CAPITAL MARKETS AUTHORITY

Promoting the Integrity and Growth of the Capital Markets

The Capital Markets Soundness Report (CMSR)

Volume XXXIII Quarter 4 2024 (1st October – 31st December) 2024

OPPORTUNITIES AND RISKS WITH THE GROWING ADOPTION OF ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING IN CAPITAL MARKETS

Quarterly Publication of the Capital Markets Authority (Kenya)

Contents

List of Figures

List of Tables

SPECIAL MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Mr. Wyckliffe Shamiah, FCPA

Chief Executive Officer
Capital Markets Authority, Kenya

Dear Esteemed Reader,

Happy New Year 2025!

The Capital Markets Authority (CMA) begins the year by releasing the quarterly Capital Markets Soundness Report (CMSR). In January 2025, we present the 33rd edition of this report to our valued stakeholders. This edition provides a comprehensive analysis of the domestic capital markets' performance in the fourth quarter of 2024, evaluating its soundness while identifying key risks and opportunities observed during the period. The report serves as a valuable resource, keeping stakeholders informed on local, regional, and international developments within the capital markets ecosystem.

The fourth quarter of 2024 saw stable economic growth, with a notable reduction in inflation and central bank targets. Looking ahead, the global economic outlook for 2025 is even more optimistic, with projected global GDP growth of 3.3%, up from 3.2% in 2024. The domestic market has shown strong resilience, as reflected in the improved performance of market indices during the quarter.

As the year concluded, the Authority approved various licenses for firms across different categories. I am pleased to highlight that the CMA remains committed to expanding investment product offerings through its regulatory functions. This includes the licensing of the *Ziidi Money Market Fund* by Safaricom PLC, which enhances the range of Collective Investment Schemes (CIS) available to investors. Additionally, the Authority has approved the launch of Options Derivatives Trading by the Nairobi Securities Exchange (NSE), further demonstrating our commitment to ensuring that domestic markets remain dynamic and conducive to investment.

In closing, I extend my sincere appreciation to all our stakeholders for your continued support in advancing the growth of capital markets. As you review the report, we encourage you to share your insights on key findings, lessons learned, opportunities, risks, and mitigation strategies. Your feedback is invaluable and will contribute to enhancing this quarterly publication.

The Authority wishes you a prosperous and successful 2025.

Happy Reading!

FCPA Wyckliffe Shamiah

CHIEF EXECUTIVE OFFICER

EDITORIAL

Greetings!

The growing adoption of Artificial Intelligence (AI) and Machine Learning (ML) is set to significantly impact the capital markets industry. I am pleased to present the final quarterly edition of 2024, titled ***"Opportunities and Risks with the Growing Adoption of Artificial Intelligence and Machine Learning in Capital Markets."***

This special feature explores the transformative role of AI in reshaping the capital markets landscape, highlighting its potential to improve efficiency and accelerate product uptake. AI technologies, including Machine Learning and Generative AI, are revolutionizing market analysis, decision-making, and trade execution. Despite the many benefits, such as enhanced forecasting, risk management, and portfolio optimization, the widespread adoption of AI introduces challenges, including ethical concerns, outsourcing risks, data quality issues, and the need for continuous algorithm monitoring. Regulatory bodies, such as IOSCO, have issued guidelines to address these risks, emphasizing transparency, fairness, and responsible implementation. We take note that globally, different jurisdictions have developed distinct frameworks to ensure the ethical and secure use of AI within the market.

This edition also highlights recent global and regional developments, including the UK Financial Conduct Authority's response to market reviews on financing global decarbonization and growth, and the launch of Egypt's Arab African Estidama bond, valued at $500 million.

During the period under review, the MSCI World Index and Emerging Market Index showed positive returns of 19.19% and 8.05%, respectively. Kenya performed exceptionally well, posting positive returns, while other African countries such as Côte d'Ivoire, Nigeria, Tunisia, Morocco, Senegal, and Zimbabwe experienced negative returns. Kenya's performance was bolstered by a strong shilling against the US dollar.

The domestic capital markets displayed resilience, with Kenya again outperforming many frontier markets, achieving a year-to-date return of 76.62%. The report also highlights a significant negative net equity portfolio outflow of Kshs 16.639 billion, a notable increase from Kshs 628 million in the previous quarter. This outflow is attributed to the political instability during the second quarter of 2024, which may have led foreign investors to exit the market. The four major indices NSE 20, NSE 25, NASI, and NSE 10 closed at 2,010.65, 3,402.80, 123.48, and 1,302.31 points, reflecting increases of 13.23%, 17.37%, 15.32%, and 15.79%, respectively.

The edition concludes with an in-depth analysis of capital market stability, focusing on trends in market volatility, liquidity, concentration, and foreign portfolio flows.

We look forward to your continued support in helping the Authority fulfill its mandate of regulation and market development.

Enjoy your read!

Mr. Luke E. Ombara

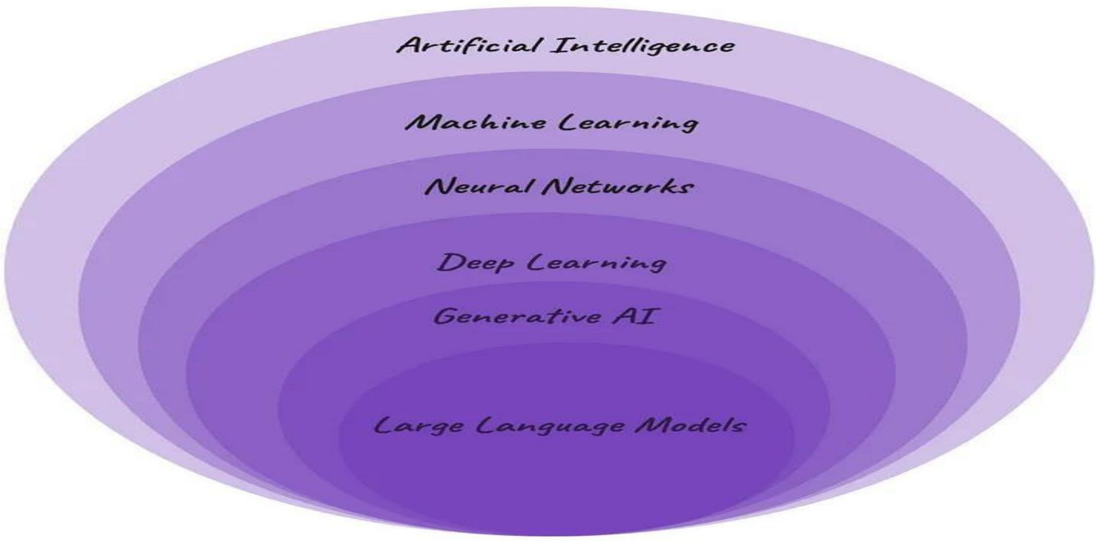
DIRECTOR, POLICY AND MARKET DEVELOPMENT

I. SPECIAL FEATURE: OPPORTUNITIES AND RISKS WITH THE GROWING ADOPTION OF ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING IN CAPITAL MARKETS

Growing adoption of Artificial Intelligence (AI) growing adoption has fundamentally reshaped the capital markets industry and it possesses further potential to deepen product uptake and enhance efficiency within the capital markets. The term **Artificial Intelligence** was first used by computer scientist **John McCarthy** in 1956. It refers to the science and engineering of creating intelligent machines, or simply, making computers act like humans to solve problems. AI powered technologies have been around for a while and some everyday examples are Siri and Alexa and customer service chatbots that pop up on websites.

Machine Learning is a branch of AI that focuses on the using of data and algorithms to enable AI to imitate the way that humans learn, gradually improving its accuracy. **Generative AI** (GenAI) (is subset of Deep Learning), a type of artificial intelligence technology that can generate different types of content - such as text, imagery, audio, video - based on what has learnt from existing content.

Figure 1Artificial Intelligence and its Subsets.



Source: https://medium.com/womenintechnology/ai-c3412c5aa0ac

Potential Use Cases of Artificial Intelligence in the Capital Markets

Post the financial crisis of 2008 and the more recent Covid-19 crisis, capital markets players are increasingly keen on advancing their quantitative capabilities to support timely and cost-effective decision making as the world becomes more uncertain. The capital markets long standing focus on data analysis when designing products, analyzing market behavior and supporting forecasting has supported the increasing leveraging of AI and **Generative AI** techniques.

Figure 2AI Capabilities

AI can perform administrative tasks faster and better than humans, enabling the latter to focus on higher-value activities. New capabilities include:

- New document-preparation tools and platforms allow for the large-scale automation of key services such as due-diligence documentation and routine preparatory tasks.
- Digitised information sharing enables content such as reports, performance data, pitch decks and legal documents to be easily circulated with deal prospects in open and automated virtual data rooms.
- Automated investor reports can streamline the valuation process at scale through the collection, normalisation and analysis of financial data using document recognition.
- Voice assistants allow clients to ask an institution specific questions and receive personalised answers 24/7/365, reducing the reliance on manual work for rote question and answer.

Source: Deloitte

In the decision-making phase, AI can help predict market trends and asset prices by analyzing past data. AI technologies can also examine news, social media, and financial reports to understand how people feel about certain investments, which can help forecast how the market might react. These technologies can also assess the risks involved in various investments, considering factors like market changes or company performance. Additionally, AI can be used to optimize investment portfolios, ensuring the right mix of assets is chosen to maximize returns while minimizing risks.

When it comes to executing trades, AI and ML algorithms can automatically make trades at the best possible times, based on data patterns. This reduces the need for human intervention, saving time and lowering the chances of errors. AI can also predict how easily assets can be bought or sold in the market, helping traders avoid paying extra costs when making large trades.

In the monitoring phase, AI is used to spot any unusual activity in the market or in investment portfolios, sending alerts when something seems off, such as potential fraud. AI can also track how well investments are performing in real time, adjusting strategies when needed. Additionally, AI helps ensure that all trades and investments follow the necessary rules and regulations by checking for any issues that might arise.

Figure 3Recent and Potential Use Cases for Artificial Intelligence and Machine Learning in Capital Markets Activities

Key Processes	Client/Institution Profiling	Asset Allocation			Trading	Risk Management	
	Identification of Needs and Constraints	Asset Class Allocation	Sectoral Allocation	Security Selection	Orders Placement and Execution	Risk Monitoring	Reporting
Potential Benefits from Adopting AI	**Enhance client's profile assessment** • Analyze unstructured or alternative clients' data to understand unique objectives, idiosyncratic needs, and risk preference • Generate simulated scenarios and visualization of potential outcomes of different asset mix	**Enhance optimization and forecast techniques for strategic allocation** • High dimensional forecasting and predictor selections • Deep learning methodologies for dynamic multiperiod portfolio optimization • Clustering/network analysis to analyze multidimensional interactions/ correlations		**Improve analysis precision** • Feature extraction (beta, momentum, and so on) • Network/ multidimension analysis for relative value analysis and identify price dislocation	**Minimize market impact** • Structured trade execution algorithms to minimize market impact • Analyzing unstructured data and cross-market indicators to identify prevailing liquidity conditions **Assist price discovery** • Modelling executable prices for illiquid secu-rities through multiple market indicators **Improve liquidity management efficiency** • Forecast liquidity needs (margin management, collateral, etc.) through clustering/network analysis	**Dynamic risk sensing** • Generate risk hypothesis • To identify performance drivers and anomalies through multidimensional analysis **Generate risk scenario** • Value-at-risk estimation through generative adversarial networks to capture temporal dynamics in time-series data	**Customize insights** • Customized content generation, reports, and dashboards • Chatbot **Ease compliance monitoring** • Screening, flagging, and reporting of anomalies
		Derive signals from unstructured and alternative data • Natural language processing models for sentiment analysis to identify thematic opportunities • Polarity detection, microtext analysis, aspect extraction, or sarcasm detection to improve signal quality					

Sources: Academic studies; IMF outreach discussions (see Box 3.1); prospectus from third-party services; and IMF staff compilations.

Risks and challenges attendant with AI Adoption in The Capital Markets

The International Organization of Securities Commissions (IOSCO)'s 2021 report titled (**The use of artificial intelligence and machine learning by market intermediaries and asset**

managers) denoted several risks following a survey identified risks and harms attendant to the adoption and evolution of AI use in the capital markets.

- **Ethical concerns**

The integration of AI in capital markets decision making process has spotlighted several ethical concerns related to privacy, bias and fairness, accountability, transparency and explainability. AI models have the potential to develop and incorporate certain social biases and potentially propose unwanted outcomes if the source data cleaning and analysis were not carefully considered. Robo-advisory applications could potentially pose ethical harm by perpetuating biases if unchecked. Robo advisers can also use confidential financial information without being data compliant. Finally, there may be lack of transparency on how AI models make decisions given the opacity of the rules and parameters of the algorithm that is at the core of robo-advisory solutions. These concerns if not adequately addressed may hinder the uptake of robo-advisory solutions.

