

AUGUST 2026

CIO NEWSLETTER

Dear Investor,

Old nautical charts used to mark a particular belt near the equator with a single word: **The Doldrums**. It was a region where the prevailing winds could completely disappear, leaving sailing ships stranded on glass-like water for days, sometimes weeks. No storm. No dramatic waves. Just... **nothing**.

Which sounds remarkably like **August** in financial markets.

Trading desks get quieter, volumes thin out, and suddenly everyone seems to be waiting for September to become a personality again. The problem with quiet markets is that they can be surprisingly good at getting inside an investor's head.

When **nothing is happening, we start looking for something to happen**.

A small price move becomes a signal. A thinly traded rally starts looking like an opportunity. A temporary dip suddenly feels like a problem to fix. Before long, the investor who was perfectly comfortable with their portfolio yesterday is rearranging it simply because the market feels a little too quiet today.

If you've caught the recent cinematic adaptation of **The Odyssey**, you may have noticed a strangely familiar theme: sometimes, the real test begins when nothing appears to be happening.

Later in the voyage, **Odysseus** and his crew encounter the Sirens. Their danger was not simply their song, but **when** they sang; when sailors were already tired, frustrated and tempted to change course. Odysseus understood that the best time to make a bad decision is often when you are desperate to make any decision.

So he tied himself to the mast. A little dramatic, perhaps. But there is something to it.

Investing has a similar problem. We are constantly told that successful investors are decisive, active and always looking for the next opportunity. Yet sometimes the better decision is to **do absolutely nothing**.

After all, **you do not rearrange the furniture every time you walk into a room**.

Berkshire Hathaway offers a useful reminder. For years, Warren Buffett was criticized for holding an **enormous cash pile** while markets continued to rally. The criticism was familiar: too cautious, too passive, waiting for a better opportunity that might never come.

But cash is not particularly exciting until you need it.

The temptation was always to put that money to work. Yet preserving the **dry powder** meant capital was available when opportunities became compelling. When attractive opportunities emerge, the investor who has preserved liquidity has something the investor who chased every rally does not: **options**.

August may feel like a market's Doldrums, but that does not mean nothing is happening. Beneath the calm, interest rates are still moving, earnings are still evolving, and economic cycles are still turning.

And sometimes, the smartest thing an investor can do is **resist the urge to steer** simply because the water looks too still.

So, this August, perhaps we could all take a page from Odysseus.

Tie ourselves to the mast. **Keep some dry powder**. Ignore the Sirens.

And let the wind come to us.

Because the market will eventually move.

It always does.

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 July

1.1. Equity Markets

- **Global equities** were mixed in July as investors rotated away from technology stocks despite another strong corporate earnings season. While second-quarter earnings continued to demonstrate robust AI-driven revenue growth, investors increasingly questioned whether elevated AI capital expenditure would generate sufficient returns, prompting a reassessment of technology valuations.
- Market volatility increased as renewed Middle East tensions and higher oil prices reinforced risk-off sentiment. The resulting pressure was most pronounced in technology and semi-conductor stocks, while energy and financials outperformed.
- Regional performance reflected differences in sector composition:
- The **UK** outperformed most developed markets, supported by its relatively low technology exposure and stronger performance from energy and financial stocks.
- **European** equities were broadly unchanged as gains in industrials and financials offset weakness in technology.
- In the **U.S.**, the S&P 500 finished the month broadly flat despite strong earnings, as investors sought clearer evidence that continued AI investment would translate to sustainable earnings growth.
- **Japanese** equities were mixed, with the broader TOPIX outperforming the technology-heavy Nikkei 225 as semiconductor stocks came under pressure.
- **Emerging markets** underperformed developed markets, driven primarily by sharp declines in semiconductor-related stocks in Taiwan and South Korea, which outweighed gains in China.
- **Kenyan equities** continued to perform strongly, with all major indices posting gains. The NSE 20 led with a 9.00% gain, followed by NASI (+6.12%) and NSE 25 (+5.84%), supported by select banking, insurance, utilities and manufacturing counters, alongside continued corporate activity.

