

SEPTEMBER 2026

CIO NEWSLETTER

Dear Investor,

Every year, around this time, roughly 1.5 million wildebeest cross the Mara River in a loop so predictable you can set a calendar by it. Nobody is in charge. There's no lead wildebeest with a map. They move because the one in front moved, and the one behind is about to. It is one of the most efficient survival strategies in nature, until it isn't. At the river crossings, that same instinct sends thousands into crocodile-infested water, not because it's the safest place to cross, but because everyone else is crossing there too.

This week, we saw a very tame, very modern version of this instinct. Social media filled up with people prompting AI chatbots to generate "**how I would have looked in the 80s**" portraits, a trend so contagious that for a week everyone's timeline looked like a high school yearbook from 1987.

Nobody asked whether they wanted the picture. They asked because everyone else had one.

Brands do this too; it's called **trend jacking**, jumping on whatever is going viral this week, regardless of whether it says anything true about the brand at all. Sometimes it works. Often, it just adds one more voice to a crowd already shouting the same thing.

Financial markets are one of the few places where this pattern repeats just as reliably. A product performs well, word spreads, and suddenly everyone wants in not because they've checked whether it suits their goals, their risk appetite, or their time horizon, but because everyone else is already crossing that river.

Here's the thing worth holding onto though:

"The herd isn't wrong because it's a herd. It's wrong when it replaces judgement instead of informing it."

This is precisely why a conversation with your fund manager matters more than the trend of the month. A product that made sense for someone else's balance sheet, someone else's liabilities, someone else's **appetite for risk**, may be entirely wrong for yours. There is no "everyone" in a **well-built portfolio**, there is only you, your goals, and the specific mix of assets built to get you there.

At **NCBA Wealth Management**, our role isn't to point you toward whatever is trending. It's to ask the unglamorous questions: **What are you trying to achieve?** Over **what horizon?** How much risk are you genuinely able to carry? before a single recommendation is made. Yes, it's much slower than following the crowd but it's how you avoid finding yourself in the river at exactly the wrong moment.

The wildebeest don't have a choice, but you do. Speak to us before you cross.

Happy Investing!

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 August

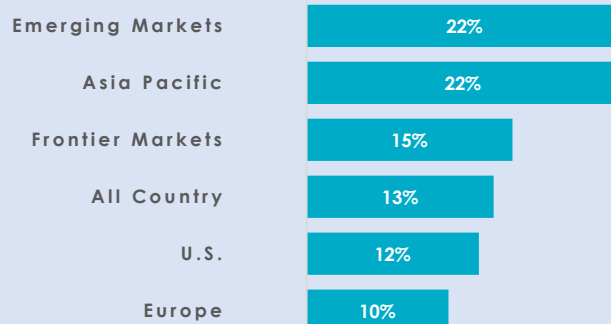
1.1. Equity Markets

- **Global equities** extended their rally in August despite bouts of volatility, supported by resilient corporate earnings, and the continued enthusiasm surrounding artificial intelligence.
- **U.S. equities** extended their rally with the Nasdaq leading the gains and the S&P 500 reaching fresh record highs. The continued strength was supported by renewed enthusiasm around artificial intelligence and resilient corporate earnings.
- **European** recorded modest gains with the STOXX 600 advancing 0.3% 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 delivered mixed performance, with the Shanghai Composite gaining 4% while the Hang Seng posted a 1.2% decline 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 August, with the Nikkei 225 reaching record highs and bringing its year-to-date gain to 31.7%. The rally was supported by continued strength in semiconductor and technology stocks, investor optimism, and sustained foreign investor inflows.
- **Emerging market** maintained their positive momentum with the MSCI Emerging Markets Index gaining 3.21%. The strong performance has lifted the index's year-to-date return to 22.4%, 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 August, 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.

While recent gains may create room for profit-taking, the earnings outlook remains supportive of equities.

Meanwhile, depressed fixed income yields should sustain the rotation toward equities as investors continue their search for attractive returns.

