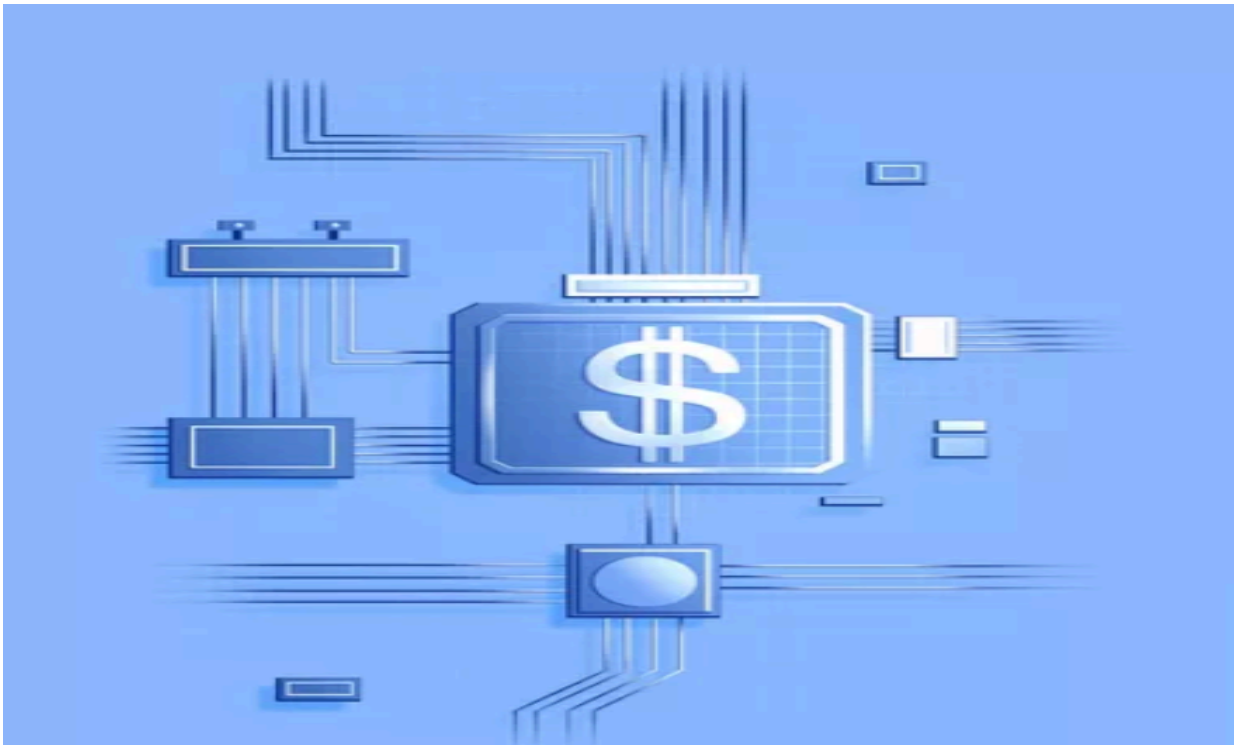


"Strengthening Regulatory Oversight, Compliance and Market Confidence in Kenya's Virtual Assets Ecosystem"

Quarterly Publication of the Capital Markets Authority (K)

Quarter 1 FY 2026/2027 (1st July – 30th September 2026)

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ABBREVIATIONS

AI	Artificial Intelligence
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
FCA	Financial Conduct Authority
GDP	Gross Domestic Product
ICO	Initial Coin Offerings
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offer
NIF	National Infrastructure Fund
OECD	Organisation for Economic Co-operation and Development

SPECIAL MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Dear Esteemed Reader,

Greetings, and welcome to the 40th Edition of the Capital Markets Soundness Report, covering the period from 1 July to 30 September 2026, which marks the first quarter of the Financial Year 2026/2027. This edition provides an overview of developments in the global economy and capital markets, examines emerging regional and domestic trends, and assesses the resilience, stability and growth of Kenya's capital markets. It also features an in-depth analysis of Kenya's virtual asset regulatory framework and its implications for market development, innovation and investor protection.

The global economic environment was characterised by geopolitical tensions, rising energy prices, elevated sovereign bond yields and uncertainty surrounding inflation and economic growth. In the Capital markets global growth is projected grow by 3.1 percent in 2026 before recovering to 3.4 percent in 2027. Global equities recorded positive returns, supported by resilient corporate earnings and technology investments, while bond markets faced pressure and digital assets rebounded. These developments highlighted the need for effective risk management, sound regulation and resilient financial market infrastructure.

International regulatory developments during the quarter highlighted the growing importance of regulatory efficiency, technological innovation and operational resilience. The United Kingdom's Financial Conduct Authority introduced reforms to simplify information-sharing requirements during initial public offerings, with the objective of reducing transaction costs and delays while maintaining appropriate investor protections. The FCA also highlighted the growing use of artificial intelligence among younger investors, drawing attention to consumer protection risks arising from reliance on unverified AI-generated financial information. Additionally, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions issued practical guidance on cyber resilience for financial market infrastructures. Collectively, these developments underscore the need for regulators to balance innovation and market efficiency with strong governance, effective supervision and investor protection.

The fixed-income market continued to play an important role in mobilising domestic savings and financing government expenditure, supported by strong investor demand for Treasury bonds and infrastructure bonds. In addition, the National Treasury's infrastructure financing initiatives and Quickmart's announced plans to list on the Nairobi Securities Exchange point to opportunities for expanding investment choices, strengthening the issuer pipeline and broadening access to capital markets financing.

The Authority continued to advance efforts to deepen and diversify Kenya's capital markets through expanded licensing of market intermediaries, approval of additional collective investment schemes and investment products, and enhanced investor protection measures. Regionally, the inaugural Africa Capital Week and the Nairobi declaration for deepening Africa's Capital Markets highlighted the importance of regulatory cooperation, cross-border market integration and mobilisation of institutional savings towards productive investments. These developments reinforce the need for coordinated policy reforms and appropriate investment structures to strengthen market access, improve liquidity and position African capital markets as effective channels for financing sustainable economic development. The Capital Markets Authority remains committed to fostering fair, orderly, transparent and resilient capital markets through responsive regulation, innovation, effective supervision and investor protection.

Lastly, I extend my gratitude to you, our esteemed reader, for your continued support to the Authority year-on-year, towards the attainment of our Mandate through your continued readership of this publication. As you peruse through the report, feel free to forward your thoughts on the key findings, lessons learnt, opportunities, risk and mitigation measures.

Your feedback will go a long way in improving this quarterly publication.

Enjoy the Read!

FCPA Wyckliffe Shamiah, MBS

CHIEF EXECUTIVE OFFICER

CAPITAL MARKETS AUTHORITY

EDITORIAL



Greetings!

It is with great pleasure that the Capital Markets Authority presents the 40th Edition of the Capital Markets Soundness Report themed "***Strengthening Regulatory Oversight, Compliance and Market Confidence in Kenya's Virtual Assets Ecosystem.***"

The 40th Edition is published against the backdrop of the enactment of the Virtual Asset Service Providers Regulations, 2026, as the Capital Markets Authority prepares to operationalise the regulatory framework and oversee its implementation within the capital markets. The framework establishes a statutory basis for licensing and supervising virtual asset service providers and addresses important risks relating to market conduct, custody of customer assets, cybersecurity, financial crime and consumer protection.

Regional developments reflected continued efforts to mobilise capital, strengthen issuer preparedness and expand alternative financing channels. Egypt's Financial Regulatory Authority introduced a training programme to prepare state-owned companies for public listings, demonstrating the importance of governance, financial reporting and disclosure readiness in successful capital raising. On the other hand, Africa's private credit market continued to expand as businesses and infrastructure developers sought alternatives to traditional bank financing.

Kenya's domestic capital markets recorded positive performance during the quarter, despite increased external uncertainty. The NSE 20 Share Index, NSE 25 Share Index, NASI and NSE 10 Share Index rose by 14.95%, 12.38%, 9.57% and 13.50%, respectively, from their end-June levels. Market capitalisation exceeded KSh. 4 trillion in August before moderating in September, while total equity turnover amounted to KSh. 72.55 billion. Foreign investors recorded net outflows of KSh. 5.67 billion, reflecting increased selling pressure from foreign investors during the quarter. In the fixed-income market, Treasury bond issuances attracted substantial investor demand, while corporate bond turnover increased by 217.5% to KSh. 203.55 million. These developments highlight the continued importance of government

securities in domestic market activity, alongside opportunities to expand corporate debt financing and diversify the range of instruments available to investors.

The report also highlights emerging risks and opportunities relevant to the stability and development of Kenya's capital markets. These include cybersecurity threats arising from increasing digitalisation, the potential effects of geopolitical tensions and energy price shocks on inflation and financial conditions, and market concentration among a relatively small number of listed companies. The growth in digital financial activity and the scale of betting expenditure also raise important questions regarding financial literacy, product accessibility and the mobilisation of household savings into regulated investment products.

Overall, the developments reviewed in this edition demonstrate the importance of maintaining resilient and well-regulated capital markets while adapting to technological change and evolving investor needs. Continued collaboration among regulators, policymakers, market intermediaries and development partners will be essential in strengthening market integrity, improving access to financing, expanding investor participation and positioning Kenya as a competitive regional financial centre.

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

Enjoy the read!

Mr. Samuel Kamunyu Njoroge
AG. DIRECTOR, RESEARCH POLICY AND MARKET DEVELOPMENT
CAPITAL MARKETS AUTHORITY

1.0 SPECIAL FEATURE: KENYA'S VIRTUAL ASSET REGULATORY FRAMEWORK: KEY REQUIREMENTS AND MARKET IMPLICATIONS

Introduction

Kenya's virtual assets regulatory framework is anchored by the Virtual Asset Service Providers Act, 2025 and operationalized through the Virtual Asset Service Providers Regulations, 2026, gazetted on July 22, 2026.

a) Virtual Asset Service Providers Act, 2025

Overview

The Virtual Asset Service Providers Act, 2025 (Act No. 20 of 2025) establishes Kenya's first comprehensive statutory framework for the licensing, regulation and supervision of Virtual Asset Service Providers (VASPs) and related virtual asset activities. The Act was assented to on 15 October 2025, published in the Kenya Gazette on 21 October 2025, and commenced on 4 November 2025.

Its principal objective is to provide a legal framework for regulating virtual asset activities while addressing risks relating to money laundering, terrorism financing, proliferation financing, consumer protection, market integrity and financial stability. The Act establishes a broad framework covering virtual assets, virtual asset service providers, virtual asset offerings and related activities. It defines a virtual asset broadly around a digital representation of value that can be digitally traded or transferred and used for payment or investment purposes. It also recognises concepts such as distributed ledger technology, custodial wallets, beneficial ownership, anonymity-enhancing services and virtual asset offerings. The framework therefore extends beyond cryptocurrencies in the narrow sense and captures a wider range of digital assets and services depending on their characteristics and the activities being undertaken.

Key aspects of the Virtual Asset Service Providers Act, 2025

a) Regulation and Licensing of VASPs

A central feature of the Act is that persons wishing to conduct regulated virtual asset activities in or from Kenya must be licensed. The Act provides for different categories of permissible virtual asset services, with licensing responsibilities allocated between the

Central Bank of Kenya (CBK) and the Capital Markets Authority (CMA) according to the activities specified in the First Schedule. The Act establishes licensing requirements covering matters such as ownership and control, governance, management, financial capacity, systems and controls, security arrangements and compliance with applicable Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Counter-Proliferation Financing (CPF) requirements. A licence is therefore intended to establish minimum standards for entities entering the sector and provide regulators with ongoing supervisory oversight.

b) Regulatory Allocation Between CBK and CMA

The Act adopts a dual-regulatory model, with CBK and CMA designated as the principal regulators. The allocation of responsibilities is based on the nature of the virtual asset service being provided. This is particularly important from a policy perspective because virtual assets can have characteristics that cut across payments, financial intermediation, investment products and capital markets. The Act therefore requires regulatory coordination to avoid gaps, duplication or inconsistent treatment of activities that may fall within more than one financial sector.

c) Virtual Asset Offerings

The Act introduces a framework for virtual asset offerings, meaning that persons seeking to offer certain virtual assets to the public are subject to regulatory requirements and authorisation. This is significant because it moves the regulatory framework beyond simply supervising intermediaries and addresses the creation and distribution of virtual assets themselves. The framework is intended to provide greater transparency to investors and users and establish requirements around disclosures and the conduct of offerings.

d) Consumer and Investor Protection

The Act contains measures intended to protect users and investors from risks associated with virtual asset activities. These include requirements concerning disclosures, transparency, fair dealing, complaints handling and safeguards relating to customer assets. The framework also seeks to address risks arising from conflicts of interest, misleading representations and inappropriate conduct by service providers. This is particularly relevant given the complexity and volatility associated with some virtual assets.

e) Custody and Safeguarding of Assets

The Act recognises custodial wallet services, where a third party holds or manages private keys on behalf of customers. This creates a regulatory basis for addressing risks associated with the custody and safeguarding of customers' virtual assets. The regulatory framework is consequently expected to place emphasis on segregation and safeguarding arrangements, operational controls, cybersecurity and the protection of customer assets in circumstances such as insolvency or operational failure.

f) AML/CFT/CPF Requirements

A major policy objective of the Act is to bring VASPs within Kenya's anti-money laundering, countering the financing of terrorism and countering proliferation financing (AML/CFT/CPF) framework. VASPs are required to establish appropriate systems for customer identification, customer due diligence, beneficial ownership identification, transaction monitoring, record keeping and reporting of suspicious transactions and other relevant information. The Act also addresses risks associated with anonymity-enhancing services, which can make identification of parties and tracing of transactions more difficult. This aspect responds to the regulatory risks that previously existed because virtual asset activities were developing without a dedicated licensing and supervisory framework.

g) Governance and Internal Controls

Licensed VASPs are subject to requirements relating to corporate governance, management responsibility, risk management and internal controls. The regulatory approach recognises that technology-driven financial businesses require appropriate systems to manage operational, technological, cybersecurity, financial and compliance risks. Regulators are therefore given powers to assess whether an applicant has the appropriate governance arrangements, systems and resources before granting a licence and to supervise compliance thereafter.

h) Technology and Cybersecurity Risks

Given the technology-dependent nature of virtual assets, the framework addresses risks associated with information systems, cybersecurity, operational resilience and technology infrastructure.

