

JUNE 2026

CIO NEWSLETTER

Dear Investor,

As you read this, the **World Cup** is underway. For the next month, billions of people will suddenly become experts in formations, substitutions, and why their manager should have made a different decision in the 78th minute.

Markets, as it turns out, are not much different.

Every four years, football reminds us of something investors routinely forget: the team everyone falls in love with during the opening week rarely ends up lifting the trophy. The early favorites play exciting football, dominate the headlines, and look unstoppable - until they encounter their first serious test. A defensive mistake, an injury, a red card, or simply a moment of bad luck, and suddenly the tournament favorite is on the flight home.

The teams that win are usually less glamorous. They have a **disciplined back line**, a **holding midfielder** nobody puts on the poster, and a **manager** who understands that tournaments are not won in a single ninety-minute match.

The current market feels a lot like the opening week of a World Cup. **Artificial intelligence** continues to dominate investor attention, with a rush of high-profile listings and capital raises generating massive excitement. In fact, the recent market dips over the last week suggest that many are actively hollowing out their midfield, unwinding established positions just to clear **space (get it?...SpaceX is coming to market)** for the glitziest new signing. Meanwhile, central banks are weighing their next moves, and developments in the Middle East remain capable of changing the mood of the market overnight.

There are a lot of **balls in the air**.

In periods like these, investors are often tempted to chase the most exciting opportunities. Some of these companies may well prove transformational over the next decade. But history suggests that periods of maximum excitement are also when investors are most vulnerable to paying too much for growth.

The problem with chasing every striker is that eventually, nobody is left guarding the goal. A tournament-winning portfolio does not ignore the attack, but it **refuses to abandon the defense**.

The real value of a wealth manager isn't in predicting who scores the next goal. It is in maintaining **squad depth**, and the **tempo of your wealth**. It means ensuring that while your growth capital has the freedom to participate in major global tech cycles, you have an equally deliberate, unglamorous layer of liquidity anchoring the base. Having immediate access to short-duration, stable yields means you can watch an aggressive IPO window open with absolute **calm**, rather than being forced to make desperate, sub-optimal tactical adjustments just to fund the next play.

Nobody buys a ticket to watch the holding midfielder. Nobody puts them on the poster. Yet every manager wants one, and every team that wins something serious usually has one.

The objective, after all, is not to win the first match. It is to **still be playing in the final**.

In the meantime, enjoy the football. Between the matches, many of us will no doubt be keeping one eye on the markets as well. Because, just like football tournaments, investment journeys are rarely decided in the opening week.

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 May

1.1. Equity Markets

- **Global equities** extended their gains in May as investors looked past geopolitical uncertainty, choosing to focus on strong corporate earnings, resilient economic data and continued optimism around AI.
- **U.S. equities** remained the primary driver of global performance, with the S&P 500 and Nasdaq posting gains of 5.2% and 8.4% respectively. Strong earnings results, particularly from AI-linked companies, reinforced investor confidence despite elevated valuations and geopolitical tensions in the Middle East.
- **European equities** delivered modest gains with the STOXX 600 advancing 2.4% supported by easing concerns around energy markets. Broader gains were constrained by concerns around domestic economic growth and persistent inflationary pressures.
- **UK equities** lagged, with the FTSE All-Share Index gaining only 0.3% during the month. The market's tilt towards energy, financials and defense stocks weighed on performance in a month that favored growth and technology.
- **Japan** was among the strongest performers globally, with the Nikkei 225 rising approximately 12% and reaching record highs during the month. The rally was driven by sustained investor enthusiasm in semiconductor and technology stocks.
- **Chinese equities** struggled, with the Shanghai Composite declining 1.06% and the Hang Seng falling 2.30%, as concerns over the pace of economic recovery and weak domestic demand continued to weigh on sentiment. The divergence highlights investors' preference for markets offering greater exposure to the global AI and technology investment cycle.
- **Emerging markets** outperformed developed peers, with the MSCI Emerging Markets Index gaining 9.5%. Performance was driven primarily by technology-heavy markets in Asia, particularly those benefiting from strong demand for semiconductors and AI-related infrastructure.
- **The Kenyan equity market** performance was mixed during the month, with the NASI and NSE 10 gaining 0.17% and 0.92%, respectively, while the other major indices declined. Trading activity remained largely driven by local investors, though foreign investors were net buyers, particularly towards month-end in a season characterized by key earnings releases and corporate actions.
- Globally, investor sentiment is expected to remain largely hinged on geopolitical developments in the Middle East, especially with regards to progress in ceasefire negotiations, oil price volatility and how these continue to test the resilience of the broader economies. As AI-driven success continues, investors are growing increasingly cautious about elevated earnings expectations, a growing pipeline of AI-related equity issuances and market concentration.
- Inflation and interest rate expectations remain key drivers of market performance locally. Market activity is expected to support increased participation from local investors, with profit-taking likely as select counters approach book closure dates and dividend payments during the month, prompting anticipated reinvestment decisions.

