"COLLECTIVE INVESTMENT SCHEMES AS A CATALYST FOR FINANCIAL INCLUSION AND CAPITAL MARKETS DEEPENING"

Quarterly Publication of the Capital Markets Authority (K)

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ABBREVIATIONS

AI -	Artificial Intelligence
AUM-	Assets Under Management
CIS-	Collective Investment Schemes
CMA-	Capital Markets Authority
DSS-	Direct Settlement System
EMEIA-	Europe, Middle East, India and Africa
ESMA-	European Securities and Markets Authority
ETF-	Exchange Traded Funds
FATF-	Financial Action Task Force
FCA-	Financial Conduct Authority's
FSDA-	Financial Sector Deepening Africa
GDP-	Gross Domestic Product
IOSCO-	International Organization of Securities Commissions
IPOs-	Initial Public Offerings
ISSPs-	Intermediary Service Platform Providers
KIID-	Key Investor Information Document
KMRC-	Kenya Mortgage Refinancing Company
MSCI-	Morgan Stanley Capital International
NSE-	Nairobi Securities Exchange
OECD-	Organisation for Economic Co-operation and Development
REIs-	Real Estate Investment Trusts
SEC-	Securities and Exchange Commission
VASPs-	Virtual Asset Service Providers

SPECIAL MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Esteemed Reader,

Greetings, and welcome to the 39th Edition of the Capital Markets Soundness Report, covering the period from 1 April to 30 June 2026, which marks the fourth quarter of the Financial Year 2025/2026. This edition provides an overview of developments in the global economy and capital markets, highlights emerging regional and domestic trends, and assesses the resilience and stability of Kenya's capital markets during the quarter.

The global economy remained resilient despite heightened geopolitical tensions arising from the conflict in the Middle East. While these tensions increased uncertainty in global financial markets through higher energy prices and inflationary pressures, investor confidence remained relatively strong, supported by resilient corporate earnings, easing financial conditions, and continued technological innovation, particularly in artificial intelligence. Nevertheless, the evolving geopolitical environment underscores the importance of maintaining robust and resilient capital markets capable of withstanding external shocks.

Kenya's capital markets continued to demonstrate resilience during the quarter, supported by sound macroeconomic fundamentals and sustained investor confidence. The equities market recorded strong performance, with the Nairobi Securities Exchange registering multi-year highs across its major indices. Market activity was further boosted by the successful listing of the Spearhead Africa Infrastructure Fund (SAIF), Kenya's first listed infrastructure debt fund, the listing of the TRIFIC USD Green I-REIT, and the landmark block trade associated with the Government of Kenya's divestment of its stake in Safaricom. These developments expanded investment opportunities while reinforcing the depth and competitiveness of the domestic capital market.

The quarter also witnessed significant progress in strengthening Kenya's capital market infrastructure and enhancing international market integration. Notably, the establishment of the operational link between the Central Bank of Kenya's DhowCSD and Clearstream is expected to improve access for international institutional investors to Kenya's government securities market. The launch of options trading on the NSE NEXT derivatives platform represents another important milestone in broadening the range of investment and risk management instruments available to market participants.

The Authority continued to advance its market deepening agenda through targeted regulatory reforms and innovation. During the quarter, two fintech firms were licensed as Intermediary Service Platform Providers, expanding regulated digital access to collective investment schemes and promoting financial inclusion. The Authority also strengthened the operational framework of the Nairobi Coffee Exchange through the licensing of an additional Direct Settlement System provider and new coffee brokers. Furthermore, the Finance Act, 2026 introduced important measures to support capital market development, including tax incentives expected to accelerate the growth of the Real Estate Investment Trusts (REITs) market and administrative reforms aimed at improving market access for foreign investors.

The Authority remains committed to strengthening Kenya's capital markets through responsive regulation, innovation, market infrastructure development, and investor protection. As global markets continue to evolve, the Authority will continue to implement reforms that enhance market efficiency, deepen investor participation, and position Kenya as a competitive regional financial centre.

I extend my sincere appreciation to all our stakeholders for their continued support and engagement in advancing Kenya's capital markets. Your continued readership and partnership remain invaluable as we work together to build a resilient, inclusive, and globally competitive capital market.

Happy Reading!

FCPA Wyckliffe Shamiah, MBS

CHIEF EXECUTIVE OFFICER

CAPITAL MARKETS AUTHORITY

EDITORIAL

Greetings!

It is with great pleasure that the Authority presents the 39th Edition of the Capital Markets Soundness Report, themed ***Collective Investment Schemes as a Catalyst for Financial Inclusion and Capital Markets Deepening***." This edition examines recent global, regional, and domestic developments shaping the stability of capital markets, with particular emphasis on reforms aimed at enhancing market infrastructure, improving market efficiency, strengthening investor access, and promoting innovation.

The report is published against a backdrop of heightened geopolitical tensions arising from the conflict in the Middle East, which continued to influence the global economic outlook through elevated energy prices, inflationary pressures, and increased market uncertainty. Despite these challenges, the global economy remained resilient.

During the quarter, regulators across major jurisdictions accelerated reforms aimed at improving market resilience and competitiveness. The United Kingdom introduced a modernised short-selling regime and reinforced the use of regulatory sandboxes to support responsible financial innovation. The European Securities and Markets Authority advanced preparations for the European Union's transition to a T+1 settlement cycle, while Nigeria became the first African country to implement T+1 settlement for equities. South Africa proposed comprehensive exchange control reforms to strengthen its attractiveness as a regional investment hub, and Egypt launched an innovative financial literacy programme designed to cultivate a new generation of informed retail investors.

Kenya's capital markets continued to demonstrate resilience and sustained growth. The Nairobi Securities Exchange recorded strong performance across all major equity indices, supported by improved investor confidence and landmark market transactions. The quarter also witnessed significant milestones in market development, including the listing of the Spearhead Africa Infrastructure Fund, the TRIFIC USD Green I-REIT, the operational linkage between the Central Bank of Kenya's DhowCSD and Clearstream, and the launch of options trading on the NSE NEXT derivatives platform. These developments are expected to deepen Kenya's capital markets, strengthen market infrastructure, and enhance integration with international financial markets.

Market performance remained robust during the quarter. The NSE 20 Share Index, NSE 25 Share Index, NASI and NSE 10 Share Index closed at 3,755.44, 6,208.91, 224.15, and 2,409.62 points, respectively. Equity market turnover increased significantly, largely driven by the landmark Safaricom block trade, while market capitalization rose to approximately KShs.3.76 trillion by the end of June 2026. Foreign investor outflows moderated considerably to KShs.1.2 billion, reflecting improved market sentiment despite continued global uncertainty. Treasury bonds remained the dominant fixed-income instrument, accounting for 99.98% of bond market turnover, while Assets Under Management for Collective Investment Schemes grew to KShs.851.7 billion, reflecting sustained investor confidence and increasing participation in pooled investment products. The corporate debt market recorded notable milestones through the issuance of the KMRC Sustainability Bond and the listing of the Spearhead Africa Infrastructure Fund (SAIF), Kenya's first listed infrastructure debt fund. These developments are expected to diversify investment opportunities, broaden financing options, and support the continued deepening of Kenya's capital markets.

We trust that this edition provides valuable insights into the evolving global and domestic capital markets landscape and contributes meaningfully to informed decision-making by policymakers, market participants, investors, and the public.

Enjoy the read!

Mr. Samuel Kamunyu Njoroge

Ag. Director, Research Policy and Market Development

Capital Markets Authority

SPECIAL FEATURE: COLLECTIVE INVESTMENT SCHEMES (CIS) IN KENYA

1.1 Introduction

Collective Investment Schemes (CIS) are investment vehicles that pool funds from multiple investors for investment in a diversified portfolio of securities and other financial assets. The pooled funds are managed by licensed professional fund managers on behalf of investors, with each investor holding units proportional to their contribution. CIS provide individuals and institutions with access to professionally managed investments while spreading investment risk across various asset classes.

Collective Investment Schemes (CIS) provide several benefits that make them an important investment vehicle for a wide range of investors. They are managed by licensed fund managers who make investment decisions on behalf of investors based on their expertise and experience. By pooling funds from many investors, CIS invest in a diversified portfolio of assets, which helps reduce the risks associated with investing in individual securities.

CIS offer liquidity, enabling investors to redeem their units in accordance with the terms of the scheme. They promote transparency through regular disclosure of financial information and are subject to regulatory oversight, which enhances accountability and investor protection. Additionally, the pooling of resources allows fund managers to achieve economies of scale, reducing investment management costs and improving efficiency.

Collective Investment Schemes play a significant role in Kenya's financial sector by mobilizing savings from both retail and institutional investors and channelling these funds into productive investments. They enhance capital market liquidity, facilitate capital formation, and broaden participation in the securities market by providing affordable investment opportunities. CIS also contribute to market stability through portfolio diversification and professional investment management.

1.2 Types of CIS in Kenya

The Kenyan collective investment market comprises several categories of funds designed to meet different investment objectives and risk profiles. These include:

- **Money Market Funds (MMFs):** Invest primarily in short-term, low-risk instruments such as Treasury Bills, fixed deposits, and commercial paper, offering relatively stable returns and high liquidity.
- **Equity Funds:** Invest mainly in listed shares with the objective of achieving long-term capital appreciation.
- **Fixed Income Funds:** Invest in government and corporate bonds to generate regular income and preserve capital.
- **Balanced Funds:** Combine investments in equities, bonds, and money market instruments to achieve both income generation and capital growth.
- **Special Funds:** Focus on specific sectors, investment themes, or asset classes to meet targeted investor preferences.

1.3 Regulatory Framework for the Collective Investment Schemes and Alternative Investment Fund in Kenya

The Capital Markets Authority (CMA) is responsible for licensing, regulating, and supervising CIS operators, including fund managers, trustees, and custodians. The CMA promotes investor protection by enforcing governance standards, disclosure requirements, risk management practices, and periodic reporting. It also ensures that licensed schemes comply with prudential requirements, safeguarding investor assets and promoting confidence in the capital markets.

1.3.1 The Capital Markets (Collective Investment Schemes) Regulations, 2023

The Capital Markets (Collective Investment Schemes) Regulations, 2023 regulations were enacted pursuant to section 12(1)(f) of the Capital Markets Act with the objective of modernising the legal framework governing pooled investment vehicles in Kenya. They respond to the rapid evolution of financial markets, technological innovation, increasing investor sophistication, and the need to align Kenya's regulatory framework with international standards developed by the International Organization of Securities Commissions (IOSCO).

1.3.1.1 Scope of the Capital Markets (Collective Investment Schemes) Regulations, 2023

The Regulations establish a comprehensive legal framework governing all collective investment schemes constituted in Kenya that pool funds either from members of the public or through private arrangements. The regulations apply to unit trusts, investment companies, limited liability partnerships, umbrella funds and closed-end funds, thereby significantly expanding the legal structures through which collective investments may be organised. This broad application reflects international regulatory developments that recognise multiple legal vehicles for collective investments depending on investor needs and investment objectives.

An important innovation introduced by the Regulations is the requirement that closed-end funds whose participatory interests are offered to the public must be listed on a securities exchange. This requirement enhances transparency, price discovery and liquidity while providing investors with an organised secondary market for trading their interests. The Regulations further prohibit any person from establishing, operating or marketing a collective investment scheme unless both the scheme and the fund manager have received approval and licensing from the Capital Markets Authority. These licensing requirements reinforce regulatory oversight and reduce the risk of fraudulent investment schemes.

Governance Framework

One of the most significant improvements introduced by the 2023 Regulations is the strengthening of governance arrangements within collective investment schemes. The Regulations establish a governance structure specifically separation of responsibilities among the fund manager, trustee and custodian. This separation reduces conflicts of interest while creating multiple layers of oversight over investor assets. The Regulations specifically require that the fund manager must remain independent of both the trustee and the custodian, thereby reinforcing accountability and reducing opportunities for abuse of investor funds.

The trustee assumes responsibility for safeguarding the interests of investors by ensuring that the fund manager complies with both the Regulations and the scheme documents. The trustee is also required to monitor pricing methodologies, oversee investment decisions, ensure segregation of assets and report regulatory breaches to the Capital Markets Authority where corrective action is not taken. These responsibilities significantly strengthen independent oversight.

In addition, the Regulations strengthen the role of custodians by imposing stringent licensing requirements, minimum capital thresholds and operational standards. Custodians are responsible for the safekeeping of scheme assets, maintaining separate accounts, ensuring proper settlement of transactions and safeguarding investors against operational risks.

Investor Protection Framework

The regulatory framework introduces several disclosure requirements intended to ensure that investors make informed investment decisions. Every collective investment scheme must prepare an Information Memorandum containing detailed information regarding investment objectives, risks, fees, valuation methodologies and governance arrangements. In addition, each scheme must prepare a concise Key Investor Information Document (KIID), which presents essential information in a simplified format to facilitate informed decision-making by retail investors

The Regulations also require Information Memoranda to be reviewed at least once every two years and immediately following any material changes affecting the scheme. This ensures that investors continuously receive accurate and current information regarding the investment product. Furthermore, the Regulations prohibit misleading advertisements, require prior approval of promotional materials by trustees and impose comprehensive disclosure obligations regarding fees, charges and investment risks. Collectively, these provisions significantly improve market transparency while reducing information asymmetry between fund managers and investors.

1.3.2 Special Funds under the Capital Markets (Collective Investment Schemes) Regulations, 2023

One of the most progressive innovations introduced by the 2023 Regulations is the recognition of Special Funds as a distinct category of collective investment scheme. Although the Regulations do not provide an exhaustive definition of Special Funds, they require that any such fund must include the word "*Special*" in its name and clearly describe the characteristics of the constituent assets comprising the portfolio. This naming requirement serves an important investor protection function by immediately signalling that the fund possesses investment characteristics that differ from conventional retail collective investment schemes.

The introduction of Special Funds reflects a deliberate policy shift towards accommodating alternative investment products within Kenya's capital markets. Traditionally, Kenyan collective investment schemes have concentrated on money market funds, balanced funds, fixed income funds and equity funds investing primarily in listed securities. The new Regulations recognise that modern capital markets increasingly require investment vehicles capable of financing infrastructure projects, private equity, venture capital, real estate developments, climate finance initiatives and other specialised asset classes. Therefore, the regulatory framework provides sufficient flexibility for fund managers to establish innovative investment products capable of mobilising long-term capital while remaining subject to appropriate regulatory oversight.