This is important because a failure of a virtual asset platform, wallet infrastructure, exchange or other service could result in significant customer losses even where there is no conventional financial institution failure. The regulatory framework therefore places responsibility on providers to maintain appropriate systems, controls and security arrangements.

i) Regulatory Powers and Enforcement

The Act gives the designated regulators powers to license, supervise, inspect and take enforcement action against regulated entities. The framework provides for regulatory intervention where a VASP fails to meet statutory or regulatory requirements. Enforcement mechanisms are intended to deter unlicensed activity, misconduct and non-compliance and to provide regulators with the ability to protect consumers and maintain confidence in the virtual asset market.

j) Transitional Arrangements

The Act recognises that virtual asset activities were already taking place before the legislation came into effect. It therefore provides a transitional period for existing operators to comply with the new framework. The one-year transitional period runs from 4 November 2025 to 4 November 2026, after which existing providers are expected to comply with the applicable licensing and statutory requirements.

k) Institutional Coordination

An important feature of the framework is the need for inter-agency coordination. Virtual assets intersect with capital markets, payments, banking, taxation, AML/CFT, consumer protection, data protection and technology. Effective implementation therefore requires coordination between CBK, CMA, National Treasury, the Financial Reporting Centre and other relevant government agencies. The dual-regulator model particularly requires clear delineation of regulatory responsibilities and mechanisms for dealing with activities that have characteristics spanning different financial sectors.

Virtual Asset Service Providers Regulations, 2026

Overview

The Virtual Asset Service Providers Regulations, 2026 operationalise the Virtual Asset Service Providers Act, 2025 and provide the framework for licensing and supervision of virtual asset service providers in Kenya. The Regulations cover licensing, governance, capital requirements, consumer protection, market conduct, custody of virtual assets, cybersecurity, initial coin offerings (ICOs), tokenisation, stablecoins, advertising, reporting and enforcement. The Regulations are intended to bring virtual asset activities within a formal regulatory framework while addressing risks relating to consumers, market integrity, financial crime and technology.

The framework is particularly relevant to the capital markets because some virtual asset activities are closely related to existing investment and capital raising activities. In particular, the Regulations provide for virtual asset exchanges, investment advisory and management services, ICOs, token issuance and tokenisation of real-world assets. This creates a basis for incorporating emerging digital financial products into the regulated financial system.

i) Regulatory Scope of the Virtual Asset Service Providers Regulations, 2026

The Regulations apply to persons providing virtual asset services in Kenya, including persons that target Kenyan consumers or derive economic benefit from Kenya. This is important given that virtual asset platforms can operate across borders without having a physical presence in the country. While the broad scope helps to address activities conducted through offshore platforms, enforcement against foreign VASPs that target Kenyan consumers may remain challenging. There will therefore be a need for cooperation with foreign regulators and other relevant authorities to address cross-border activities and unlicensed providers.

ii) Licensing and Market Entry

The Regulations establish detailed licensing requirements for different categories of VASPs. Applicants are required to provide information on ownership, beneficial ownership, directors and senior management, financial resources, risk-management arrangements, AML/CFT controls, cybersecurity, consumer protection and business continuity. The licensing requirements provide a basis for ensuring that entities entering the market have adequate financial, governance and operational capacity. This is particularly important

because some VASPs may hold significant amounts of customer assets or operate trading platforms on which a large number of investors transact.

iii) Capital and Prudential Requirements

The Regulations introduce minimum capital and liquidity requirements for different categories of VASPs. The requirements vary depending on the nature of the activity and the associated risks. Exchanges, for example, are subject to higher requirements than some other categories of providers. The capital requirements provide an initial prudential safeguard for the sector. However, as the market develops, it will be important to assess whether the requirements adequately capture the risks associated with customer assets under custody, transaction volumes, operational failures, cyber incidents and counterparty exposures. The requirements may need to be reviewed periodically based on the experience of the market and the risk profile of licensed entities.

iv) Governance and Risk Management

The Regulations place emphasis on corporate governance, internal controls and risk management. VASPs are expected to have appropriate boards and senior management structures, risk-management systems, internal controls and policies for managing conflicts of interest. These requirements are important because weaknesses in governance and internal controls can result in significant losses to customers and undermine confidence in the market. Effective supervision of governance arrangements will therefore be an important part of implementation.

v) Safeguarding of Customer Assets

The Regulations provide for the safeguarding and segregation of customer assets and require VASPs to maintain adequate records of customer holdings. These requirements are intended to reduce the risk of customer assets being lost, misused or mixed with the assets of the service provider. The provisions are particularly important for exchanges and wallet related activities. As the market grows, further guidance may be required on issues such as private-key management, reconciliation of customer assets, wallet security, custody arrangements and the treatment of customer assets where a VASP becomes insolvent.

vi) Market Conduct and Market Integrity

The Regulations introduce provisions dealing with market abuse, including insider dealing, market manipulation, false trading, market rigging, front-running and misleading statements. These provisions extend established capital-market principles to virtual asset markets.

This is important because virtual asset trading can take place continuously and across several platforms. Effective supervision may therefore require enhanced market surveillance capabilities to identify unusual trading patterns, manipulation and other forms of abusive conduct.

vii) Initial Coin Offerings and Disclosure

The Regulations establish requirements for Initial Coin Offerings, including approval, disclosure and publication of white papers. They also require appropriate due diligence before virtual assets are admitted to trading platforms. The requirements provide greater transparency for investors and seek to ensure that persons raising funds through virtual assets provide sufficient information about the product and associated risks. This is particularly important where digital assets are being used as an alternative means of raising capital from the public.

viii) Tokenisation of Real-World Assets

The framework for tokenisation of real-world assets is one of the key developments from a capital-markets perspective. The Regulations provide for licensing of tokenisation providers and establish requirements relating to ownership, transferability and disclosure. Tokenisation is likely create opportunities for the development of new investment products and make it easier to divide ownership interests into smaller units. Potential applications include real estate, infrastructure, securities, investment funds and other assets. It could also support wider access to investment opportunities and improve the efficiency of some transactions.

ix) Stablecoins

The Regulations provide requirements relating to stablecoins, including reserves, custody, redemption, disclosure and reporting. Stablecoins are important because they can be used for payments, settlement and investment-related activities. The regulation of stablecoins also demonstrates the need for close coordination between CMA and CBK. Where

stablecoins are used on CMA-regulated platforms, clear arrangements will be required to ensure consistency between the requirements applicable to the issuer and those applicable to the trading platform.

x) Cybersecurity and Technology Risk

The Regulations recognise cybersecurity as an important risk and require VASPs to have appropriate cybersecurity policies, controls and audit arrangements. Licensing requirements also include information systems audits, vulnerability assessments and penetration testing. This is important because virtual asset activities depend heavily on technology, digital wallets and distributed-ledger systems. Cybersecurity incidents can result in direct financial losses, and loss of confidence in the affected platform. Continued attention will therefore be required on cyber incidents, private key security, technology outsourcing, smart-contract risks and business continuity.

xi) Consumer Protection and Advertising

The Regulations establish requirements governing the advertising and promotion of virtual assets. VASPs are expected to provide information that is accurate, clear and balanced, including information on the risks and costs associated with virtual assets. This is particularly relevant because virtual assets are often promoted through social media and other online platforms. Effective implementation will require attention to the activities of third party promoters and other persons marketing virtual assets to Kenyan consumers.

xii) AML/CFT and Financial Crime Risks

VASPs are subject to requirements aimed at addressing money laundering, terrorist financing and proliferation financing risks. This is important given the ability to transfer virtual assets across borders and, in some cases, the difficulty of identifying the persons behind particular transactions. Effective implementation will require cooperation between CMA, CBK, the Financial Reporting Centre, law-enforcement agencies and other relevant institutions. The use of blockchain analytics and other technology-based tools may also strengthen the ability to identify suspicious transactions.

xiii) Inter-Agency Coordination

The Regulations establish the Virtual Assets Services Coordination Forum, bringing together the National Treasury, CMA, CBK and other relevant government agencies. The

Forum is intended to facilitate consultation, information sharing, cooperation and resolution of issues that cut across different regulatory mandates. The coordination mechanism is important because virtual assets involve several areas of regulation, including capital markets, payments, taxation, AML/CFT, cybersecurity and consumer protection. Regular information sharing and coordinated responses to emerging risks will be important as the market develops.

Lessons Learnt and opportunities

- ***Regulatory synergies: Clear regulatory mandates and inter agency coordination are critical where activities cut across payments, capital markets, AML/CFT and technology.***
- ***Deepening of capital markets: Tokenisation presents opportunities for capital market development, including broader access to investment products and more efficient transactions.***

Key Risks

- ***Cross border enforcement challenges, mainly with offshore VASPs targeting Kenyan consumers.***
- ***Cyber security risks and operational risks: Cybersecurity, operational and custody risks, which could result in investor losses, and loss of market confidence.***
- ***Possible market manipulation and misconduct risks arising from the continuous and multi-platform nature of virtual asset trading.***
- ***Exposure to financial crime and consumer protection risks, including money laundering, terrorist financing, proliferation financing, fraud and inadequate disclosure, requiring effective monitoring, reporting and coordination with relevant agencies both within and outside Kenya.***

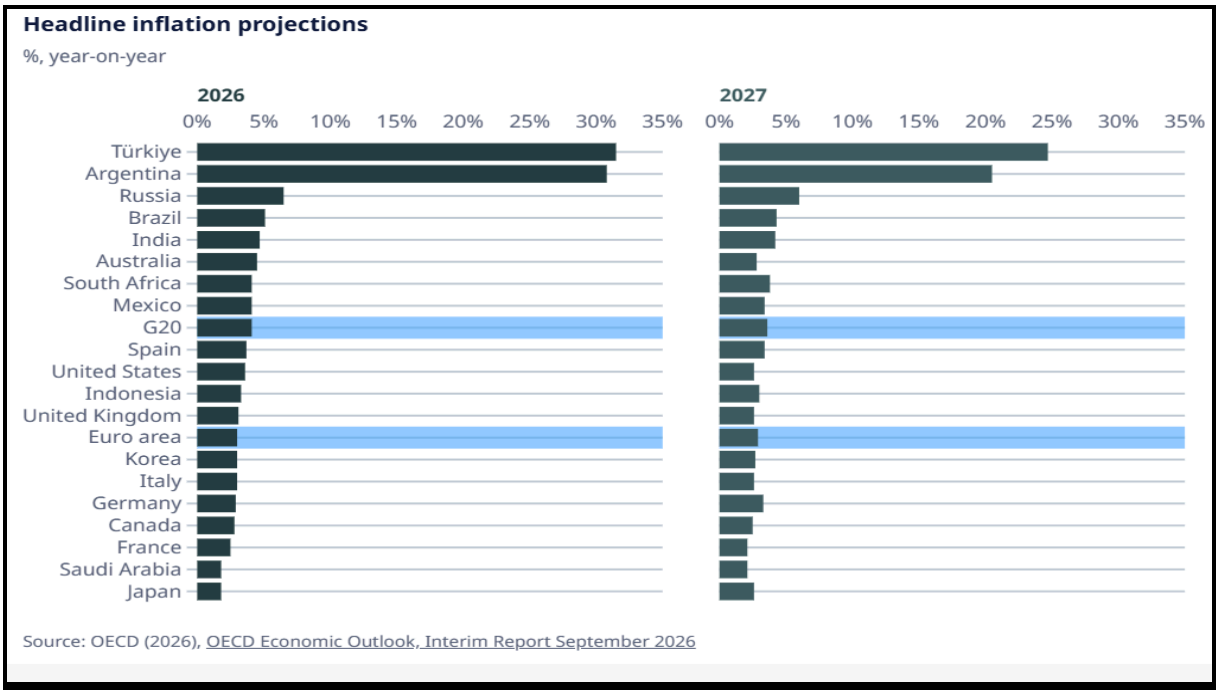
2.0 GLOBAL ECONOMIC AND CAPITAL MARKETS OUTLOOK

2.1 Global Economic Outlook

2.1.1 Inflation

The renewed energy price shock experienced in September is expected to keep inflation higher for longer. G20 headline inflation is projected to rise to 4.1% in 2026 before easing to 3.6% in 2027. Core inflation in the advanced economies is anticipated to moderate from 2.7% in 2026 to 2.5% in 2027.

Figure 1Headline Inflations Projections



Source: OECD

2.1.2 GDP Growth

The IMF World Economic Outlook Report projects that Global growth will decelerate from 3.5 percent in 2025 to 3.1 percent in 2026 before recovering to 3.4 percent in 2027, unchanged from that in April for 2026 and revised upward by 0.2 percentage point for 2027. Growth in advanced economies is expected to slightly rise from 2.0 percent in 2025 to 2.1 percent in 2026 before decelerating to 1.8 percent in 2027. Outcomes remain uneven within the group.

In the United States, growth is projected at 2.3 percent in 2026 and in 2027, unchanged from April for 2026 and an upward revision of 0.2 percentage point for 2027. Activity is supported by robust private consumption, fiscal policy accommodative financial conditions, and continued technology-related business investment (net of its large import content) and

productivity strength, with only limited direct impact from the war given the country's net energy exporter status.