- **Outsourcing risks**

Investment firms which rely on other third-party AI technology providers to automate the investment process and or provide advanced data analytics services face higher outage risks. Data privacy and security risks are amplified with the sharing of data for processing by third party AI technology providers.

- **Algorithm development, testing and ongoing monitoring challenges.**

IOSCO's engagement on matters AI evidenced that in most cases there is not an established framework for specifically developing AI and ML. Instead, many firms use the same development and testing frameworks that they use for traditional algorithms and standard system development management processes. Algorithms rely on quality data and most firms recognise the need for quality data inputs. Excessive immaterial, or "noisy" data is unwanted data that does not contribute to a relationship and may cause ML algorithms to miss the signal in the data and behave unexpectedly. Machine learning algorithms as they continue to learn may also tend to behave more unpredictably hence the need for continuous monitoring.

- **Data quality and bias**

Poor quality data sets and insufficiency of the dataset will affect the performance and potential outcomes of the AI and ML models. Learned bias in the dataset can impact the decisions made by such algorithms and may result in discriminative decisions and provide undesirable outcomes to market participants. For example, asking questions phrased in a certain way or in a certain sequence may lead to a response that introduces implicit or explicit bias from the respondents especially for robo-advisors.

IOSCO Guidance

IOSCO advises that the principle of proportionality should guide regulators; consideration should be given to the activity that is being undertaken, the complexity of the activity, risk profiles, the degree of autonomy of the AI and ML applications, and the potential impact that the technology has on client outcomes and market integrity.

Table 1IOSCOs Guidance on Risk Mitigation Measures

Risks/Challenges	**IOSCO Risk Mitigation Measure**
Ethical concerns	Regulators should consider what level of disclosure of the use of AI and ML, is required by firms, including: (a) Regulators should consider requiring firms to disclose meaningful information to customers and clients around their use of AI and ML that impact client outcomes. (b) Regulators should consider what disclosures they may require from firms using AI and ML to ensure they can have appropriate oversight of those firms.
Algorithm development, testing and ongoing monitoring challenges	Regulators should require firms to adequately test and monitor the algorithms to validate the results of an AI and ML technique on a continuous basis. The testing should be conducted in an environment that is segregated from the live environment prior to deployment to ensure that AI and ML: (a) behave as expected in stressed and unstressed market conditions; and (b) operate in a way that complies with regulatory obligations.

Inadequate skills, expertise, and experience to develop, test, deploy, monitor and	Regulators should require firms to have the adequate skills, expertise, and experience to develop, test, deploy, monitor, and oversee the controls over the AI and ML that the firm utilises. Compliance and risk management functions should be able to understand and challenge the algorithms that are produced and conduct due diligence on any third-party provider, including on the level of knowledge, expertise, and experience present.
Outsourcing risks	Regulators should require firms to understand their reliance on and manage their relationship with third-party providers of AI and ML, including monitoring providers' performance and conducting oversight. To ensure adequate accountability, firms should have a clear service level agreement and contract in place clarifying the scope of the outsourced functions and the responsibility of the service provider. Where appropriate, this agreement should contain clear performance indicators and should also clearly determine rights and remedies for poor performance.
Data quality and bias	Regulators should consider requiring firms to have appropriate controls in place to ensure that the data that the performance of the ML and AI is dependent on is of sufficient quality to minimise biases and sufficiently broad for a well-founded application of AI and ML.

Jurisdictional Review

A number of securities regulators have developed bespoke guidance while some are in the process of developing guidelines to guide market players on the responsible deployment of AI and ML models within capital markets.

Table 2AI and ML Jurisdictional Review

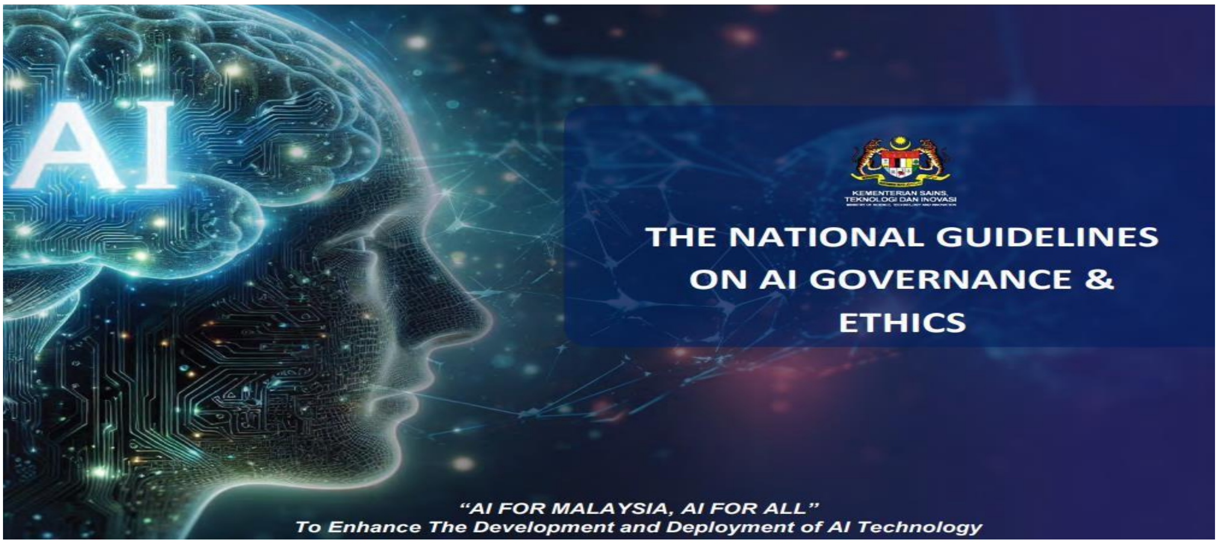
Jurisdiction	Regulatory Approach

FSRA (Abu Dhabi Global Market)	The Financial Services Regulatory Authority (FSRA) issued detailed guidance in July 2019 setting out the regulatory framework for firms carrying out "digital investment management". (i.e., robo-advisory activities) in Abu Dhabi Global Market (ADGM). Such firms (termed "Digital Investment Managers") are required to apply for a licence from the FSRA to conduct one or more regulated activities which may include (depending on their business models): • Advising on Investments or Credit • Arranging Deals in Investments • Managing Assets
Canada	According to the National Instrument on Electronic Trading and Direct Electronic Access to Marketplaces13 and the Investment Industry Regulatory Organization of Canada (IIROC) Notice 12-0364 – Guidance Respecting Electronic Trading, firms are required to ensure that algorithmic trading systems used by participants to route orders to marketplace have been adequately tested prior to being "engaged", including the ability of the firm to immediately disengage the operation of the algorithmic trading system should the need arise.
United Kingdom	The Financial Conduct Authority (FCA) deems it good practice to review how trading algorithms are used; develop appropriate definitions; ensure all activities are captured; identify any changes to algorithms; and have a consistent methodology across the testing and deployment of AI and ML. Markets in Financial Instruments Directive (MiFID II) requires firms to develop processes to identify algorithmic trading across the business

China	Firms deploying AI adhere to the **Measures for the Administration of Information Technology Management of Licensed Corporation in December 2018** (CSRC No. 152, hereinafter referred to as Measures).

Securities Commission of Malaysian Case Study

Figure 4National Guidelines on AI Governance and Ethics (AIGE)



Source: Ministry of Science, Technology, and Innovation

The National Guidelines on AI Governance and Ethics (AIGE) were developed and published by Malaysia's Ministry of Science, Technology, and Innovation (MOSTI) on September 2024.They outline crucial principles and frameworks for the responsible development and deployment of Artificial Intelligence (AI) within Malaysia.

The Securities Commission of Malaysia subsequently revised its Guidelines on Technology Risk Management issued on 19th August 2024 to provide guiding principles relating to the adoption of artificial intelligence (AI) and machine learning (ML).

Table 3SC Malaysia AI and ML Guiding Principles

Principle	**Description**
Accountability	A capital market entity should establish and implement a robust and sound governance framework and process to

	oversee the development and use of its AI and ML. A capital market entity should also have a workforce capable of managing AI and ML systems and a broad set of stakeholders.
Transparency and Explainability	A capital market entity should be able to explain what went into making a specific decision by the AI and ML. In adopting AI-assisted decision, the capital market entity should be able to provide an explanation on— (i) the process (i.e. governance of AI); and (ii) the outcome of the AI application (i.e. reasoning of the algorithmic decision).
Fairness and Non-Discrimination	A capital market entity should design its AI and ML systems in a way that respects the rule of law, human rights, democratic values, and diversity, and should include appropriate safeguards to ensure that users or groups of users are not systematically disadvantaged or discriminated.
Practical Accuracy and Reliability	A capital market entity should— (a) rigorously conduct validation and testing on its AI and ML systems. (b) ensure privacy, data protection and security in AI systems by employing data governance and management, throughout the data lifecycle; and (c) ensure robust security and resilience of its AI systems through, among others, the implementation of appropriate controls and security measures.

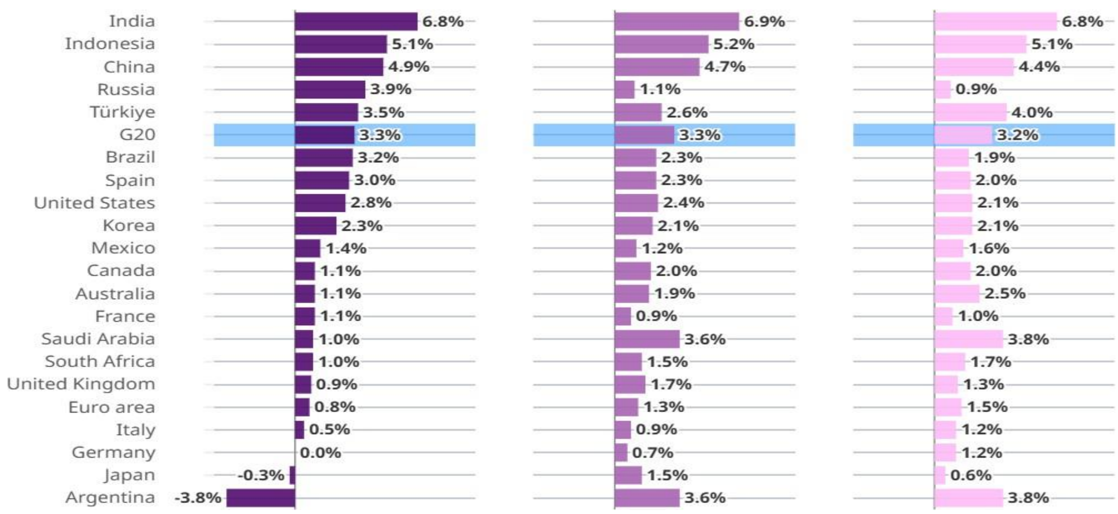
Action Plan

There is an urgent need for the National Government to pronounce itself on the use of AI.CMA Kenya is proposing the establishment of a National Taskforce to develop guidelines on AI Governance and Ethics. This will thereafter inform the development of capital markets specific guidelines.

II. THE GLOBAL ECONOMIC AND CAPITAL MARKET PERFORMANCE OUTLOOK

Global economic growth remained stable during the last quarter of 2024 and is projected to remain resilient as we head into 2025.On the global front geopolitical tensions the scarring effects of the COVID-19 pandemic, supply chain disruptions, high inflation, extreme weather events defined the global economic environment. The effects of this key risk events will define the pace of economic growth into 2025.The most consequential event during this quarter was the outcome of the U.S. presidential elections during which former President Donald Trump staged a remarkable comeback.

Figure 5Real GDP growth projections for 2024, 2025 and 2026.