Special Funds provide institutional and sophisticated investors with an avenue to participate in investments that contribute to sustainable economic growth while offering opportunities for portfolio diversification and potentially higher long-term returns. However, Special Funds present higher investment risks than traditional collective investment schemes.

1.3.3 Capital Markets (Alternative Investment Funds) Regulations, 2023

Prior to the 2023 Regulations, Kenya lacked a dedicated regulatory framework for private investment funds, limiting the growth of alternative financing mechanisms such as private equity, venture capital and infrastructure funds. The Regulations seek to promote capital market diversification, mobilise long-term investment capital and position Kenya as a competitive capital markets hub.

The Regulations support the Capital Markets Authority's market development mandate by introducing a legal framework for alternative investment funds. They broaden the range of investment products available to institutional and sophisticated investors, reduce reliance on bank financing and facilitate investment in strategic sectors such as infrastructure, manufacturing, real estate, renewable energy, technology and private enterprises. This contributes to market deepening and economic diversification.

A key policy objective of the Regulations is to strengthen investor protection while recognising the higher-risk nature of alternative investments. The Regulations require fund approval by the Capital Markets Authority, appointment of licensed service providers, disclosure through Placement Memoranda, periodic reporting and independent valuation of fund assets. These measures enhance transparency, improve governance and promote confidence among institutional investors.

The Regulations encourage financial innovation by recognising multiple categories of Alternative Investment Funds, including private equity, venture capital, hedge funds, debt funds and infrastructure funds. They also provide flexibility for the Authority to support innovative investment structures through regulatory exemptions and sandbox arrangements. This creates opportunities to mobilise private capital for priority sectors while enhancing Kenya's competitiveness as a capital markets hub.

1.4 Key Challenges and Emerging Trends

Despite continued growth, the CIS industry faces several challenges, including low levels of investor awareness, market volatility, competition from alternative investment products and changing macroeconomic conditions.

At the same time, digital investment platforms and mobile-based investment solutions are expanding access to collective investments, while Money Market Funds continue to attract a growing share of investors due to their liquidity and competitive returns. In addition, there is increasing interest in sustainable investment strategies, enhanced digital service delivery, and innovation driven by financial technology, all of which are expected to support the continued development of Kenya's collective investment industry.

1.5 Performance of Collective Investment Schemes

1.5.1 CIS Assets Under Management Growth

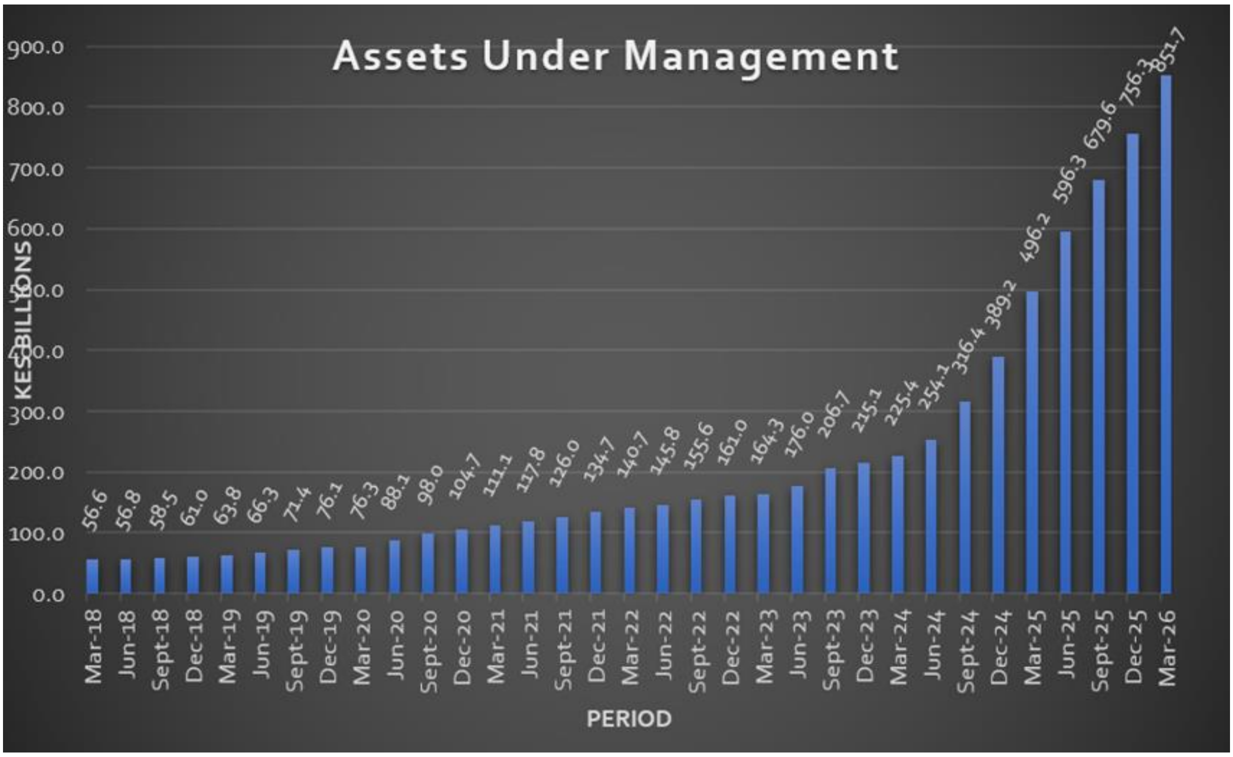
Assets under management (AUM) increased from KShs.56.6 billion in March 2018 to KShs.851.7 billion as at March 2026, approximately 1,404% increase over a period of eight years. This demonstrates increasing public confidence in professionally managed investment products in Kenya, as shown in the table below.

Table 1 : Asset Under Management (Mar.2028 – Mar.2026)

Period	Assets Under Management (Ksh)
Mar-18	56,642,056,226
Mar-19	63,779,326,870
Mar-20	76,344,340,590
Mar-21	111,085,289,898
Mar-22	140,666,984,795
Mar-23	164,276,028,462
Mar-24	225,361,358,760
Mar-25	496,214,799,724
Mar-26	851,708,510,285.30

Source: CMA

Figure 1Growth of Assets Under Management (Mar. 2018- Mar 2026)

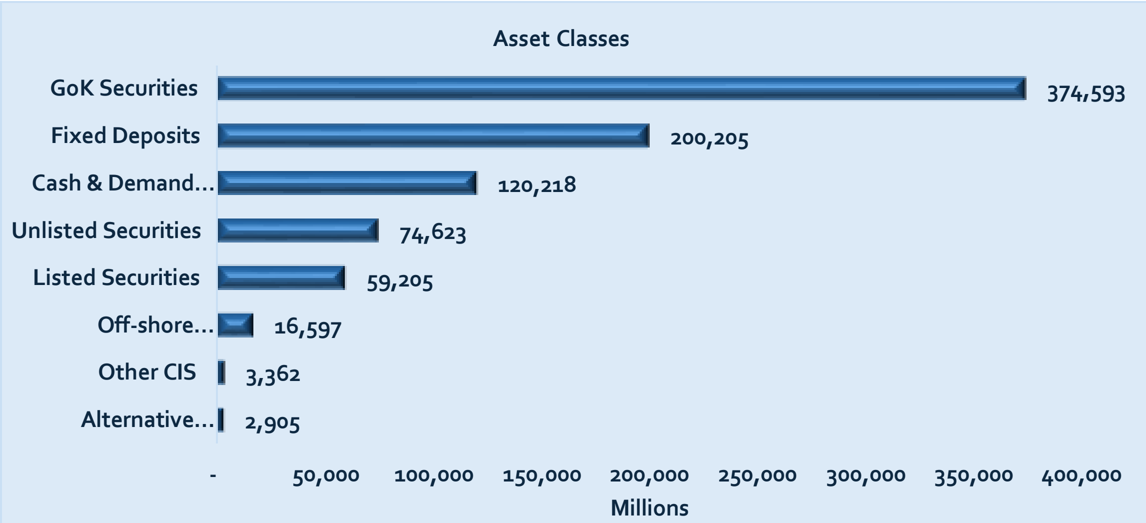


Source: CMA

1.5.2 Asset classes invested in by the CIS

As at Q1 2026, 44% (Kshs. 374.6 billion) of the total assets under management were invested in government securities. The government securities include; Treasury bond, Treasury bills, infrastructure bonds and Eurobond. The least amount of the AUM at 0.3% (Kshs. 2.9 billion) was invested in alternative investments as shown in the graph below:

Figure 2 : Asset classes invested in by the CIS



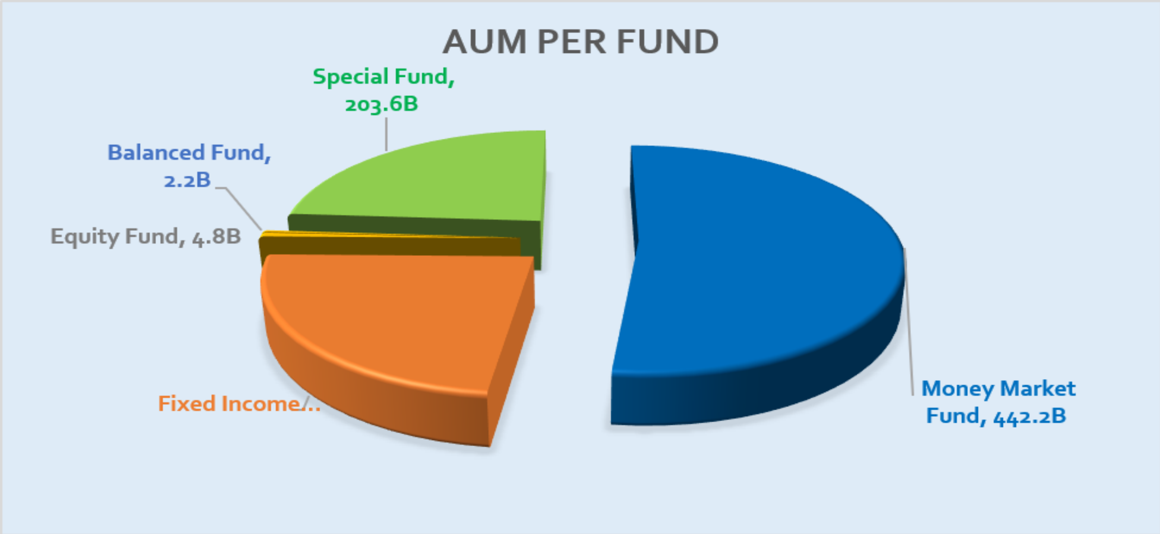
Source: CMA

1.5.3 Performance of the Dominant Funds

The most dominant funds among the approved CIS funds are the Money Market, Equity, Fixed Income, Balanced and Special funds. In Q1 2026, Money Market Funds dominated the CIS market at Kshs. 442.2 billion, representing 52% of the total AUM.

Special Funds come second at Kshs. 203.6 billion representing 23.9%, closely followed by Fixed Income Funds at Kshs. 199 billion representing 23.4%. Equity and Balanced funds tail at 0.6% and 0.3% respectively, as illustrated in the graph below:

Figure 3 : CIS Dominant Funds



Source: CMA

1.5.4 Growth in the Number of CIS Investors

The number of investors in the various CIS Funds has continued to grow steadily over time, buoyed by increasing awareness in the market to save and invest especially, post covid era. In the last one year for instance, the number of investors has grown from 2.5 million in March 2025 to 3.63 million in March 2026, representing 45% increase. As shown in the table below:

Figure 4 : Number of Investors

Source: CMA

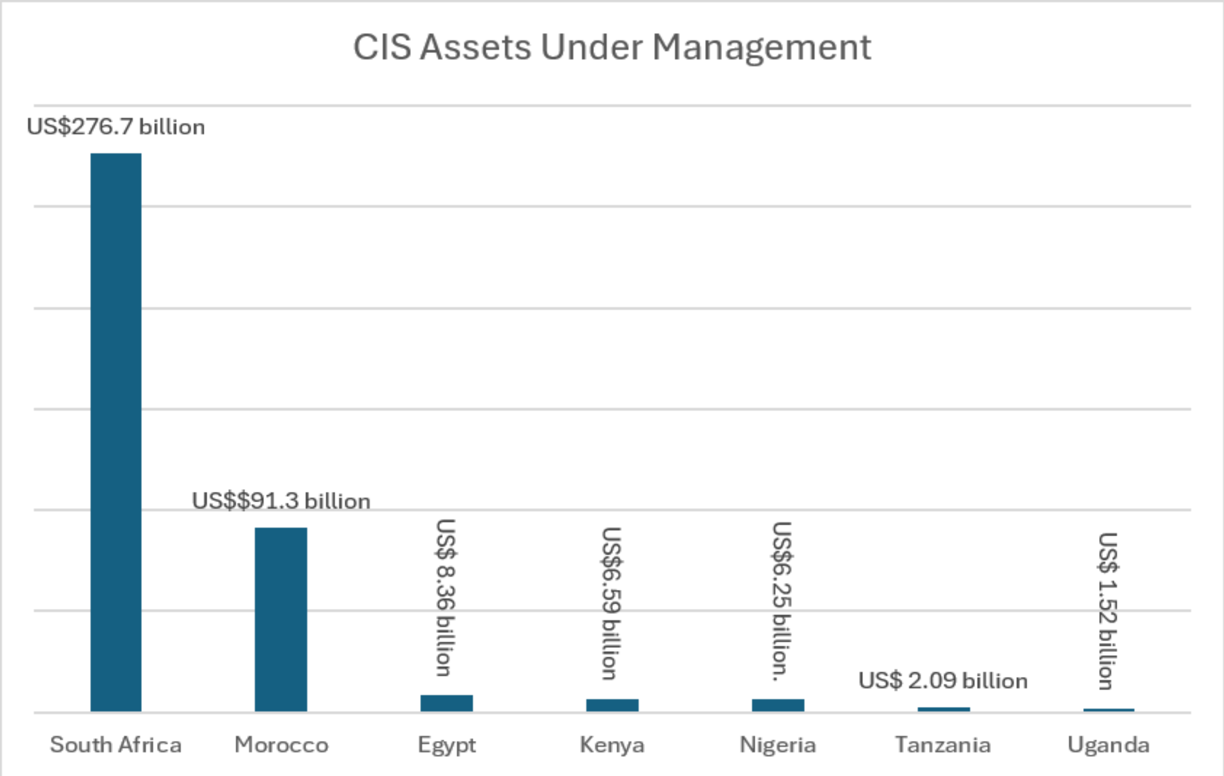
1.6 Comparison of Assets under Management of Collective Investment Schemes (CIS) Kenya with selected African Markets

As at the latest available reporting periods in 2025 and 2026, South Africa remains the largest Collective Investment Scheme (CIS) market in Africa, with assets under management (AUM) of approximately USD276.7 billion, reflecting its mature and well-developed asset management industry.