Global Markets Performance in 2026 (year-to-date)



Global			
Index	Market	Aug-26	YTD
MSCI ACWI	Global	2.56%	13.27%

U.S. Market			
S&P 500	US	2.62%	1228%
Dow Jones	US	1.34%	10.66%
Nasdaq	US	3.93%	13.46%

Europe			
STOXX 600	Europe	0.29%	9.95%
FTSE 100	UK	(0.40%)	8.99%
DAX	Germany	2.45%	7.22%
CAC 40	France	(2.06%)	2.27%

Asia			
CSI 300	China	4.02%	0.44%
Hang Seng	China	(1.23%)	(0.25%)
Nikkei 225	Japan	3.03%	31.73%

EM			
MSCI EM	EM	3.21%	22.43%
Frontier EM	FM	1.26%	14.60%

Local			
NASI	Kenya	5.66%	34.70%
NSE-25	Kenya	5.92%	36.57%

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 as policymakers continue to balance persistent inflationary pressures against signs of moderating economic growth.
- Inflation remained above target across several major economies, easing geopolitical tensions and a moderation in oil prices has 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 August 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 the reopened infrastructure bond 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.

Fund	August 2026 Return
NCBA Fixed Income Fund	0.70%
NCBA KES Money Market Fund	0.69%
NCBA USD Fixed Income Fund	0.67%
NCBA USD Money Market Fund	0.39%
NCBA Equity Fund	4.00%
NCBA Global Equity Fund	3.52%
NCBA Global Fixed Income Fund	0.95%

2.1. 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 2.66 B
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Performance	Fund	Benchmark
Aug-26	0.69%	0.75%
3 Months	1.97%	2.23%
6 Months	3.75%	4.25%
Since Inception	4.47%	4.60%

*** - Benchmark – 91 Day Treasury Bill rate*

The Fund delivered a strong return in August, performing marginally below the benchmark. Performance was supported by income generated from high-quality short-term investments as the portfolio continued to build scale.

The Fund's modest underperformance relative to the benchmark reflects its ongoing build-up phase, with portions of the portfolio invested at relatively lower prevailing short-term yields.

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.

Kenneth Mugira
Portfolio Manager
NCBA Equity Fund



2.2. 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 36.65 B
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Performance	Fund (Total Return)	Benchmark
Aug-26	0.70%	0.73%
3 Months	2.00%	2.20%
6 Months	3.45%	4.20%
1 YR	7.58%	8.32%
3 YR (annualized)	12.32%	13.45%
5 YR (annualized)	12.66%	13.48%

* - Benchmark – 91 Day Treasury Bill rate

The Fund delivered a moderate return supported by steady income from treasury bonds and term deposits. Performance, however, trailed the benchmark as the fixed income market navigated a mixed interest rate following the Monetary Policy Committee's decision to leave the policy rate unchanged amid rising inflationary concerns.

Interest rate movements have been uneven across maturities, resulting in yield compression in the short and medium term, while rising in the long end. Against this backdrop, the Fund has maintained a prudent allocation to high liquid fixed income securities, balancing income generation and selective duration exposure.

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



2.3. 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 4.64 M
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Performance	Fund	Benchmark
Aug-26	0.39%	0.31%
3 Months	1.10%	0.93%
6 Months	2.07%	1.87%
Since Inception	2.60%	2.05%

* - Benchmark – Secured Overnight Financing Rate

The Fund delivered a modest return in August, outperforming the benchmark. Performance was supported by income generated from high-quality, short-duration investments as the portfolio continues to build scale while maintaining a strong focus on liquidity, capital preservation, and credit quality.

The interest rate environment remained supportive of short-term investments during the month as the Federal Reserve 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.