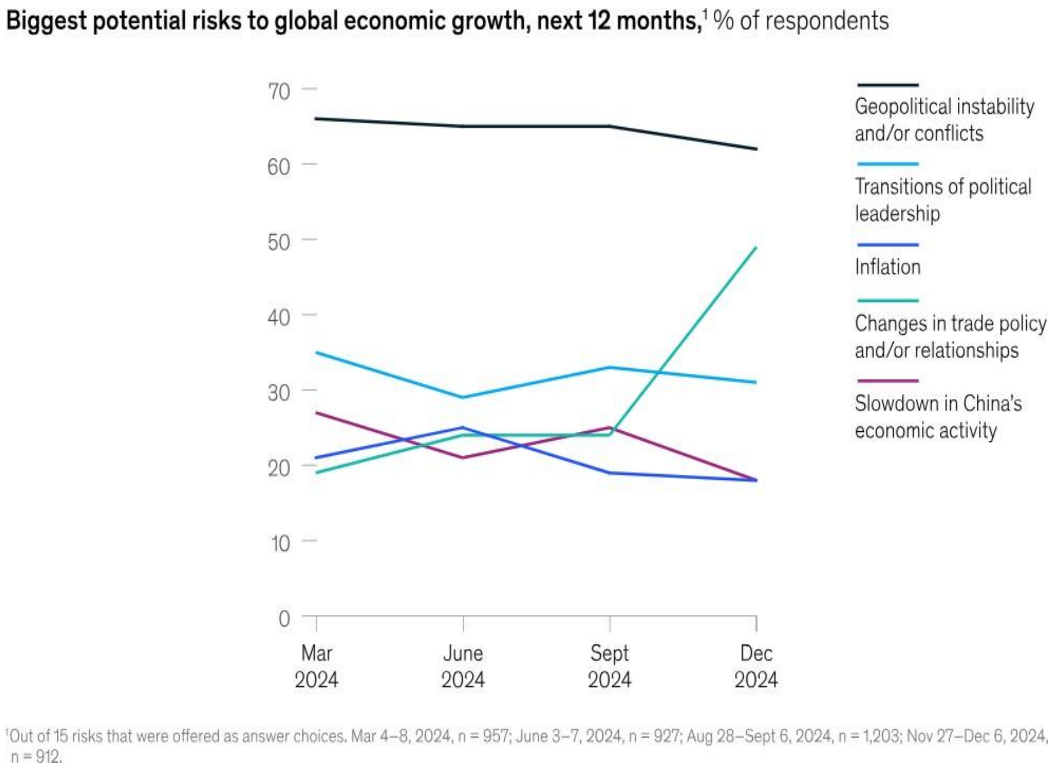
Source: OECD

The OECD[1]projects that global growth is anticipated to remain resilient against the mounting economic and geopolitical challenges as we head into 2025. The Outlook projects

[1] https://www.oecd.org/en/about/news/press-releases/2024/12/economic-outlook-global-growth-to-remain-resilient-in-2025-and-2026-despite-significant-

global GDP growth of 3.3% in 2025, up from 3.2% in 2024, and 3.3% in 2026. Notably inflation has declined further towards central bank targets, while growth has remained stable throughout 2024.Policy makers will need to undertake a raft of measures to protect global macro-economic recovery key among them being carefully calibrated monetary policy easing to anchor inflation within targets.

Figure 6Mckinsey Economic Outlook December 2024



Source: McKinsey

The latest[2] McKinsey global survey on economic conditions highlights that drastic trade policy changes are now closely at par with global instability as a key economic risk as we head into 2025.

Global Capital Markets

Capital markets in 2024 registered robust returns buoyed by global economic resilience. With inflation seemingly anchored within targets, the easing of global financial conditions

---

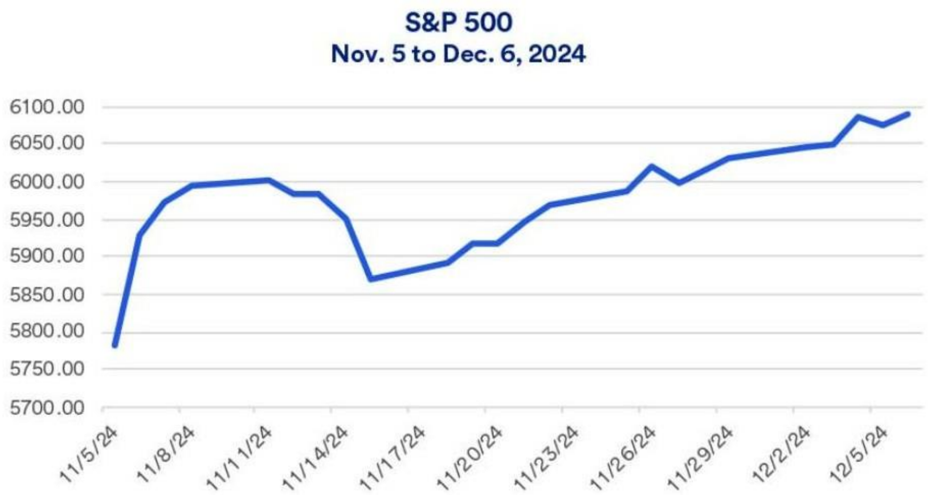
risks.html#:~:text=The%20Outlook%20projects%20global%20GDP,monetary%20policy%20in%20most%20countries.

[2] https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/economic-conditions-outlook-2024#section-header-December2024

provided an environment of positive investor sentiments supporting the resilience of global capital markets.

Donald Trump's re-election as president of the United States on 5 November has stirred optimism in global capital markets supported by his call for deregulation and reducing government intervention. Financial assets likely to be impacted by Trumps policy shifts reacted swiftly to his re-election news.US stocks rallied ("Trumps Trades") on President elect Trumps historic re-election on the back of potential positive policy changes notably deregulation. Banks, expected to benefit from loosening regulations under Trump, powered the gains leading to the S&P 500 registering its biggest one-day percentage gain since November 2022.

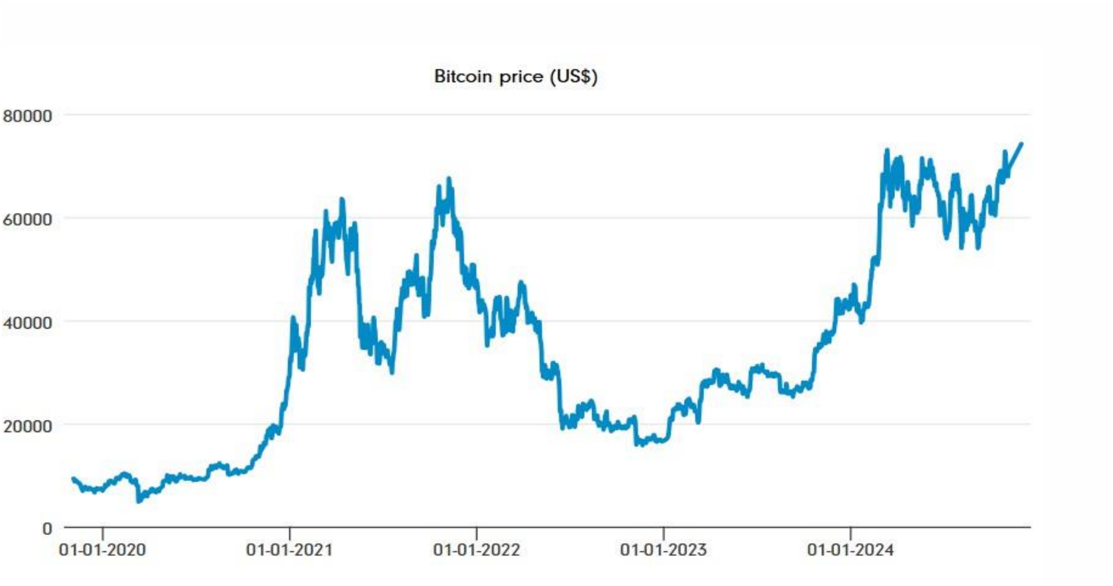
Figure 7S&P 500 Reaction to Trump Win



Source: Source: U.S. Bank Asset Management Group.

Bitcoin prices surged as the cryptocurrency industry anticipated benefits from deregulation and President-elect Donald Trump plans to create a U.S. bitcoin strategic reserve.

Figure 8Bitcoin Price $



Source: Investing.com

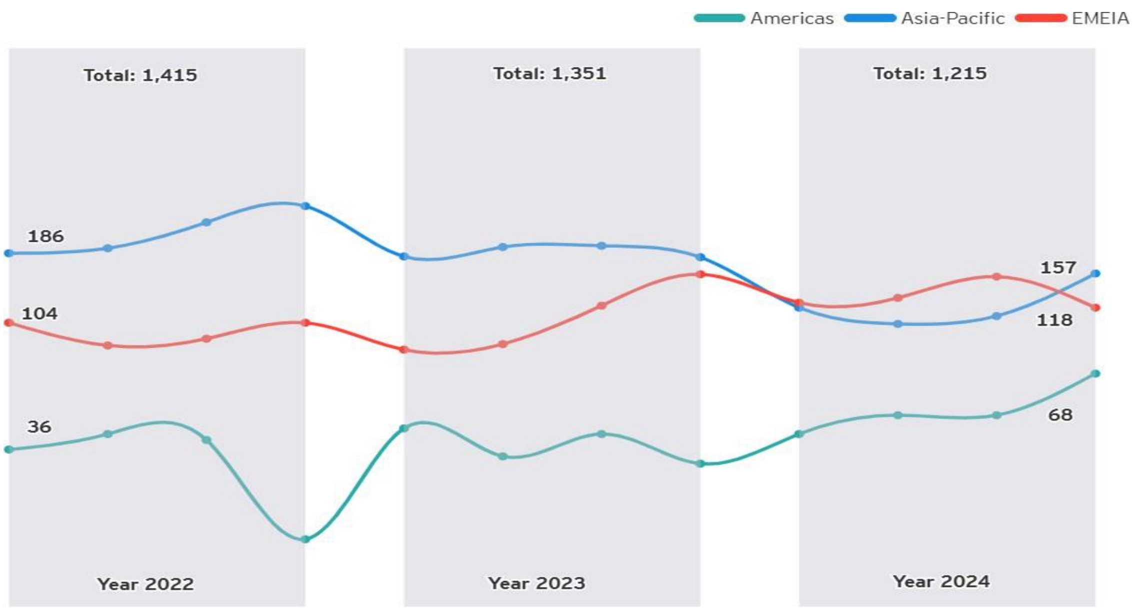
Global IPO volumes fell 10% with proceeds down by 4% on a year-on-year basis. The global IPO market recorded 1,215 deals, raising US$121.2bn in proceeds in 2024, falling slightly behind 2023 levels. The global IPO market seems to have shaken off the fears of a global economic recession on the back of positive macro-economic developments key being inflation receding across Europe, Asia, and the United States. As inflationary pressures ease, interest rates decline, and a global election cycle provides more clarity on [3]policy outlooks, investors have shown increasing willingness to allocate capital toward IPOs.

India has achieved a historic milestone by becoming the global leader in IPO volume, with 327 deals recorded. This marks the first time the country has topped the world rankings for the number of IPOs. Meanwhile, the United States has regained the top position globally for IPO proceeds, raising $27.6 billion in 2024, the first time since 2021.

A key defining feature of 2024 IPO's landscape was the public listings of Venture Capital and Private Equity-backed portfolio companies contributing over 46% of total global IPO proceeds, highlighting their substantial contribution to global IPO activity and reinforcing the critical role of PE and VC firms in the capital markets.

Figure 9Global IPO volume activity 2022-2024.

[3] https://www.ey.com/en_gl/insights/ipo/trends#:~:text=Three%20distinct%20lines%2C%20each%20representing,at%20276%20in%20Q4%202022.

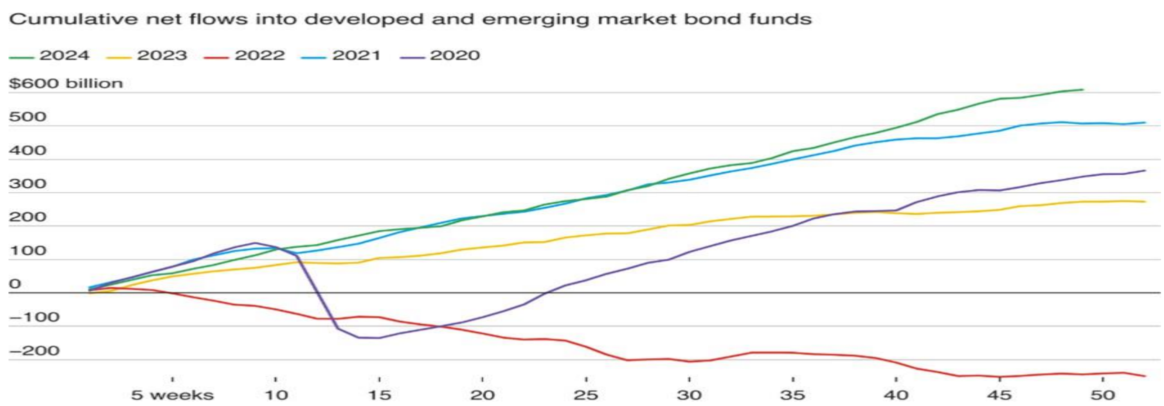


Sources: EY analysis, Dealogic

Global Bond Markets

2024 was a great year for the global fixed income market on the back of dwindling inflation which allowed Central Banks across the globe to lower interest rates leading to relatively high yields available to investors. Investors are positioning themselves for sharper yield surges into 2025, post the inauguration of President elect-Donald Trump.