Morocco follows with USD91.3 billion, while Egypt and Kenya recorded AUM of USD8.36 billion and USD6.59 billion, respectively. Nigeria's CIS industry managed assets worth USD6.25 billion, highlighting continued growth in investor participation. Meanwhile, Tanzania and Uganda reported relatively smaller but expanding CIS sectors, with AUM of USD2.09 billion and USD1.52 billion, respectively.

Overall, the data illustrates considerable variation in the size of Africa's collective investment industries, reflecting differences in market maturity, investor participation, regulatory development, and the depth of domestic capital markets. Despite these disparities, most markets continue to experience growth in collective investment schemes, underscoring the increasing role of professionally managed investment vehicles in mobilizing domestic savings and broadening access to capital markets across the continent.

Figure 5 : CIS AUM in Select African Markets as of 2026



Source: CMA

Opportunities

- *Capital market deepening: There is an opportunity for enhancement of financial inclusion and capital markets deepening through investment products such as CIS and Alternative Investment Funds.*
- *CIS's have a capacity to support financing for infrastructure, private equity, venture capital, SMEs and sustainable development projects in Kenya.*
- *Innovation and global competitiveness align Kenya's regulatory framework with international best practices, attracting domestic and foreign investment.*

Risks

- *Valuation and liquidity risks: Investments in illiquid assets may create pricing uncertainties and redemption challenges.*
- *Low investor awareness: Limited understanding of complex investment products may expose investors to inappropriate investment decisions and market conduct risks.*

2 GLOBAL ECONOMIC AND CAPITAL MARKETS OUTLOOK

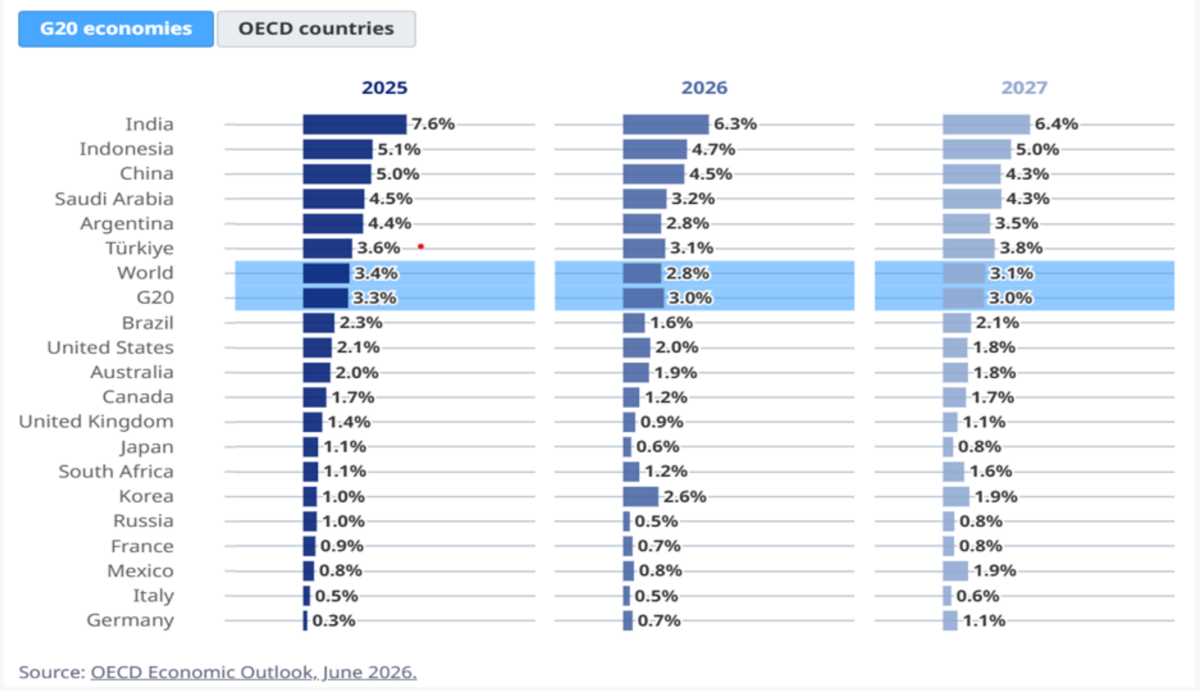
2.1 Global Economic Outlook

During the quarter under review, the global economy continued to demonstrate resilience despite heightened geopolitical tensions arising from the conflict in the Middle East, which remained a key determinant of the global economic outlook. Economic activity was supported by favourable financial conditions, continued easing of inflationary pressures in many economies, and sustained investment in artificial intelligence (AI), which helped bolster confidence and offset some of the adverse effects of trade-related uncertainties. Notwithstanding this resilience, the continued escalation of the Middle East conflict poses significant downside risks to the global economy. Prolonged disruptions could adversely affect global energy markets, fuel inflationary pressures, disrupt supply chains, and weaken investor confidence, with economic consequences likely to persist over the medium term.

Against this backdrop, the Organisation for Economic Co-operation and Development (OECD) adopted a scenario-based approach in its global economic outlook, comprising a time-limited disruption scenario and a prolonged disruption scenario. Under the baseline assumption that energy prices gradually ease from mid-2026, the OECD projects global economic growth to moderate from 3.4% in 2025 to 2.8% in 2026, before recovering to 3.1% in 2027. However, under a prolonged disruption scenario, global growth is projected to slow more sharply to 2.1% in 2026 and 1.8% in 2027, increasing the risk of recession or near-recession conditions in several economies.

From a regional perspective, economic growth is expected to remain subdued across North America and Europe before gradually recovering over the medium term. In the United States, economic growth is projected to moderate to 2.0% in 2026 and further to 1.8% in 2027, reflecting the effects of slowing domestic demand and persistent policy uncertainty. In the United Kingdom, growth is projected to improve modestly from 0.9% in 2026 to 1.1% in 2027, supported by easing inflationary pressures and improving financial conditions. Meanwhile, China's economy is expected to continue its gradual moderation, with growth projected at 4.5% in 2026 and 4.3% in 2027, reflecting weaker external demand, structural adjustments in the property sector, and the transition towards more sustainable long-term economic growth.

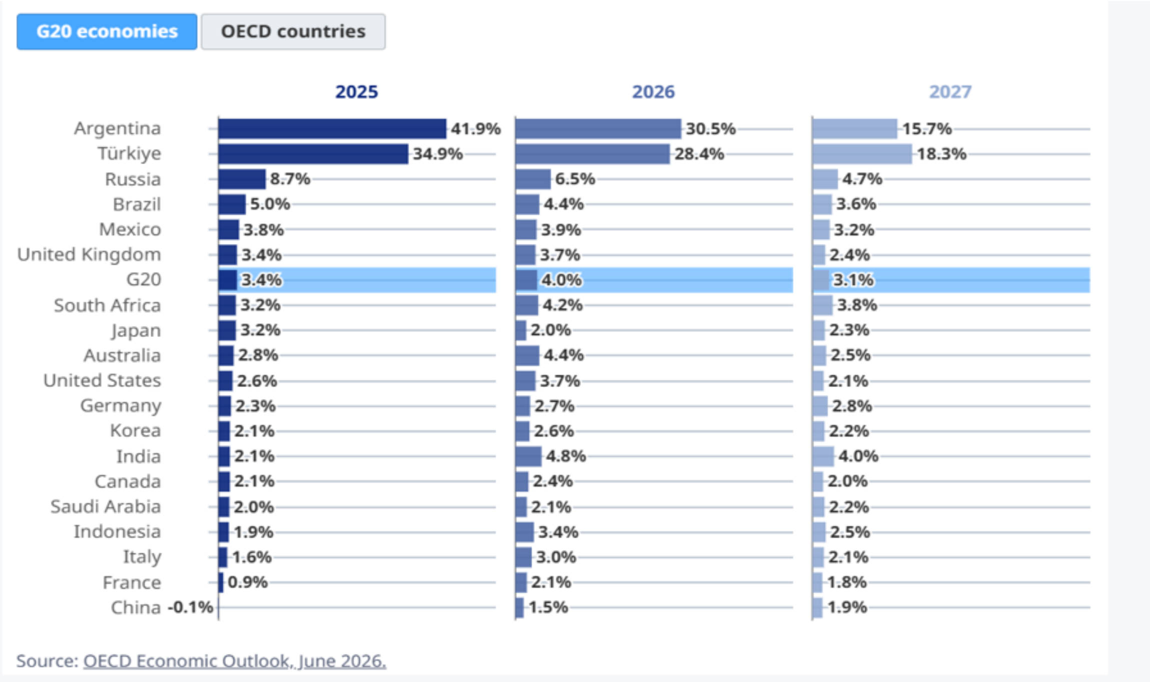
Figure 6 : Real GDP growth for 2025 and projections for 2026 and 2027, %, year-on-year



Source: OECD

In addition to weakening the global economic outlook, prolonged geopolitical disruptions are expected to exert significant upward pressure on global inflation. Higher energy prices, supply chain disruptions, constrained production, and tighter financial conditions are projected to increase global inflation by 0.4 percentage points in 2026 and 1.3 percentage points in 2027. This is expected to present difficult policy trade-offs for central banks, which will need to balance the objective of containing inflation against supporting economic growth. Prolonged inflationary pressures may also delay monetary policy easing, increase borrowing costs, and dampen investment and consumption, thereby posing additional risks to global financial and capital markets.

Figure 7 : Headline inflation for 2025 and projections for 2026 and 2027 %, year-on-year



Source: OECD

According to Africa Development Bank Group, Africa growths remain firm amid the global turbulence. Notably in 2025 Africa recorded an estimated average GDP growth of 4.4 percent where 22 economies recorded above 5 percent. In 2026, Africa's GDP is expected to grow at 4.2 percent despite the continued global supply shocks and increased geopolitical tensions.

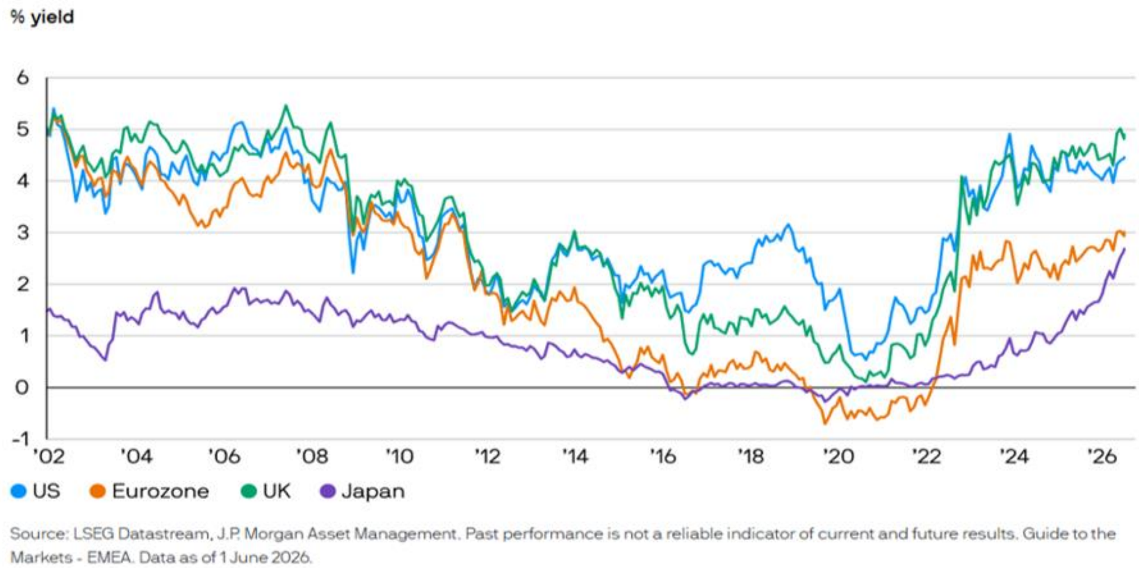
2.2 Capital Markets Outlook

2.2.1 Global Bond Markets

Despite heightened market volatility arising from the conflict in the Middle East, global bond markets continued to present investment opportunities across the fixed-income spectrum during the quarter. This resilience follows a broader adjustment in global fixed-income markets, where government bond yields normalized from 2022 after the energy price shock associated with the COVID-19 pandemic. The normalization marked the end of the prolonged period of exceptionally low interest rates that had prevailed since the global financial crisis and the eurozone sovereign debt crisis, resulting in a higher-yield environment that has enhanced income opportunities for fixed-income investors despite prevailing geopolitical and macroeconomic uncertainties.

The escalation of the conflict in the Middle East since late February 2026 has contributed to a further increase in global bond yields by heightening inflationary pressures and reinforcing expectations of elevated interest rates. Beyond its inflationary implications, the conflict has intensified the strategic imperative for governments to increase investment in critical sectors, including energy, defence, and technology, while corporates have accelerated capital expenditure to expand productive capacity and strengthen supply chain resilience. The resulting increase in sovereign and corporate borrowing requirements has exerted upward pressure on nominal bond yields, creating more attractive entry opportunities across fixed-income markets. However, the expanding investment universe also underscores the need for prudent investment selection, as varying credit quality and sectoral fundamentals necessitate active portfolio management to optimize risk-adjusted returns.