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



2.4. 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 48.29 M
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Performance	Fund (Total Return)	Benchmark
Aug-26	0.67%	0.30%
3 Months	1.09%	0.90%
6 Months	1.69%	1.82%
1 YR	5.32%	3.82%
3 YR (annualized)	6.66%	4.83%
5 YR (annualized)	4.72%	4.35%

* - Benchmark – Secured Overnight Financing Rate

The Fund rebounded in August, outperforming its benchmark as the valuation of its Eurobond holdings lifted performance, supported by recovery in its global fixed income allocation. Performance was further anchored by stable income from bank deposits and shorter-duration instruments, which continued to provide liquidity and cushion overall portfolio performance.

Global fixed income markets remained volatile during the month despite softer-than-expected U.S. inflation, as the Federal Reserve maintained its policy rate and investors reassessed the outlook for monetary policy.

Rising yields, particularly across the longer end of the U.S. Treasury curve, exerted pressure on global bond prices, while heightened geopolitical and fiscal uncertainty continued to influence investor sentiment.

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



2.5. 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 766.31 M
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Performance	Fund	Benchmark
Aug-26	4.00%	3.85%
3 Months	14.20%	14.38%
6 Months	15.07%	12.03%
1 YR	37.38%	35.92%
3 YR (annualized)	41.16%	37.01%
5 YR (annualized)	15.51%	14.93%

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

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 primary engine of returns.

Locally sentiment was further shaped by half-year earnings releases across the board. Trading activity remained primarily supported by domestic investors, as foreign investors continue to maintain a net selling position amid persistent global risk sensitivity.

From a positioning perspective, the fund benefited from relative outperformance in banking stocks supported by modest gains in its offshore allocation.

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

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.



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 11.09 M
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Performance	Fund	Benchmark
Aug-26	3.52%	2.56%
3 Months	1.58%	1.63%
6 Months	7.86%	8.75%
1 YR	20.50%	20.77%
Since Inception (annualized)	18.71%	17.77%

* - Benchmark - MSCI All Country World Index

The Fund delivered a strong return of 3.5% in August, outperforming the benchmark return of 2.6% in a month characterized by broad-based gains across global equity markets.

Performance was driven by strong gains in the Fund's North American, Emerging Markets ex China, and U.S. Technology holdings, with the contributors benefiting from continued investor optimism and strength in tech-adjacent markets. These gains were partially offset by weakness in the Fund's Chinese equity holdings.

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

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 12.93 M
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Performance	Fund	Benchmark
Aug-26	0.95%	0.62%
3 Months	(0.46%)	(0.24%)
6 Months	(1.43%)	(0.70%)
1 YR	2.23%	4.27%
Since Inception (annualized)	8.51%	10.63%

* - Benchmark - Blended Benchmark reflecting the investment style.

The Fund rebounded strongly in August, delivering a return of 0.95% outperforming the benchmark return of 0.62%. The recovery was supported by strong gains across the Fund's Global High Yield, Africa Eurobond and Global Investment Grade exposures, benefiting from the broader recovery in global credit markets and continued demand for higher-yielding assets. These gains were partially offset by weakness in the Fund's U.S. Treasury holdings.

Overall, the Fund's positioning in credit and Emerging market sovereign debt supported the rebound, allowing it to recover a significant portion of the previous month's losses.

Looking ahead, elevated bond yields continue to provide attractive income opportunities, although returns are likely to remain uneven across regions and credit segments as markets adjust to evolving monetary policy expectations.

The portfolio remains focused on balancing income generation with diversification and maintaining flexibility in duration and credit positioning as the interest rate outlook evolves.

Daniel Ndung'u
Portfolio Manager
NCBA Global Special Funds



Looking Ahead

Global:

- **Monetary Policy:** Markets will continue to focus on incoming data for clues on the Federal Reserve's September policy meetings and the subsequent policy direction.
- **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.
- **Seasonal winds of volatility:** Markets are entering a seasonally more volatile period ahead of the U.S. midterm elections in November, with economic policy uncertainty likely to contribute to greater equity market and cross-asset volatility. We therefore expect continued rotation across sectors and regions as investors reassess valuations and policy risks.

Local:

- **A Delicate Balance:** With inflation still running above the midpoint of the CBK's target range, close attention will remain on inflation trends and their implications for the direction 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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