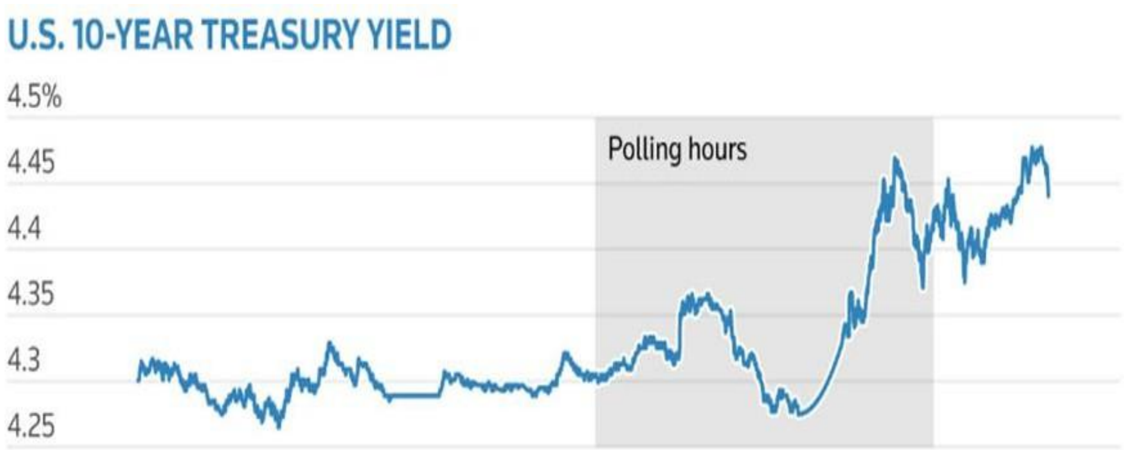
Figure 10Investor Pour Record Amounts into Bond Funds in 2024



Source: Reuters

The yield on American government bonds, a key global financial benchmark, rose by about a fifth of a percentage point to almost 4.5% for the 10-year bond on the back of Trumps re-election. With the President-elect's pledge to introduce tax cuts and steep tariffs could boost economic growth — but potentially widen the fiscal deficit and refuel inflation, leading to bond yields rising in 2025.This is the case as higher inflationary pressures that would come from borrowing to compensate for the tax cuts would lead potentially the FED to scale its rate cuts into 2025.

Figure 11US 10 Year Treasury Yield

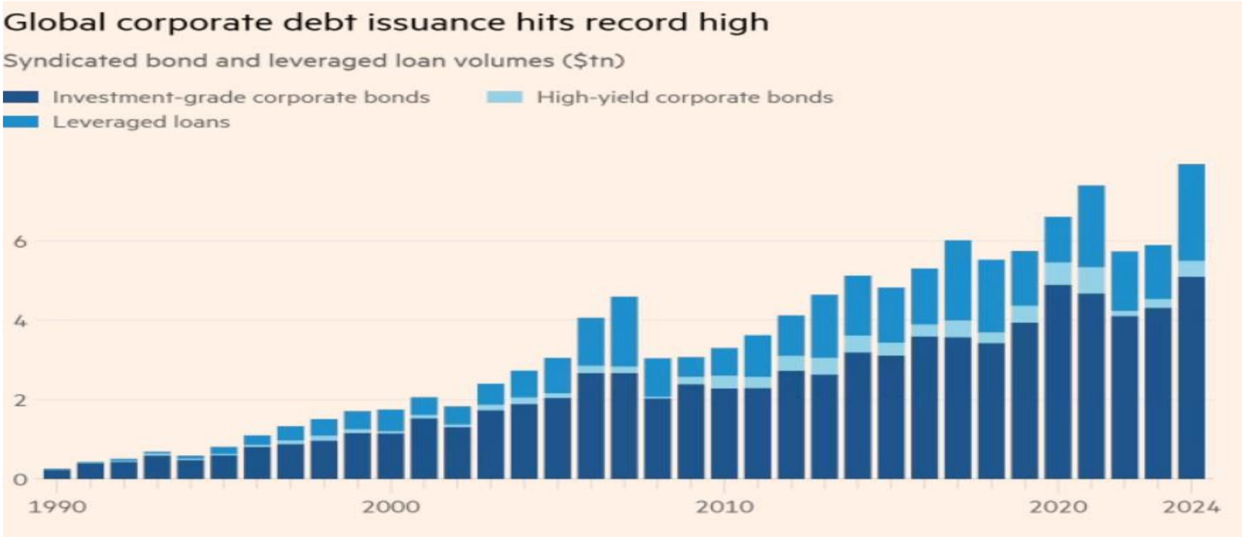


Source: https://www.reuters.com/markets/us/sp-500-futures-soar-record-high-after-trump-claims-victory-2024-11-06/

The demand for global corporate bond markets in Q4 2024 remained strong given their higher yields compared to government paper complemented by strong investor demand for corporate debt. Corporate Bond yields are at still attractive levels, given that government bond yields have risen significantly since 2022. Global corporate debt sales[4] soared to a record $7.93 tn this year, as companies took advantage of red-hot demand from investors to accelerate their borrowing plans.

Figure 12Investment Grade Credit

[4] https://ft.com/content/3bb5df0d-f5d6-4360-9a6a-d27dabb3e5a2



Source: LSEG

Global Equity Markets

Global equity markets registered positive returns, with the MSCI World Index recording a positive return of 19.19 % and the Emerging Market Index recording a return of 8.05 %, in United States Dollar terms, on a year-to-date basis.

Figure 13MSCI World Index

CUMULATIVE INDEX PERFORMANCE — GROSS RETURNS (USD) (DEC 2009 – DEC 2024)

ANNUAL PERFORMANCE (%)

Year	MSCI World	MSCI Emerging Markets	MSCI ACWI
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
2011	-5.02	-18.17	-6.86

INDEX PERFORMANCE — GROSS RETURNS (%) (DEC 31, 2024) / **FUNDAMENTALS (DEC 31, 2024)**

					ANNUALIZED							
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since Dec 31, 1987	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI World	-2.57	-0.07	19.19	19.19	6.85	11.70	10.52	8.56	1.73	23.04	19.06	3.57
MSCI Emerging Markets	-0.09	-7.84	8.05	8.05	-1.48	2.10	4.04	9.47	2.64	15.43	11.91	1.80
MSCI ACWI	-2.33	-0.89	18.02	18.02	5.94	10.58	9.79	8.36	1.82	21.97	18.00	3.25

INDEX RISK AND RETURN CHARACTERISTICS (DEC 31, 2024)

		ANNUALIZED STD DEV (%) [2]			SHARPE RATIO [2,3]				MAXIMUM DRAWDOWN	
	Turnover (%) [1]	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr	Since Dec 31, 1987	(%)	Period YYYY-MM-DD
MSCI World	2.36	16.89	17.91	15.06	0.25	0.57	0.62	0.40	57.46	2007-10-31—2009-03-09
MSCI Emerging Markets	5.64	17.74	18.51	17.14	-0.22	0.07	0.21	0.38	65.14	2007-10-29—2008-10-27
MSCI ACWI	2.57	16.44	17.48	14.84	0.20	0.52	0.58	0.39	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

Global equities markets in Q4 2024 registered impressive performance supported by positive global macro-developments and the optimism surrounding President elect Trumps electoral victory. 2024 has been a remarkable year for the US stock markets[5]. The S&P 500 has seen a growth of over 25%, while the Nasdaq Composite has surged more than 30% this year placing it among the strongest years on record.

Figure 14 S&P 500 and NASDAQ Composite Index Performance 2024

Source: GSB

Performance of Select African Markets

The risk of debt distress, rising geo-political tensions, negative impacts of climate change, weakening government balance sheets, and the adverse effects of currency depreciation weighed down the economic recovery of Sub-Saharan Africa. The complex interplay[6] of poverty, scarce opportunities, and weak governance--compounded by a higher cost of living and short-term hardships linked to macroeconomic adjustment are fueling social frustration. Capital markets resilience has been key in supporting economic growth across several African Countries.

---

[5] https://gsbglobal.com/newsroom/market-review-december-2024/

[6] https://www.imf.org/en/Publications/REO/SSA/Issues/2024/10/25/regional-economic-outlook-for-sub-saharan-africa-october-2024

The ABSA Africa Financial Markets Index 2024[7] notes that major FX reforms have been implemented in Egypt, Ethiopia, and Nigeria in the past year to move towards more market-based regimes. Progress on market infrastructure has continued for a handful of countries, particularly in upgrading central securities depositories. New ESG bonds were listed in Botswana, Cabo Verde, Mauritius, and Zambia, while Rwanda and Zambia implemented new climate-related financial regulation as key developments which will support capital markets deepening across the continent.

Figure 15Absa Group Africa Financial Markets Index

RANK		COUNTRY	SCORE		COMMENTS
2024	2023		2024	2023	
1	1	South Africa	87	87	Deep, liquid and advanced financial market
2	2	Mauritius	77	77	First listed green bond but softening growth prospects
3	3	Nigeria	64	65	High inflation and FX shortages weigh on score
4	4	Uganda	63	62	Strengthening macroeconomic environment
5	5	Namibia	61	61	Large pension assets but weaker liquidity
6	7	Botswana	59	58	First domestic sustainable bond issuance
7	6	Ghana	59	58	New clean legal opinion and sharp fall in inflation
8	8	Kenya	57	58	First domestic sukuk bond but weaker FX reserves
9	9	Morocco	57	56	Higher stock market size and liquidity
10	10	Zambia	56	55	New regulation for climate stress testing
11	11	Egypt	55	52	Improved size and liquidity of domestic bond market
12	12	Tanzania	52	50	New guidelines for FX market transparency

Source: ABSA

[7] https://cib.absa.africa/home/insights-and-events/absa-africa-financial-markets-index-2024/#download-report

Kenya registered positive returns during the quarter under review, with Côte d'Ivoire, Nigeria, Tunisia, Morocco, Senegal and Zimbabwe registering negative returns. Kenya's stellar performance was supported by a strong shilling against the US dollar.

Performance Across Select African Markets -MSCI (Markets Standard (Price) as of 30 September 2024)

Table 4Performance Across Select African Markets

MSCI Index	Index Code	Last	Day	MTD	3MTD	YTD
Côte d'Ivoire	712199	1,656.56	1.04%	-1.18%	-0.92%	34.87%
Kenya	136643	914.115	1.16%	11.04%	13.98%	65.29%
Morocco	105765	305.741	0.28%	-2.73%	-2.77%	16.17%
Nigeria	136645	39.137	-0.45%	16.02%	23.71%	-67.70%
Senegal	712202	976.150	0.59%	-0.93%	-4.02%	25.13%
Tunisia	136646	773.319	0.79%	-1.06%	-6.28%	3.90%
Zimbabwe	700873	740.214	-0.71%	-22.06%	-21.98%	-3.59%

Source: MSCI

Top Global Risks and Opportunities During the Quarter

Key Risks Identified

1. ***Uncertainty especially on the implementation of President Elect Donald Trumps economic policies and the potential knock-on effects on developing countries such as Kenya may impact on Kenya's economic recovery and ability to raise money in international capital markets. The proposed tax cuts, increased tariffs on imported goods and a massive crackdown on immigration could negatively impact on Kenya's exports and diaspora remittances inflows, leading to a slower rate of economic recovery.***
2. ***Geopolitical risks, including tensions between major powers, continue to be a significant concern for global stability. The Russia-Ukraine crisis, Israel-Hamas conflicts and the simmering China-US tensions concerning the South China Sea***

issue may heighten fears among global investors leading to a slowdown in capital markets activity.

3. *The persisting effects of climate change as we head into 2025, the frequency and intensity of floods and drought will continue to pose adverse knock-on effects on Kenya's economic recovery post covid impacting negatively on the capital markets recovery post covid-19.*

Key Opportunities

1. *Amidst the global geopolitical tensions including the Africa specific conflicts, Kenya prides itself as a peaceful nation. Thus, we can leverage on our geopolitical environment to market Kenya's capital market as an investment destination of choice.*
2. *The capital markets industry to step up its climate resilient funding to enterprises, MDAs, and the government to mitigate against climate related impacts.*

III. INTERNATIONAL DEVELOPMENTS

1. FCA responds to market review on delivering finance for global decarbonization and UK growth.

The Financial Conduct Authority (FCA) responded to the UK's Transition Finance Market Review (TFMR), emphasizing the critical role of transition finance in achieving the UK's net zero targets and fostering economic growth. The TFMR, an independent review commissioned by the UK government, provides a framework to scale the transition finance market in the UK and globally. It highlights the UK's unique position to become a leading hub for transition finance, leveraging its financial and professional services sectors to accelerate the global transition. In its response, FCA has emphasised its recognition on the importance of transition capital in achieving net zero and the challenges that firms face in structuring such finance. The FCA has also provided recommendation for clear communication of the role of transition finance in its regulatory framework. The FCA is pledging to ensure that it creates an ecosystem to support market participants in navigating the risks posed by the transition to a sustainable economy and exploiting the opportunities it presents. FCA has also underscored its commitment to supporting the growth of the transition finance market, facilitating the UK's decarbonization efforts, and promoting long-term investment in the UK economy.

Lessons learnt.

There is a need to research into transition finance and the role capital markets play in this regard. We shall commence research into this area as we seek to support the National Governments decarbonization plan.