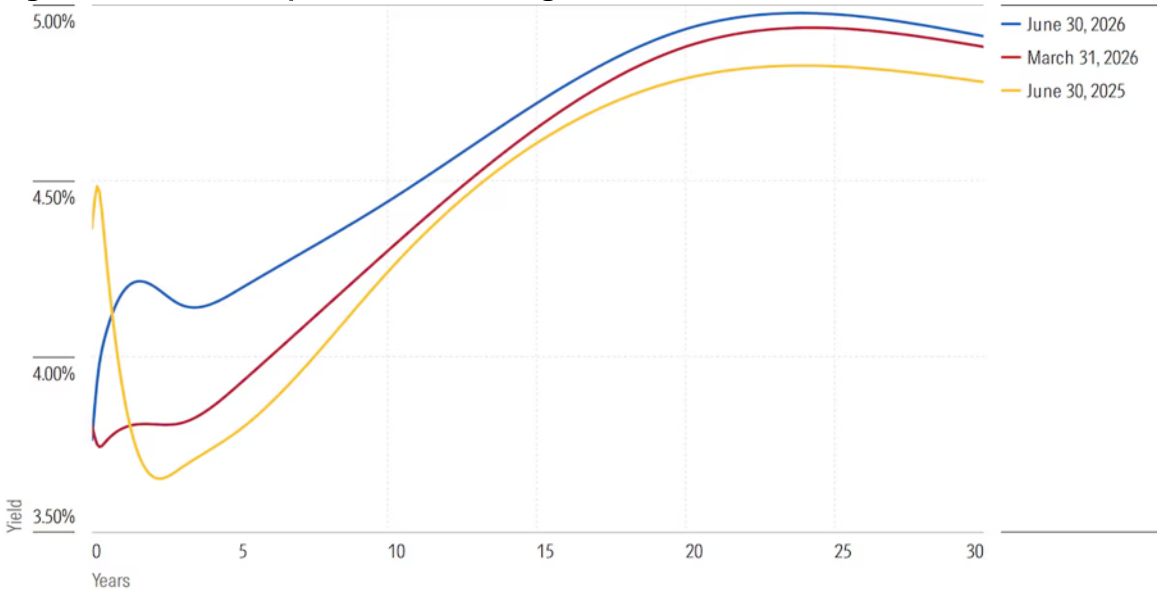
Figure 8: Nominal 10-year Government Bond Yields



Source: LSEG Datasream

As demonstrated above, in the United States, Treasury yields trended upward while corporate credit spreads remained relatively tight, reflecting resilient economic activity, stable market conditions, and strong corporate fundamentals. Consequently, credit-sensitive fixed-income assets, including emerging market debt, municipal bonds, and high-yield corporate bonds, outperformed high-quality, longer-duration securities such as U.S. Treasuries and agency mortgage-backed securities, which were adversely affected by the rise in yields.

Figure 9: US Treasury Yield Curve Change



Source: Macrobond

2.2.2 Global Equity Markets

Despite experiencing the direct effects of heightened geopolitical tensions in the Middle East during the quarter, global equity markets demonstrated remarkable resilience, recording their strongest quarterly performance in six years.

According to the Morgan Stanley Capital International (MSCI) World Index, global equities delivered a positive return of 13.90% during the quarter, representing a significant recovery from the 3.47% decline recorded in the preceding quarter. The strong rebound reflected improved investor sentiment, resilient corporate earnings, and renewed risk appetite despite persistent geopolitical and macroeconomic uncertainties.

Figure 10: World MSCI Index

CUMULATIVE INDEX PERFORMANCE — GROSS RETURNS (USD) (JUN 2011 – JUN 2026)

ANNUAL PERFORMANCE (%)

Year	MSCI World	MSCI Emerging Markets	MSCI ACWI
2025	21.60	34.36	22.87
2024	19.19	8.05	18.02
2023	24.42	10.27	22.81
2022	-17.73	-19.74	-17.96
2021	22.35	-2.22	19.04
2020	16.50	18.69	16.82
2019	28.40	18.88	27.30
2018	-8.20	-14.24	-8.93
2017	23.07	37.75	24.62
2016	8.15	11.60	8.48
2015	-0.32	-14.60	-1.84
2014	5.50	-1.82	4.71
2013	27.37	-2.27	23.44
2012	16.54	18.63	16.80

INDEX PERFORMANCE — GROSS RETURNS (%) (JUN 30, 2026)

					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since Dec 31, 1987
MSCI World	-0.69	13.90	21.81	9.94	19.76	11.98	13.70	9.03
MSCI Emerging Markets	-1.36	24.15	44.18	24.02	23.62	7.69	10.52	10.54
MSCI ACWI	-0.77	15.06	24.16	11.49	20.22	11.49	13.33	8.91

FUNDAMENTALS (JUN 30, 2026)

	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI World	1.52	24.57	19.17	4.15
MSCI Emerging Markets	1.93	18.61	11.65	2.58
MSCI ACWI	1.57	23.64	17.78	3.86

Source: MSCI

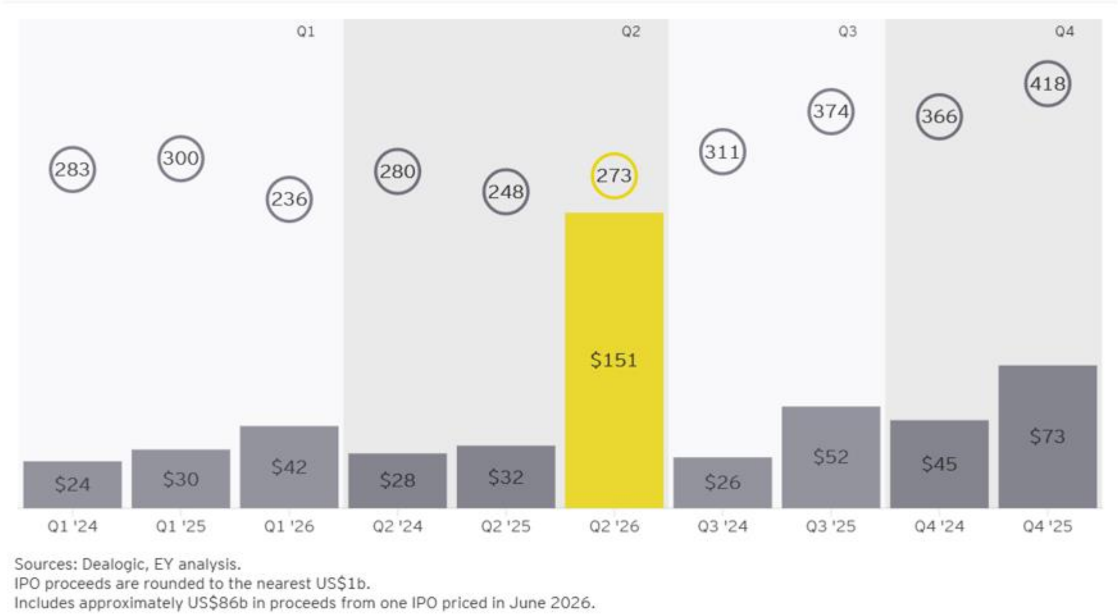
Differentiation in the adoption and deployment of artificial intelligence (AI) continued to shape equity market performance, with AI-driven companies outperforming the broader market. Notably, investor sentiment remained resilient, as market participants largely looked beyond the temporary energy supply shock and maintained confidence in the long-term earnings prospects of AI-focused firms. This divergence in performance underscored the growing influence of AI as a key driver of equity market leadership during the quarter.

2.3 IPOs

During the quarter under review, a total of 273 initial public offerings (IPOs) were completed globally, raising approximately USD181 billion in proceeds. This represented a notable increase from the previous quarter, during which 232 IPOs were completed, raising USD41 billion.

The Asia-Pacific region recorded the highest IPO activity, with 139 IPOs raising USD26 billion, while the Europe, Middle East, India and Africa (EMEIA) region registered 83 IPOs that collectively raised USD5 billion. Despite the resilience demonstrated by global equity markets amid heightened geopolitical tensions and macroeconomic uncertainty, IPO activity remained sensitive to market conditions. Successful IPO execution continued to depend largely on favourable market timing, prevailing levels of market volatility, and investor risk appetite within individual regions, underscoring the importance of stable market conditions and sustained investor confidence in supporting primary market fundraising.

Figure 11: Global IPO Proceeds



Source: Dealogic, EY analysis

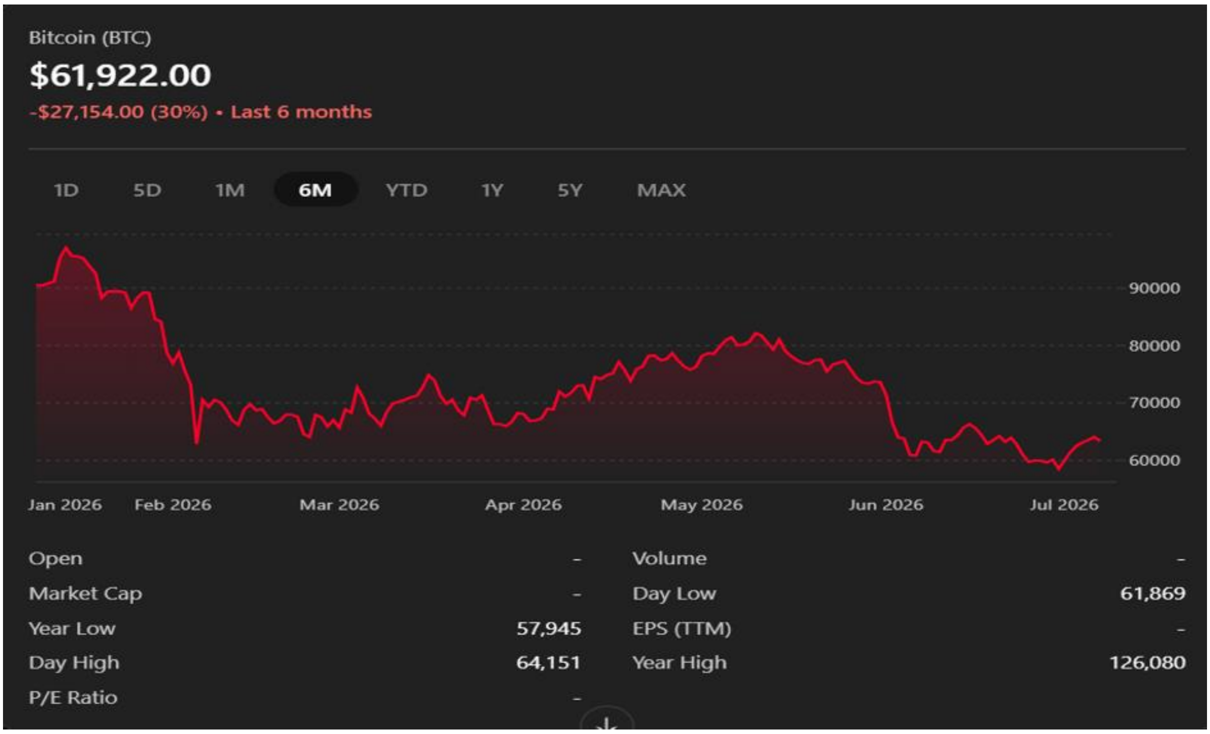
2.4 Virtual Assets Market

The Virtual assets market experienced significant volatility, with Bitcoin and Ethereum initially rallying in April 2026 before reversing sharply in May 2026 and June 2026 as investor sentiment weakened amid geopolitical tensions in the Middle East, persistent inflation concerns, tighter monetary policy expectations, and substantial outflows from spot cryptocurrency exchange-traded funds (ETFs). Despite these headwinds, market indicators toward the end of the quarter suggested improving investor sentiment and early signs of stabilization in the digital assets market.

Bitcoin gained approximately 11.8% in April, reaching nearly US$82,000, but subsequently declined by 3.4% in May and 20.5% in June, resulting in an overall quarterly loss of about 11-14% and ending the quarter below US$60,000. Ethereum followed a similar trajectory but underperformed Bitcoin, rising about 7.3% in April before experiencing steeper declines over the remainder of the quarter due to weaker institutional demand and sustained ETF outflows.

Consequently, Ethereum remained one of the weakest-performing major digital assets in 2026, with analysts attributing its underperformance to persistent selling pressure and reduced investor appetite relative to Bitcoin. Overall, while April reflected renewed optimism and a temporary recovery in digital asset prices, the gains were largely erased during the remainder of the quarter as macroeconomic uncertainty and risk-off sentiment weighed heavily on cryptocurrency valuations.

Figure 12: Performance of the Bitcoin Jan- June 2026



Source: Bitcoin

Notably, jurisdictions across the world continue to develop and implement regulatory frameworks governing virtual assets and virtual asset service providers (VASPs) in line with evolving international standards, particularly those issued by the Financial Action Task Force (FATF), to enhance investor protection, safeguard financial stability, and mitigate risks associated with money laundering, terrorist financing, and other illicit financial activities.

2.5 Performance of Select African Frontier Markets

Despite the heightened geopolitical tensions arising from the conflict in the Middle East and the associated global economic uncertainties, African capital markets demonstrated notable resilience during the period under review. Most markets across the region recorded positive equity returns, underscoring the region's ability to withstand external shocks.

During the quarter under review, select African markets recorded positive performance. Tunisia registered the highest quarterly gain of 29.93%, followed by Egypt (25.69%), Zimbabwe (16.63%), Nigeria (11.13%), Kenya (10.13%), and Morocco (5.85%). South Africa also recorded a modest positive return of 0.56%. The positive performance across the region reflects improved investor sentiment, supported by strengthening macroeconomic fundamentals, easing inflationary pressures, and increased capital inflows into African equity markets.

Table 2 : MSCI Index for Africa Frontier Markets (30 June 2026)

MSCI Index	Index Code	Last	*30 June 2026 (3MTD*)*
Kenya	136643	4270.78	10.13%
Morocco	105765	1156.65	5.85%
Nigeria	136645	262.89	11.13%
Tunisia	136645	2957.21	29.93%
Zimbabwe	700873	2766.76	16.63%
South Africa	971000	1958.02	0.56%
Egypt	105766	1990.49	25.69%

Source: MSCI

*3MTD, formerly labelled QTD, represents the index's cumulative return from 3-month prior end date to current date.

2.6 Top Global Regional and Local Risks and opportunities

Risks

1. *Cybersecurity remained a key emerging risk to global capital markets during the quarter under review. The increasing digitalization of financial services and reliance on technology heightened the vulnerability of market infrastructure and financial institutions to cyber threats, including data breaches, ransomware attacks, and operational disruptions.*

2. *Geopolitical tensions arising from ongoing conflicts in the Middle East continued to create an increasingly constrained global macroeconomic environment. As the region remains a critical hub for global energy supply, this resulted in energy price escalation intensified inflationary pressures across both advanced and emerging economies.*

3. *The continued adoption of Artificial Intelligence (AI) across the investment ecosystem remained an emerging risk to global capital markets during the quarter under review. While AI has enhanced efficiency and innovation in financial services, its rapid adoption contributed to sectoral repricing, heightened market volatility, and increased structural uncertainty, particularly within technology and software-related equities. This resulted in significant valuation adjustments, greater dispersion in equity returns, and heightened concerns over the potential transmission of systemic risks across financial markets.*

Opportunities.