In the United Kingdom, growth is projected to remain stable at 1.3 percent in 2026 and to edge down to 1.2 percent in 2027 as higher energy prices and long-term interest rates weigh on consumption and investment. Growth in Japan is projected to slow to 0.7 percent in 2026, with fiscal support measures partly cushioning the impact from higher energy prices, and to stabilize at that level in 2027 as the energy shock dissipates and monetary policy gradually normalizes. In Korea, growth is expected to increase to 3.3 percent in 2026 and 2.8 percent in 2027, buoyed by strong external demand for semiconductors, which supersedes the negative impact of the war. In Canada, growth is expected to ease to 1.1 percent in 2026 and rise to 1.7 percent in 2027, with supportive policies and positive terms-of-trade effects partly offsetting weaker momentum and elevated trade uncertainty

In Asia, technology-related investment and resilient global trade continued to support economic activity in some economies. Japan's third-quarter GDP performance was stronger than anticipated, while India maintained robust growth, supported by domestic demand and the services sector despite higher oil prices. In contrast, China's economy grew by 4.3 per cent year-on-year in the second quarter, below expectations. Weak domestic consumption and declining investment, amid continued challenges in the property sector, partly offset the strength of exports.

In emerging market and developing economies, growth is projected to slow from 4.5 percent in 2025 to 3.7 percent in 2026 before recovering to 4.4 percent in 2027. The outlook is heterogeneous, reflecting differences in commodity dependence, geographic exposure to the Middle East conflict, remittances and tourism receipts, financial conditions, policy frameworks, and position in the global technology value chain. Those directly impacted by the war drive the V-shaped pattern, whereas other regions are expected to follow a more even growth path.

Economic growth in Sub-Saharan Africa is projected to remain at 4.5 per cent in 2026, although performance will vary across countries depending on fiscal capacity, reform progress, commodity dependence, climate shocks and access to external financing. Energy-importing economies face greater pressure from rising food and energy prices,

while reduced official development assistance and limited participation in the global AI-driven technology boom pose additional challenges. Nigeria is expected to benefit from improved macroeconomic stability and favourable commodity prices, although higher living costs may worsen poverty and food insecurity. South Africa's growth is projected to remain stable in the near term before improving gradually, supported by structural reforms and stronger policy frameworks. Growth in the rest of the region is expected to slow from 5.6 per cent in 2025 to 5.5 per cent in 2026 and 5.3 per cent in 2027.

2.2 Global Capital Markets Performance Outlook

2.2.1 Bonds Markets

Long-term sovereign borrowing costs have risen further, with 30-year government bond yields remaining elevated to levels unseen in the past decade or two. Higher long-term interest rates are raising borrowing costs for governments and weighing on equity valuations.

Figure 2Long-term sovereign yields



Mid-September 2026 yields updated as of 18 September 2026.
Source: OECD (2026), OECD Economic Outlook, Interim Report September 2026

Source:OECD

Notably, during the period under review, government bond yields in the United States, United Kingdom, Germany and Japan surged to multi-decade highs, resulting in significant declines in bond prices. The sell-off was driven by a combination of heightened fiscal deficits and increased government borrowing, partly associated with investment in artificial intelligence (AI) and other initiatives aimed at strengthening economic resilience, as well as the shock to global energy prices. Rising inflation expectations and concerns over the sustainability of public debt further contributed to upward pressure on long-term yields.

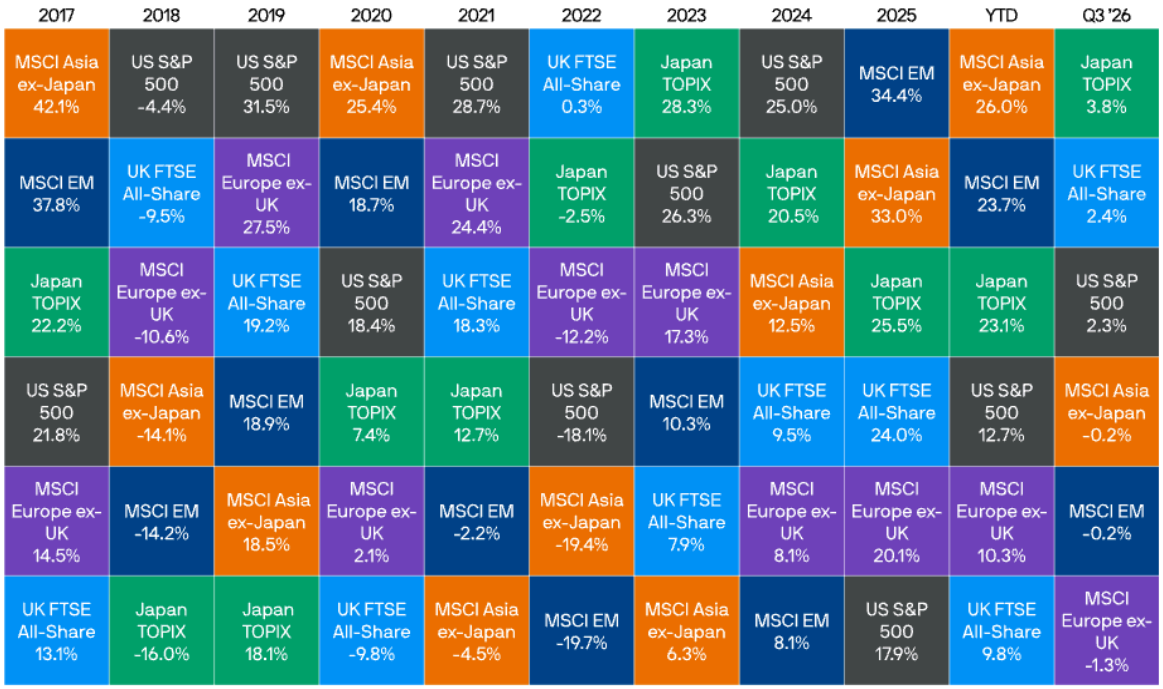
Q3 Performance report by FTSE World Government Bond Index 2026 further noted that there was a broad rise in government bond yields across major markets during the quarter. In September, the yield on the US Treasury benchmark rose above 5.13%, reaching its highest level since 2007. Meanwhile, the Japanese yen appreciated against all constituent currencies, except the South Korean won, during the quarter. Consequently, the World Government Bond Index (WGBI), excluding Japan, recorded a local-currency return of -2.83%, a JPY-hedged return of -3.28%, and a JPY-based return of -5.98%. Japanese government bond yields also continued their upward trajectory, with the 10-year Japanese Government Bond (JGB) yield surpassing 3% to reach its highest level since 1986. Against this backdrop, the Japanese Government Bond Index remained in negative territory during the third quarter, registering a return of -2.02%.

2.2.2 Equity Market

Despite heightened geopolitical and macroeconomic uncertainties during the quarter, global equity markets recorded positive returns overall. At the end of the review period, the S&P 500 was trading at approximately 19 times its 12-month forward earnings, representing a decline of four multiple points compared with the corresponding period a year earlier and aligning with its long-term average. Developed markets outperformed their emerging-market counterparts, supported by strong performance in Japanese equities, where robust earnings growth, increased share buybacks and ongoing corporate governance reforms bolstered investor sentiment. In the United States, the S&P 500 reached several record highs reflecting sustained market resilience.

Emerging-market equities, having significantly outperformed during the first half of the year, experienced a marginal decline in July, partly attributable to the global semiconductor sell-off. Meanwhile, European equities underperformed relative to other major markets, as concerns over the region's earnings growth prospects weighed on investor sentiment. Expectations of further monetary policy tightening by the European Central Bank (ECB), alongside rising bond yields, also heightened concerns regarding the implications for economic growth, corporate financing costs and equity valuations.

Figure 3World Stock Market Returns

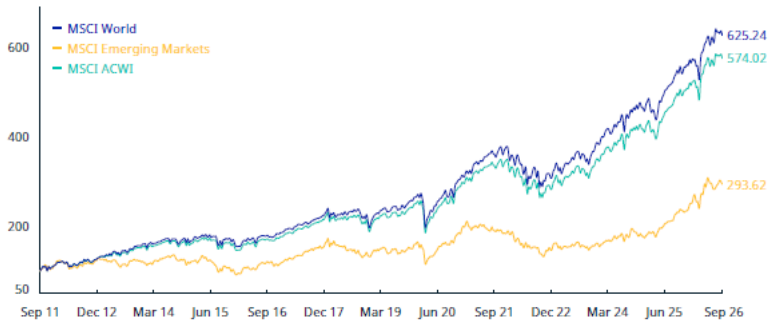


Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 30 September 2026.

The global equity market performance, as measured by the MSCI World Index, recorded a gross return of 1.96% over the three months to the end of the review period. The MSCI World Index tracks large- and mid-capitalisation companies across 23 developed-market countries. With 1,249 constituents, the index covers approximately 85% of the free-float-adjusted market capitalisation in each country. In contrast, emerging markets recorded a negative return of -0.245% over the same period, reflecting divergent performance across global equity markets.

Figure 4MSCI World Index (USD)

CUMULATIVE INDEX PERFORMANCE – GROSS RETURNS (USD)
(SEP 2011 – SEP 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 (%) (SEP 30, 2026)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED 3 Yr	5 Yr	10 Yr	Since Dec 31, 1987
MSCI World	-1.15	1.96	15.68	12.09	21.91	12.39	13.37	9.02
MSCI Emerging Markets	-0.50	-0.24	29.65	23.73	24.69	9.44	9.53	10.47
MSCI ACWI	-1.08	1.69	17.19	13.37	22.25	12.08	12.92	8.89

FUNDAMENTALS (SEP 30, 2026)

	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI World	1.52	22.69	17.92	4.10
MSCI Emerging Markets	2.02	14.90	9.72	2.39
MSCI ACWI	1.58	21.35	16.28	3.77

INDEX RISK AND RETURN CHARACTERISTICS (SEP 30, 2026)

	Turnover (%) [1]	ANNUALIZED STD DEV (%) [2] 3 Yr	5 Yr	10 Yr	SHARPE RATIO [2,3] 3 Yr	5 Yr	10 Yr	Since Dec 31, 1987	MAXIMUM DRAWDOWN (%)	Period YYYY-MM-DD
MSCI World	3.18	11.86	15.06	14.88	1.36	0.61	0.76	0.43	57.46	2007-10-31—2009-03-09
MSCI Emerging Markets	5.52	17.23	18.36	17.46	1.11	0.38	0.47	0.42	65.14	2007-10-29—2008-10-27
MSCI ACWI	3.40	12.03	14.92	14.73	1.37	0.60	0.74	0.42	58.06	2007-10-31—2009-03-09

[1] Last 12 months [2] Based on monthly gross returns data [3] Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

Source: MSCI

2.2.3 IPOs

Despite a decline in overall initial public offering (IPO) activity during the review period, aggregate proceeds increased significantly, indicating a higher average value of capital raised per transaction. Compared with Q3 2025, the number of IPOs declined by approximately 2%, from 374 to 367, while total proceeds rose by 79.3%, from USD 52.0 billion to USD 93.3 billion.

China, including Hong Kong, remained the most active IPO market, recording 79 listings, representing a 36.2% increase in activity. In contrast, the United States recorded 24 IPOs, down from 65 in Q3 2025, representing a year-on-year decline of 63.1%. Notwithstanding the lower number of listings, IPO proceeds in the United States more than doubled, increasing by 121.9% to USD 35.0 billion from USD 15.8 billion in Q3 2025. This increase was driven primarily by the SK Hynix transaction listed in the United States.

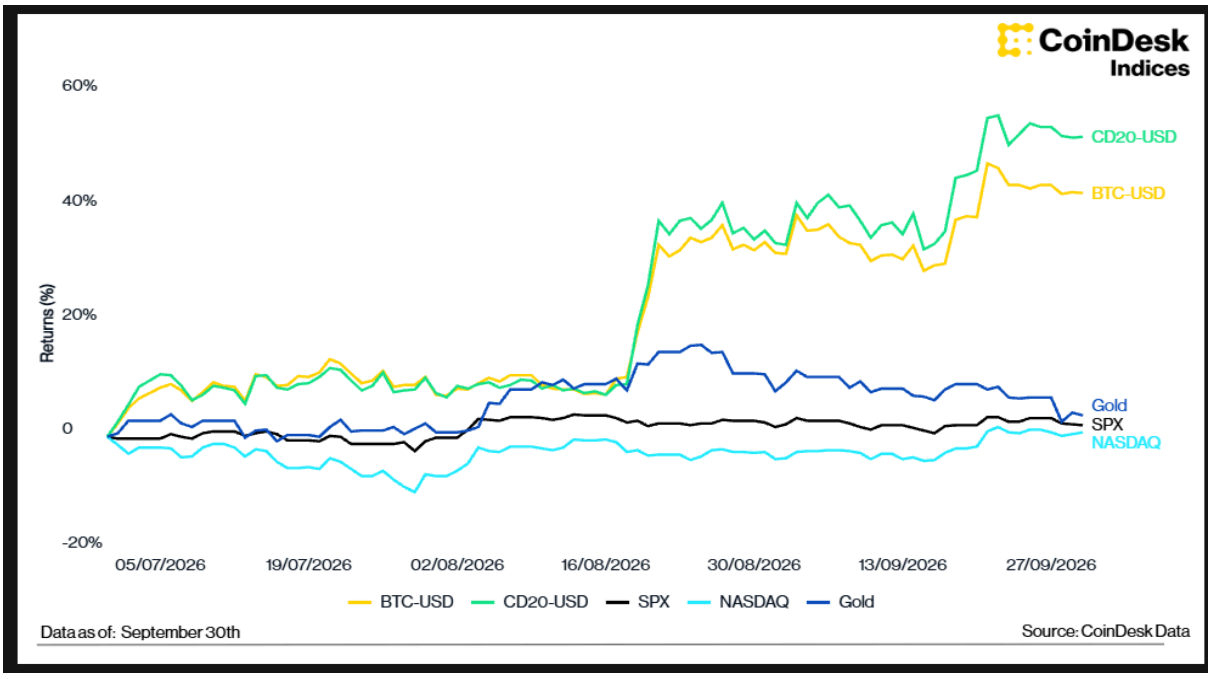
In Europe, IPO activity strengthened, with the number of listings increasing by 87.5% to 45 from 24 in Q3 2025. However, aggregate proceeds declined by 19.7% to USD 2.9 billion from USD 3.7 billion, indicating that the increase in listing activity did not translate into higher capital raised during the period.