2. **FCA sets out next steps for establishing a bond consolidated tape**

The Authority was tasked with setting up the requirements of consolidated tape providers in 2022 through a consultation response. The purpose of the bond consolidated tape is to systemize market data including prices and volumes correlated in the financial market. It is intended to give detailed information on transactions in a definite asset class, consolidating trades from various venues as well as those executed through over the counter (OTC). This is accomplished through a consolidated tape provider which collates the market data and then disperses the consolidated tape in a systematized electronic data feed to market participants. It lowers trading costs, gives investors the opportunity to have greater evaluation of their brokers' execution quality and enhances liquidity.

The Authority then established a framework for the consolidated tape which is governed primarily by Markets in Financial Instruments Directive II (MiFID II) among others. The framework includes having one consolidated tape provider per asset class who is chosen through a tender process. Using a single consolidated tape provider was found to effectively reduce cost while providing wide access. It also deals with issues of data quality. The consolidated tape data ought to be presented and dispersed in a regularized manner and should be availed in forms that can be read by people and machines to ensure that it is widely accessible and received.

Recently, the authority rendered a concession notice to any firms who are interested in becoming consolidated tape providers.

Lesson Learnt

The Authority keenly learns from this development and ought to consider looking into establishing a framework for bonds consolidated tape. This would protect investors as they will be able to access market data through a source that is standardized. It also enhances market integrity as it helps in price development through a concise, constant depiction of liquidity in markets. It also deepens the market as it covers the evolution and growth of the OTC market.

3. **Financial Services Commission South Korea announced that a revision bill for the Enforcement Decree of the Financial Investment Services and Capital Markets Act (FSCMA)**

The commission recently approved a bill to revamp their rules concerning corporate mergers and acquisitions. The changes were aimed at enhancing requirements on deducing merger prices when mergers and acquisitions happen between non-affiliated establishments, reinforcing disclosure responsibilities and upgrading requirements on eternal assessment processes.

The modified rules require companies to provide written statements that prove the board of directors' meetings concerning the merger and acquisition deal. This includes stipulations of the deal such as the objective of the deal, its foreseeable effect, dissenting views from any board member and merger rate and ratio, among others.

Previously, the Enforcement Decree provided regularized concise systems for computing merger costs for mergers and acquisitions for affiliated and non-affiliated entities. This rule however, created a hindrance for establishments that were looking to restructure on the premise of free concessions. Now, the revision bill withdrew the methodology for merger costs for non-affiliated companies. Its intended effect is to increase regulatory oversight and align with global standards.

The decree also provides that non- affiliated business going through a merger or acquisitions, are mandated to go through an external assessment audit procedure. Companies are required to get consent from their auditors or audit committees when appointing an external audit agency especially mergers between affiliated businesses. Moreover, the rules provide for a code of conduct concerning quality management for external assessment agencies. This is intended to assure the preservation of autonomy, impartiality, and neutrality in executing duties pertaining to mergers and acquisitions. It also manages conflicts of interest problems.

It also mandates that assessment results should be publicly divulged. It also curbs agencies from executing external assessments if they have been included in determining merger costs for said company.

Lesson Learnt

The Authority learns from the development and should benchmark against international practices concerning takeovers and mergers, including those of the Financial Securities Commission and other established regulators, to ensures it aligns with best practices. This can aid in attracting foreign investments by cultivating confidence in the fairness and transparency of Kenya's capital markets.

4. **FSCA licenses Strate (Proprietary) Limited as a Trade Repository**

The Authority bestowed Strate Limited a license to conduct business as a trade repository. This demonstrates the authority's endeavors to remain cognizant of the importance of a trade repository, which is vital in collating and managing trade records particularly over-the-counter transactions which are bilateral by nature.

This also cultivates transparency in the markets and helps financial regulators surveil any escalation of systemic risk and concentration which can adversely affect stability financially. This is also intended to greatly lower the systemic risk related to transacting OTC derivatives. This was prompted by the financial crisis 2008 which the group of twenty (G20) who ordained the use of trade repositories for derivative reputing to enhance transparency in the markets.

CMA Action Point

The Authority to consider including trade repository as a key license category to aid it to effectively surveil any systemic risk and to contribute to more robustious regulatory oversight over reporting for OTC securities trading.

5. **SEBI Publishes a Circular on Disclosure of Expenses, Half Yearly Returns, Yield and Risk-of-Meter of Schemes of Mutual Funds.**

The Securities and Exchange Board of India (SEBI) published Circular SEBI/HO/IMD/PoD1/CIR/P/2024/150 on November 5, 2024, which addresses enhanced disclosure requirements for mutual funds in India. The circular mandates that mutual funds, asset management companies, and other involved parties provide more transparent information about scheme expenses, half-yearly returns, yield, and associated risks. The update primarily aims to standardize the disclosure practices across the industry, offering a clearer view for investors to understand mutual fund schemes. It also provides specific instructions for disclosing expenses and returns for both direct and regular plans separately, recognizing the differences in cost due to the absence of distribution fees in direct plans.

Additionally, the circular introduces a new, color-coded risk-o-meter to label mutual fund schemes according to their risk levels. The risk-o-meter will categorize mutual funds into six distinct levels, ranging from "Low Risk" (green) to "Very High Risk" (red), with corresponding color codes. This visual tool is designed to help investors quickly assess the risk profile of a fund. The new color scheme will be applied to all digital and printed promotional materials and disclosures, making it easier for investors to understand the level of risk they are undertaking when investing in a particular scheme.

The circular also establishes guidelines for how mutual funds should communicate any changes to the risk-o-meter. If there is an update in the risk level of a scheme, mutual funds must notify unitholders through various communication channels, including notices, emails, or SMS. Additionally, to enhance clarity, mutual funds must display both the previous and updated risk-o-meters in these communications. This comprehensive update aims to improve investor understanding, boost transparency, and ensure that risk-related information is presented in a standardized and accessible manner.

Key Lesson Learnt

The CMA Kenya can learn the importance of implementing clear and standardized disclosure practices, particularly in providing transparent information on fund expenses, returns, and risk profiles. By adopting similar practices, including visual aids like a color-coded risk-o-meter, the CMA can enhance investor understanding and confidence in the Kenyan capital markets.

IV. REGIONAL DEVELOPMENTS

1. FRA Egypt launches Arab African Estidama bonds worth about $ 500 million

The Arab African International Bank recently launched a $500 million sustainability bond, supported by investments from the International Finance Corporation (IFC), the European

Bank for Reconstruction and Development (EBRD), and the British International Investment Corporation. The funds raised are aimed at supporting Egypt's transition to a green economy, with a focus on environmental sustainability and the growth of small and medium-sized enterprises (SMEs). IFC invested $605 million across various projects, including climate finance and sustainable tourism, with most of the bond proceeds allocated to green finance. The EBRD and the UK International Investment Corporation each contributed 50% of the remaining amount, supporting both green and financial assets.

The issuance of sustainability bonds marks a significant step in Egypt's financial sector, with the country having been a pioneer in the region by issuing its first sovereign green bonds in 2020. The bond issuance reflects Egypt's commitment to its Vision 2030 and the Paris Agreement on sustainable development. The Financial Regulatory Authority (FRA) has emphasized the importance of sustainability and green investments, encouraging the growth of bonds aimed at decarbonizing the economy. Furthermore, the FRA has mandated all listed companies under its supervision report on governance, environmental, and social issues. The regulatory body has also made proposals for amendments to capital market regulations to ensure clear classifications for different types of bonds, further supporting sustainability efforts beyond environmental concerns.

Lessons learnt

Through its development partners, FSD-K, the Authority will in this financial year develop an ESG Taxonomy for the capital markets to guide the issuance of climate finance capital markets products to tackle the environmental challenges we face.

2. **FRA Announces Execution of a Transaction Involving the Sale of 350 Carbon Credits**

The sale of 350 carbon credits marks a key milestone in Egypt's voluntary carbon market. This transaction occurred between the Egyptian insurance federation, acting as the buyer, and a carbon reduction initiative listed in the FRA's carbon reduction database. The deal was facilitated by a licensed brokerage firm, which helped manage the carbon credit trade. The launch of the regulated voluntary carbon market by the FRA has been a significant development, with various transactions successfully completed, including sales of carbon credits to multiple buyers at varying prices.

The FRA's regulatory actions, aligned with the Egyptian government's strategy for promoting sustainable markets, have paved the way for these developments. This includes issuing a Prime Ministerial Decree to recognize carbon credits as financial instruments, creating a supervisory committee for carbon emissions, and establishing rules for listing and delisting carbon credits on exchanges. Additionally, the FRA has regulated the registration of verification bodies and endorsed trading and settlement rules for carbon credits. These efforts are in line with Egypt's broader commitment to sustainability and reducing its carbon footprint, as reflected in the COP27 declaration.

Lessons Learnt

The National Treasury and Economic Planning is coordinating a financial sectors regulators team reviewing a raft of carbon related legislative instruments together with the Ministry of Environment, Climate Change, and Forestry with a view of positioning Kenya to be a global carbon credits trading hub.

3. African Stock Markets Push for Removal of Firm Dominance Risk in Equity Trade

Africa's investment landscape faces several challenges, including political instability, corruption, poor infrastructure, and regulatory uncertainty, which hinder the growth potential of capital markets. The dominance of a few large firms in equity trading has also created a concentration risk, limiting investor choices and market innovation. The African Securities Association (ASEA) emphasizes the need for greater product diversification and more small and medium-sized enterprises (SMEs) to list on stock markets to reduce the risks associated with market dominance. By increasing the range of products available, ASEA believes that Africa can encourage greater investment and innovation within its capital markets.

Despite these challenges, there has been some positive movement in reducing market concentration. In Kenya, for example, a few companies account for a significant portion of market turnover, but the Capital Markets Authority (CMA) reports a positive trend towards a more diverse investment landscape. The 27th ASEA Conference discussed the importance of addressing issues like high trading costs, illiquid exchanges, and limited product offerings, which have stifled market growth. Stakeholders at the conference also highlighted that innovation, particularly through digital platforms, fintech solutions, and alternative asset classes, is transforming capital markets and making them more accessible to a broader range of investors, from large institutions to individuals in remote areas.

Key Lesson

The Authority continues to undertake different initiatives like investor education and awareness to ensure market diversification and encourage more SMEs to list on the stock exchange. Reducing concentration risks and enhancing market accessibility through digital platforms and innovation remains a key tool in attracting both local and international investments.

V. LOCAL DEVELOPMENTS

1. CMA Grants Approval of Firms in Various License Categories

The Capital Markets Authority (CMA) of Kenya on November 26, 2024, granted approval to several firms across various licensing categories.

The firms include.

i. AKN Investments Limited which is now securities dealers it will now be able to expand its advisory services to institutional advisors.
ii. Moran Capital Management limited which was licensed as an investment advisers focusing on private equity, stock trading and unit trust, among others.
iii. Entrust Advisory Limited was approved as an Investment Adviser License, focusing on equities trading, fixed income, and business expansion advisory.
iv. Future Construkt Investment Managers Limited was granted a license as a REIT Manager to leverage its expertise in real estate advisory and development.
v. Givva Wealthtech Limited was granted approval as an Intermediary Service Platform Provider, with a mission to foster financial inclusion through secure technological platforms offering licensed investment products.
vi. CPF Financial Services was licensed both as a REIT Manager and Investment Adviser. Whereby the approval is aimed to enhance market participation and investments opportunities as they support the growth of the Kenya’s Economic Growth.

vii. Octagon Pension Services Limited has been granted approval to operate as Octagon Unit Trust Scheme, which comprises five sub-funds; Octagon Money Market Fund; Octagon Balanced Fund; Octagon Fixed Income Fund; Octagon Equity Fund; and Octagon USD Dollar Money Market Fund.

viii. Trademax Global Markets (KE) Pty Ltd was granted approval to focus on with a non-dealing online foreign exchange broker license.

ix. The Authority granted a Money Manager License to Store Poa Enterprise Limited, who are seeking to leverage their expertise in technology to provide comprehensive online trading solutions for individuals and businesses.

Lesson learnt

These licenses are key to aligning the capital markets objectives with the national Government agenda of enhancing the savings to GDP ratio by offering Kenyans a broader range of investment opportunities in the capital markets offered by reputable players.

2. Morgan Stanley Adds Kenya Power, Two More Firms to Key Global Index

The addition of Bamburi cement, Kenya power & carbacid investments to the frontier markets small cap index brings the total number of the companies in the index to seven. Where all of them are listed at the Nairobi securities Exchange. The companies incorporated in the index include BAT, KenGen, Diamond Trust Bank Kenya, Kenya Reinsurance Corporation, Kenya Power and Lighting, Carbacid Investments and Bamburi Cement.

The changes took place after the market closed on November 25th, 2024. The addition of three more companies to the MSCI Frontier markets small cap index underscore the MSCI recognition of the huge potential growth of Kenya's listed equities. Frank Mwiti the CEO, NSE noted that increased representation will offer the global investment community greater exposure to Kenya's listed companies and drive significant capital inflows to NSE.