1. *Collective Investment Schemes (CIS) continued to record strong growth during the period under review, with Assets Under Management (AUM) increasing to Kshs 851.7 billion as at March 2026. The growth was largely driven by the strong performance of existing funds and sustained investor inflows. The continued expansion of the sector underscores growing investor confidence in CIS products, which remain among the most preferred investment vehicles in Kenya mainly due to their ease of accessibility.*

3 INTERNATIONAL DEVELOPMENTS

3.1 UK Financial Conduct Authority Introduces Clearer and Simpler Short Selling Rules

The UK's capital markets recorded a significant regulatory milestone during the quarter with the Financial Conduct Authority's (FCA) finalization of a modernized short selling regime. The reform moves the UK away from the assimilated European rules retained after Brexit, replacing them with a domestic framework designed to ease reporting requirements while preserving effective market oversight.

The updated framework extends the deadline for firms to submit short position reports and simplifies the obligations placed on market makers in recognition of their distinct, liquidity-providing role. The previous requirement for frequent exemption notifications has been replaced with a single annual confirmation, reducing a recurring administrative task to an annual one.

In parallel, the FCA will cease publishing the identities of individual short sellers, switching instead to anonymized, aggregated data on net short positions, a change intended to protect commercially sensitive trading strategies while preserving meaningful market transparency.

Key takeaway:

The FCA is shifting from rigid, asset-by-asset short-selling mandates to a flexible, activity-based disclosure model, reducing compliance and reporting costs for firms, particularly market makers. By anonymizing individual short sellers into aggregated data and extending reporting windows, the regulator is protecting market participants from targeting while preserving the transparency required to safeguard market integrity.

The Capital Markets Authority is undertaking reforms to the Securities Lending, Borrowing and Short-Selling framework to enhance market efficiency and support the growth and uptake of the market.

3.2 European Securities and Markets Authority (ESMA) Consults on Revised Guidelines to Support Smoother Allocations and Confirmations in Preparation for EU T+1 Settlement

The European Securities and Markets Authority (ESMA) has launched a consultation on revised guidelines for standardized procedures and messaging protocols governing allocations and confirmations, ahead of the EU's transition to T+1 settlement, which takes effect on 11 October 2027. The revised guidelines are proposed to apply from 7 December 2026, aligned with the expected application date of the broader settlement requirements.

Under the proposed changes, investment firms and professional clients would be required to use electronic, standardized communication channels and international messaging protocols for all post-trade allocations and confirmations, with non-electronic methods such as oral allocations removed from scope except in cases of temporary, catastrophic technical disruption.

The urgency behind the consultation is underscored by ESMA's first readiness survey, which found that 56% of respondents projected they could be late in issuing allocations and confirmations on a T+0 basis by the end of 2026, while 42% projected they would be late in implementing electronic exchange capability by the same deadline.

Key takeaway:

The transition to a T+1 settlement cycle is expected to enhance liquidity in European capital markets while reducing counterparty, credit, and settlement risks. As Kenya progresses towards adopting a T+2 settlement cycle, the Capital Markets Authority is undertaking the necessary reforms and considering measures to mitigate potential implementation risks. These include addressing increased operational demands on market participants to confirm, match, and settle trades within a shorter timeframe, minimizing the risk of settlement failures through enhanced market infrastructure.

3.3 UK Financial Conduct Authority (FCA) Innovation Insight

An institutional assessment by the FCA indicates that financial innovation in the UK is shifting structurally from product creation to regulation-readiness. The regulator's findings show that the central challenge for firms developing advanced protocols is no longer building the technology itself but ensuring that new products align with existing and emerging regulatory frameworks from the outset.

In response, firms are increasingly engaging regulators earlier in the product development cycle to obtain clarity, reduce compliance uncertainty, and avoid delays at the scaling stage. This reflects a broader shift toward a proactive, engagement-led regulatory model in which oversight is embedded continuously throughout development rather than applied only at launch. It also reinforces the role of structured supervisory testing environments, such as the FCA's Regulatory Sandbox and its permanent Digital Sandbox, which allow firms to pilot advanced products using real-world data under supervision.

Key takeaway:

The Assessments findings are a testament that effective oversight of financial innovation requires early and continuous regulatory engagement rather than relying solely on post-launch supervision.

By adopting approaches such as regulatory sandboxes and structured pre-launch engagement, regulators can provide greater regulatory certainty, encourage responsible innovation, identify and address risks before products reach the market, and ensure that new financial technologies are developed in compliance with regulatory requirements. This ultimately fosters innovation while safeguarding market integrity, financial stability, and investor protection.

4 REGIONAL DEVELOPMENTS

4.1 Nigeria's SEC Implement T+1 Settlement

Nigeria successfully completed a major post-trade reform by transitioning from a T+2 to a T+1 settlement cycle. The Securities and Exchange Commission confirmed that 29 May 2026 was the final trading day under the T+2 framework, with T+1 settlement taking effect immediately thereafter. The transition was implemented in close coordination with the Nigerian Exchange Group and the Central Securities Clearing System and is expected to reduce settlement risk, improve market liquidity, and enable investors to access funds and securities more quickly following trade execution.

With this milestone, Nigeria becomes the first African country to fully implement T+1 settlement for equities and other general market transactions at the national level. The move places the country ahead of many regional peers in post-trade efficiency and aligns it with global markets such as the United States and Canada, which adopted T+1 settlement in May 2024. The successful implementation also reflects the completion of operational enhancements by brokers, custodians, clearing systems, and fund administrators to support the shorter settlement cycle

Key takeaway:

Nigeria's transition to a T+1 settlement cycle is a significant post-trade reform aimed at reducing settlement risk, improving market liquidity, and accelerating the recycling of investor capital. The reform is expected to enhance market efficiency and strengthen Nigeria's competitiveness in attracting both domestic and foreign institutional investors.

4.2 South Africa Plans Exchange Control Revamp to Attract Billions in Investment

South Africa is undertaking its most comprehensive overhaul of exchange control legislation in decades, proposing to replace a framework substantially unchanged since the 1960s with a more targeted, liberalized approach to capital flow management. The proposed reforms span several areas of regulatory architecture, including revised individual offshore investment allowances, the formal integration of crypto assets into the exchange control framework for the first time, and structural changes to how investment funds are domiciled and managed.

A central element of the proposal would permit South African asset managers to operate non-rand denominated funds directly from a South African base, removing the existing requirement that foreign-currency funds be legally domiciled offshore. This requirement has historically driven asset management expertise, employment, and financial infrastructure toward competing jurisdictions, including Mauritius, Kenya, Rwanda, and Dubai.

On digital assets, the reforms would bring crypto formally within the exchange control perimeter for the first time, introducing mandatory declaration requirements and a new class of regulated intermediaries for cross-border crypto transactions. The Johannesburg Stock Exchange has estimated that the reforms could collectively attract more than ten trillion rand in investment over time.

Key takeaway:

South Africa is overhauling its legacy 1960s exchange control regime to curb capital flight, capture digital asset flows, and strengthen its regional competitiveness. By removing the offshore domiciliation requirement for non-rand funds and formally regulating cross-border crypto intermediaries, the National Treasury aims to eliminate the friction that has historically diverted financial talent to rival hubs. According to JSE projections, the reforms could unlock over ten trillion rand in capital inflows, positioning South Africa as a modernized gateway for global investment.

4.3 Egypt Embeds Financial Literacy in the Secondary School Curriculum

Egypt recorded a notable development in regional financial inclusion during the quarter, with the Ministry of Education and Technical Education entering a formal partnership with the Financial Regulatory Authority (FRA) to embed financial literacy into the national secondary school curriculum.

The program moves beyond theoretical instruction by introducing a practical market interface. Under the supervision of capital markets specialists, and drawing on structured Japanese educational methodology, students will be issued coded simulation accounts paired with funded portfolios. Students who successfully complete the coursework will be assigned a personal trading account on the Egyptian Stock Exchange, along with a modest starting balance reserved strictly for trading activity rather than withdrawal, enabling supervised, live engagement with actual market mechanics.

Key takeaway:

Egypt's initiative to embed financial literacy in the national curriculum reflects a forward-looking strategy to build capital markets awareness from an early age. By giving students coded accounts and funded portfolios to trade on the Egyptian Stock Exchange, the state is moving from passive financial literacy toward active economic empowerment, cultivating a sophisticated, risk-aware retail investor base from the ground up.

5 LOCAL DEVELOPMENTS

5.1 Kenya’s First Private-Sector Agri Focused Securitisation Reaches First Close at KSh 276 million

Kenya's capital markets achieved a significant milestone with the country's first private-sector local currency securitisation focused on financing smallholder agriculture. The transaction was structured by Kaleidofin, a fintech infrastructure firm, in partnership with Apollo Agriculture, with the IDH Farmfit Fund serving as the anchor investor.

The securitisation involved pooling repayments from smallholder farmer input loans and converting them into an investment instrument for institutional investors. Apollo Agriculture originated the underlying portfolio, valued at KShs.370 million and comprising loans to 23,839 smallholder farmers, more than half of whom were women, while approximately 22 percent were first-time borrowers. The transaction mobilised KShs.276 million (approximately USD 2.1 million) in local currency financing through the sale of these receivables. Agusto, a pan-African credit rating agency, assigned the issuance an investment-grade BBB rating, reinforcing the credibility of agricultural loan receivables as an investable asset class.

The transaction was executed through Kaleidofin's ki platform, which applies proprietary risk-scoring technology to aggregate and structure small agricultural loans in a manner that meets institutional investment standards. The initiative was supported by FSD Africa, which provided legal and regulatory structuring support, and the United Kingdom's MOBILIST programme, which offered tax and transaction advisory services. The first close represents the initial phase of a broader securitisation programme targeting KES 2.37 billion in financing for more than 130,000 smallholder farmers through subsequent issuances.

Key Takeaway

The successful close of this transaction demonstrates that smallholder agricultural receivables can be rated, structured, and placed with institutional investors in local currency, providing a viable template for mobilising market-based capital into sectors that have historically had limited access to formal finance. The transaction also highlights the role of enabling legal, regulatory, and market infrastructure in supporting the growth of structured finance in Kenya.

5.2 Kenya Lists its First Infrastructure Fund on the Nairobi Stocks Exchange — Spearhead Africa Infrastructure Fund (SAIF)

The Nairobi Securities Exchange opened a new chapter during the quarter with the debut listing of the Spearhead Africa Infrastructure Fund, becoming the first infrastructure debt fund to trade on the Kenyan bourse. Managed by Spearhead Africa Asset Management, SAIF raised KShs.3.4 billion through its initial public offering, anchored by the CPF Group and the UK Government's MOBILIST programme, which contributed KShs.1.2 billion.

SAIF will deploy capital as senior debt into private-sector infrastructure projects across East Africa, targeting renewable energy, digital connectivity, logistics, and electrification. Its full Kenyan shilling denomination eliminates foreign exchange risk and aligns naturally with the long-term liability profile of Kenya's pension sector, which manages assets exceeding KShs.2.8 trillion.

Unlike previous infrastructure investment vehicles that required participation through illiquid, private structures, the NSE listing makes infrastructure debt publicly tradable with no mandatory lock-in period, while subjecting the fund to the governance and transparency standards expected of listed securities.

Stability Implication

SAIF's listing establishes infrastructure debt as a recognised, regulated, and liquid investment category in Kenya's capital markets. Its local currency design reduces systemic foreign exchange exposure in infrastructure financing while creating a credible channel through which domestic long-term savings can be directed toward productive national assets.

5.3 Finance Act 2026: Key Changes Affecting Capital Markets

The Finance Act, 2026 introduces several tax and administrative reforms affecting Kenya's capital markets. Most notably, the Act exempts transfers of property into registered Real Estate Investment Trusts (REITs) from both Capital Gains Tax and Stamp Duty, removing two of the largest cost barriers that have constrained the growth of Kenya's REIT market.

The Act also broadens the scope of Capital Gains Tax by extending it to gains realised by non-residents from certain indirect transfers of Kenyan assets, strengthening Kenya's taxation of offshore transactions involving Kenyan companies or property. The provision targets offshore exit structures commonly used in private equity and venture capital transactions.

In addition, the Act removes the preferential 5 percent withholding tax on dividends paid to citizens of East African Community (EAC) Partner States, subjecting such payments to the standard 15 percent non-resident rate. While this increases the tax burden on regional investors, the Act also simplifies market access by exempting non-resident investors from obtaining a Personal Identification Number (PIN) before opening accounts with investment banks or any financial institution, reducing administrative barriers to foreign portfolio investment.

Stability Implication

The reforms are expected to support the overall growth of Kenya's capital markets, particularly the REITs market. As the Capital Markets Authority undertakes a comprehensive review of the REITs regulatory framework, these incentives are expected to complement the ongoing reforms by encouraging greater investment and accelerating the development of the REITs market. Additionally, the exemption of foreign investors from the requirement to obtain a PIN is expected to enhance the ease of investing and attract increased foreign capital inflows into the Kenyan capital market.

5.4 Kenya Connects its Central Securities Depository (DhowCSD) to Clearstream to Attract Foreign Investors for T-Bills and Bonds

Kenya recorded a landmark development in its integration with global financial markets following the establishment of a direct operational link between the Central Bank of Kenya's Government Central Securities Depository (DhowCSD) and Clearstream, the post-trade settlement arm of Deutsche Börse Group. The link became operational at the end of the period, making Kenya the 60th domestic market in Clearstream's global network and only the second African country, after South Africa, to achieve this level of connectivity.

Through this arrangement, international institutional investors connected to Clearstream can access Kenyan Treasury bonds, infrastructure bonds, and Treasury bills without the need to establish a local custody account or register separately with the Central Bank of Kenya. Securities are held through a single omnibus account structure, with Standard Chartered

Bank Kenya serving as both the local custodian and cash correspondent bank for Kenya shilling transactions.

The new link will significantly lower operational and market access barriers that have historically limited participation by global institutional investors in Kenya's local currency government securities market.