2.2.4 Virtual Assets

According to a report published by CoinDesk, digital assets rebounded strongly in Q3 2026, ending three consecutive quarters of losses. The CoinDesk 20 Index rose by 52.7% to 2,447, while Bitcoin gained 42.7% to reach $83,570. This performance significantly outpaced traditional asset classes, with the S&P 500, Nasdaq and gold recording gains of 2.03%, 0.85% and 3.84%, respectively.

Among the CoinDesk indices, the CoinDesk 80 was the strongest performer, rising by 57.4% to 559 and outperforming Bitcoin by 14.7 percentage points. The CoinDesk 100 advanced by 53.3%, while the CoinDesk 5 and CoinDesk Memecoin Index recorded gains of 46.7% and 45.9%, respectively. The broad-based recovery across digital asset indices points to renewed market momentum and stronger performance among smaller-cap digital assets during the quarter.

Figure 5Performance of Digital Assets



Source: CoinDesk Data

2.3 Performance of Select African Frontier Markets

During the three months to 30 September 2026, the MSCI indices for selected African markets recorded mixed performance. Nigeria led with a gain of 27.54%, followed by Kenya at 13.80%. South Africa and Zimbabwe recorded modest gains of 1.39% and 0.51%, respectively. In contrast, Egypt recorded the largest decline of 10.12%, followed by Tunisia at 7.60% and Morocco at 4.10%. Overall, the performance reflects divergent trends across African equity markets, with Kenya and Nigeria outperforming the other selected markets.

Table 1Performance of Select African Frontier Markets

MSCI Index	Index Code	Last	*30 September 2026 (3MTD*)*
Kenya	136643	4860.06	**13.80%**
Morocco	105765	1109.18	**-4.10%**
Nigeria	136645	335.30	**27.54%**
Tunisia	136645	2732.41	**-7.60%**
Zimbabwe	700873	2780.75	**0.51%**
South Africa	971000	1985.22	**1.39%**
Egypt	105766	1789.11	**-10.12%**

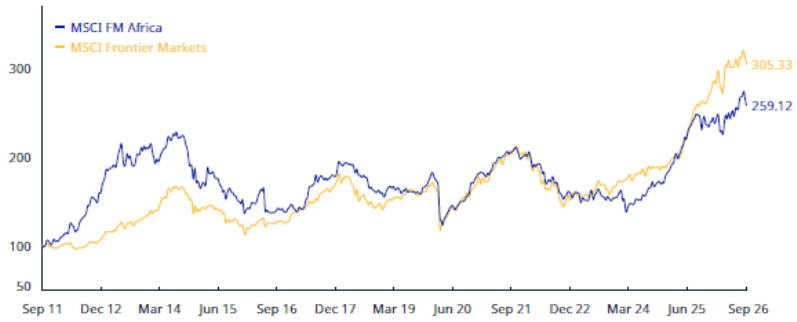
Source: MSCI

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

Notably, as at 30 September 2026, the MSCI Frontier Markets Index recorded a gross return of 3.06% over the three months to date and 7.71% over the one-year period.

Figure 6MSCI Frontier Markets Africa Index (USD)

CUMULATIVE INDEX PERFORMANCE – GROSS RETURNS (USD)
(SEP 2011 – SEP 2026)



ANNUAL PERFORMANCE (%)

Year	MSCI FM Africa	MSCI Frontier Markets
2025	40.81	47.48
2024	9.84	9.92
2023	-1.46	12.17
2022	-21.96	-26.05
2021	12.27	20.09
2020	1.76	1.65
2019	11.48	18.34
2018	-12.43	-16.20
2017	26.80	32.32
2016	-6.37	3.16
2015	-17.95	-14.07
2014	-12.88	7.21
2013	31.01	26.32
2012	53.97	9.25

INDEX PERFORMANCE – GROSS RETURNS (%) (SEP 30, 2026)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED 3 Yr	5 Yr	10 Yr	Since May 31, 2002
MSCI FM Africa	-4.37	3.06	7.57	7.71	19.18	4.45	6.20	9.20
MSCI Frontier Markets	-4.29	-0.19	17.50	10.21	22.95	8.35	9.09	8.38

FUNDAMENTALS (SEP 30, 2026)

	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI FM Africa	4.00	12.00	na	2.16
MSCI Frontier Markets	3.46	12.59	na	1.92

INDEX RISK AND RETURN CHARACTERISTICS (SEP 30, 2026)

	Turnover (%) [1]	ANNUALIZED STD DEV (%) [2] 3 Yr	5 Yr	10 Yr	SHARPE RATIO [2,3] 3 Yr	5 Yr	10 Yr	Since May 31, 2002	MAXIMUM DRAWDOWN (%)	Period YYYY-MM-DD
MSCI FM Africa	7.53	14.49	14.26	15.06	0.98	0.12	0.31	0.43	70.82	2008-03-05–2009-01-30
MSCI Frontier Markets	8.55	12.37	13.63	14.42	1.38	0.39	0.51	0.45	67.44	2008-01-15–2009-03-03

[1] Last 12 months [2] Based on monthly gross returns data [3] Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

Source: MSCI

2.4 Top Global Regional and Local Risks and Opportunities Risks

Risks

1. *Cybersecurity risk due to increasing digitalisation heightening the vulnerability of financial markets to cyber threats and operational disruptions.*

2. *Continued conflict in the Middle East and uncertainty surrounding energy transport routes increased the risk of oil and gas supply disruptions. Higher energy prices could raise production and transport costs, fuel inflation and weaken household purchasing power, particularly in energy-importing further constraining global macroeconomic environment.*

3. *Artificial Intelligence (AI) continued to pose a major risk factor through sectoral repricing, elevated volatility, and structural uncertainty, particularly in software and technology-linked equities. The disruption narrative led to sharp valuation*

adjustments, increased dispersion in returns, and heightened concerns over systemic risk transmission through financial markets.

Opportunities

1. *Political stability within the Kenyan market has continued to reinforce the country's position as a secure and attractive investment destination for both domestic and international investors. This stability has enhanced investor confidence, strengthened macroeconomic predictability, and supported the resilience of capital markets.*
2. *Continued investment in AI, semiconductors, cloud computing and digital infrastructure presented opportunities to boost productivity, attract investment and expand technology-driven trade, with economies integrated into global technology supply chains likely to benefit the most.*

3.0 INTERNATIONAL DEVELOPMENTS

3.1 UK Financial Conduct Authority Simplifies IPO Rules to Support Listings

The UK Financial Conduct Authority (FCA) has introduced targeted reforms to simplify information-sharing requirements during equity initial public offerings (IPOs), aimed at reducing unnecessary costs, market risks, and execution delays for issuers listing in London. A key pillar of the revised framework is the removal of the mandatory waiting period between the publication of an approved registration document or prospectus and the distribution of connected research, allowing research and offer documents to be disseminated concurrently to shorten the transaction timetable.

The updated rules also eliminate the requirement for underwriting syndicates to provide unconnected or independent analysts with identical access to management and information as connected analysts. While issuers and banks retain the flexibility to engage independent research providers on a commercial basis, this is no longer a prescriptive regulatory mandate, thereby removing substantial compliance overhead and legal friction. By dismantling these procedural bottlenecks, the FCA aligns London's primary capital market execution mechanics with international standards, complementing broader listing

regime reforms to enhance the attractiveness, agility, and competitiveness of the UK market.

Key takeaway

The FCA's reforms to IPO information-sharing requirements show that listing rules can be simplified without weakening investor protection. By removing unnecessary steps that can add time and costs to the IPO process, while retaining key disclosure requirements, the reforms aim to make it easier and more efficient for companies to raise capital from the public.

3.2 UK Financial Conduct Authority Highlights Growing Trust in Artificial Intelligence Among Young Investors

The UK's Financial Conduct Authority (FCA) has identified a structural shift in retail investment behaviour, revealing that younger and less experienced investors are increasingly adopting artificial intelligence tools to guide financial decisions. According to FCA research, 56% of investors aged 18 to 40 trust AI-generated financial insights, outpacing trust in traditional television and radio (47%), print press (46%), and social media influencers (29%). Furthermore, the study established that 80% of novice investors now utilize AI tools for market research and investment assistance, making automated interfaces a primary gateway to capital markets for younger demographics.

Despite high adoption rates, the findings expose critical gaps in investor understanding regarding regulatory protections and execution risks. Notably, 44% of surveyed investors incorrectly assume that AI-generated financial information is subject to regulatory oversight, while 38% deem it acceptable to execute trades based solely on unverified AI outputs. Additionally, 32% falsely believe that financial losses resulting from AI recommendations are covered by statutory safety nets such as the Financial Services Compensation Scheme or the Financial Ombudsman Service, even as 73% acknowledge AI's potential for inaccuracy and 86% recognize the necessity of source verification.

These insights demonstrate that rapid retail adoption of general-purpose AI creates substantial consumer conduct risks, particularly as retail investors fail to distinguish between automated information tools and regulated financial advice. Consequently, the FCA is prioritizing supervisory messaging focused on consumer verification standards,

urging market participants to clarify the boundaries of regulated advice and ensure retail clients fully understand the limits of statutory compensation frameworks when using AI tools.

Key takeaway

Drawing on the findings of the Financial Conduct Authority (FCA), investor education and awareness initiatives should place particular emphasis on educating young investors on the benefits and limitations of using Artificial Intelligence (AI) for investment advice. This should include highlighting the risks of relying solely on AI-generated recommendations, given the potential for inaccurate, misleading or incomplete information, and encouraging investors to exercise due diligence and seek professional financial advice where necessary.

3.3 IOSCO Publishes Toolkit to Strengthen Cyber Resilience of Financial Market Infrastructures

The Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have issued a practical toolkit to assist financial market infrastructures (FMIs) in enhancing their operational resilience against escalating cybersecurity threats. Designed to complement existing international standards, the framework provides non-binding guidance for central counterparties, securities depositories, and payment systems to operationalize core cyber principles under the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI).

The toolkit establishes actionable considerations across four(4) key operational areas: board-level governance, identification of extreme but plausible cyber scenarios, response and recovery capabilities, and comprehensive resilience testing. It highlights the critical responsibility of senior leadership in directing cyber risk oversight, maintaining institutional technical expertise, and utilizing quantitative metrics to evaluate operational readiness. Furthermore, the framework addresses systemic vulnerabilities arising from FMIs' growing dependence on third-party technology providers and interconnected market participants, which can expose critical infrastructure to severe contagion risks.

This joint initiative responds to the rapid digitization and structural interconnectedness of global capital markets, where isolated cyber incidents carry the potential to trigger systemic financial instability. By addressing these operational realities, the toolkit reinforces that true cyber resilience extends beyond traditional preventative cybersecurity barriers-requiring robust, end-to-end incident management, rapid recovery protocols, and business continuity arrangements capable of sustaining critical financial market functions during severe disruptions.

Key takeaway

Cybersecurity remains a key risk to the resilience and stability of capital markets, necessitating proactive measures to strengthen the cyber resilience of financial market infrastructures. The IOSCO Toolkit to Strengthen Cyber Resilience of Financial Market Infrastructures provides timely guidance to support jurisdictions in enhancing cybersecurity frameworks and mitigating emerging cyber threats. Going forward, the Authority will consider and progressively implement the relevant measures outlined in the Toolkit, as appropriate, to strengthen cyber resilience within the domestic capital markets, safeguard market integrity, and enhance investor protection.

3.4 IOSCO Publishes Report on Supervisory Technology to Strengthen Regulatory Oversight

The International Organization of Securities Commissions (IOSCO) has published a comprehensive report examining the adoption of Supervisory Technology (SupTech) by securities regulators to modernize capital markets oversight. Drawing on empirical insights from financial supervisory authorities across global jurisdictions, the report evaluates how regulatory agencies are integrating digital tools to enhance the efficiency, precision, and timeliness of their oversight frameworks. The analysis highlights a structural transition toward tech-enabled supervision, demonstrating how public authorities are leveraging automation to keep pace with increasingly complex, data-intensive financial markets.

The report identifies key operational applications for SupTech across critical regulatory functions, including real-time market surveillance, automated regulatory reporting, systemic risk identification, and investor protection enforcement. Regulators are

increasingly deploying artificial intelligence, machine learning algorithms, cloud computing, and advanced data analytics to ingest and process vast datasets. These technologies enable supervisory teams to detect anomalous trading patterns earlier, identify emerging market vulnerabilities, and strengthen the evidentiary foundation required for formal supervisory decisions and enforcement actions.

Despite these capabilities, the report highlights significant structural barriers that threaten to constrain wider SupTech implementation across regulatory authorities. Key operational challenges include heightened cybersecurity exposure, budgetary limitations, reliance on external technology vendors, and a shortage of specialized technical expertise within supervisory institutions. Consequently, IOSCO emphasizes that effective SupTech integration extends beyond mere capital expenditure in software-requiring robust data governance frameworks, resilient security protocols, and continuous institutional capacity building to ensure sustainable digital transformation.