The upgrade of the companies comes after country's large capital gains in the recent months, where now Bamburi trades at Ksh. 66.00, an impressive 84.1% YTD. The company is owing 35.9% dividend yield to the special dividend from the sale of the Ugandan unit 2024/25. Kenya Power & Lighting is currently trading at Kshs. 4.76 below its book value of Kshs. 44.74

with is share price being 235.2%. The company grew its profits in 2024 owing ten folds to foreign exchange gains. According to recent financials, Carbacid's 33% investment since January is trading at Kshs. 19.95, with minor profit adjustments. The NSE All Share Index, which presently trades at 115.06 points, indicates a 24.9% YTD gain, with the NSE recovering losses from 2023.

MSCI offers indices and other decision-making tools to the worldwide financial community. Its most well-known indices include the Frontier Markets Index, the Emerging Markets Index, and the All-Country World Index. Kenya is among the countries represented in its Frontier Markets Index, which contains 213 firms from twenty-eight countries. MSCI restructures its components on a regular basis, in February, May, August, and November, adding or eliminating constituent businesses and altering their weightings. In the most recent review period, no Kenyan companies were removed or degraded. Safaricom currently has the largest weight, contributing for 41.5% of the MSCI Kenya Index, with Equity, KCB Group Co-op Bank, and EABL holding 29.4%, 17.8%, 5.9%, and 5.4%respectively.

Lessons learnt

This testifies to Kenya's growing stature as one of Africa's reputable investment jurisdictions. Global investors will now have a broader entity choice cementing our selling point as a diversified capital markets.

3. Nairobi Securities Exchange To Launch Options Derivatives Trading

The Authority approved NSE to establish options derivatives trading on its derivatives trading platform (NEXT).

NSE seeks to institute options contracts which accords buyer the right to buy or sell a specific asset at an anticipated price and date. Consequently, NSE investors will now trade options on subsisting future contracts for sole stocks and inscribes with strategies for various future financial derivatives. These contracts are intended to be settled by way of cash and will use the thriving framework of NSE Clear and will be reinforced by the clearing and trading infrastructure.

This development is anticipated to give investors an invigorated platform that promotes sufficient capital emplacement which provides refined tools for risk management. This will reinforce protection against prejudicial cost trajections in the contracts.

This will contribute enormously to the development of the derivatives market as it renders to investors ingenious financial products that are meant to suit their progressing needs.

4. **CMA Approves Ziidi Money Market Fund from Safaricom PLC**

The authority recently approved a collective investment scheme known as ziidi money market fund. It was established by Safaricom plc who took on Standard Investment Bank, Sanlam Investments East Africa Limited, and ALA Capital Limited as fund managers.
The fund is to be accessed through M-Pesa which makes it easy for its users to spur growth of their wealth via capital markets.

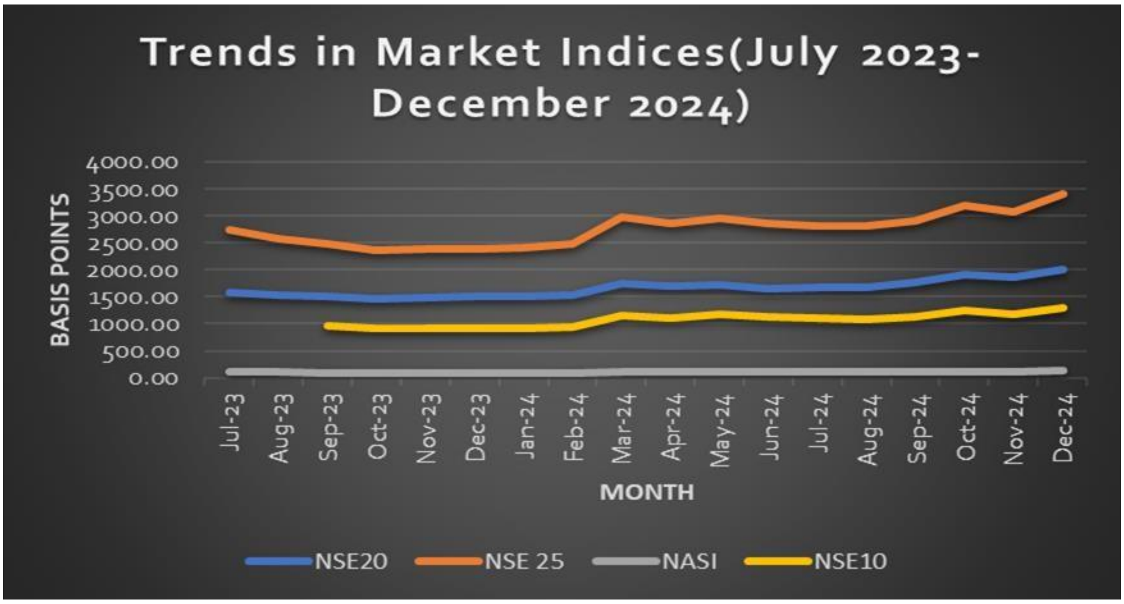
This is a welcomed development that contributes to the Authority's vision of having an inclusive capital market as it offers a great investment option for retail investors and contributes to the National Government's financial inclusion strategy.

Performance of the Domestic Capital Markets

The domestic capital markets have demonstrated remarkable resilience over the years, establishing itself as an attractive investment hub for both local and foreign investors. During the quarter, favorable macroeconomic conditions, coupled with political stability, played a pivotal role in sustaining market stability. Additionally, the diversity of market participants and the availability of a broad range of capital market products have ensured consistent investment opportunities, contributing to the sustained stability and vibrancy of the market.

The four market indices NSE 20, NSE 25, NASI, and NSE 10 closed at 2,010.65, 3,402.80, 123.48, and 1,302.31 points, representing increases of 13.23%, 17.37%, 15.32%, and 15.79%, respectively, compared to the basis points recorded at the end of the third quarter of 2024. Additionally, the volume of shares traded during the quarter surged to 1,679,170,442, marking a significant increase from the 1,020,645,757 shares traded in Q3 2024. The improved equity market performance as reflected in the significant gains across key indices and a surge in trading volumes is attributed to increased investor confidence and market activity during the quarter.

Figure 16Trends of the Performance of the Market Indices



Source: CMA

Figure 17MSCI Kenya Index

CUMULATIVE INDEX PERFORMANCE — NET RETURNS (USD) (DEC 2009 – DEC 2024)

ANNUAL PERFORMANCE (%)

Year	MSCI Kenya	MSCI Frontier Markets	MSCI ACWI
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
2011	-27.22	-18.73	-7.35

INDEX PERFORMANCE — NET RETURNS (%) (DEC 31, 2024)

					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since May 31, 2002
MSCI Kenya	11.04	13.98	76.62	76.62	-13.33	-7.68	-0.20	14.27
MSCI Frontier Markets	0.18	-1.16	9.42	9.42	-3.46	1.79	2.24	6.45
MSCI ACWI	-2.37	-0.99	17.49	17.49	5.44	10.06	9.23	7.90

FUNDAMENTALS (DEC 31, 2024)

	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI Kenya	6.75	4.95	na	1.08
MSCI Frontier Markets	4.25	10.65	na	1.46
MSCI ACWI	1.82	21.97	18.00	3.25

INDEX RISK AND RETURN CHARACTERISTICS (DEC 31, 2024)

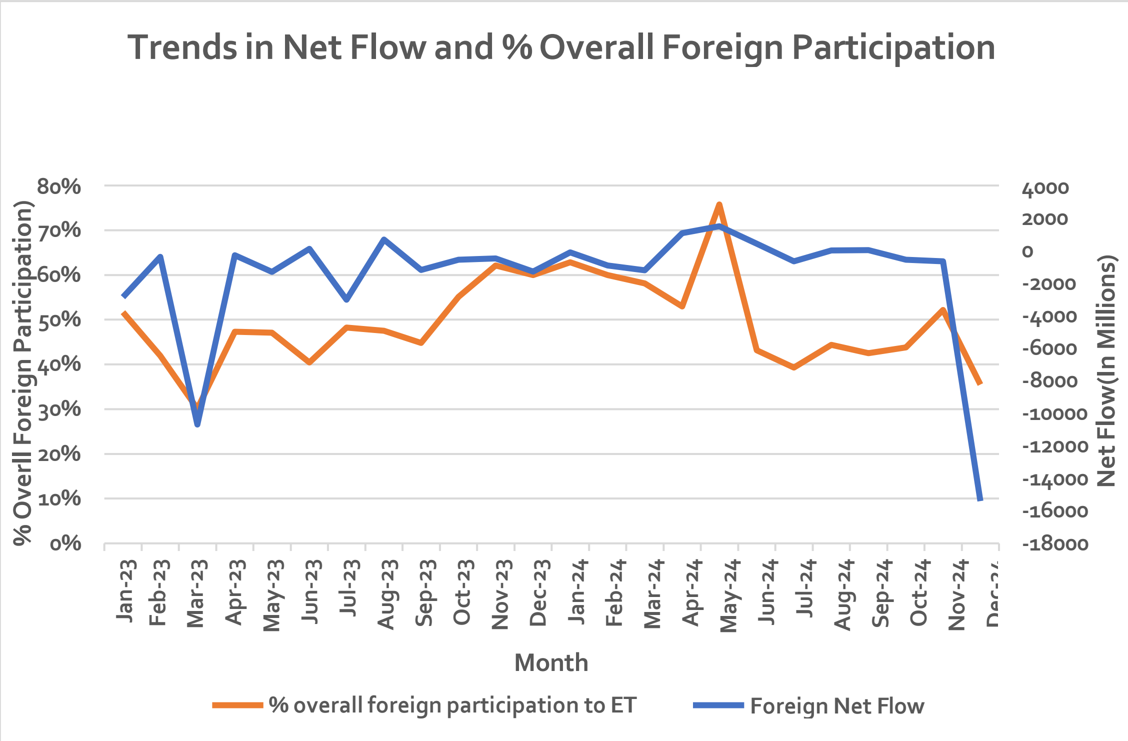
		ANNUALIZED STD DEV (%) [2]			SHARPE RATIO [2, 3]				MAXIMUM DRAWDOWN	
	Turnover (%) [1]	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr	Since May 31, 2002	(%)	Period YYYY-MM-DD
MSCI Kenya	24.85	36.21	30.85	26.20	-0.34	-0.20	0.05	0.55	69.99	2021-08-17—2024-01-26
MSCI Frontier Markets	6.80	12.90	16.37	14.00	-0.52	0.04	0.10	0.35	67.47	2008-01-15—2009-03-03
MSCI ACWI	2.57	16.43	17.48	14.84	0.17	0.50	0.55	0.45	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 Kenya

The MSCI Kenya Index, which tracks the performance of large and mid-cap segments in Kenya's market, recorded a year-to-date gain of 76.62%. This growth has been driven by favorable investor sentiment and supportive macroeconomic factors.

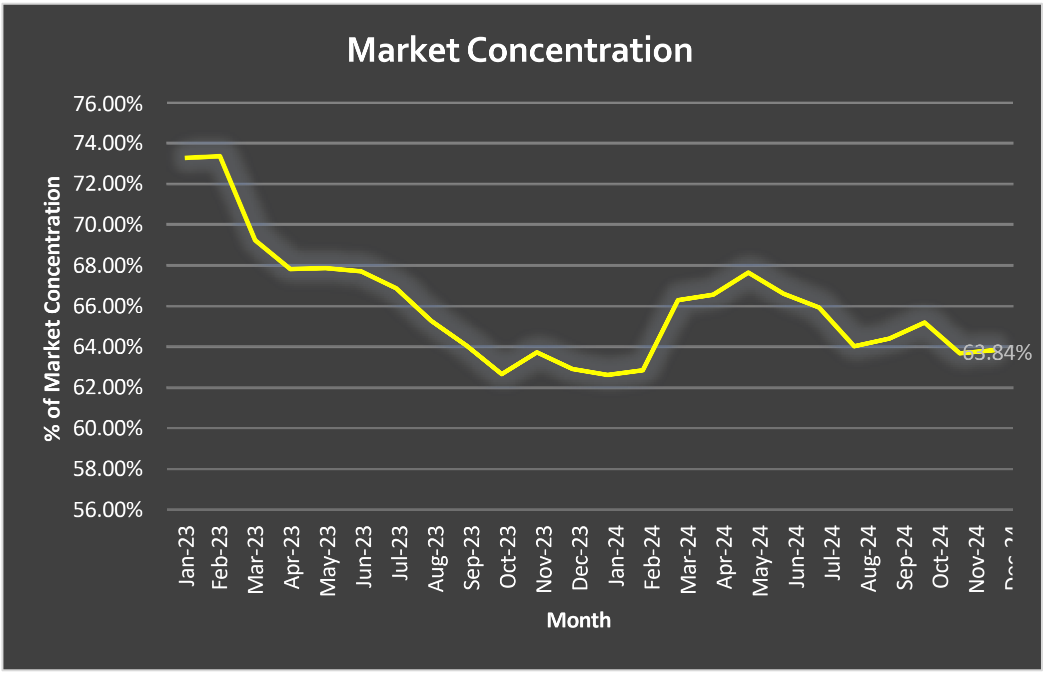
Figure 17Trends in Net Equity Portfolio Flow and Overall Foreign Participation (January 2023- December 2024)



During the quarter under review, a negative net equity portfolio outflow of Kshs 16.639 billion was recorded, a significant increase from the outflow of Kshs 628 million in the third quarter of 2024. Average foreign participation in the equity market rose from 42.07% to 43.83% over the same period. The capital outflow is primarily attributed to the spillover effects of political instability experienced in the country during the second quarter of 2024, which may have prompted foreign investors to exit the market.