Stability Implication

The Clearstream-Kenya Link is a landmark development for the depth and international credibility of Kenya's domestic debt market. This will enable seamless access for global institutional investors through an established international infrastructure, the link is expected to diversify the investor base, support secondary market liquidity, and contribute to more competitive government borrowing conditions over time.

5.5 Capital Markets Authority Kenya Approves Stanbic Bank as Second Direct Settlement System (DSS) Provider for the Nairobi Coffee Exchange, and Issues New Licences for Coffee Brokers

The Authority strengthened the operational framework of Kenya's regulated coffee trading market during the quarter by approving Stanbic Bank Kenya Limited as a Direct Settlement System provider for the Nairobi Coffee Exchange and granting coffee broker licences to two additional firms.

The Direct Settlement System is the mechanism through which funds from coffee buyers are processed and remitted to cooperative societies and ultimately to growers. Since August 2023, Co-operative Bank of Kenya had been the sole DSS provider. The addition of Stanbic Bank introduces competitive choice into this function, reduces over-reliance on a single institution, and improves the resilience of payment flows within the coffee trading ecosystem.

On the brokerage side, Ahadi Coffee Limited was licensed to serve farmers, cooperative societies, and traders at the Exchange, while Cafforra Coffee Company Limited received a licence to market coffee on behalf of growers in Kisumu, Uasin Gishu, and Elgeyo-Marakwet counties, with an added mandate to provide advisory services aimed at improving farmer returns.

Stability Implications

By diversifying the DSS provider base this will reduce concentration risk in a critical component of Kenya's coffee market infrastructure and strengthen the reliability of payment flows to growers. In addition, the expansion of licensed brokerage coverage into underserved growing regions further supports broader market participation and more equitable distribution of value along the coffee supply chain.

5.6 Capital Markets Authority Licenses two new Fintech Firms as Intermediary Service Platform Providers (ISPPs) to Widen Digital Investment Access.

The Authority licensed two fintech companies as Intermediary Service Platform Providers during the quarter, advancing its strategy of using technology-driven channels to widen retail investor access to regulated investment products under Regulation 76 of the Capital Markets (Collective Investment Schemes) Regulations, 2023.

The first licence was granted to Moneto Ventures Limited for its Chumz mobile application, a digital savings and investment platform that connects retail users to collective investment schemes. Chumz previously participated in the Authority's Regulatory Sandbox, successfully completing its exit in August 2022 before transitioning to full market participation.

The second licence was issued to Pesa Bridge Limited, a mobile-first platform that links retail investors directly with licensed fund managers and custodians, with ambitions to extend its reach across the broader East African region. Both platforms reflect a growing recognition that the next wave of capital market participation in Kenya will be driven by accessible, mobile-first digital tools that meet investors where they already transact.

Stability Implication

The licensing of the two Intermediary Service Platform Providers (ISPPs) strengthens the distribution infrastructure for Kenya's collective investment schemes and expands regulated access points for retail investors, thereby deepening the capital market. By lowering barriers to investment participation, the platforms are expected to broaden investor access, promote financial inclusion, and contribute to a more diversified and resilient investor base.

6 PERFORMANCE OF THE DOMESTIC CAPITAL MARKETS

Kenya's domestic capital markets remained resilient during the quarter, extending the positive momentum recorded in the previous quarter despite a more challenging global environment. The Nairobi Securities Exchange (NSE) continued its strong performance, with four of its five major indices reaching multi-year highs, reflecting sustained investor confidence.

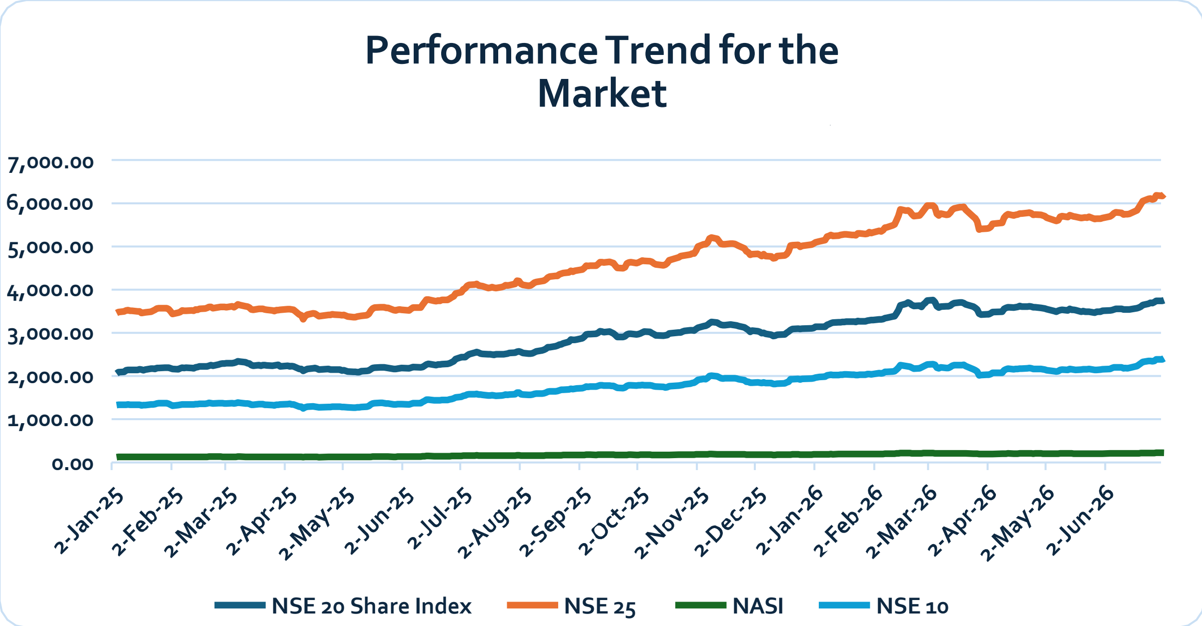
Although heightened geopolitical tensions arising from the Iran-United States conflict created a more challenging external environment, Kenya's macroeconomic fundamentals remained broadly supportive. Headline inflation rose to a two-year high of 6.7 percent in May before moderating slightly to 6.4 percent in June, largely reflecting imported inflation as higher global oil prices fed through to domestic fuel and transport costs. In response, the Central Bank of Kenya maintained the Central Bank Rate at 8.75 percent throughout the quarter, while the Kenya Shilling remained broadly stable against the US Dollar.

The quarter also marked continued progress in deepening and modernising Kenya's capital markets. The listings of the KMRC Sustainability Bond, the Spearhead Africa Infrastructure Fund, Family Bank, and the TRIFIC USD Green I-REIT expanded the range of investment opportunities available to investors. In addition, the launch of options trading on the NSE NEXT derivatives platform and the establishment of a Central Bank of Kenya–Clearstream domestic link represented significant advances in market infrastructure and international market integration. Collectively, these developments strengthened the depth, efficiency, and competitiveness of Kenya's capital markets.

6.1 Equities Market

The equities market closed the quarter on a firm note, with all four benchmark indices extending their advance despite a bumpier macro backdrop mid-quarter. The NSE 20, NSE 25, NASI and NSE 10 ended June at 3,755.44, 6,208.91, 224.15 and 2,409.62 points respectively, up from 3,431.56, 5,416.72, 194.82 and 2,030.35 at the close of last quarter. This improved performance is largely attributable to increased participation by domestic investors, supported by enhanced accessibility to capital markets products and services.

Figure 13: Performance Trend for Market Indices



Source: CMA/ NSE

Table 3: Performance of the Equities Market

Year	Month	Share Volume	Total Equity Turnover (KSh)	NSE20 Share Index (Average)	NASI Share Index (Average)	NSE 25 Share Index (Average)	NSE10 Share Index (Average)	Market Cap (KShs Billion Mn)
Q2 2026	Apr	653,602,436	15,237,495,459.62	3571.15	205.42	5697.23	2148.40	3405.29
	May	386,320,827	14,979,555,459.91	3506.93	206.30	5663.84	2144.36	3571.15
	June	6,657,721,373	233,496,370,395.96	3611.60	213.96	5916.31	2265.42	3761.74
	Total		263,713,421,315.49					
Q1. 2026	Jan	410,039,589	12,859,679,699.01	3,243.69	192.99	5,262.90	2,026.77	3,083.07
	Feb	820,179,994	24,280,287,856.35	3,532.32	209.06	5,658.83	2,167.80	3,410.07
	Mar	630,678,443	19,067,401,768.06	3,604.53	206.14	5,722.95	2,174.26	3,230.73
	Total	1,860,898,021	56,207,369,323.42					

Source: CMA/NSE

Notably, the quarter's total equity market turnover quadrupled relative to previous quarter turnover, largely due to the KShs.204.3 billion block trade executed in June as part of Vodacom Group's acquisition of the Government of Kenya's 15 percent stake in Safaricom. The transaction was the largest ever conducted on the Nairobi Securities Exchange.

As at end-June 2026, the MSCI Kenya Index (designed to measure the performance of the large and mid-cap segments of the Kenya market) closed Q4 2026 on a firm footing, recording a quarterly gain of approximately 21.12% and a full-year increase of about 58.19%. Similar to the quarter ended March 2026, the performance in the quarter under review significantly outpaced both global equity markets and peer frontier benchmarks, with the MSCI ACWI and MSCI Frontier Markets returning -0.80% and 11.18% respectively over the quarter, underscoring a sustained improvement in investor sentiment toward Kenya's capital markets

Figure 14: MSCI Kenya Index

ANNUAL PERFORMANCE (%)

Year	MSCI Kenya	MSCI Frontier Markets	MSCI ACWI
2025	63.35	46.86	22.34
2024	76.62	9.42	17.49
2023	-46.61	11.63	22.20
2022	-30.97	-26.34	-18.36
2021	13.84	19.73	18.54
2020	-9.50	1.43	16.25
2019	48.73	17.99	26.60
2018	-12.51	-16.41	-9.41
2017	35.97	31.86	23.97
2016	1.11	2.66	7.86
2015	-18.34	-14.46	-2.36
2014	23.39	6.84	4.16
2013	47.74	25.89	22.80
2012	61.90	8.85	16.13

INDEX PERFORMANCE — NET RETURNS (%) (JUN 30, 2026)

					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since May 31, 2002
MSCI Kenya	10.13	21.12	58.19	23.37	37.99	4.07	8.80	16.67
MSCI Frontier Markets	0.34	11.18	34.88	10.17	23.36	8.67	9.02	8.18
MSCI ACWI	-0.80	14.93	23.67	11.25	19.70	10.98	12.78	8.77

FUNDAMENTALS (JUN 30, 2026)

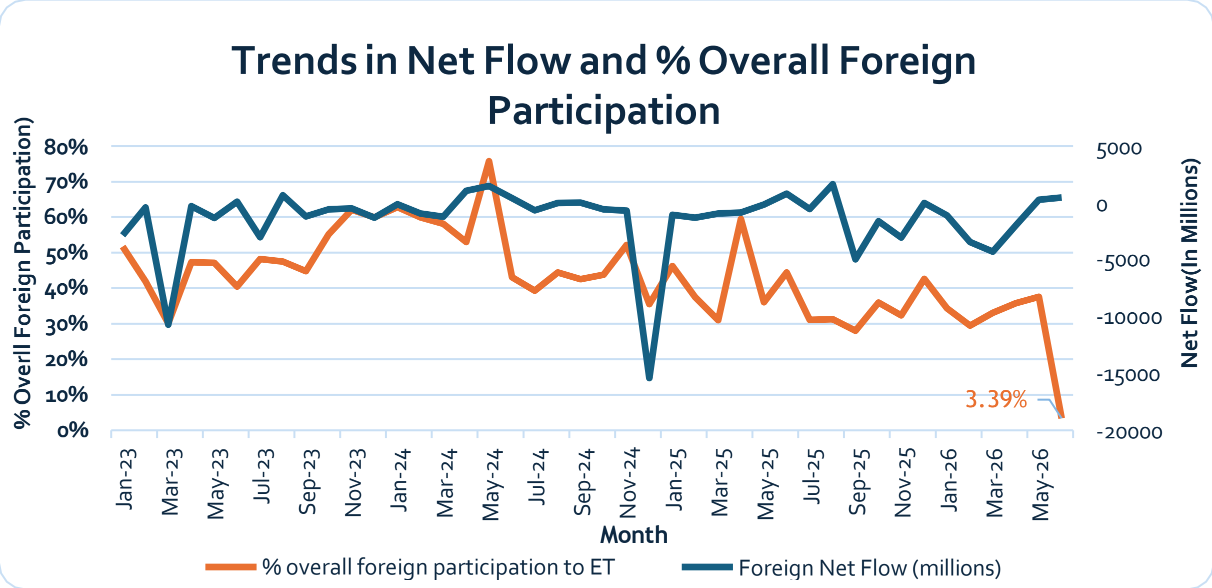
	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI Kenya	5.80	6.69	na	1.48
MSCI Frontier Markets	3.25	13.04	na	1.98
MSCI ACWI	1.57	23.64	17.78	3.86

Source: MSCI

6.2 Foreign Participation in the Equity Market

Kenya's market recorded a net foreign outflow of KShs.1.2 billion in this quarter, a marked improvement from the KShs.8.78 billion outflow recorded in the previous quarter. The quarterly outflow reflected net sales of KSh.1,976 million in April, partly offset by net inflows of KShs.287 million in May and KShs.486 million in June. Overall foreign investor participation rose from 35.76 percent in April to 37.61 percent in May before declining sharply to 3.39 percent in June.