Key takeaway

Supervisory Technology (SupTech) is increasingly becoming an essential tool for regulators seeking to enhance the efficiency, effectiveness and responsiveness of market supervision through technology-driven solutions. The Authority has made progress in adopting SupTech to strengthen its supervisory processes, as demonstrated by the development of the Regulatory Management Information System (REGMIS). The system provides an online platform through which regulated market intermediaries and licensees can submit financial reports, monitor compliance obligations and manage interactions with the regulator through automated processes. This initiative represents an important step towards strengthening risk-based supervision, improving regulatory reporting and enhancing the Authority's capacity to identify and respond to emerging risks within the capital markets.

4.0 REGIONAL DEVELOPMENTS

4.1 Egypt's Financial Regulatory Authority Strengthens State-Owned Companies' Readiness for Public Offerings

During the quarter, Egypt's Financial Regulatory Authority (FRA) introduced a national training programme aimed at preparing state-owned companies to access the public capital market through listings on the Egyptian Exchange (EGX). The initiative represents a structured approach to addressing one of the key requirements for successful public offerings: ensuring that prospective issuers are sufficiently prepared to meet capital market requirements before approaching investors. The initiative was implemented through the FRA's Financial Services Institute and Egyptian Institute of Directors, in coordination with the Cabinet's State Ownership Unit, and brought together expertise from regulators, the exchange, transaction advisers and other market professionals.

The programme provided participating companies with practical knowledge across the different stages of the listing process. Its seven modules covered the legislative and regulatory framework for capital markets, temporary and final listing procedures, financial and accounting readiness, corporate governance and sustainability, disclosure and prospectus requirements, public offering mechanisms and post-listing obligations. By addressing these areas before companies proceed with their offerings, the programme soughtto ensure that management teams understand both the technical requirements of accessing the market and the continuing obligations that arise once a company becomes publicly listed.

The initiative was also intended to address broader capacity constraints within state-owned enterprises. The initial programme brought together senior executive, financial and management personnel from 14 of the 20 companies holding temporary listings on the EGX, while the programme was expected to extend to other state-owned companies that may subsequently enter the public market. Beyond preparing individual companies for listing, the FRA considers the programme an opportunity to strengthen national expertise in capital markets and promote higher standards of governance, financial reporting and disclosure.

Key takeaway

The lack of adequate preparedness among prospective issuers remains a key constraint to market entry, limiting companies' ability to access public capital through securities listings. The successful programme implemented by the Financial Regulatory Authority

(FRA) of Egypt underscores the importance of structured issuer-readiness initiatives in addressing these challenges, particularly in strengthening corporate governance frameworks, enhancing disclosure practices and promoting compliance with applicable regulatory requirements. Such initiatives can facilitate a more effective transition to the public markets while strengthening investor confidence in prospective issuers.

4.2 Africa's Private Credit Market Expands as Businesses Seek Alternative Sources of Long-Term Financing

Moody's Ratings report shows Africa's private credit market is expected to continue expanding as businesses and infrastructure projects seek alternatives to bank financing. Assets under management in Africa-focused private credit increased to $5.6 billion by the end of 2025, from $1.8 billion in 2020, representing more than threefold growth. Despite this expansion, the African market remains relatively small compared with the global private credit industry, indicating significant scope for further development.

Moody's attributes the growth partly to the limited depth of Africa's public capital markets, which continue to provide a relatively small share of financing compared with other emerging and global markets. This has left many businesses and infrastructure developers, particularly mid-sized enterprises, reliant on banks for long-term financing. Private credit funds are increasingly providing an additional source of capital by extending direct loans, participating alongside banks and supporting transactions that may not readily fit traditional bank financing models.

The report does not view private credit as a replacement for the banking sector. Banks remain important partners in financing transactions, while development finance institutions continue to play a significant role, particularly in infrastructure. A further opportunity lies in structures that pool African loans and use development finance institutions to absorb part of the risk, thereby making the remaining exposure more attractive to institutional investors such as pension funds and insurers. Such arrangements could help mobilise larger pools of long-term capital while distributing risk across different classes of investors.

The expansion of the market will nevertheless depend on sustained investor confidence, competitive risk-adjusted returns and the ability of African private credit managers to attract international capital. The sector also requires appropriate governance, valuation, disclosure and risk-management arrangements to provide investors with sufficient information and protection as the market develops.

Key takeaway

The growth of private credit in Africa highlights its emerging role in providing long-term financing to businesses and infrastructure projects that may have limited access to bank lending or public capital markets. Rather than replacing traditional sources of finance, private credit can broaden the range of funding available to productive sectors. Its continued growth will depend on investor confidence, sustainable returns and appropriate structures that enable institutional investors and development finance institutions to participate while managing investment risks.

5.0 LOCAL DEVELOPMENTS

5.1 National Infrastructure Fund Act Establishes Framework for Mobilising Capital for Strategic Infrastructure

The National Infrastructure Fund Act, 2026 establishes the National Infrastructure Fund (NIF) as a standalone entity mandated to finance strategic infrastructure projects, including roads, railways, airports, seaports and electricity. The Fund seeks to mobilise private capital and alternative financing, reduce reliance on public borrowing and strengthen Kenya's capacity to develop commercially viable infrastructure projects.

The NIF can invest through equity and quasi-equity and establish special purpose vehicles, pooled investment vehicles, infrastructure funds and other capital-market instruments to attract private investment. Potential sources of capital include pension funds, collective investment schemes, sovereign wealth funds and climate finance facilities, alongside government appropriations, grants and privatisation proceeds.

The framework also provides for a Governing Council and Board of Directors to oversee policy and investment decisions, with parliamentary oversight of the Investment Policy. The

Fund is expected to use an anchor-investor approach, providing initial equity to attract private capital and project-level debt. Proposed listed investment vehicles could further give pension funds and other investors tradable exposure to diversified infrastructure assets.

Key Takeaway

The National Infrastructure Fund Act, 2026 creates a framework for mobilising private and institutional capital to finance strategic infrastructure while reducing reliance on public borrowing. The use of equity, special purpose vehicles, pooled funds and listed infrastructure investment vehicles will provide new channels for investors such as pension funds and collective investment schemes to participate in infrastructure financing. The framework will support infrastructure development while broadening investment opportunities and deepening Kenya's capital markets.

5.2 Africa Capital Week Identifies Priorities for Deepening and Integrating African Capital Markets

Kenya hosted the inaugural Africa Capital Week in Nairobi under the theme "Deepening Capital Markets to Advance Africa's Economic Sovereignty." The forum brought together more than 500 participants from 16 African countries and other jurisdictions, including regulators, exchanges, investors, policymakers and other capital-market stakeholders. Discussions focused on the structural constraints limiting the depth and integration of African capital markets, with particular attention to the concentration of market capitalisation in a few major markets and the limited access to equity and corporate debt financing across much of the continent.

The forum concluded with the Nairobi Declaration for Deepening Africa's Capital Markets, which identifies regulatory cooperation, market integration and mobilisation of institutional capital as key priorities. Among the proposed measures are stronger cooperation among securities regulators, greater interconnection of African exchanges, increased intra-African trading and the development of mechanisms to channel pension savings towards infrastructure. The Declaration also links capital-market development to

the African Union's Agenda 2063 and opportunities arising from the African Continental Free Trade Area.

A further focus was the need to improve the pipeline of investable opportunities. The forum showcased 20 investment-ready projects spanning energy, food security, transport, technology, minerals and social infrastructure, alongside financing structures involving equity, debt, blended finance, guarantees and public-private partnerships. Discussions highlighted that the availability of capital alone does not guarantee investment, as projects must also have credible structures, predictable returns and sufficient risk mitigation to attract institutional and international investors.

The forum therefore placed emphasis not only on mobilising additional capital but also on removing barriers that restrict its movement across African markets. These include regulatory, tax, foreign exchange, settlement and administrative constraints, while recognising the need to maintain financial stability and investor protection. The commitments under the Nairobi Declaration are expected to be reviewed periodically, providing a mechanism for tracking implementation.

Key takeaway

The Africa Capital Week and Nairobi Declaration establishes a strategic roadmap for deepening African capital markets by connecting institutional savings to structured infrastructure assets and advancing cross-border exchange integration. The focus on removing regulatory, settlement, and foreign exchange barriers is particularly relevant as jurisdictions seek to unlock intra-African investment under the AfCFTA framework. The development highlights the importance of aligning regulatory cooperation with bankable project pipelines to enhance market liquidity, lower capital costs, and strengthen continental economic sovereignty.

5.3 Betting Volumes Surge to Sh330.5 Billion, Exceeding NSE Capital Inflows

Kenya's betting sector recorded a significant increase in activity, with KSh330.5 billion staked in the year to June 2026, compared with KSh88.2 billion in the previous year. The value of bets was higher than new capital invested through the Nairobi Securities Exchange

during the period and was close to the KSh367 billion held in money market funds, highlighting the scale of retail financial activity outside traditional capital-market investments. The sector also generated KSh16.5 billion in excise tax, supported by improved digital monitoring and access to real-time information from betting and gaming companies.

The growth in betting activity has been supported by the wider availability of digital platforms and the ease with which consumers can participate. Football remains a major driver of demand, while changes in excise duty have also influenced participation and potential returns. Improved tax administration has further increased the authorities' ability to monitor transactions and collect revenue from the sector.

The trend highlights the challenge of directing a greater share of household financial activity towards regulated investment products. While betting and investment products differ significantly in purpose and risk, the scale of betting activity demonstrates the importance of accessibility, simplicity, digital distribution and public awareness in efforts to broaden retail participation and mobilise household savings through Kenya's capital markets.

Key takeaway

The sharp growth in betting activity highlights the scale of retail financial activity outside traditional investment products. While betting and investment products have different purposes and risks, the trend underscores the importance of making regulated capital-market products more accessible, simple and digitally available, alongside greater public awareness, to encourage more household savings to flow into productive investments.

5.4 CMA Warns Public Against Unlicensed Entities Soliciting Investment Funds

The Capital Markets Authority (CMA) has cautioned the public against 15 entities it identified as operating without the required licences or approvals and allegedly soliciting funds from investors. The entities are under investigation by the Directorate of Criminal Investigations in collaboration with the CMA and other law-enforcement agencies. The

Authority has called on members of the public and affected persons to provide information to the relevant investigative authorities as the investigations continue.

The development highlights the increasing risks associated with online investment platforms, particularly those offering products linked to foreign exchange, cryptocurrencies and other high-risk financial activities. The ease with which such platforms can establish an online presence and solicit investors across jurisdictions can make it difficult for potential investors to distinguish between authorised and unauthorised providers. In some cases, unlicensed entities may also make misleading claims regarding their regulatory status.

The reported appearance of some of the entities on regulatory warnings in other African jurisdictions further illustrates the cross-border nature of investment fraud and the importance of cooperation among securities regulators and law-enforcement agencies. Effective enforcement therefore requires both domestic supervisory action and timely information-sharing across jurisdictions.

Key takeaway

The joint action by the CMA and law-enforcement agencies highlights stronger efforts to address unauthorised investment schemes before they can attract more investors. The growing use of digital platforms across borders also makes it harder for investors to confirm whether a provider is properly licensed. The development therefore highlights the importance of cross-border information sharing among regulators and public verification of licences before investing.

5.5 CMA Licenses New Market Intermediaries and Approves New Unit Trust Schemes in a Broader Licensing Wave

The Capital Markets Authority (CMA) has expanded the range of licensed market intermediaries and approved new investment products, increasing capacity and investor choice across Kenya's capital markets. The approvals include **Cinemark Unit Trust Fund** with seven sub-funds and **Karsis Unit Trust Scheme** with twelve sub-funds, alongside additional sub-funds under Absa, Madison, Tradiam and Britam. The CMA also licensed **ADAR Asset Management, Entrust Advisory and Everstrong Asset Managemen**t as fund managers; **Finaltus and Livonna Advisory Partners** as investment advisers; **Istithmaar**

Lulu Maknoon as a Shariah-compliant REIT manager; **Saffron Coffee Marketers** as a coffee broker; **Hass Crest Capital** as a fund manager**; Liaison Wealth Limited** as a corporate trustee; **Green Investment Fund LLP** as an Alternative Investment Fund; and Rubiani Capital Limited as an Intermediary Service Platform Provider. **Kestrel Capital** was also upgraded from a stockbroker to a broker-dealer.

The approvals broaden the range of investment strategies and professional services available to retail, institutional, corporate, diaspora and high-net-worth investors, including opportunities in infrastructure, private equity, real estate, energy and private debt. The licensing activity is therefore expected to support market depth, product diversification and wider participation, while reinforcing the importance of dealing with licensed and approved intermediaries.

Key Takeaway

The CMA's broader licensing and product approvals highlight continued efforts to expand and diversify Kenya's capital markets by increasing the number of licensed intermediaries and the range of investment products available to investors. The entry of new market participants and additional investment schemes could strengthen competition, widen access to different investment strategies and create more channels for mobilising savings into productive investments.

6.0 PERFORMANCE OF THE DOMESTIC CAPITAL MARKETS

Kenya's domestic capital markets remained resilient during the quarter, extending the strong momentum of the first half despite a sharp but short-lived correction in September. The Nairobi Securities Exchange (NSE) recorded new highs in market capitalization, with all major indices up in the quarter, while the fixed income market continued to see strong investor demand for government securities.