The market concentration of the five blue-chip companies averaged 64.24%, down from 64.80% in the third quarter of 2024. This reduction in market concentration reflects investors' growing preference for diversifying their portfolios beyond the traditional blue-chip companies. As of December, the top 5 companies were Safaricom Plc, Equity Group Holdings Plc, East African Breweries Ltd, KCB Group Plc, and Standard Chartered Bank Kenya Ltd.

Figure 18Market Concentration (Top 5 companies by Market Cap)



Equity Performance (October 2024– December 2024)

Table 5Equity Performance

Year	Month	Share Volume	Total Equity Turnover (Ksh	NSE20 Share Index (Average)	NASI Index (Average)	NSE 25 Share (Average)	NSE10	Market Cap (Kshs Mn)
Q4. 2024	Oct	382,173,500	4,941,302,101.26	1833.99	112.42	3059.60	1189.41	1840.97
	Nov	470,951,700	6,186,259,569.78	1906.01	113.99	3147.25	1216.15	1747.88
	Dec	826,045,242	28,947,519,667.64	1893.35	118.67	3228.64	1240.24	1939.74
	Total	1,679,170,442	40,075,081,338.68					
Q3. 2024	July	294,388,175.00	5,016,484,045.10	1669.73	105.73	2806.48	1,093.91	1,651.83
	August	392,179,015	6,511,267,543.67	1678.21	103.67	2812.75	1,088.19	1,619.78
	September	334,078,567	5,019,395,030.00	1775.67	107.08	2899.2	1,124.72	1,676.24
	Total	1,020,645,757	16,547,146,618.77					

Treasury Bond Market

Treasury bond performance (October 2024– December 2024)

Table 6Treasury Bond Performance

Date	Bond	Amount Issued (Kshs Bn)	Amount Received (Kshs Bn)	Amount Accepted (Kshs Bn)	% AA/AI	% AR/AI
Oct -24	FXD1/2016/10	30.00	36.62	28.03	93.42	122.05
	FXD1/2022/10		14.35	3.25	10.84	47.83
	FXD1/2022/10	15.00	16.50	15.09	100.62	109.98
Nov -24	FXD1/2023/10	25.00	16.33	10.29	41.14	65.32
	FXD1/2022/15		16.72	15.40	61.59	66.87
	FXD1/2024/10	20.00	20.00	55.58	30.52	54.91
Dec-24	FXD1/2023/10	25.00	47.40	34.92	139.69	189.58
	FXD1/2018/20		23.92	18.49	73.95	95.69
	FXD1/2024/10	20.00	53.63	43.45	217.24	268.14
SUM		125.00	245.47	224.5		
Jul 24	Tap sale (FXD1/2023/002)	20	0.4875	0.48648	2.43	2.43
	FXD1/2024/010	30	7.07	6.752.15	22.50	23.57
	FXD1/2008/020		7.61	3.014	10.03	25.37
Aug 24	IFB1/2023/6.5	50	96.86	74.18	148.36	193.72
	IFB1/2023/17		29.46	14.53	29.06	58.92
Sept 24	TAP sale IFB1-2023-17	15	35.19	32.02	213.47	234.60
	FXD1/2024/010	30	13.40	11.57	38.57	44.67
	FXD1/2016/020		9.25	9.25	9.25	9.25
SUM		145	199.33	150.26		

The government intended to collect Ksh. 125 billion from the market. Bids valued at

Ksh.245.47 billion were received, with the government only accepting bids worth Ksh. 224.5billion. A total of nine (9) bonds were issued during the quarter.

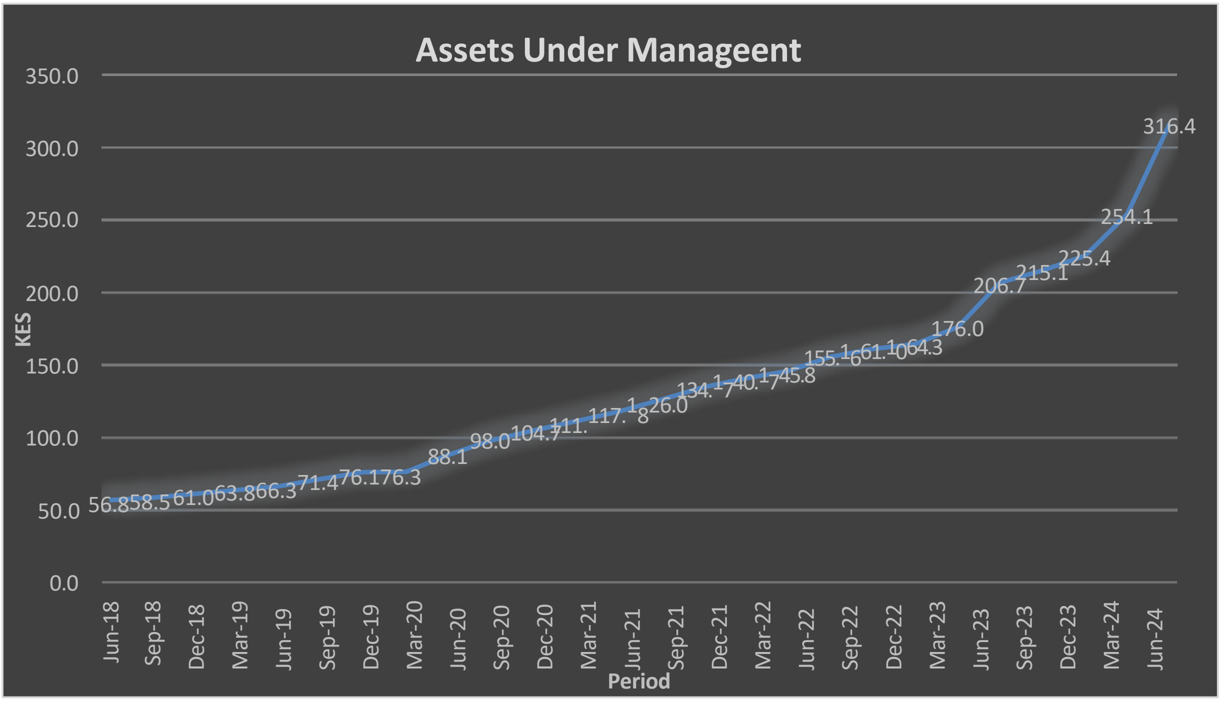
Corporate Bonds Market

The double-digit returns offered on government paper continue to depress corporate bond issues as corporates struggle to offer competing returns in the current difficult global and local macroeconomic context. As a result, no corporate bonds were traded during the quarter.

Collective Investment Schemes

Assets under management have grown steadily from Kshs. 56.6 billion on March 31, 2018, to Kshs. 316 billion on September30, 2024. The graph below represents the growth of the 6 years. The number of investors in the various CIS Funds has continued to grow steadily over time, buoyed by increasing awareness in the market to save and invest especially, post covid era. As of September 30, 2024, there were a total of 1,299,300 investors, this represents 7% increase from 1,211,124 investors in June 2024.

Figure 19CIS Assets Under Management



Source: CMA

CAPITAL MARKETS STABILITY SOUNDNESS INDICATORS FOR THE PERIOD 1 October – 31 December 2024

Table 7Capital Markets Stability Indicators October 01- December 31, 2024

Stability Indicator	Quarter/ Year	Market Statistics				Assessment of Risk Level	Performance Brief for the Quarter	Ongoing Intervention Measures
1.0 Equity Market Depth								
NSE 20 Index Volatility Base Year = 2010	**Q4 2024**	**Oct**	**Nov**	**Dec**	**Q. Avg**	**Low** (Indicative – Low < 1%; Medium. 1%; High >10%)	The volatility for the three market indices, NSE 20, NSE 25, and NASI was 0.57%, 0.54%, and 0.50%, respectively	The market volatility for the three market indices, NSE20, NSE25, and NASI remained low, below 1%. All indices increased compared to Q3. 2024.The improved performance across the three indices is driven by heightened participation in the capital markets from both retail and institutional investors despite increased foreign capital outflow. In the fiscal year 2024/25, the Authority
		0.71%	**0.42%**	**0.58%**	**0.57%**			
	Q3. 2024	**Jul**	**Aug**	**Sept**	**Q. Avg**			
		0.52%	**0.57%**	**0.48%**	**0.52%**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Avg**			
		0.36%	**0.69%**	**0.58%**	**0.54%**			
	Q1. 2024	**Jan**	**Feb**	**Mar**	**Q. Avg**			
		0.38%	**0.33%**	**0.73%**	**0.48%**			
NSE 25 Index Volatility Base Year = 2015	**Q4. 2024**	**Oct**	**Nov**	**Dec**	**Q. Avg**	**Low** (Indicative – Low < 1% Medium: >1% high; >10%)		
		0.47%	**0.30%**	**0.68%**	**0.54%**			
	Q3. 2024	**Jul**	**Aug**	**Sept**	**Q. Avg**			
		0.40%	**0.57%**	**0.52%**	**0.50%**			
	Q2. 2024	**Apr**	**May**	**June**	**Q. Avg**			
		0.63%	**0.77%**	**0.63%**	**0.68%**			

	Q1. 2024	**Jan**	**Feb**	**Mar**	**Q. Avg**			shall be progressing to the National Treasury and Economic Planning the margin trading regulations aimed at improving market volatility and supporting the industry wide product uptake initiatives such as day trading.
		0.47%	**0.38%**	**0.85%**	**0.56%**			
NASI Volatility Base Year = 2010	**Q4. 2024**	**Oct**	**Nov**	**Dec**	**Q. Avg**	**Low** (Indicative – Low < 1% Medium: >1% high; >10%)		
		0.58%	**0.32%**	**0.61%**	**0.50%**			
	Q3 2024	**Jul**	**Aug**	**Sept**	**Q. Avg**			
		0.43%	**0.52%**	**0.49%**	**0.48%**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Avg**			
		0.67%	**0.75%**	**0.54%**	**0.65%**			
	Q1.2024	**Jan**	**Feb**	**Mar**	**Q. Avg**			
		0.47%	**0.45%**	**1.04%**	**0.65%**			
Equities Turnover Ratio	**Q4. 2024**	**Oct**	**Nov**	**Dec**	**Q. Sum**	**Low** (Indicative – annual: <8%- Low; >15% High)	The recorded turnover for Q4 2024 was 2.11% an increase from 1.05% recorded in Q3. 2024.	Equities' turnover on the Nairobi Securities Exchange (NSE) increased from 1.05% to 2.11% during the quarter. Increased activity in the equity market by local retail and institutional investors has extensively compensated for the reduced foreign activity in the equity market.
		0.27%	**0.35%**	**1.49%**	**2.11%**			
	Q3 2024	**Jul**	**Aug**	**Sept**	**Q. Sum**			
		0.35%	**0.40%**	**0.30%**	**1.05%**			
	Q2. 2024	**Apr**	**May**	**June**	**Q. Sum**			
		0.44%	**0.91%**	**0.29%**	**1.64%**			
	Q1. 2024	**Jan**	**Feb**	**Mar**	**Q. Sum**			
		0.19%	**0.32%**	**0.64%**	**1.15%**			

								Initiatives such as day trading, and margin trading together with necessary trading incentives/concessions will remain critical in enhancing domestic investor activity at the Nairobi bourse hence boosting equities turnover.
2.0	**Foreign Exposure Risk**							
Percentage (%) overall Foreign participation to Total Equity Turnover	**Q4. 2024**	**Oct**	**Nov**	**Dec**	**Q. Avg**	**Low (Indicative – annual: <40%- Low; >90% High)**	Foreign investor participation at end of the Q4,2024, Averaged a t 43.83% an increase from Q3 2024 at 42.07%	In Q4 2024, foreign investor turnover averaged 43.83 %, an increase from 42.07% registered in Q3.2024. Foreign investors slightly dominate trading at the Nairobi Bourse. The net foreign equity portfolio outflow increased to 16639.15 million in Q4. 2024 from 627.76 million recorded in Q3. 2024.
		43.78%	**52.21%**	**35.49%**	**43.83%**			
	Q3. 2024	**Jul**	**Aug**	**Sept**	**Q. Avg**			
		39.29%	**44.40%**	**42.51%**	**42.07%**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Avg**			
		52.99%	**75.76%**	**43.12%**	**57.29%**			
	Q1. 2024	**Jan**	**Feb**	**Mar**	**Q. Avg**			
		62.84%	**59.97%**	**58.12%**	**60.31%**			
	Q4. 2024	**Oct**	**Nov**	**Dec**	**Q. Avg**	High (Indicative	In the quarter under review,	
		(569.99)	**(667.77)**	**(15401.39)**	**(16639.15)**			