What this means for investors:

- **Review Concentration Risk:** July's rotation is a cue to reassess technology exposure as market leadership broadens and valuations come under scrutiny.

Companies with resilient earnings, strong cash generation and sound fundamentals may offer greater resilience as investors become more selective.

- **Stay positioned for volatility:** Geopolitical and policy uncertainty could continue to drive sharp rotations across sectors and regions. Maintaining diversified exposure can help investors participate in opportunities without relying on a single market theme. Locally, August's H1 earnings season should provide an important test of whether recent NSE gains are supported by underlying corporate fundamentals.

Global		
Index	Market	Jul-26
MSCI All Country World Index	Global	0.00%

U.S. Market		
Index	Market	Jul-26
S&P 500	U.S.	-0.13%
Nasdaq	U.S.	-3.20%
Dow Jones	U.S.	0.32%

Europe		
Index	Market	Jul-26
STOXX 600	Europe	1.16%
FTSE 100	UK	3.53%
DAX	Germany	2.53%
CAC 40	France	1.26%

Asia		
Index	Market	Jul-26
CSI 300	China	-7.86%
Hang Seng	Hong Kong	13.13%
Nikkei 225	Japan	-8.14%

Emerging Markets		
Index	Market	Jul-26
MSCI EM ex China	Emerging Markets	-5.91%

Local		
Index	Market	Jul-26
NASI	Kenya	6.12%
NSE-25	Kenya	5.84%

1.2. Bond Markets

- **Global fixed income markets** weakened in July as renewed energy price pressures, resilient economic data and persistent fiscal borrowing concerns pushed developed-market yields higher. Major central banks maintained policy rates but retained cautious, data-dependent positions amid uncertainty around inflation and geopolitical developments.
- **Government bond yields** rose across most developed markets. U.S. Treasury yields moved higher despite the Fed's rate hold, reflecting higher term premia and expectations of restrictive policy for longer. German Bund and UK gilt yields also increased as inflation concerns reinforced expectations of tighter policy, while Japanese government bonds outperformed despite heightened volatility around fiscal stimulus and further BoJ normalization.
- **Credit markets** were driven more by duration than credit fundamentals. High-yield bonds outperformed investment-grade credit, supported by higher carry and shorter duration, while elevated U.S. technology issuance contributed to modestly wider spreads in investment-grade credit. Corporate fundamentals remained resilient, although higher sovereign yields and interest-rate volatility continue to constrain further spread compression.
- **Kenyan Eurobonds** weakened as higher global yields and cautious investor sentiment weighed on frontier-market debt, with yields rising by approximately 40bps on average, particularly across the 5–8 year maturities. The repricing occurred despite supportive domestic fundamentals, including a stable exchange rate, strong foreign exchange reserves and improving external balances.
- **Domestic rates** remained relatively stable but selective. The CBR remained at 8.75% as the MPC did not meet in July, while T-bill yields were mixed across maturities. Demand for T-bills softened, with average subscription falling to approximately 174% from 265% in June, although demand remained strongest at the short end.
- Investor appetite for longer-dated government bonds remained resilient, with the two July re-opening auctions attracting subscriptions of approximately 206% and 215%, respectively. However, the premium demanded on longer maturities highlights continued sensitivity to inflation and monetary policy uncertainty.

What this means for investors:

Higher yields improve the income proposition. The global rise in bond yields has increased the income available from fixed income, although investors should expect continued price volatility as markets reassess the timing and direction of monetary policy.

Duration remains an important portfolio consideration. The month's performance demonstrated the vulnerability of longer-duration assets to rising yields, supporting a selective approach to duration while retaining exposure to attractive income opportunities.

Local Market Rates: Strong demand at both the treasury bill and bond auctions suggests liquidity remains the key driver of rates remaining more range-bound in the near term.