The external environment remained challenging, with global oil prices and geopolitical tensions in the Middle East posing risks to the performance outlook. Domestically, macroeconomic fundamentals remained broadly supportive. Headline inflation edged up slightly but stayed within the Central Bank of Kenya's target range, mainly reflecting higher

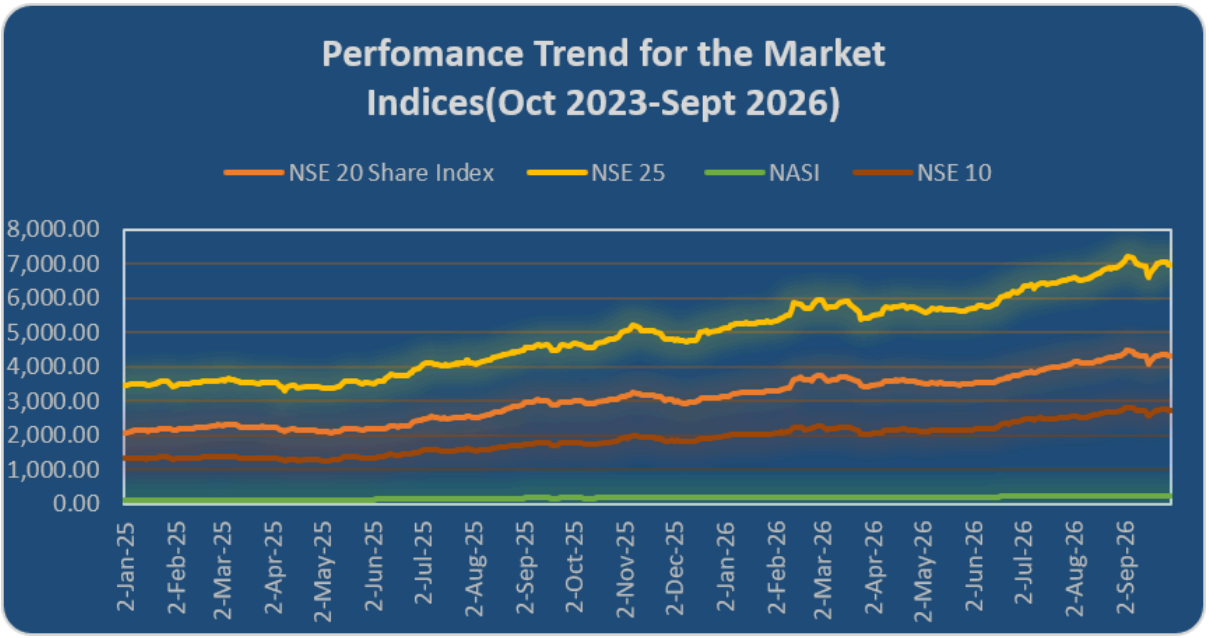
fuel and transport costs. The Central Bank maintained the Central Bank Rate at 8.75 percent, and the Kenya Shilling remained broadly stable against the US Dollar.

The quarter also saw continued progress in deepening Kenya's capital markets. The National Treasury launched its largest Treasury bond offer on record, a KSh150 billion reopening of three tax-free infrastructure bonds. Quickmart announced plans to list on the NSE's Main Investment Market Segment through an offer for sale of 50 percent of its shares, pointing to a continued listings pipeline. Regionally, the East African Community reactivated its Capital Markets Sub-Committee to advance market harmonisation and infrastructure linkages. Collectively, these developments strengthened the depth and competitiveness of Kenya's capital markets.

6.1 Equities Market

Kenya's equities market recorded broad-based gains during the first quarter of FY2026/27, with all four benchmark indices rising despite a sharp market correction in mid-September. The NSE 20, NSE 25, NASI and NSE 10 closed September at 4,316.96, 6,977.73, 245.60 and 2,734.86 points, respectively, representing increases of 14.95%, 12.38%, 9.57% and 13.50% from their end-June levels of 3,755.44, 6,208.91, 224.15 and 2,409.62 points. The gains were supported by Safaricom and major banking stocks, which helped push average market capitalisation above KSh 4 trillion in August, reaching KSh 4,217.90 billion compared with KSh 3,991.84 billion in July. However, increased foreign investor selling in September contributed to a market correction, with average market capitalisation declining to KSh 4,121.65 billion.

Figure 7Performance Trend for Market Indices



Source: CMA/ NSE

Table 2Performance 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)
Q1 FY 2026/ 2027	Jul	460,084,560	16,091,061,565.29	3,935.80	231.50	6,427.88	2,490.96	3,991.84
	Aug	767,152,729	27,595,480,345.75	4,195.18	241.26	6,714.64	2,613.55	4,217.90
	Sep	639,901,654	28,865,332,105.45	4,335.17	247.45	6,986.34	2,733.10	4,121.65
	Total	1,867,138,943	72,551,874,016.49					
Q4 FY 2025/ 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	7,697,644,636	263,713,421,315.49					

Source: CMA/NSE

Total equity turnover for the quarter amounted to KSh 72.55 billion, a decline of approximately 72.5% from KSh 263.71 billion in the preceding quarter. The decline largely reflected the exceptionally high turnover recorded in June, when a KSh 204.3 billion block trade was executed as part of Vodacom Group's acquisition of the Government of Kenya's 15% stake in Safaricom. Excluding this block trade, turnover in the preceding quarter would have been approximately KSh 59.4 billion, indicating that turnover in the first quarter of FY2026/27 increased by about 22% on an underlying basis.

As at 30 September 2026, the MSCI Kenya Index, which tracks the performance of large- and mid-cap companies in the Kenyan equity market, recorded a quarterly gain of 13.50% and a year-to-date return of 40.02% in US dollar net-return terms. Its one-year return stood at 50.59%. The index outperformed both global and frontier market benchmarks during the quarter, as the MSCI ACWI and MSCI Frontier Markets Index returned 1.60% and -0.31%, respectively. Their year-to-date returns stood at 13.03% and 9.83%, respectively. Despite its strong quarterly performance, the MSCI Kenya Index declined by 0.15% in September amid the mid-month market correction. This decline was milder than those recorded by the MSCI Frontier Markets Index and MSCI ACWI, which fell by 4.32% and 1.11%, respectively.

The MSCI Kenya Index comprises eight constituents, with Safaricom, Equity Group and KCB Group accounting for 30.94%, 25.51% and 17.66% of the index weight, respectively. The financial sector accounted for 55.82% of the index, underscoring its significant influence on market performance. As at the end of September 2026, the index had a price-to-earnings ratio of 7.23, a price-to-book value ratio of 1.65 and a dividend yield of 5.62%.

Figure 8MSCI Kenya Index

CUMULATIVE INDEX PERFORMANCE – NET RETURNS (USD)
(SEP 2011 – SEP 2026)



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 (%) (SEP 30, 2026)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED 3 Yr	5 Yr	10 Yr	Since May 31, 2002
MSCI Kenya	-0.15	13.50	50.59	40.02	52.90	6.34	9.83	17.10
MSCI Frontier Markets	-4.32	-0.31	17.04	9.83	22.42	7.88	8.70	8.07
MSCI ACWI	-1.11	1.60	16.75	13.03	21.73	11.57	12.38	8.75

FUNDAMENTALS (SEP 30, 2026)

	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI Kenya	5.62	7.23	na	1.65
MSCI Frontier Markets	3.46	12.59	na	1.92
MSCI ACWI	1.58	21.35	16.28	3.77

INDEX RISK AND RETURN CHARACTERISTICS (SEP 30, 2026)

	Turnover (%) [1]	ANNUALIZED STD DEV (%) [2] 3 Yr	5 Yr	10 Yr	SHARPE RATIO [2,3] 3 Yr	5 Yr	10 Yr	Since May 31, 2002	MAXIMUM DRAWDOWN (%)	Period YYYY-MM-DD
MSCI Kenya	11.57	33.58	32.24	27.12	1.30	0.22	0.38	0.64	69.99	2021-08-17–2024-01-26
MSCI Frontier Markets	8.55	12.35	13.60	14.40	1.34	0.36	0.48	0.43	67.47	2008-01-15–2009-03-03
MSCI ACWI	3.40	12.02	14.92	14.73	1.33	0.57	0.70	0.50	58.38	2007-10-31–2009-03-09

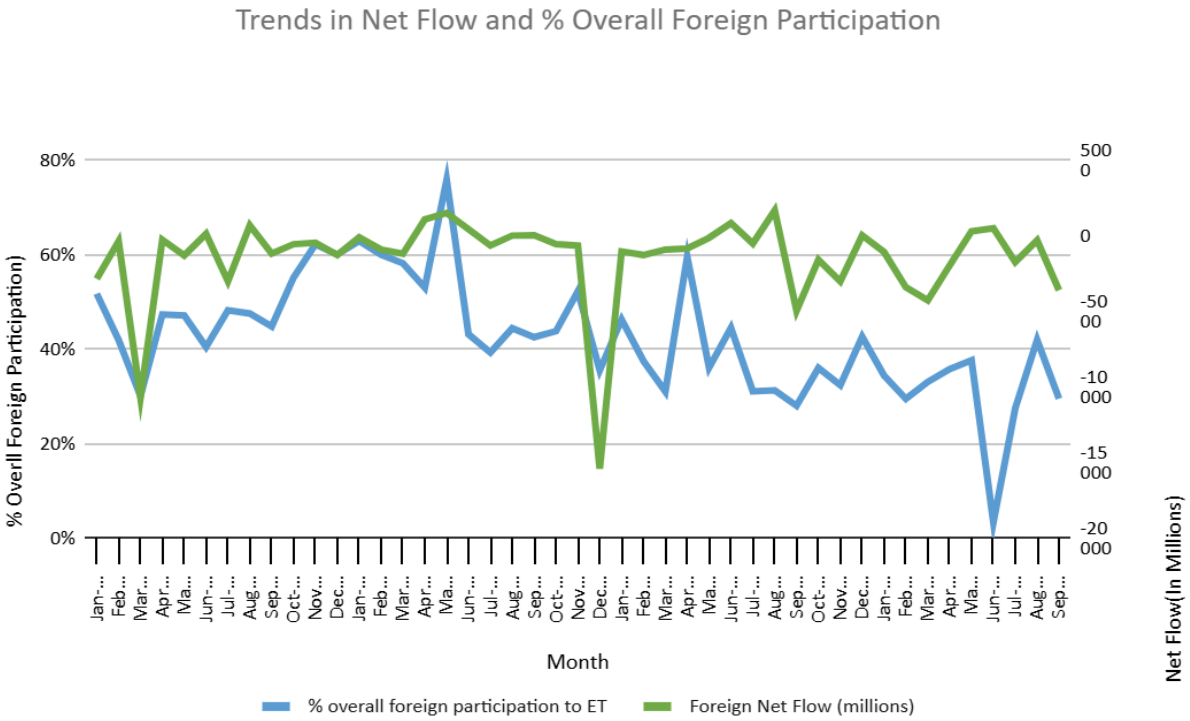
[1] Last 12 months [2] Based on monthly net returns data [3] Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

Source: MSCI

6.1.1 Foreign Participation in the Equity Market

Kenya's equities market recorded a net foreign outflow of KSh 5.67 billion during the first quarter of FY2026/27, compared with an outflow of KSh 1.2 billion in the preceding quarter. Monthly net foreign outflows amounted to KSh 1.746 billion in July, KSh 311 million in August and KSh 3.611 billion in September, with September accounting for approximately 64% of the quarterly outflow. Overall foreign investor participation stood at 27.49% in July, rose to 41.93% in August, the highest level recorded so far in 2026, before declining to 29.49% in September. Cumulatively, net foreign flows since January 2026 amounted to an outflow of approximately KSh 15.65 billion.

Figure 9Trends in Net Flow and % Overall Foreign Participation in the Equities Market

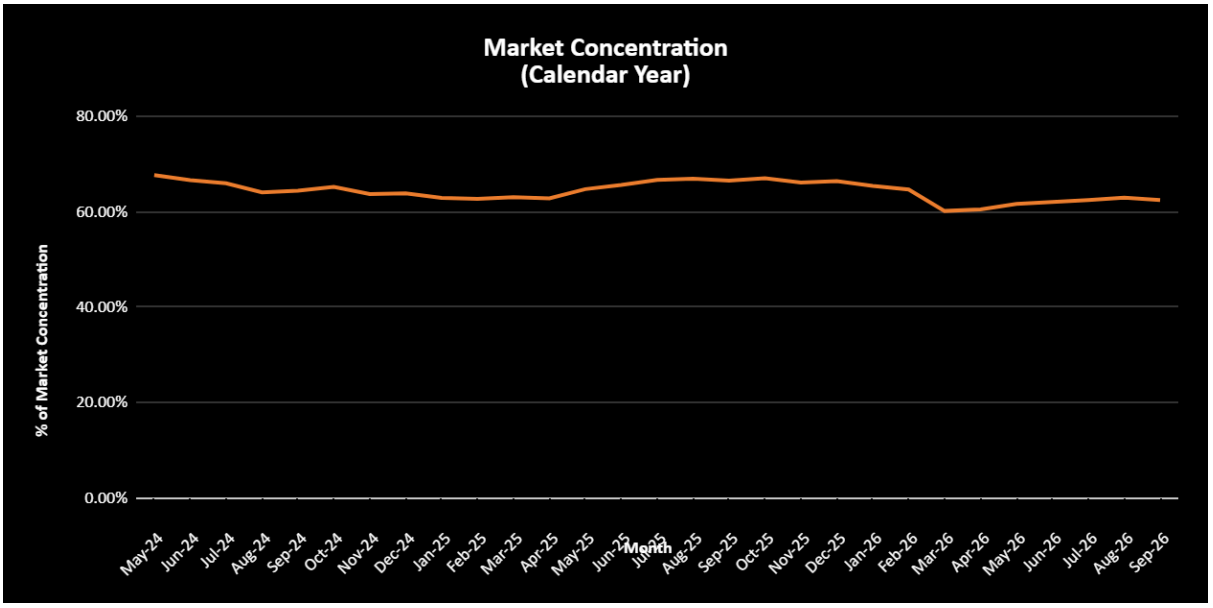


Source: NSE

6.1.2 Market Concentration

The Authority monitored market concentration by assessing the proportion of total market capitalisation accounted for by the 5 largest listed companies. Concentration averaged 62.61% during the quarter, up from 61.38% in the preceding quarter, representing an increase of 1.23 percentage points. The share rose from 62.42% in July to 62.96% in August, its highest level since February, before easing to 62.45% in September. The continued dominance of the 5 largest listed companies, which accounted for more than 60% of total market capitalisation throughout the quarter, highlights the concentration of market value among a relatively small number of issuers. This underscores the importance of broadening the range of listed companies, supporting the growth of smaller and mid-cap issuers, and expanding the investor base to promote a more diversified equities market.

