.14%)	(10.73%)
Nikkei 225	Japan	5.63%	39.18%

EM			
MSCI EM	EM	(1.67%)	22.68%
Frontier EM	FM	1.39%	10.46%

Local			
NASI	Kenya	8.97%	20.14%
NSE-25	Kenya	9.72%	21.82%

1.2. Bond Markets

- The global fixed income landscape continued to navigate the competing forces of persistent inflation, elevated fiscal deficits and shifting expectations around monetary policy.
- Major central banks maintained a cautious policy stance in June as policymakers continued to balance persistent inflationary pressures against signs of moderating economic growth.
- While inflation remained above target across several major economies, easing geopolitical tensions towards month-end and a moderation in oil prices helped temper inflation expectations, allowing central banks to retain a data-dependent approach to future policy decisions.
- Bond yields remained relatively elevated as investors reassessed the likelihood of monetary policy easing and absorbed growth concerns and persistent inflationary pressures. Longer-dated Treasury yields continued to trade near multi-year highs, particularly in the United States and Japan, reflecting expectations that policy rates may remain higher for longer.
- Emerging market debt continued to outperform developed market bonds, albeit at a slower pace than in previous months supported by attractive real yields, a relatively stable U.S. dollar, and continued investor demand for higher-yielding assets.
- Locally, the Monetary Policy Committee (MPC) held the policy rate steady at 8.75% during its June meeting, extending the pause in the monetary easing cycle as policymakers continued assessing the evolving global and domestic macroeconomic environment.
- While the MPC adopted a cautious pause in its easing cycle, yields moved higher across the curve, driven by 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.
- With yields remaining above long-term averages, fixed income continues to offer attractive opportunities. However, capital appreciation is likely to remain constrained until there is greater conviction that inflation is sustainably moving towards central bank targets.
- Looking ahead, the outlook remains uncertain with investors exercising caution and selective duration exposure, as markets reassess the trajectory of monetary policy in an unstable macro environment.

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 37.91 B

Performance	Fund (Total Return)	Benchmark
Jun-26	0.63%	0.72%
3 Months	1.59%	2.05%
6 Months	3.58%	4.00%
1YR	8.04%	8.20%
3 YR (annualized)	11.84%	13.75%
5 YR (annualized)	10.03%	13.36%

' - 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 monetary policy expectations and inflationary 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 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 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 49.03 M

Performance	Fund (Total Return)	Benchmark
Jun-26	0.42%	0.30%
3 Months	2.10%	0.90%
6 Months	1.51%	1.82%
1YR	6.31%	3.97%
3 YR (annualized)	6.67%	4.94%
5 YR (annualized)	4.06%	4.23%

' - Benchmark – Secured Overnight Financing Rate*

The Fund delivered a modest return, outperforming the 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.

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 high-er, 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	Fund	Benchmark
Jun-26	0.54%	0.71%
Since Inception	2.65%	3.05%
Fund Size	KES 2.16 B	

' - Benchmark – 91 Day Treasury Bill rate*

The Fund delivered a solid return in June, slightly tracking below the benchmark. 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 persistent inflationary concerns 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	Fund	Benchmark
Jun-26	0.27%	0.30%
Since Inception	1.44%	1.41%
Fund Size	USD 4.09 M	

' - Benchmark – Secured Overnight Financing Rate*

The Fund delivered a moderate return in June, 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.t.

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 614.93 M

Performance	Fund	Benchmark
Jun-26	5.69%	6.12%
3 Months	14.15%	9.53%
6 Months	16.95%	14.78%
1YR	36.02%	36.39%
3 YR (annualized)	26.33%	30.32%
5 YR (annualized)	15.35%	13.82%

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

The Fund delivered a strong return though performance trailed the benchmark, as investor sentiment shifted primarily driven by easing geopolitical tensions. Local equities delivered broad-based strength led by the banking sector. Trading activity remained primarily supported by domestic investors, while foreign investors continued to maintain a net selling position amid persistent global risk sensitivity.

Local equities extended their rally in June on the back of large-cap performance led by banking sector as focus remained on the resilience of earnings.

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 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 10.51 M

Performance	Fund	Benchmark
Jun-26	(1.05%)	(0.91%)
3 Months	13.32%	14.46%
6 Months	10.71%	10.43%
1YR	22.33%	22.07%
Since Inception (annualized)	18.87%	17.91%

' - Benchmark - MSCI All Country World Index*

The Fund return was impacted by weakness in global equities, slightly underperforming the benchmark in a month characterized by divergent regional equity performance and a rotation away from growth-oriented markets.

Performance was impacted by weakness in the Fund's North American and Chinese equity holdings, with the main positive contributors coming from Europe ex UK and Emerging Markets ex China, which benefited from improving investor sentiment and resilient market performance

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 14.57 M

Performance	Fund	Benchmark
Jun-26	(0.17%)	0.32%
3 Months	2.28%	2.21%
6 Months	0.37%	1.52%
1YR	3.19%	6.73%
Since Inception (annualized)	5.21%	6.61%

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

The Fund delivered was impacted by yield movements, underperforming the benchmark return as higher government bond yields and weaker corporate credit markets weighed on performance.

Performance was primarily driven by weakness in the Fund's allocations to global high yield corporate bonds and global government bonds. Credit markets softened during the month as the higher underlying government bond yields weighed on corporate returns.

The Fund's emphasis on high-yielding investment-grade instruments with attractive spreads helped mitigate broader market swings. Positive contributions from emerging market bonds, Africa Eurobonds and long-duration U.S. Treasury bonds helped moderate the overall impact on portfolio returns.

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:

- **Are we in an AI bubble?**: The debate over whether AI exuberance is overdone less about the valuations and more about whether the future earnings can remain at extraordinary levels.

- **Geopolitical tensions:** Conflict in the Middle East remains a dominant global risk factor shaping investor sentiment. While signs of easing tensions have supported a recovery in risk appetite, the resurgence of strikes continues to impact oil prices and sustain concerns around inflationary pressures and slower global growth.

Local:

- **A Delicate Balance**: With June inflation easing slightly but remaining near the upper end of the CBK's target range, we will be watching the trend and, in turn, the path of interest rates.

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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