Global		
Index	Market	May-26
MSCI ACWI	Global	4.98%

U.S. Market		
Index	Market	May-26
S&P 500	U.S.	5.15%
Nasdaq	U.S.	8.36%
Dow Jones	U.S.	2.78%

Europe		
Index	Market	May-26
STOXX 600	Europe	2.41%
FTSE 100	UK	0.29%
DAX	Germany	3.34%
CAC 40	France	0.84%

Asia		
Index	Market	May-26
CSI 300	China	1.76%
Hang Seng	Hong Kong	-2.30%
Nikkei 225	Japan	11.88%

Local		
Index	Market	May-26
NASI	Kenya	0.17%
NSE-25	Kenya	-0.16%

1.2. Bond Markets

- Global fixed income markets experienced sharp volatility in May, stemming from rising inflationary pressures over uncertainties in the Middle East conflict.
- Headline inflation numbers in the U.S. and Europe picked up pace, resulting in interest rate expectations shifting to a Fed rate hike in December, and a European Central Bank (ECB) hike in June.
- Bond yields remained elevated as investors reassessed the likelihood of near-term rate hikes and absorbed concerns around persistent inflation. 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.
- Regional elections and speculation around political change increased fiscal policy uncertainty and treasury bond volatility in the UK. Despite a deteriorating labor market, lower-than-expected inflation pushed yields lower by close of the month, with UK government bonds outperforming their advanced economy peers.
- Locally, the yield curve shifted 22bps higher during the month, with short-term papers experiencing the most pronounced gains, notably the 2-year paper, alongside certain mid-curve tenors and the 91-day treasury bill.
- Yields for both the 91-day and 182-day papers converged at ~8% levels, indicative of heightened near-term inflation expectations and sustained government borrowing pressures during a month marked by a net negative borrowing position due to significant redemptions.
- Bond auctions attracted substantial investor participation, particularly the three-paper issue, with a clear preference for shorter-dated notes and higher-coupon, long-term bonds. Conversely, the subsequent switch bond and dual issuance were less attractive given the prevailing rate outlook, as investors anticipated continued increases in yields.
- The close of corporate medium-term notes (I&M and KMRC) mid-month may have influenced investor preferences, as evidenced by their sizeable bids, underscoring the robust appetite for returns.

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 40.75 B		
Performance	Fund	Benchmark
May-26	0.47%	0.69%
3 Months	1.42%	1.95%
6 Months	3.66%	3.93%
1YR	8.06%	8.16%
3 YR (annualized)	11.24%	12.29%
5 YR (annualized)	10.26%	10.74%

* - Benchmark - 91 Day Treasury Bill rate

The Fund's return proved resilient in May, supported by its income-generating holdings, particularly Treasury bills and bank deposits. Rising Treasury bill yields enhanced portfolio income, while bank deposits continued to provide stable returns despite a slower pace of repricing.

Performance was moderated by modest valuation losses within the bond portfolio as yields moved higher across most tenors. However, the Fund's allocation to short-duration income-generating assets helped cushion the impact of these market movements.

Looking ahead, rising inflation expectations and sustained government borrowing requirements are expected to keep short-term yields attractive. The Fund remains focused on capturing these opportunities while maintaining a balanced approach to income generation, liquidity, and capital preservation.

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 50.79 M
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Performance	Fund	Benchmark
May-26	0.78%	0.30%
3 Months	0.65%	0.92%
6 Months	2.06%	1.84%
1YR	6.98%	4.03%
3 YR (annualized)	5.44%	4.76%
5 YR (annualized)	4.86%	3.91%

* - Benchmark – Secured Overnight Financing Rate

The Fund surpassed its benchmark in May, primarily due to valuation gains within its bond portfolio. Global fixed income instruments experienced significant volatility during the period, reflecting ongoing uncertainty surrounding the growth and inflation implications of the Middle East conflict.

Meanwhile, local dollar-denominated instruments remained relatively stable throughout the month, contributing to consistent income generation for the fund and mitigating a substantial portion of overall performance fluctuations.

Looking ahead, expectations for the Federal Reserve to maintain a cautious stance and keep rates elevated over the near term are expected to support USD fixed income yields. In this environment, the Fund remains focused on capturing attractive yields while maintaining flexibility to benefit from opportunities across the USD fixed income market.

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	May-26	Since Inception
Fund	0.53%	2.07%
Benchmark	0.66%	2.27%
Fund Size	KES 1.81 B	

* - Benchmark – 91 Day Treasury Bill rate

The Fund slightly trailed the benchmark over the month and since inception. This relative underperformance reflects a mismatch in the pace of yield adjustments across money market instruments, with treasury bill yields rising faster than bank deposit rates.

Looking ahead, rising inflation expectations and sustained government borrowing needs are expected to sustain elevated short-term interest rates. As the Fund continues to deploy capital in its early stages, we are selectively increasing exposure to higher-yielding instruments and taking advantage of anticipated further upticks in market yields to enhance portfolio income generation.