Figure 10Market Concentration



Source: CMA

6.2 Bond Market

6.2.1 Treasury Bonds

During the quarter, strong investor demand was evident in the oversubscription of primary bond issuances throughout the quarter. The issuances comprised reopened and switch bonds with maturities ranging from 10 to 30 years. These included reopenings of the new 30-year bond (FXD1/2026/030) in July and September, and three infrastructure bonds (IFB1/2019/016, IFB1/2021/018 and IFB1/2021/021) in August.

The Government offered bonds worth KSh 415.00 billion during the quarter, attracting bids totalling KSh 884.66 billion, equivalent to a subscription rate of 213.17%. Of these, bids worth KSh 585.32 billion were accepted, representing 141.04% of the amount offered. This was 78.4% higher than the KSh 328.06 billion accepted in the preceding quarter, when the Government offered KSh 355.00 billion and accepted bids equivalent to 92.41% of the amount offered.

August recorded the strongest investor demand, attracting bids worth KSh 482.98 billion against an offer of KSh 165.00 billion. Infrastructure bonds accounted for the bulk of this demand, representing 53% of total accepted bids for the quarter. Demand moderated in September, when bids amounting to KSh 163.11 billion were received against an offer of

KSh 130.00 billion. The Government accepted KSh 108.95 billion, making September the only month in which the value of accepted bids fell below the amount offered.

Table 3Bond Market Performance

Date	BOND	Amt Issued (KSh Bn)	Amt Received (KShBn)	Amt Accepted (KShBn)	% AA/AI	% AR/AI	Issue
Jul-26 J	FXD1/2022/010	70.00	103.96	51.03	72.90	148.51	Re-opened
	FXD1/2021/020		20.86	13.54	19.34	29.80	Re-opened
	FXD1/2026/030		19.65	6.03	8.62	28.07	Re-opened
	FXD1/2012/020	10.00	8.16	7.95	79.55	81.60	Switch
	FXD1/2019/020	40.00	23.97	12.25	30.62	59.92	Re-opened
	FXD1/2022/025		61.96	51.03	127.59	154.90	Re-opened
Aug-26	IFB1/2019/016	150.00	166.22	112.64	75.09	110.81	Re-opened
	IFB1/2021/018		154.90	105.54	70.36	103.27	Re-opened
	IFB1/2021/021		139.28	93.85	62.57	92.85	Re-opened
	FXD4/2019/010	15.00	22.58	22.51	150.07	150.55	Switch
Sep-26	FXD3/2019/015	60.00	57.10	41.14	68.57	95.17	Re-opened
	SDB1/2011/030		11.09	6.61	11.02	18.49	Re-opened
	FXD4/2019/010	10.00	13.52	11.02	110.20	135.24	Switch
	FXD1/2019/020	60.00	43.80	33.46	55.76	73.01	Re-opened
	FXD1/2026/030		37.60	16.72	27.86	62.67	Re-opened
Total		**355**	**884.66**	**585.32**			
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

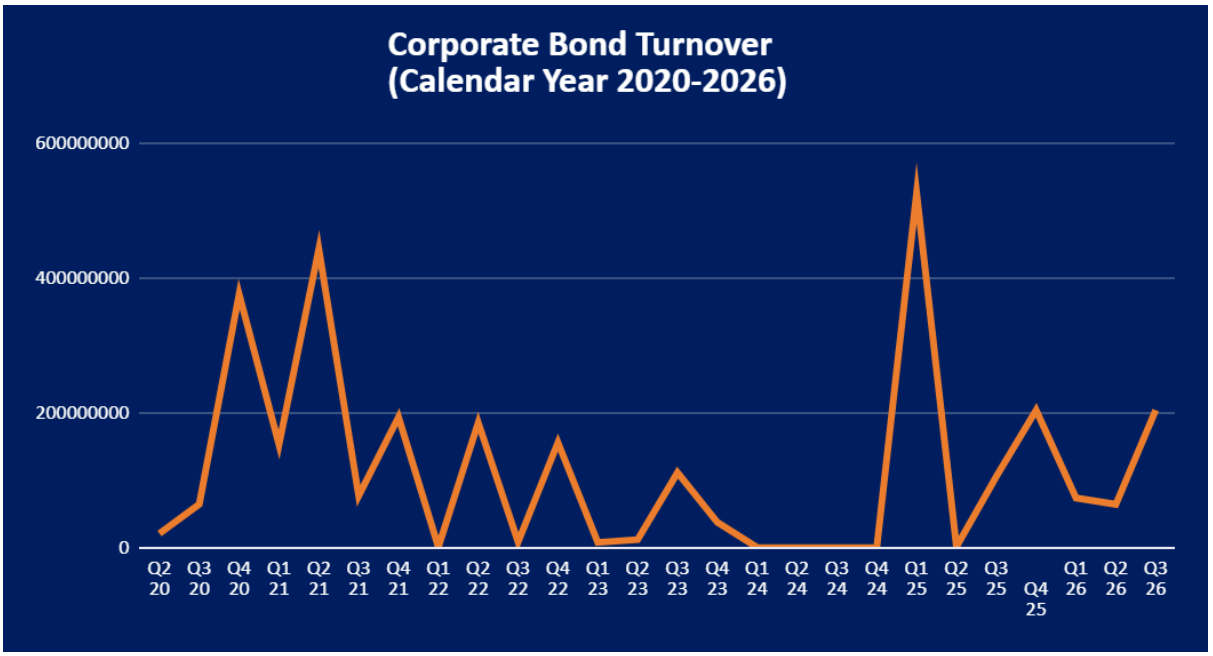
	SDB1/2011/030	20.00	7.05	6.57	32.85	35.25	Re-opened
	FXD1/2026/030		31.28	23.49	117.45	156.41	New
May-26	FXD1/2021/020	10.00	7.61	4.53	45.26	76.14	Switch
	FXD1/2012/020	80.00	47.95	47.53	59.41	59.93	Re-opened
	FXD1/2019/020		17.57	14.54	18.17	21.97	Re-opened
	FXD1/2021/025		40.50	31.97	39.97	50.62	Re-opened
	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			

Source: CBK

6.2.2 Corporate Bonds

Activity in the corporate bond segment strengthened during the quarter, with turnover rising by 217.5% to KSh 203.55 million from KSh 64.11 million in the quarter ended June 2026. This was nearly three times the previous quarter's level and significantly higher than the KSh 73.58 million recorded in the quarter ended March 2026. Despite this growth, corporate bond trading remained relatively modest, with turnover of KSh 203.55 million compared with KSh 72.55 billion in equity turnover over the same period.

Figure 11Trend in Corporate Bond Turnover



Source: CMA

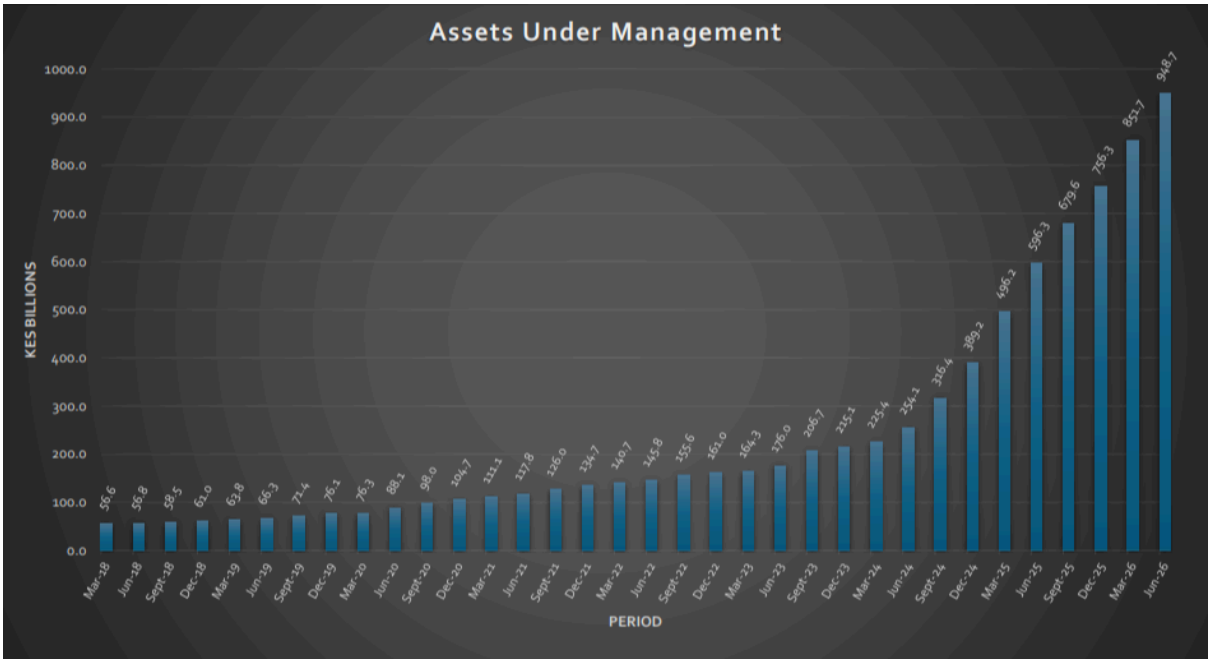
6.3 Collective Investment Schemes (CIS)

As of 30 June 2026, there were 66 approved Collective Investment Schemes (CIS), comprising 320 funds, of which 47 were active. Money Market Funds remained the most preferred investment option, accounting for 48.5% of total Assets Under Management (AUM). They were followed by Special Funds at 26.6%, Fixed Income Funds at 24.0%, Equity Funds at 0.6% and Balanced Funds at 0.2%.

Between March and June 2026, total AUM grew by 11%, from KSh 851.7 billion to KSh 948.7 billion. Special Funds recorded the strongest growth at 24%, followed by Equity Funds at

23% and Fixed Income Funds at 15%. Money Market Funds expanded by 4%, while Balanced Funds declined by 5%. The overall growth reflected the continued performance of existing funds, the entry of new funds under existing umbrella schemes that began reporting in Q2 2026, and intensified marketing by fund managers.

Figure 12Trend in Asset Under Management



Source: CMA

7.0 CAPITAL MARKETS STABILITY SOUNDNESS INDICATORS FOR THE PERIOD 1 JULY – 30 SEPTEMBER 2026

Table 4Stability Indicators (1st July- 30 September) 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	Q1.2026/2027 FY	July	Aug	Sept	Q1. 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 ,0.42% ,0.45% 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 relatively stable during the period.
		0.34%	0.39%	0.54%	0.42%			
	Q4.2025/2026 FY	Apr	May	Jun	Q4. Aver			
		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%			
NSE 25 Index Volatility Base Year = 2015	Q1.2026/2027 FY	July	Aug	Sept	Q1. Aver	Low (Indicative – Low < 1% Medium: >1% high; >10%)		
		0.40%	0.29%	0.67%	0.45%			
	Q4.2025/2026 FY	Apr	May	Jun	Q4. Aver			
		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%			

NASI Volatility Base Year= 2010	**Q1.2026/2027 FY**	**July**	**Aug**	**Sept**	**Q1. Aver**	**Low (Indicative – Low < 1% Medium: >1% high; >10%)**		This low volatility was likely driven by increased trading in the quarter as well as stable macroeconomic environment.
		0.27%	**0.36%**	**0.69%**	**0.44%**			
	Q4.2025/2026 FY	**Apr**	**May**	**Jun**	**Q4. Aver**			
		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%**			
Equities Turnover Ratio	**Q1.2026/2027 FY**	**July**	**Aug**	**Sept**	**Q1. sum**	**Low (Indicative – annual: <8%- Low; >15% High)**	**The recorded turnover for Q1 2026-2027 FY was 1.75% a decrease from 2.36% recorded in Q4 2025-2026.FY**	The decrease in the turnover ratio from 2.36% to 1.75% was largely due to the exceptionally high activity in June 2026, when the Safaricom share sale (the Vodacom Group block trade) and the Family Bank listing pushed that month's ratio to 6.21%. No comparable
		0.40%	**0.65%**	**0.70%**	**1.75%**			
	Q4.2025/2026 FY	**Apr**	**May**	**Jun**	**Q4.sum**			
		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%**			

								transactions occurred in Q1 FY2026/27, so turnover returned to more normal levels,
2.0 Foreign Exposure Risk								
Percentage (%) overall Foreign participation to Total Equity Turnover	**Q1.2026/2027 FY**	**July**	**Aug**	**Sept**	**Q1. Aver**	**Low (Indicative –annual: <40%- Low; >90% High)**	Foreign Investor Participation at the end of the Q1 2026-2027 FY at 32.97% an increase from 25.59% recorded in Q4 2025-2026 FY.	The increase in foreign participation from 25.59% to 32.97% reflects a recovery from the previous quarter, when June's ratio fell to 3.39% because the Family Bank listing and the Safaricom block trade sharply raised total turnover, the denominator of the ratio. With no comparable one-off
		27.49%	**41.93%**	**29.49%**	**32.97%**			
	Q4.2025/2026 FY	**Apr**	**May**	**Jun**	**Q4. Aver**			
		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%**			
Net Foreign Portfolio Flow (Ksh Million	**Q1.2026/2027 FY**	**July**	**Aug**	**Sept**	**Q1. sum**	**High (Indicative – annual: Less (outflow.**	The market recorded an outflow of Ksh 5,668 million compared to an outflow of Ksh 1,203	
		(1,746)	**(311)**	**(3,611)**	**(5,668)**			
	Q4. 2025/2026 FY	**Apr**	**May**	**Jun**	**Q4. Sum**			
		(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**	**<Kshs (50billion) - High (outflow. >Kshs. 50 billion High**	million in Q4. FY 2025/2026	transactions this quarter, participation returned to its usual range .
		(1,601)	**(3,028)**	**9**	**(4,620)**			
3.0 Market Concentration Risk								
Market Concentration (Top 5 companies by market cap)	**Q1.2026/2027 FY**	**July**	**Aug**	**Sept**	**Q1. Aver**	**High (Indicative – annual: >50% High Concentration)**	Market concentration for the top **5 companies** for the quarter ended September 2026 averaged at 62.61%.	The concentration of market capitalization among the top five companies, which account for 62.61% of the total market cap, presents a significant concentration risk. This implies that adverse performance or failure of these firms could have a
		62.29%	**62.96%**	**62.45%**	**62.61%**			
	Q4.2025/2026 FY	**Apr**	**May**	**Jun**	**Q4. Aver**			
		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%**			

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								disproportionate 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[2]								

[2] Statistics to be updated once available.

