

Q3'2025 Unit Trust Funds Performance Note

Following the release of the Capital Markets Authority (CMA) Quarterly CIS Report – Q3'2025, we examine the performance of Unit Trust Funds for the period ended 30th September 2025. These funds have seen consistent growth in total Assets Under Management (AUM) and are one of the preferred investment choices in Kenya. Additionally, we will delve into the performance of Money Market Funds, which are a sub-set of Unit Trust Funds.

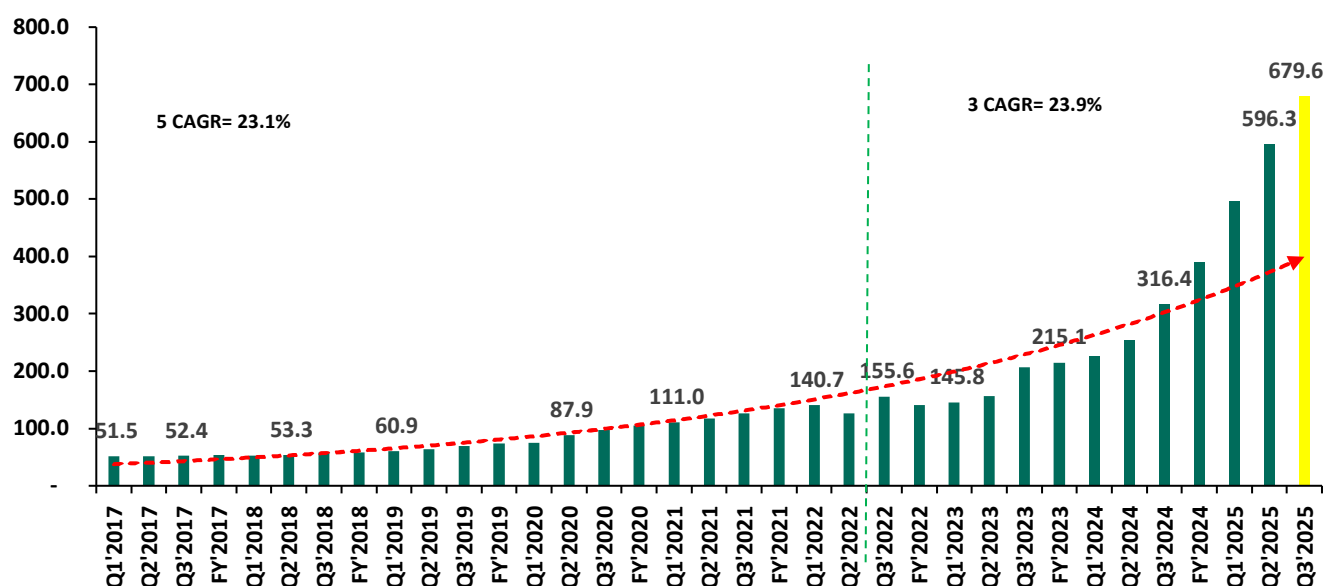
In our previous note on Unit Trust Funds, we looked at the [Q2'2025 Unit Trust Funds Performance](#) by Fund Managers, where we highlighted that their AUM stood at Kshs 596.3 bn, a 20.2% growth from Kshs 496.2 bn recorded in Q1'2025. In this note, we focus on the Q3'2025 performance of Unit Trust Funds where we shall analyze the following:

- I. Performance of the Unit Trust Funds Industry,
- II. Performance of Money Market Funds,
- III. Comparing Unit Trust Funds AUM Growth with other Markets, and,
- IV. Recommendations.

Section I: Performance of the Unit Trust Funds Industry

As per the Capital Markets Authority (CMA) [Quarterly Collective Investment Schemes \(CIS\) Report-Q3'2025](#), the industry's overall Assets under Management (AUM) grew by 14.0 % on a quarter-on-quarter basis to Kshs 679.6 bn at the end of Q3'2025, from Kshs 596.3 bn recorded in Q2'2025. On a y/y basis, the total AUM increased by 114.8%, from Kshs 316.4 bn as at the end of Q3'2024. Key to note, Assets under Management of the Unit Trust Funds have registered an upward trajectory over the last eight years, growing at a 5-year CAGR of 23.1% to Kshs 155.6 bn in Q3'2022, from Kshs 52.4 bn recorded in Q3'2017, and accelerated further at a 3-year CAGR of 23.9% to Kshs 679.6 bn as of Q3'2025 highlighting the rapid expansion and increasing attractiveness of the unit trust funds in Kenya. The chart below shows the growth in Unit Trust Funds' AUM over the last 8 years:

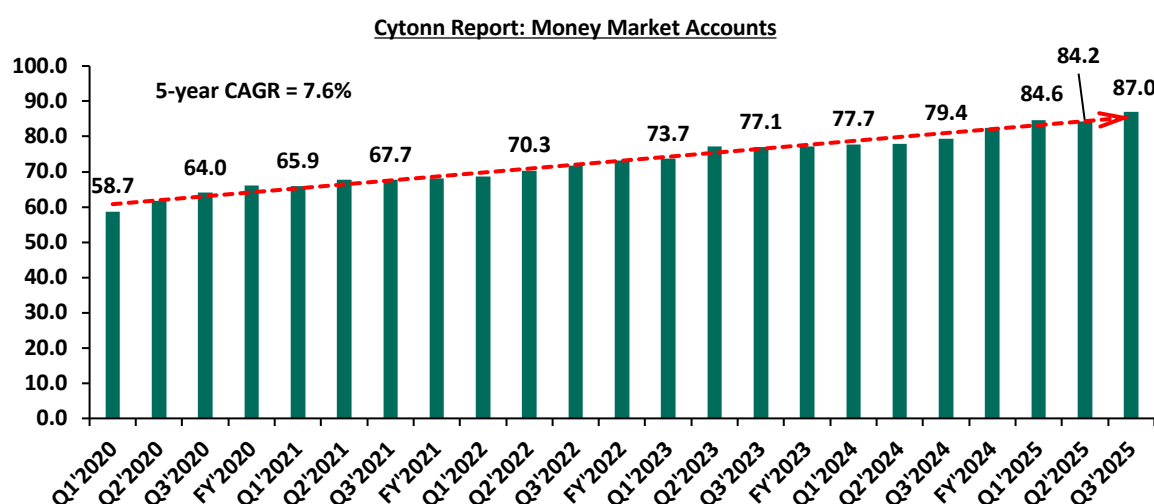
Cytonn Report : Assets Under Management (Kshs bns)



Source: Capital Markets Authority

The growth can be largely attributed to:

- **Low Investments minimums:** Most Unit Trust Funds Collective Investment Schemes (CIS) in the market have relatively low initial investment requirements, typically ranging from Kshs 100.0 to Kshs 10,000.0. This has promoted financial inclusion by enabling small-scale investors to access professionally managed investment opportunities,
- **Diversified product offering:** Unit Trust Funds are also advantageous in terms of providing investors with access to a wider range of investment securities through the pooling of funds. This allows for portfolio diversification that might not be achievable individually, helping investors mitigate the risks associated with market volatility in some asset classes,
- **Competitive returns:** The positive performance and competitive returns of unit trust funds have been key in attracting investors. As these funds consistently outperform certain traditional investment options, they draw more investors seeking to generate wealth over the long term,
- **Increased product awareness:** Investor education efforts, primarily led by the Capital Markets Authority (CMA) and fund managers, have focused on raising awareness about the various products offered by trust funds. This has resulted in a deeper understanding of investment options among the public, boosting their confidence and leading to increased participation. Consequently, the number of investors in collective investment schemes has surged significantly, recording a 128.0% growth to 3.0 million by September 2025, from 1.3 million in September 2024, according to the Capital Markets Authority (CMA) [Quarterly Collective Investment Schemes \(CIS\) Report-Q3'2025](#),
- **Regulatory Changes:** We have had several regulatory changes that have spurred growth in the industry, such as allowing for Special Collective Investments Schemes and expanding eligibility for trustees to include non-bank trustees.
- **Efficiency and High Liquidity:** Investments in UTFs are managed as portfolios with various assets, and fund managers maintain a cash buffer. Unit trusts are highly liquid, making it easy to buy and sell units without being dependent on market demand and supply at the time of investment or exit, and,
- **Adoption of Fintech:** Digitization and automation within the industry have enhanced ease in cash accessibility, enabling investors to immediately access their investments via mobile payment platforms. According to the [Central Bank of Kenya](#), more individuals are transacting through mobile money services as evidenced by the sustained growth in the total number of registered mobile money accounts. In September 2025, registered mobile money accounts recorded a 9.6% y/y increase to 87.0 mn accounts, from 79.4 mn accounts registered in a similar period in 2024. Notably, the total number of registered mobile money accounts also grew at a 5-year CAGR of 6.3% to 87.0 mn at the end of September 2025, from 64.0 mn recorded at the end of September 2020. The upward trajectory is attributable to Fintech incorporation which has increased the efficiency of processing both payments and investments for fund managers. As a result, Collective Investment Schemes have become more accessible to retail investors.