Net Foreign Portfolio Flow (Ksh Million)	**Q3 2024**	**Jul**	**Aug**	**Sept**	**Q. Avg**	– annual: <Kshs (50million) - High (outflow. >Kshs. 50 million High	the market recorded a negative net outflow of 16639.15 million compared to an outflow of 627.76 million between July and September 2024.	At above Ksh 50 million, outflows are considered high. Such Outflows poses an ongoing risk to our market, highlighting the necessity for targeted initiatives aimed at bolstering trading activities at the Nairobi Securities Exchange. Such initiatives include the implementation of daily trading strategies and the reduction of investment barriers for foreign investors. These measures are intended to stimulate market liquidity and attract foreign investment, thereby fostering a more vibrant and resilient marketplace.
		(655.11)	**(1.65)**	**29.00**	**(627.76)**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Sum**			
		1,063	**1,495**	**419**	**2,978**			
	Q1. 2024	**Jan**	**Feb**	**Mar**	**Q. Sum**			
		(107)	**(918)**	**(1,203)**	**(2,228)**			
3.0	**Market Concentration Risk**							

Market Concentration (Top 5 companies by market cap)	**Q4. 2024**	**Oct**	**Nov**	**Dec**	**Q. Avg**	**High (Indicative – annual: >50%** **High Concentration)**	Market concentration for the top 5 companies for the quarter ended December 2024 averaged at 64.24%.	Over the past year, there has been a continuous reduction in market concentration by five specific companies, indicating a growing openness among investors to explore opportunities beyond these select entities. Despite this positive trend, market concentration remains a significant risk. To mitigate this risk, the Authority reviewed Public Offers Listing and Disclosure Regulation to establish more favorable listing requirements that attract a broader range of companies to list on the market, thereby providing investors with a wider variety of investment choices. Furthermore, the Authority is actively
		65.20%	**63.69%**	**63.84%**	**64.24%**			
	Q3 2024	**July**	**August**	**September**	**Q. Avg**			
		65.94%	**64.04%**	**64.41%**	**64.80%**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Avg**			
		65.57%	**67.66%**	**66.62%**	**66.62%**			
	Q1. 2024	**Jan**	**Feb**	**Mar**	**Q. Avg**			
		62.62%	**62.86%**	**66.30%**	**63.93%**			

								engaged in investor education efforts, emphasizing the importance of diversification and promoting long-term investing strategies. By empowering investors with knowledge and information to make informed investment decisions, the aim is to reduce the inclination to concentrate investments in a limited number of dominant companies. Through these measures, the Authority seeks to foster a more diverse and dynamic market environment, ensuring investors have access to a broader range of investment opportunities and reducing the risks associated

								with excessive market concentration.

4.0 Derivatives Trading Statistics

Total Volume (No. of contracts)

No of Contracts*

ABSA	Q3. Sum	Oct-24	Nov-24	Dec-24	Q4. Sum	% Change Q4 Vs Q3 -
BATK	35	-	-	-	-	-
EABL	180	248	10	4	262	45.56%
EQTY	315	248	28	29	305	3.17%
KCBG	482	28	132	160	320	33.61%
N25I	0	-	-	-	-	-
SCOM	419	207	234	160	601	43.44%
COOP	304	9	-	7	16	94.74%
NCBA	20	13	9	10	32	60.00%
IHMP	2	8	1	10	19	850.00%
SCBK	1	-	-	-	-	-
25MN	14	-	-	-	-	-
Total	1772	765	415	385	1,565	11.68%

Low

The volume of contracts traded in Q4.2024 was 1 5 6 5 translating to a 11.68% Decrease from 1,772 contracts recorded in Q3. 2024.

Gross Notional Exposure (GNE)

Amount in Kshs*

	Q3.Sum	Oct-24	Nov-24	Dec-24	Q4. Sum	%Change Q4 Vs Q3
ABSA		60,500	15,500	81,360	157,360	-
BATK	1,237,450.00	-	-	-	-	-
EABL	2,716,500.00	4,194,100	192,000	72,920	4,459,020	**64.15%**
EQTY	13,241,010.00	11,476,140	1,314,470	1,344,420	14,135,030	**6.75%**
KCBG	16,415,550.00	1,050,950	5,176,850	6,293,620	12,521,420	**23.72%**
N25I		-	-	-	-	-
SCOM	6,425,050.00	3,342,100	3,585,500	2,692,140	9,619,740	**49.72%**
COOP	3,905,260.00	130,100	-	97,430	227,530	**94.17%**
NCBA	849,400.00	557,600	389,400	453,680	1,400,680	**64.90%**
IHMP	46,500.00	216,330	29,200	315,340	560,870	**11.06%**
SCBK	20,710.00	-	-	-	-	-
25MN	402,990.00	-	-	-	-	
Total	45,260,420.00	21,027,820	10,702,920	11,350,910	43,081,650	**4.81%**

High (indicative – annual: >50% High concentration)

The total value (Gross Exposure) of contracts traded during the quarter came up to Ksh 43.081 million; a 4.81% decrease from Q3.2024.

Total Open Interest (No. of Contracts)

	Q3. Sum	Oct-24	Nov-24	Dec-24	Q4. Average	%ChangeQ4 Vs Q3
ABSA	-	-	1	-	1	-
BATK	5	-	-	-	-	-
EABL	45	10	-	-	10	**77.78%**
EQTY	52	16	10	23	16	**69.23%**
KCBG	177	144	211	165	173	**2.26%**
N25I	-	-	-	-	-	-
SCOM	128	207	145	14	122	**4.69%**
COOP	12	7	7	-	7	**41.67%**
SCBK	1	-	-	-	-	-
IMHP	1	2	3	5	3	**200.00%**
NCBA	2	18	10	4	11	**450.00%**
25MN	5	-	-	-	-	-
Total	**389**	**404**	**387**	**211**	**344**	**11.57%**

Medium (Indicative – annual: >50% High concentration)

Overall, the total average number of open interest contracts recorded in Q4 2024 were 344. a 11.57% decrease from Q3.2024 value of 389.

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

<table>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr>
<td>Settlement Guarantee Fund (SGF) Coverage for Derivatives</td>
<td>
<table>
<tr><th></th><th>July-24</th><th>Aug-24</th><th>Sep-24</th></tr>
<tr><td>SGF</td><td>130,277,363</td><td>131,984,460</td><td>133,540,253</td></tr>
<tr><td>Average Market Value</td><td>574,366</td><td>264,246</td><td>642,115</td></tr>
<tr><td>SGF Coverage</td><td>227 times</td><td>499 times</td><td>208 times</td></tr>
</table>
</td>
<td>*High (Indicative – annua l: >50% High concentrate ion</td>
<td>The SGF coverage ratio for the derivatives market in Q3 2024 was sufficient during the period.</td>
<td>To maximize value from the SGF fund balances, there is deliberate effort by NSE to encourage increased activity by market intermediaries in this market for increased volumes of trade.</td>
</tr>
<tr><td colspan="5">5.0 Government Bond Market Exposure</td></tr>
<tr>
<td>Treasury Bond market turnover Concentration</td>
<td>
<table>
<tr><td>Q4. 2024</td><td>Oct</td><td>Nov</td><td>Dec</td><td>Q. Avg</td></tr>
<tr><td></td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td>Q3 2024</td><td>July</td><td>August</td><td>September</td><td>Q. Avg</td></tr>
<tr><td></td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td>Q2. 2024</td><td>Apr</td><td>May</td><td>Jun</td><td>Q. Avg</td></tr>
<tr><td></td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td>Q1. 2024</td><td>Jan</td><td>Feb</td><td>Mar</td><td>Q. Avg</td></tr>
<tr><td></td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
</table>
</td>
<td>High (Indicative – annual: >50%High)</td>
<td>In Q4.2024, Treasury Bond market turnover was 100.00 %</td>
<td>Government activity in the bonds markets continues to dominate as the Government targets domestic market savings to fund various Government activities</td>
</tr>
</table>

<table>
<tr>
<td>Corporate Bond Market ownership</td>
<td>
<table>
<tr><th>Account Type</th><th>Number of Investors</th><th>Share Quantity</th><th>% By Share Quantity</th></tr>
<tr><td>EC</td><td>1</td><td>122,000,000</td><td>0.47%</td></tr>
<tr><td>EI</td><td>1</td><td>10,000,000</td><td>0.04%</td></tr>
<tr><td>FC</td><td>5</td><td>578,794,223</td><td>2.24%</td></tr>
<tr><td>FI</td><td>23</td><td>210,200,000</td><td>0.82%</td></tr>
<tr><td>LC</td><td>613</td><td>23,340,285,095</td><td>90.50%</td></tr>
<tr><td>LI</td><td>773</td><td>1,529,531,532</td><td>5.93%</td></tr>
</table>
Data as of 30 September 2024
Note: For every EAC, LI, and FI, the total calculated is a sum of both corporate and individual investors.
</td>
<td>High (Indicative – annual: >50% High concentration</td>
<td>In the quarter under review Local investors constituted the greatest share in investment followed by foreign corporates with East Africa Investors constituting the least Number of investors.</td>
<td>Kenya has been facing a period of reduced corporate bond activity in the last one year. The Authority, through its investor education and market deepening functions, has profiled retail investors to increase activity within the domestic corporate bond market.</td>
</tr>
<tr>
<td colspan="5">6.0 Investor Profiles - Equity Market</td>
</tr>
<tr>
<td>Equity Market</td>
<td>
<table>
<tr><th>Account Type</th><th>Number of Investors</th><th>Share Quantity</th><th>% By Share Quantity</th></tr>
<tr><td>BR</td><td>6.0</td><td>11,759,798.0</td><td>0%</td></tr>
<tr><td>EC</td><td>256.0</td><td>1,263,063,825.0</td><td>1%</td></tr>
<tr><td>EI</td><td>7,138.0</td><td>113,024,154.0</td><td>0%</td></tr>
<tr><td>FC</td><td>400.0</td><td>16,143,030,653.0</td><td>16%</td></tr>
<tr><td>FI</td><td>8,120.0</td><td>677,292,782.0</td><td>1%</td></tr>
<tr><td>JR</td><td>186.0</td><td>1,384,538.0</td><td>0%</td></tr>
<tr><td>LC</td><td>40,949.0</td><td>37,762,342,796.0</td><td>37%</td></tr>
</table>
</td>
<td>High (Indicative – annual: >50% High concentration</td>
<td>In Q3 share quantity for local investors was 45,159 billion which was 45 % of the total share quantity.</td>
<td>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. The industry investor awareness and education strategy will be targeted at</td>
</tr>
</table>

	LI	1,245,551.0	45,159,095,402.0	45%		increasing retail investor participation through more roadshows, caravans and county engagements.

7.0 Settlement Compensation Coverage

Indicator	Period	Month 1	Month 2	Month 3	Q. Avg	Indicative benchmark	Observation	Comment
Settlement Guarantee Fund (*Data to be updated)	Q4. 2024	Oct	Nov	Dec	Q. Avg	(Indicative– annual: > 1 times, implies full coverage	The settlement Guarantee Fund (SGF) ratio for the quarter under review was 3.95	Through Risk-based supervision, the Authority has been monitoring the SGF figures. The fund remains adequate to guarantee settlement failure.
		6.14	4.73	0.97	3.95			
	Q3.2024	Jul	Aug	Sept	Q. Avg			
		5.52	4.81	6.02	5.45			
	Q2. 2024	Apr	May	Jun	Q. Avg			
		3.75	1.81	5.30	3.62			
	Q1. 2024	Jan	Feb	Mar	Q. Avg			
		11.03	6.20	2.45	6.56			

8.0 Asset Base of Fund Managers, Stockbrokers, Investment Bank

Indicator		Total Assets	Total Liabilities	Net Assets December 2024	Net Assets September 2024	%	Indicative benchmark	Observation	Comment
Working Capital (Amount in Kshs Millions) *		Amount in Kshs Millions					Medium (Indicative –the higher the figure, the more stable is the market	The net assets base of fund Managers, Investment Adviser, Investment Banks, Online Forex, and Stockbrokers, as of	Capital markets licensees' net assets increased between September and December 2024 for Fund Managers, Online Forex Brokers Stockbrokers and investment adviser while it decreased for Investment banks.
	Fund Managers	10,149	2,656	8,518	6,468	32%			
	Investment Advisers	568	129	483	438	10%			

Investment Banks	11,501	4,493	7,694	7,989	4%
Online Forex Brokers	3,873	2176	1,697	1,683	1%
Stockbrokers	2,921	1,498	1,449	974	40%

December 2024 was Kshs 8,518M, 483M, 7,694M 1697M and 1, 449 M re4spectively.