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 37.74 B	
Performance	Fund	Benchmark
July-26	0.66%	0.73%
3 Months	1.76%	2.16%
6 Months	3.46%	4.10%
1YR	8.10%	8.26%
3 YR (annualized)	12.13%	13.62%
5 YR (annualized)	9.91%	13.42%

* - Benchmark – 91 Day Treasury Bill rate

The Fund continued to deliver stable positive returns from its diversified portfolio of treasury bills, bonds and term deposits. However, performance remained slightly below the benchmark 91-day T-bill across the measured periods.

While the 91-day Treasury bill rate benefited more quickly from higher short-term interest rates, the Fund maintains a diversified portfolio across different fixed income instruments and maturities to manage risk, preserve capital and provide liquidity. This balanced approach can lag the benchmark during periods when short-term rates are relatively higher.

The Fund remains positioned in high-quality fixed income assets, with a focus on generating consistent income while maintaining adequate liquidity and managing interest rate risk. We expect yields to remain attractive in the near term. The Fund will continue to selectively take advantage of opportunities in the market while preserving its low-risk profile.

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 48.39 M
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Performance	Fund	Benchmark
July-26	-0.23%	0.30%
3 Months	1.23%	0.90%
6 Months	1.05%	1.82%
1 YR	5.40%	3.97%
3 YR (annualized)	6.44%	4.94%
5 YR (annualized)	3.98%	4.23%

* - Benchmark – Secured Overnight Financing Rate

The Fund delivered a marginal negative return in July, underperforming the benchmark during the month. This was mainly due to a decline in the market value of its longer-dated Eurobond holdings as global interest rates increased, outweighing the carry return from deposits and short-term instruments. In contrast, the benchmark (SOFR) was not affected by bond price movements.

Despite the July underperformance, the Fund outperformed the benchmark over the 1 year and 3 year periods, reflecting the benefits of earning income from a diversified portfolio.

The Fund remains focused on preserving capital, maintaining adequate liquidity, and generating sustainable income through a diversified portfolio of high-quality fixed income assets. While interest rate volatility may continue in the near term, current yield levels present attractive opportunities to enhance portfolio returns over the medium term.

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.

Fund Size	KES 2.27 B
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Performance	Fund	Benchmark
July-26	0.67%	0.75%
3 Months	1.75%	2.18%
Since Inception	3.73%	3.82%

* Benchmark – 91 Day Treasury Bill rate

The Fund delivered a positive return in July but marginally underperformed the benchmark as maturing investments were reinvested at rates below the prevailing Treasury bill yields. While Treasury bill rates have remained relatively resilient and gradually increased, parts of the portfolio continued to reflect earlier investments made at lower yields.

The underperformance is therefore largely attributable to portfolio repricing rather than credit or liquidity concerns. As the portfolio matures and additional funds are deployed into higher-yielding short-term instruments, returns are expected to improve and better align with prevailing market rates.

The Fund remains focused on capital preservation, liquidity management and consistent income generation while selectively capturing attractive opportunities in the short-term fixed income market.

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.

Fund Size	USD 5.22 M
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Performance	Fund	Benchmark
July-26	0.27%	0.31%
3 Months	1.03%	0.93%
Since Inception	2.19%	1.73%

* - Benchmark – Secured Overnight Financing Rate

The Fund delivered a positive return in July, performing broadly in line with the benchmark. The interest rate environment remained supportive for short-term investments during the month as the Fed maintained its policy rate despite easing inflation. Elevated short-term yields continued to provide attractive income opportunities, allowing the Fund to benefit from prevailing money market rates while maintaining a conservative investment approach.

The Fund remains well positioned to capitalize on attractive short-term yields while preserving liquidity and maintaining a disciplined focus on high-quality investments. As the portfolio continues to grow, the Fund will remain focused on delivering consistent income through prudent reinvestment and active liquidity management.

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 684.07 M
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Performance	Fund	Benchmark
July-26	3.90%	3.79%
3 Months	12.59%	10.34%
6 Months	18.72%	15.77%
1 YR	38.21%	37.08%
3 YR (annualized)	35.68%	32.46%
5 YR (annualized)	14.80%	14.38%

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

The Fund delivered a strong return, outperforming the benchmark, despite a month marked by intermittent bouts of volatility tied to the escalating and de-escalating Iran conflict, which kept global risk sentiment on edge. Local equities extended their broad-based rally, with the banking sector being the primary engine of returns.