Total Volume (No. of contracts)

No of Contracts

Security	Q3.2025/2026 (Jan–Mar)	Jul	Aug	Sept	Sum-Q1 2026/2027	%Change Q3 Vs Q1
10MN	6				0	-100.00%
ABSA	5,746	1,032		600	1,632	-71.60%
BATK	230	20		2	22	-90.43%
COOP	5,575	900			900	-83.86%
EABL	4,603	466	13	439	918	-80.06%
EQTY	14,867	506			506	-96.60%
IHMP	11,613	1,480			1,480	-87.26%
KCBG	4,228	6,485			6,485	53.38%
KEGN	9,058		111	134	245	-97.30%
KNRE	8,852	1,950		9,409	11,359	28.32%
KPLC	2,657	2,530			2,530	-4.78%
NBSI	32		30		30	-6.25%
NCBA	3,956	63	1	103	167	-95.78%
SCBK	2				0	-100.00%
SCOM	6,923	705			705	-89.82%
BRIT		2,415		1,044	3,459	-
25MN			3	2	5	-
LBTY		70	12	70	152	-
N25I					0	-
Total	78,348	18,622	170	11,803	30,595	-60.95%

Low

The volume of contracts traded in Q1.2026/2027 FY was 30,595, translating to a 60.95% decrease from 78,348 contracts recorded in Q3.2025/2026 (Jan–Mar).

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

With the increasing profile of risks in the macro-economy, the profile of derivative instruments may grow

Gross Notional Exposure (GNE)[3]	**Amount in Kshs** **Security** / **Q3.2025/2026 (Jan–Mar)** / **Jul** / **Aug** / **Sept** / **Sum-Q1 2026/2027** / **%Change Q3 Vs Q1** **10MN** 128,190.00 — 0.00 — **-100.00%** **ABSA** 16,640,982.00 — 3,404,609.00 — 1,886,500.00 — 5,291,109.00 — **-68.20%** **BATK** 1,129,547.50 — 115,266.00 — 10,940.00 — 126,206.00 — **-88.83%** **COOP** 16,721,673.00 — 3,065,250.00 — 3,065,250.00 — **-81.67%** **EABL** 11,724,330.00 — 1,316,840.00 — 37,020.00 — 1,295,158.00 — 2,649,018.00 — **-77.41%** **EQTY** 109,762,530.00 — 4,276,300.00 — 4,276,300.00 — **-96.10%** **IHMP** 55,862,059.00 — 10,092,288.00 — 10,092,288.00 — **-81.93%** **KCBG** 30,946,449.00 — 52,817,832.00 — 52,817,832.00 — **70.67%** **KEGN** 8,619,772.00 — 122,208.00 — 143,782.00 — 265,990.00 — **-96.91%** **KNRE** 3,392,882.00 — 701,500.00 — 4,656,875.00 — 5,358,375.00 — **57.93%** **KPLC** 4,300,042.00 — 5,358,360.00 — 5,358,360.00 — **24.61%** **NBSI** 76,730.00 — 220,200.00 — 86,400.00 — 306,600.00 — **299.58%** **NCBA** 36,074,327.00 — 562,582.00 — 8,707.00 — 868,350.00 — 1,439,639.00 — **-96.01%** **SCBK** 6,057.00 — 0.00 — **-100.00%** **SCOM** 22,192,828.00 — 2,418,750.00 — 2,418,750.00 — **-89.10%** **BRIT** 4,134,019.00 — 2,001,910.00 — 6,135,929.00 — - **25MN** 199,900.00 — 131,900.00 — 331,800.00 — - **LBTY** 64,050.00 — 11,334.00 — 64,260.00 — 139,644.00 — - **N25I** 0.00 — - **Total** **317,578,398.50** — **88,547,846.00** — **465,569.00** — **11,059,675.00** — **100,073,090.00** — **-68.49%**	**High (indicative – annual: >50% High concentration)**	The total value (Gross Exposure) of contracts traded during the quarter came up to Ksh100,073,090; a 68.49% decrease from Q3.2025/2026 (Ksh317,578,399).

[3] 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 [4](No. of Contracts)		**Medium (Indicative – annual: >50% High concentration)**	Overall, the total average number of open interest contracts recorded in Q1.2026/2027 FY was 8,064, a 75.25% decrease from the Q3.2025/2026 value of 32,579.	

Security	Q3.2025/2026 (Jan–Mar)	Jul	Aug	Sept	Q1. Aver	%Change Q3 Vs Q1
10MN	3				0	-100.00%
ABSA	1,595	50		400	225	-85.89%
BATK	80	2	2		2	-97.50%
COOP	2,750	200			200	-92.73%
EABL	3,186	405	405		405	-87.29%
EQTY	4,535	37			37	-99.18%
IHMP	8,517	4,229			4,229	-50.35%
KCBG	1,661	2,453			2,453	47.68%
KEGN	3,200		70		70	-97.81%
KNRE	252	1,250		9,100	5,175	1953.57%
KPLC	203	2,530			2,530	1146.31%
NBSI	26	65	35	35	45	73.08%
NCBA	78	101	101		101	29.49%
SCBK	2				0	-100.00%
SCOM	6,491	1,000			1,000	-84.59%
BRIT		1,527		50	789	-
25MN		2	2		2	-
LBTY		70	70		70	-

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

	N25I					0	-			
	Total	32,579	13,921	685	9,585	8,064	-75.25%			
Settlement Guarantee Fund (SGF) Coverage for Derivatives (to be changed)								*High (Indicative– annual: >50% High concentration	The SGF coverage ratio for the Derivatives market in Q1 2026/2027 FY was sufficient during the period.	To Maximize value from the SGF fund balances, there is deliberate effort by NSE to encourage increased activity by Market intermediaries in this market for Increased volumes of trade.
		July-26	Aug-26	Sep-26						
	SGF	60,338,762	60,685,136	61,020,297						
	Average Market Value	2,856,382	15,018	368,656						
	SGF Coverage	21 times	4,041 times	166 times						
	Data as of September 2026									
5.0 Government Bond Market Exposure										
Treasury Bond Market turnover	Q1.2026/2027 FY	Jul	Aug	Sep	Q1. Aver			High (Indicative – annual: >50%High)	In Q1 2026-2027 FY Treasury Bond market turnover	Government activity in the bonds markets continues to
		99.99%	99.99%	99.99%	99.99%					
	Q4.2025/2026 FY	Apr	May	Jun	Q4. Aver					
		100.00%	100.00%	99.95%	99.98%					

<table>
<tr><td rowspan="6">Concentration</td><td rowspan="6">Q3.2025/2026 FY
Q2.2025/2026 FY
Q1.2025/2026 FY</td><td>Jan</td><td>Feb</td><td>Mar</td><td>Q3. Aver</td><td rowspan="6"></td><td rowspan="6">averaged at 99.99%.</td><td rowspan="6">dominate as the Government targets domestic market savings to fund various Government activities</td></tr>
<tr><td>100.00%</td><td>100.00%</td><td>99.98%</td><td>99.99%</td></tr>
<tr><td>Oct</td><td>Nov</td><td>Dec</td><td>Q2. Aver</td></tr>
<tr><td>100.00%</td><td>100.00%</td><td>100.00%</td><td>100.00%</td></tr>
<tr><td>Jul</td><td>Aug</td><td>Sep</td><td>Q1. Aver</td></tr>
<tr><td>100.00%</td><td>100.00%</td><td>100.00%</td><td>100.00%</td></tr>
<tr><td colspan="9">6.0 Investor Profile</td></tr>
<tr><td>Corporate Bond Market ownership</td><td colspan="5"><table>
<tr><th>Account_Type</th><th>Num_of_Investors</th><th>Share_Qnty</th><th>% by Share Quantity</th></tr>
<tr><td>EI</td><td>8</td><td>11,490,000</td><td>0.018%</td></tr>
<tr><td>FC</td><td>3</td><td>1,322,894,415</td><td>2.052%</td></tr>
<tr><td>FI</td><td>52</td><td>361,710,000</td><td>0.561%</td></tr>
<tr><td>JR</td><td>7</td><td>500,000</td><td>0.001%</td></tr>
<tr><td>LC</td><td>630</td><td>57,159,659,161</td><td>88.661%</td></tr>
<tr><td>LI</td><td>3,349</td><td>5,613,477,172</td><td>8.707%</td></tr>
<tr><td>Sum</td><td></td><td>64,469,730,748</td><td>100.000%</td></tr>
</table>
Data Computed as of September 2026</td><td>High (Indicative – annual: >50% High concentration</td><td>In the quarter under review Local Corporate investors continued to constitute the g r e a t e s t share in investment.</td><td>Kenya has been facing a period of reduced corporate 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</td></tr>
</table>

				corporate bond market.
Equity Market	**Account_Type** / **Num_Of_Investors** / **Share_Qnty** / **% by Share Quantity** BR 6 15,883,109 0.013% EC 252 5,322,294,572 4.354% EI 7,492 122,578,547 0.100% FC 382 15,039,778,425 12.305% FI 7,966 517,015,005 0.423% JR 497 3,900,726 0.003% LC 39,736 87,230,203,675 71.367% LI 1,275,019 13,975,213,684 11.434% **SUM** **1,331,350** **122,226,867,743** **100.000%** **Data as of September 2026**	**High (Indicative – annual: >50%** **High concentration**	In Q4. Local corporate investors constituted the majority in the investment in equity followed by foreign Investors	While the proportion of local investors is higher than foreign investors, the share quantity held by each investor on a per capita basis remains low.

7. 0 Settlement Compensation Coverage								
Settlement Guarantee Fund	**Q1.2026/2027 FY**	**July**	**Aug**	**Sep**	**Q1 .Aver**	**(Indicative– annual: >1 times, implies full coverage**	The settlement Guarantee Fund (SGF) ratio for the quarter under review	Through Risk-Based supervision, the Authority has been monitoring the SGF figures. The fund
		2.39	**1.30**	**1.31**	**1.25**			
	Q4.2025/2026 FY	**Apr**	**May**	**Jun**	**Q4. Aver**			
		4.03	**3.57**	**2.42**	**3.34**			
	Q3.2025/2026 FY	**Jan**	**Feb**	**Tue**	**Q3. Aver**			
		2.59	**1.32**	**1.78**	**1.89**			

<table>
<tr><td></td><td>Q2. 2025/2026 FY</td><td>Oct</td><td>Nov</td><td>Dec</td><td>Q2. Aver</td><td></td><td>was 1.25.</td><td>remains adequate to guarantee settlement failure.</td></tr>
<tr><td></td><td></td><td>2.7</td><td>2.2</td><td>1.9</td><td>2.3</td><td></td><td></td><td></td></tr>
<tr><td colspan="9">8.0 Asset Base of Fund Managers, Stockbrokers, Investment Bank[5]</td></tr>
<tr><td>Working Capital (Amount in Kshs Millions) *</td><td colspan="5"><table>
<tr><td></td><td colspan="4">Amount in Ksh Millions</td><td></td></tr>
<tr><td></td><td>Total Assets</td><td>Total Liabilities</td><td>Net Assets September 2026</td><td>Net Assets March 2025</td><td>% change</td></tr>
<tr><td>Fund Mangers</td><td>17,064</td><td>3,923</td><td>13,141</td><td>7,740</td><td>69.8%</td></tr>
<tr><td>Investment Advisers</td><td>909</td><td>555</td><td>354</td><td>244</td><td>45.1%</td></tr>
<tr><td>Investment Banks</td><td>24,003</td><td>8,648</td><td>15,356</td><td>8,784</td><td>74.8%</td></tr>
<tr><td>Online Forex Brockers</td><td>9,683</td><td>7,301</td><td>2,382</td><td>1,786</td><td>33.4%</td></tr>
<tr><td>REIT Manager</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Stockbrokers</td><td>1,518</td><td>411</td><td>1107</td><td>1,658</td><td>-33.2%</td></tr>
</table></td><td>Medium (Indicative –the Higher the figure, the more stable is the market</td><td>The net assets base of fund Managers, Investment Adviser, Investment Banks, Online Forex, REITs For investment bank and stockbroker as of September was Kshs 32.340 Billion</td><td>Capital markets licensees' net assets increased between March 2025 and September 2026 for Fund Managers, Investment Advisers, Investment Banks and Online Forex Brokers, and decreased for Stockbrokers.</td></tr>
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