Figure 15: Trends in Net Flow and % Overall Foreign Participation in the Equities Market



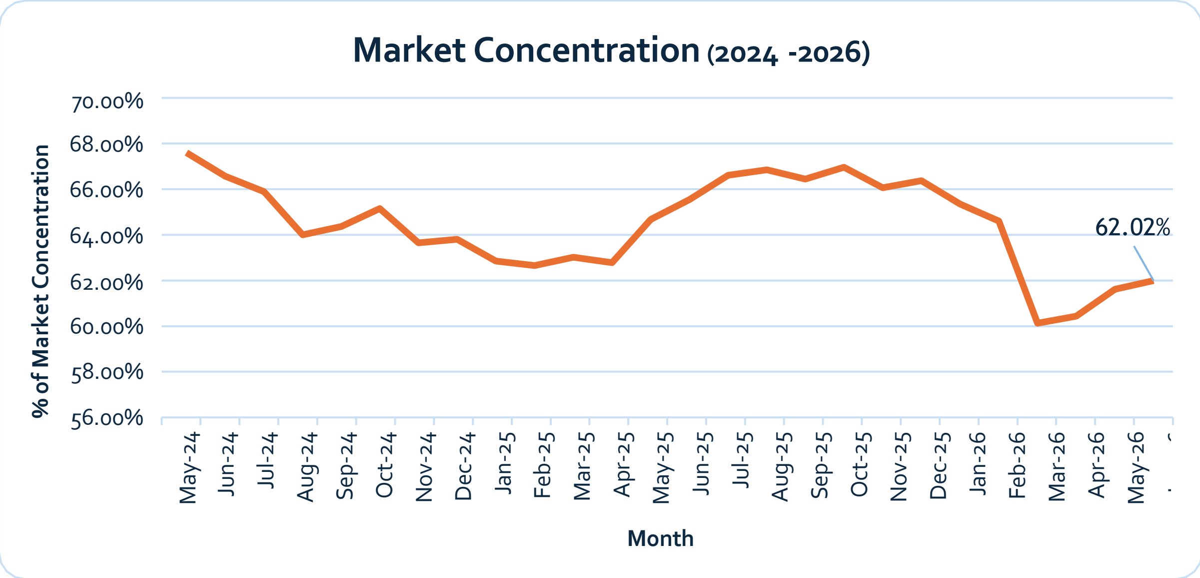
Source: NSE

NB: *The lower foreign participation recorded in June was largely a statistical effect rather than an indication of weaker foreign investor activity, as total market turnover was exceptionally elevated by the block trade arising from Vodacom Group's acquisition of the Government of Kenya's stake in Safaricom. The transaction substantially increased the turnover used to calculate the foreign participation ratio, resulting in a lower reported foreign participation rate despite continued net foreign inflows*.

6.3 Market concentration

During the quarter, the Authority assessed market concentration by examining the share of total market capitalisation attributable to the top five (5) listed companies. The findings indicate market share averaged 61.38% over the quarter, rising from 60.46% in April to 62.02% in June, an increase of 1.56% points. At above 60%, the top 10 companies continue to account for the majority of total market capitalisation, underscoring the need for continued efforts to deepen the market, enhance and encourage investor profile diversification, and support the growth and visibility of smaller and mid-cap issuers.

Figure 16: Market Concentration



Source: CMA

6.4 Bond Market

During the quarter, Treasury bonds accounted for 99.98% of total fixed income turnover, underscoring their continued dominance in market activity. They remained a highly attractive investment instrument, as reflected in the consistent oversubscription of primary issuances, driven by investor preference for lower-risk government securities amid prevailing market uncertainties.

Issuances for the period comprised reopened, switch, tap sale, and new bonds, with maturities spanning 15, 20, 25, and 30 years, notably including the introduction of a new 30-year bond (FXD1/2026/030). Through these issuances, the Government targeted to raise KShs.355.00 billion from the market.

Investor response remained strong, with total bids received amounting to KShs.428.36 billion, exceeding the amount on offer by close to 21%. The Government accepted bids valued at KShs.328.06 billion, an acceptance rate of 92.41% of the amount on offer, a more moderate uptake compared to the prior quarter, when accepted bids of KShs.265.68 billion exceeded the KShs.205 billion target by nearly 30%.

Table 4 : Issued Bonds

Date	BOND	Amt Issued (KShs. Bn)	Amt Received (KShs. Bn)	Amt Accepted (KShs. Bn)	% AA/AI	% AR/AI	Issue
Apr-26	FXD1/2020/015	40.00	41.42	36.49	91.23	103.55	Re-opened
	FXD1/2018/025		33.47	9.95	24.88	83.68	Re-opened
	FXD1/2018/015	20.00	2.56	1.75	8.77	12.80	Switch
	SDB1/2011/030	20.00	7.05	6.57	32.85	35.25	Re-opened
	FXD1/2026/030		31.28	23.49	117.45	156.41	New
May-26	FXD1/2021/020	10.00	7.61	4.53	45.26	76.14	Switch
	FXD1/2012/020	80.00	47.95	47.53	59.41	59.93	Re-opened
	FXD1/2019/020		17.57	14.54	18.17	21.97	Re-opened
	FXD1/2021/025		40.50	31.97	39.97	50.62	Re-opened
	FXD3/2019/015	50.00	20.64	14.43	28.85	41.28	Re-opened
	FXD1/2021/020		26.52	22.17	44.34	53.04	Re-opened
Jun-26	FXD1/2020/015	40.00	20.16	20.16	50.40	50.40	Re-opened
	FXD1/2018/025		14.23	14.22	35.55	35.58	Re-opened
	FXD1/2020/015	15.00	6.12	5.95	39.65	40.80	Tap Sale
	FXD1/2018/025		2.64	2.50	16.66	17.60	Tap Sale
	FXD1/2018/020	60.00	22.68	19.56	32.60	37.80	Re-opened
	FXD1/2021/025		54.95	23.01	38.35	91.58	Re-opened
	FXD1/2018/020	20.00	6.39	6.10	30.50	31.95	Tap Sale
	FXD1/2021/025		24.62	23.14	115.70	123.10	Tap Sale
Total		355.00	428.36	328.06			
Jan-26	FXD1/2019/020	60	23.36	20.24	33.73	38.93	Re-opened
	FXD1/2022/025		48.18	40.34	67.23	80.3	Re-opened
	FXD1/2022/015	20	26.49	25.17	125.87	132.46	Switch
Feb-26	FXD3/2019/015	50	133.79	54.79	109.57	267.59	Re-opened
	FXD1/2018/025		79.94	45.75	91.5	159.89	Re-opened
Mar-26	FXD1/2019/020	60	50.5	44.85	74.75	84.16	Re-opened
	FXD1/2021/025		66.94	16.14	26.9	111.56	Re-opened
	FXD3/2019/015	15	22.21	18.4	122.67	148.06	Switch
Total		205	451.41	265.68			

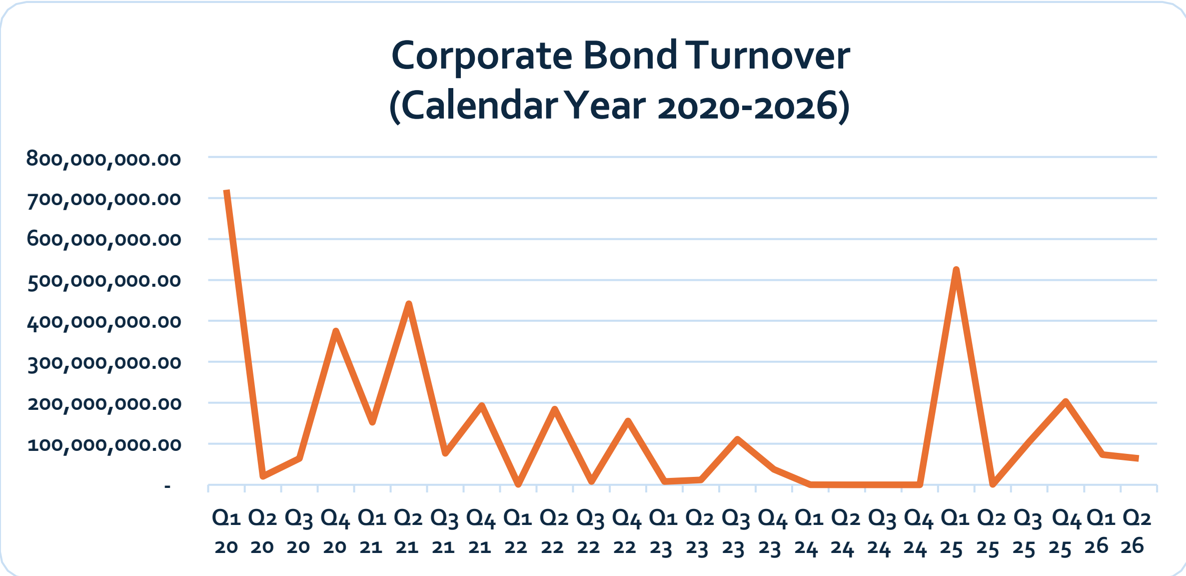
RO-Re-opened; BB-Buyback; SW-Switch; AA-Amount Accepted; AI-Amount Issued; AR-Amount Received; (AA/A) % - Acceptance Rate; (AR/AI) % - Performance Rate;

Source: CBK

6.5 Corporate Bonds

Activity in the corporate bond market segment remained relatively subdued in the domestic market. During the quarter under review, corporate bond turnover stood at KShs.64.1 million, representing a 12.9% decline from Ksh 73.6 million recorded in the quarter ended March 2026.

Figure 17 : Trend in Corporate Bond Turnover,



Source: CMA

This subdued performance is attributed to ongoing investor preference for relatively higher-yielding and more liquid government instruments. Overall, the quarter was characterized by weak liquidity and minimal participation in the corporate bond segment despite favourable macroeconomic stability.

7 CAPITAL MARKETS STABILITY SOUNDNESS INDICATORS FOR THE PERIOD 1 April – 30 June 2026

Table 5 Stability Indicators (1st April- 30 June) 2026

Stability Indicator	Quarter/ FY Year	Market Statistics				Assessment Risk Level	Performance Brief for the Quarter	Ongoing Intervention Measures
1.0 Equity Market Depth								
NSE 20 Index Volatility Base Year= 2010	Q4.2025/2026 FY	Apr	May	Jun	Q4. Aver	Low (Indicative-Low < 1%; Medium 1%; High >10%)	The average Quarterly volatility for the three Market indices, NSE 20, NSE 25, and NASI was 0.34%, 0.41%, and 0.44%, Respectively	The Market volatility for the three key indices NSE 20, NSE 25, and NASI remained low, below the 1% threshold. Low volatility indicates that the price movements of the three indices were
		0.30%	0.49%	0.24%	0.34%			
	Q3.2025/2026 FY	Jan	Feb	Mar	Q3. Aver			
		0.23%	0.56%	0.58%	0.46%			
	Q2.2025/2026 FY	Oct	Nov	Dec	Q2. Aver			
		0.29%	0.49%	0.57%	0.45%			
	Q1.2025/2026 FY	July	Aug	Sep	Q1. Aver			
		0.39%	0.37%	0.46%	0.41%			
NSE 25 Index Volatility Base Year = 2015	Q4.2025/2026 FY	Apr	May	Jun	Q4. Aver	Low (Indicative – Low < 1% Medium: >1% high; >10%)		
		0.41%	0.41%	0.42%	0.41%			
	Q3.2025/2026 FY	Jan	Feb	Mar	Q3. Aver			
		0.35%	0.51%	0.75%	0.54%			
	Q2.2025/2026 FY	Oct	Nov	Dec	Q2. Aver			
		0.29%	0.49%	0.57%	0.45%			
	Q1.2025/2026 FY	July	Aug	Sep	Q1. Aver			
		0.53%	0.31%	0.44%	0.43%			

NASI Volatility Base Year= 2010	**Q4.2025/2026 FY**	**Apr**	**May**	**Jun**	**Q4. Aver**	**Low (Indicative – Low < 1% Medium: >1% high; >10%)**		relatively stable during the period. This low volatility was likely driven by increased trading in the quarter as well as stable macroeconomic
		0.46%	**0.46%**	**0.38%**	**0.44%**			
	Q3. 2025/2026 FY	**Jan**	**Feb**	**Mar**	**Q3. Aver**			
		0.26%	**0.49%**	**0.62%**	**0.46%**			
	Q2.2025/2026 FY	**Oct**	**Nov**	**Dec**	**Q2. Aver**			
		0.47%	**0.51%**	**0.57%**	**0.52%**			
	Q1.2025/2026 FY	**July**	**Aug**	**Sep**	**Q1. Aver**			
		0.51%	**0.41%**	**0.47%**	**0.47%**			
Equities Turnover Ratio	**Q4.2025/2026 FY**	**Apr**	**May**	**Jun**	**Q4.sum**	**Low (Indicative – annual: <8%- Low; >15% High)**	The recorded turnover for Q4 2025-2026 FY was 2.36% an increase from 1.82% recorded in Q 3 2025-2026.FY	The increase in turnover from 1.82% to 2.36% was largely driven by heightened market activity, particularly the listing of Family Bank
		0.45%	**0.44%**	**6.21%**	**2.36%**			
	Q3 2025/2026 FY	**Jan**	**Feb**	**Mar**	**Q3. Sum**			
		0.42%	**0.71%**	**0.59%**	**1.82%**			
	Q2.2025/2026 FY	**Oct**	**Nov**	**Dec**	**Q2. Sum**			
		0.38%	**0.50%**	**0.57%**	**1.45%**			
	Q1.2025/2026 FY	**July**	**Aug**	**Sep**	**Q1. Sum**			
		0.50%	**0.40%**	**0.82%**	**1.71%**			

								and the sale of Safaricom shares.
2.0 Foreign Exposure Risk								
Percentage (%) overall Foreign participation to Total Equity Turnover	**Q4.2025/2026 FY**	**Apr**	**May**	**Jun**	**Q4. Aver**	**Low (Indicative – annual: <40%- Low; >90% High)**	Foreign Investor Participation at the end of the Q4 2025-2026 FY at 25.59% a a decrease from 32.27% recorded in Q3 2025-2026 FY	The decline in foreign participation reflects a denominator effect from a sharp rise in domestic trading activity, including the Family Bank listing and a large local block transaction in Safaricom shares, even as net foreign outflows eased
		35.76%	**37.16%**	**3.39%**	**25.59%**			
	Q3 2025/2026 FY	**Jan**	**Feb**	**Mar**	**Q3. Aver**			
		34.29%	**29.47%**	**33.06%**	**32.27%**			
	Q2.2025/2026 FY	**Oct**	**Nov**	**Dec**	**Q2. Aver**			
		36.00%	**32.37%**	**42.63%**	**37.00%**			
	Q1.2025/2026 FY	**Jul**	**Aug**	**Sep**	**Q1. Aver**			
		31.07%	**31.28%**	**28.01%**	**30.12%**			
	Q4. 2024/2025 FY	**Apr**	**May**	**Jun**	**Q4. Aver**			
		59.51%	**36.06%**	**44.47%**	**46.68%**			
Net Foreign Portfolio Flow (Ksh Million	**Q4. 2025/2026 FY**	**Apr**	**May**	**Jun**	**Q4. Sum**	**High (Indicative – annual: Less (outflow. <Kshs (50billion)**	The market recorded an outflow of Ksh 1,203 million compared to an outflow of	
		(1,976)	**287**	**486**	**(1,203)**			
	Q3.2025/2026 FY	**Jan**	**Feb**	**Mar**	**Q3. Sum**			
		(1,085)	**(3,422)**	**(4,276)**	**(8,783)**			
	Q2.2025/2026 FY	**Oct**	**Nov**	**Dec**	**Q2. Sum**			
		(1,601)	**(3,028)**	**9**	**(4,620)**			
	Q1.2025/2026 FY	**Jul**	**Aug**	**Sep**	**Q1. Sum**			

		(524)	1,651	(4,965)	(3,838)	- High (outflow. >Kshs. 50 billion High	Ksh 8,783million in Q3. FY 2025/2026	significantly from the prior quarter .
3.0 Market Concentration Risk								
Market Concentration (Top 5 companies by market cap)	**Q4.2025/2026 FY**	**Apr**	**May**	**Jun**	**Q4. Aver**	**High (Indicative – annual: >50% High Concentration)**	Market concentration for the top 5 companies for the quarter ended June 2026 averaged at 61.38%.	The concentration of market capitalization among the top five companies, which account for 61.38 % of the total market cap, presents a significant concentration risk. This implies that adverse
		60.46%	**61.65%**	**62.02%**	**61.38%**			
	Q3 2025/2026 FY[1]	**Jan**	**Feb**	**Mar**	**Q3. Aver**			
		65.40%	**64.85%**	**60.15%**	**63.47%**			
	Q2.2025/2026 FY	**Oct**	**Nov**	**Dec**	**Q2. Aver**			
		67.01%	**66.12%**	**66.14%**	**66.42%**			
	Q1.2025/2026 FY	**Jul**	**Aug**	**Sep**	**Q1. Aver**			
		66.66%	**66.90%**	**66.50%**	**66.69%**			

[1] Market concentration calculated for top 10 companies

								performance or failure of these firms could have a disproportional impact on overall market stability. In response, the Authority continues to promote investor portfolio diversification and initiatives aimed at broadening market participation, with a view to encouraging listings across

a wider range of companies and enhancing overall market resilience.