Locally, sentiment was further shaped by Safaricom and Absa's corporate actions. Trading activity remained primarily supported by domestic investors, while foreign investors continued to maintain a net selling position amid persistent global risk sensitivity.

From a positioning perspective, the Fund benefited from relative outperformance in banking stocks, while its offshore allocation was the sole detractor in July, giving back a modest portion of the diversification gains seen in June as the underperformance in tech stocks weighed on global equities.

We remain constructive, focusing on quality, liquidity and selective growth opportunities as we navigate an environment characterized by evolving global macroeconomic conditions.

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 10.94 M
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Performance	Fund	Benchmark
July-26	-0.83%	0.00%
3 Months	2.84%	4.03%
6 Months	5.82%	7.30%
1 YR	19.22%	20.54%
Since Inception (annualized)	17.34%	16.99%

* - Benchmark - MSCI All Country World Index

The Fund's performance in July reflected broad rotation within global equity markets, as investors shifted away from semiconductor and AI-related stocks despite a strong earnings season. Positive contributions from China, Pacific region, and the UK were offset by weakness in U.S. technology and Emerging Markets, where semiconductor-heavy markets came under pressure.

The portfolio continues to maintain diversified exposure across regions and sectors amid increased market volatility and emerging opportunities. We remain constructive on global equities, supported by resilient earnings and long-term AI-driven structural themes, while expecting near-term market rotation as we enter a seasonally high volatility period characterized by economic policy uncertainty.

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 14.34 M
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Performance	Fund	Benchmark
July-26	-1.23%	-1.18%
3 Months	-0.91%	-0.15%
6 Months	-1.57%	0.14%
1 YR	2.62%	5.01%
Since Inception (annualized)	4.21%	5.59%

* - Benchmark – Blended Benchmark reflecting the investment style.

The Fund recorded a negative return in July and modestly underperformed its benchmark as global bond markets remained volatile amid changing interest rate expectations and persistent inflation concerns.

The underperformance was primarily driven by volatility in long-duration government bonds and emerging market debt, which were adversely affected by rising global bond yields. While short term performance has been impacted by market volatility, the Fund's underlying portfolio remains invested in high-quality global fixed income assets that continue to generate attractive carry returns.

The current environment reflects a temporary market repricing rather than a deterioration in underlying credit quality. As inflation stabilizes and interest rate uncertainty gradually recedes, bond valuations are expected to become more supportive. The Fund therefore remains well positioned to benefit from elevated yields, diversified global exposure and potential capital appreciation over the medium term.

We shall focus on prudent portfolio positioning, broad diversification and active asset allocation to navigate short term volatility while seeking to enhance risk-adjusted returns over the medium term.

Daniel Ndung'u
Portfolio Manager
NCBA Global Special Funds



Looking Ahead

At the global level, investors and capital allocators will be closely monitoring key market drivers, including U.S. inflation data, Federal Reserve policy signals, geopolitical tensions in the Middle East, and evolving sentiment around AI-related investments. These developments will continue to shape expectations for interest rates, economic growth and asset valuations.

Locally, attention will remain on the CBK's August MPC decision, corporate earnings releases, and government debt issuances, all of which will provide important signals on liquidity conditions, interest rate direction and the outlook for Kenyan financial instruments.

While geopolitical risks and policy uncertainty may continue to generate short-term market volatility, our focus remains on building resilient portfolios that can withstand market fluctuations while positioning clients to benefit from emerging opportunities.

Markets may feel directionless at times, but periods of uncertainty often present the most attractive investment opportunities. We encourage you to engage your advisor and assess whether your portfolio, and any available cash reserves, are optimally positioned to benefit from the opportunities emerging in today's market environment.

Have a successful month ahead.

Yours Sincerely,

Paul Gicheru
Chief Investment Officer



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