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	May-26	Since Inception
Fund	0.26%	1.15%
Benchmark	0.29%	1.09%
Fund Size	USD 3.47 M	

* - Benchmark – Secured Overnight Financing Rate

The Fund returned 0.26% in May, slightly underperforming the benchmark, while maintaining relative since inception outperformance. Performance over the month reflected the Fund's growth, and asset re allocation to position the portfolio to benefit from the modest uptick in local deposit rates.

As the Fund continues to deploy capital, we remain focused on securing competitive rates and taking advantage of attractive opportunities to support portfolio yield generation.

Looking ahead, expectations for the Federal Reserve maintaining a cautious stance and holding rates over the near term will support prevailing USD money market yields, providing a supportive environment for portfolio deployment.

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 555.24 M
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Performance	Fund	Benchmark
May-26	2.53%	0.18%
3 Months	0.76%	-2.06%
6 Months	14.80%	12.16%
1 YR	42.77%	37.67%
3 YR (annualized)	24.30%	22.36%
5 YR (annualized)	11.04%	10.18%

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

The Fund outperformed its benchmark in May, supported by strong contributions from its banking sector holdings, selected manufacturing counters, Safaricom, and offshore equity exposures. The Fund's global diversification continued to provide resilience and support overall performance.

We remain attentive to the evolving interest rate and inflation environment while seeking attractive opportunities across local and global markets. The Fund remains positioned to balance quality, long-term growth with income opportunities.

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 9.88 M
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Performance	Fund	Benchmark
May-26	4.80%	4.98%
3 Months	6.18%	7.00%
6 Months	12.68%	12.50%
1 YR	28.87%	28.57%
Since Inception (annualized)	20.76%	19.62%

* - Benchmark - MSCI All Country World Index

The fund delivered a return of 4.80% in May, slightly underperforming the benchmark return of 4.98% in a month where global equities extended gains and reached fresh highs.

Performance was driven by continued strength in AI-linked technology stocks and resilient corporate earnings, with the main positive contributors coming from Emerging Markets ex China, North America, and Japan. These gains were partially offset by weak performance in China and the UK, which lagged amid softer domestic demand and less favorable sector exposure.

Looking ahead, the outlook for global equities remains constructive but uneven, supported by strong structural growth themes, particularly in technology and AI investments, but tempered by geopolitical risks and uncertainty around monetary policy from central banks.

In this environment, the portfolio will continue to balance exposure to long-term growth opportunities with diversification and disciplined risk management, while remaining flexible to adjust positioning as market conditions evolve.

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
May-26	0.49%	0.70%
3 Months	-0.97%	-0.46%
6 Months	1.16%	1.57%
1YR	5.67%	8.44%
Since Inception (annualized)	5.60%	6.75%

* - Benchmark – Blended Benchmark reflecting the investment style.

The fund delivered a return of 0.49% in May, underperforming the benchmark return of 0.70% in a month where global fixed income markets posted broadly positive but uneven gains.

Performance was driven by stable rate conditions supported by contributions from emerging market bonds, global high yield, and investment grade corporate bonds, reflecting sensitivity credit spread widening in select segments. Africa Eurobonds were the key positive contributor, benefiting from pricing, while government bonds and cash provided stability.

Looking ahead, the market remains supported by attractive yield levels, but returns are likely to stay dispersed across regions and credit segments. The portfolio remains focused on balancing income generation with diversification and maintaining flexibility in duration and credit positioning as rate expectations evolve.

Daniel Ndung'u
Portfolio Manager
NCBA Global Special Funds



Looking Ahead

Globally:

- **Geopolitics:** As the war entered 100 days in early June with fresh missile strikes threatening peace prospects, uncertainties loom as to when and whether negotiations on a lasting ceasefire will be concluded. As a result, energy prices remain contingent on prolonged supply chain disruptions.
- **Monetary Policy Decisions:** Global central banks are expected to hold their policy decisions over the month of June. ECB met and hiked rates, being the first mover among global policymakers. Bank of Japan (15th & 16th), Fed (16th & 17th), Bank of England (18th), People's Bank of China (22nd) ; all expected to provide more color on the rate outlook in their respective regions.
- **U.S. IPO Rush:** American aerospace company, SpaceX's planned June IPO is expected to spark a wave of new listings, paving the way for upcoming AI IPOs like OpenAI and Anthropic, and indicating the extent to which AI-related spending will support the broader market.

Locally:

- **Family Bank Listing:** The company announced listing by introduction on the NSE set for June 23rd. This follows the KES 8B private placement program some time last year. We're keen on seeing how this adds to the existing robust local market activity.

As the world becomes more cluttered with distractions ranging from geopolitical disruptions to policy changes, we continue to focus on maintaining clarity within our strategy. Instead of simply observing these risks, we are proactively ensuring that your investments are resilient against 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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