4.0 Derivatives Trading Statistics

Total Volume (No. of contracts)

No of Contracts

Security	Q3. Sum	Apr-26	May-26	Jun-26	Q4. Sum	%Change Q3 Vs Q4
ABSA	5,746	1,366	1,223	2,693	5,282	8.08%
BATK	230	-	-	-	-	-
EABL	4,603	210	-	210	420	90.88%
EQTY	14,867	2,493	2,089	1,826	6,408	56.90%
KCBG	4,228	4,549	3,330	8,460	16,339	286.45%
N25I		-	-	-		-
SCOM	6,923	1,324	3,915	8,265	13,504	95.06%
COOP	5,575	7,144	832	3,645	11,621	108.45%
NCBA	3,956	-	-	101	101	97.45%
IHMP	11,613	1,146	250	8,218	9,614	17.21%
SCBK	2	-	-	-	-	-
25MN		2	-	-	2	-
10MN	6	-	-	-	-	-
BRIT		-	-	-	-	-
KEGN	9,058	-	2,000	2,000	4,000	55.84%
KNRE	8,852	1,600	-	-	1,600	81.92%
KPLC	2,657	-	-	-		100.00%
NBSI	32	-	-	45	45	40.63%
Total	78,348	19,834	13,639	35,463	68,936	12.01%

Low

The volume of contracts traded in Q4.2025/2026 was 78,348 translating to a 12.01% Increase from 68,936 Contracts recorded in Q3.

As for hedging instruments, the place of derivatives markets in the face of economic uncertainty remains important in risk management.

Gross Notional Exposure (GNE)[1]	Amounts in Kshs							High (indicative – annual: >50% High concentration)	The total value (Gross Exposure) of contracts traded during the quarter came up to Ksh319,800,964; a 0.72% increase from Q3 FY 2025/2026.
	Security	**Q3. Sum**	**Apr-26**	**May-26**	**Jun-26**	**Q4. Sum**	**%change Q3Vs Q4**		
	ABSA	16,640,982	3,935,534	3,542,548	7,914,680	15,392,762	7.50%		
	BATK	1,129,548	-	-	-	-			
	EABL	11,724,330	537,180	-	571,200	1,108,380	90.55%		
	EQTY	109,762,530	18,456,132	15,567,444	14,308,100	48,331,676	55.97%		
	KCBG	30,946,449	31,700,182	22,594,613	60,478,022	114,772,817	270.88%		
	N25I		-	-	-				
	SCOM	22,192,828	4,006,800	12,060,375	26,283,300	42,350,475	90.83%		
	COOP	16,721,673	21,829,165	2,670,504	11,674,185	36,173,854	116.33%		
	NCBA	36,074,327	-	-	902,100	902,100	97.50%		
	IHMP	55,862,059	5,736,160	1,275,000	49,343,100	56,354,260	0.88%		
	SCBK	6,057	-	-	-	-			
	25MN		116,640	-	-	116,640			
	10MN	66,990	-	-	-		100.00%		
	BRIT		-	-	-	-			
	KEGN	8,619,772	-	1,872,000	1,816,000	3,688,000	57.21%		
	KNRE	3,392,882	498,400	-	-		100.00%		
	KPLC	4,300,042	-	-	-	498,400	88.41%		
	NBSI	76,730	-	-	111,600	111,600	45.45%		
	Total	317,517,199	86,816,193	59,582,484	173,402,287	319,800,964	0.72%		

[1] Gross Notional Exposure = no. of Contracts * notional contract size * market price of underlying equity share or index. The GNE is the value amount. It is the exact conversion of the derivative into the market value of an equivalent position in the underlying asset of that derivative.

Total Open Interest[2] (No. of Contracts)	(see table below)	Medium (Indicative – annual: >50% High concentration)	Overall, the total average number of open interest contracts recorded in Q4 were 11,975 a 63.24% decrease form Q3.FY. 2025/2026 value of 32,579.

Security	Q1 Average	Apr-26	May-26	Jun-26	Q2. Average	% Change Q1 Vs Q2
ABSA	1595	13	313	980	435	72.73%
BATK	80	-	-	-	-	
EABL	3,186	210	210	-	210	93.41%
EQTY	4535	808	415	10	411	90.94%
KCBG	1661	245	3,565	3,130	2313	39.25%
N25I	0	-	-		-	
SCOM	6,491	3,895	6,490	1,105	3830	41.00%
COOP	2750	7	839	-	423	84.62%
NCBA	78	1	1	100	34	56.41%
IHMP	8517	3,514	3,264	4,750	3843	54.88%
SCBK	2	-	-		-	
25MN	0	2	2	2	2	
10MN	3	-	-	-	-	
BRIT	0	-	-	-	-	
KEGN	3,200	-	2,000	-	2000	37.50%
KNRE	252	-	-	-	-	
KPLC	203	-	-	-	-	
NBSI	26	20	20	15	18	30.77%
Total	32,579	8,715	17,119	10,092	11,975	63.24%

[2] Open interest is the total number of outstanding derivative contracts that have not been settled or closed. It is a measure of market interest.

<table>
<tr>
<td>Settlement Guarantee Fund (SGF) Coverage for Derivatives (to be changed)</td>
<td>
<table>
<tr><th></th><th>Oct-25</th><th>Nov-25</th><th>Dec-25</th></tr>
<tr><td>SGF</td><td>62,142,113</td><td>62,495,149</td><td>62,789,393</td></tr>
<tr><td>Average Market Value</td><td>1,030,558</td><td>2,124,795</td><td>1,715,282</td></tr>
<tr><td>SGF Coverage</td><td>60 times</td><td>29 times</td><td>37 times</td></tr>
</table>
Data as of December 2025
</td>
<td>*High (Indicative– annua l: >50%

High concentratio n n</td>
<td>The SGF coverage ratio for the Derivatives market in Q2 2025 was sufficient during the period.</td>
<td>To Maximize value from the SGF fund balances, there is deliberate effort by NSE to encourage increased activity by Market intermediaries</td>
</tr>
</table>

<table>
<tr><td></td><td></td><td></td><td></td><td>in this market for Increased volumes of trade.</td></tr>
<tr><td colspan="5">5.0 Government Bond Market Exposure</td></tr>
<tr><td>Treasury Bond Market turnover Concentration</td><td><table>
<tr><td>Q4.2025/2026 FY</td><td>Apr</td><td>May</td><td>Jun</td><td>Q4. Aver</td></tr>
<tr><td></td><td>100.00%</td><td>100.00%</td><td>99.95%</td><td>99.98%</td></tr>
<tr><td>Q3.2025/2026 FY</td><td>Jan</td><td>Feb</td><td>Mar</td><td>Q3. Aver</td></tr>
<tr><td></td><td>100.00%</td><td>100.00%</td><td>99.98%</td><td>99.99%</td></tr>
<tr><td>Q2.2025/2026 FY</td><td>Oct</td><td>Nov</td><td>Dec</td><td>Q2. Aver</td></tr>
<tr><td></td><td>100.00%</td><td>100.00%</td><td>100.00%</td><td>100.00%</td></tr>
<tr><td>Q1.2025/2026 FY</td><td>Jul</td><td>Aug</td><td>Sep</td><td>Q1. Aver</td></tr>
<tr><td></td><td>100.00%</td><td>100.00%</td><td>100.00%</td><td>100.00%</td></tr>
</table></td><td>High (Indicative – annual: >50%High)</td><td>In Q4 2025-2026 FY Treasury Bond market turnover averaged at 99.98%</td><td>Government activity in the bonds markets continues to dominate as the Government targets domestic market savings to fund various Government activities</td></tr>
<tr><td colspan="5">6.0 Investor Profile</td></tr>
<tr><td>Corporate Bond Market ownership</td><td><table>
<tr><td>ACCOUNT_TYPE</td><td>NUM_OF_INVESTORS</td><td>SHARE_QNTY</td><td>% Share</td></tr>
<tr><td>EI</td><td>8</td><td>11,390,000</td><td>0.02%</td></tr>
<tr><td>FC</td><td>3</td><td>1,322,894,415</td><td>2.05%</td></tr>
<tr><td>FI</td><td>52</td><td>361,710,000</td><td>0.56%</td></tr>
<tr><td>JR</td><td>5</td><td>800,000</td><td>0.00%</td></tr>
</table></td><td>High (Indicative – annual:</td><td>In the quarter under review Local Corporate</td><td>Kenya has been facing a period of reduced corporate</td></tr>
</table>

	<table><tr><td>LC</td><td>628</td><td>57,146,112,367</td><td>88.67%</td></tr><tr><td>LI</td><td>3,337</td><td>5,604,079,974</td><td>8.70%</td></tr><tr><td></td><td>4,033</td><td>64,446,986,756</td><td>100.00%</td></tr></table> **Data Computed as of June 2026**	**>50%** **High concentration**	investors continued to constitute the greatest share in investment.	bond activity in the last few years. The Authority through its investor education and market deepening function has profiled retail investors to increase activity within the domestic corporate bond market.
Equity		**High**	In Q4. Local	While the

<table>
<tr>
<td>Market</td>
<td>
<table>
<tr><th>Account_Type</th><th>Num_of_Investors</th><th>Share_Qnty</th><th>% By Share Quantity</th></tr>
<tr><td>BR</td><td>6</td><td>13,428,401</td><td>0.01%</td></tr>
<tr><td>EC</td><td>251</td><td>5,299,304,321</td><td>4.58%</td></tr>
<tr><td>EI</td><td>7,404</td><td>120,740,093</td><td>0.10%</td></tr>
</table>
</td>
<td>(Indicative – annual: >50%

High</td>
<td>corporate investors constituted the majority in the</td>
<td>proportion of local investors is higher than foreign investors, the</td>
</tr>
</table>

FC	381	15,111,700,736	13.05%
FI	8,006	538,598,878	0.47%
JR	417	3,550,633	0.00%
LC	40,684	80,758,599,608	69.75%
LI	1,277,612	13,932,834,356	12.03%
	1,334,761	115,778,757,026	100.00%

Data as of June, 2026

concentration	investment in equity followed by foreign Investors	share quantity held by each investor on a per capita basis remains low.

7. 0 Settlement Compensation Coverage

Settlement Guarantee Fund	**Q4.2025/2026 FY**	**Apr**	**May**	**Jun**	**Q4. Aver**	**(Indicative– annual: >1 times, implies full coverage**	The settlement Guarantee Fund (SGF) ratio for the quarter under review was 1.44.	Through Risk-Based supervision, the Authority has been monitoring the SGF figures. The fund remains adequate to
		2.12	**2.07**	**0.15**	**1.44**			
	Q3.2025/2026 FY	**Jan**	**Feb**	**Tue**	**Q3. Aver**			
		2.59	**1.32**	**1.78**	**1.89**			
	Q2. 2025/2026 FY	**Oct**	**Nov**	**Dec**	**Q2. Aver**			
		2.7	**2.2**	**1.9**	**2.3**			
	Q1.2025/2026 FY	**Jul**	**Aug**	**Sep**	**Q1. Aver**			
		2.81	**3.01**	**1.51**	**2.45**			

								guarantee settlement failure.

8.0 Asset Base of Fund Managers, Stockbrokers, Investment Bank

Working Capital (Amount in Kshs Millions) *

	Total Assets	Total Liabilities	Net Assets June 2026 in	Net assets March 2026	% change
Fund Mangers	16,727	3611	13115	14,375	8.8%
Investment Advisers	645	302	343	382	10.2%
Investment Banks	24,968	9,610	15357	13,229	16.1%
Stockbrokers	3,720	2,019	1700	1,692	0.5%
Non Dealing Forex Brokers	8714	6451	2262	1,811	24.9%
Dealing Forex Brokers	148	84	63	112	43.8%
Forex Money Managers	312	282	29	46	37.0%
Trustees	313	105	208	-	-

Medium (Indicative – the Higher the figure, the more stable is the market

The net assets base of fund Managers, Investment Adviser, Investment Banks, Stockbrokers Non dealing Forex brokers, dealing forex brokers forex money managers and trustees as of June 2026 Stood at 13,115M, 343M, 15,357M, 1,700M, 2,262M, 63M, 29M and 208M respectively.

Capital markets licensees' net assets increased between April and June 2026 for Investment Banks, Stockbrokers, and Non dealing forex brokers and decreased for fund managers, investment advisers, dealing forex brokers and Forex money managers.