Source: Central Bank of Kenya (CBK), Q3'2025* data as of September 2025

Spread of Investments:

Cytonn Report: Investment Allocation in Different Funds					
Fund	Q2'2025 (Kshs bn)	Q3'2025 (Kshs bn)	q/q Growth (Q2'2025 & Q3'2025)	Q2'2025 Investment Share	Q3'2025 Investment Share
Money Market	372.8	400.0	7.3%	62.5%	58.9%
Special Funds	113.4	137.8	21.5%	19.0%	20.3%
Fixed Income	105.6	136.8	29.5%	17.7%	20.1%
Equity Fund	2.9	3.3	15.2%	0.5%	0.5%
Balanced Fund	1.6	1.7	4.3%	0.3%	0.2%
Total	596.3	679.6	14.0%	100.0%	100.0%

Key take-outs from the table above include:

- Money Market Funds:** MMFs remained with the largest investment allocation, coming in at 58.9% in Q3'2025, a deterioration from 62.5% recorded in Q2'2025. Similarly, the amounts invested in MMFs as of 30th September 2025 recorded a 7.3% increase to Kshs 400.0 bn, from Kshs 372.8 bn recorded at the end of Q2'2025. Notably, on a y/y basis the allocation in MMFs has declined by 4.9% points from 62.2% allocation recorded in Q3'2024 mainly attributable to the diversification of funds into other investment categories, including special funds. Key to note, according to Collective Investments Schemes Regulations 2023, Section VIII, MMFs are required to invest only in interest-earning money market instruments which have a maximum weighted average tenor of eighteen (18) months, while fixed income funds invest a minimum of 80.0% of their market value of assets under management (AUM) in fixed income securities at all times hence concentrating most their investments in bonds. However, the high percentage of 58.9% in Q3'2025 is an indication of MMFs preference by the majority of investors due to their ease of investing and high liquidity, coupled with high returns during the period,
- Special Funds** recorded a 21.5% q/q growth to Kshs 137.8 bn in Q3'2025, up from Kshs 113.4 bn in Q2'2025, showing consistent growth after a 30.8% growth in Q2'2025 from Q1'2025. Notably, the allocation increased by 1.3% points to 20.3%, from the 19.0% recorded the previous quarter

- **Fixed Income Funds** recorded a 29.5% q/q growth to Kshs 136.8 bn in Q3'2025, up from Kshs 105.6 bn in Q2'2025. Similarly, the allocation increased by 2.4% points to 20.1%, from the 17.7% recorded the previous quarter, mainly attributable to high returns on government papers over the period, and,
- **Equity Funds** remained unchanged in their investment allocation, at 0.5% at the end of Q3'2025, similar to Q2'2025. However, equity funds recorded a 15.2% growth in AUM to Kshs 3.3 bn in Q3'2025, from Kshs 2.9 bn Q2'2025. The increase in equity funds' portfolio holdings is largely attributable to increased market activity, with the Nairobi All Share Index (NASI) registering a 15.2% q/q gain in Q3'2025 following increase in capital gains by major listed companies in the Nairobi Securities Exchange such as Safaricom, NCBA Bank and Co-operative Bank , as well as an improved business environment as evidenced by Purchasing Manager's Index (PMI) registering an average of 51.9, falling above the expansionary zone in Q3'2025, which was 6.7% increase from an average of 48.6 in Q2'2025.

Notably, the overall UTFs portfolio remained predominantly invested in government securities, accounting for the largest share at 45.6% by the end of Q3'2025. Similarly, this represents 4.7% points decrease from the 40.9% allocation in Q2'2025, with the total value increasing by 26.8% to Kshs 309.6 bn in Q3'2025 from Kshs 244.2 billion in Q2'2025. This was followed by Fixed deposits at 31.8% allocation, 3.5% points decrease from 35.3% allocation in Q2'2025 in light of the lower deposit rates provided by banking institutions during the period, following a decrease in Central Bank Rate (CBR). The table below represents asset allocations in different asset classes comparing Q3'2024, Q2'2025 and Q3'2025 in the UTF industry.

Cytonn Report: Distribution of Unit Trust Funds Investments in terms of Asset Classes (Kshs bn)						
Fund	Q3'2024	Q3'2024 (%)	Q2'2025	Q2'2025 (%)	Q3'2025	Q3'2025 (%)
Government Securities	130.9	41.4%	244.2	40.9%	309.6	45.6%
Fixed Deposits	98.5	31.1%	210.5	35.3%	216.0	31.8%
Cash and demand deposits	46.5	14.7%	58.8	9.9%	62.5	9.2%
Offshore Listed Investments	19.6	6.2%	50.3	8.4%	27.3	4.0%
Unlisted Securities	10.0	3.1%	17.1	2.9%	17.0	2.5%
Listed Securities	6.1	1.9%	6.2	1.0%	11.4	1.7%
Alternative Investments	-	-	4.8	0.8%	31.2	4.6%
Other Collective Investments schemes	1.9	0.6%	3.1	0.5%	4.2	0.6%
Offshore Unlisted Investments			1.5	0.2%	0.5	0.1%
Immovable Property	3.0	0.9%	-	0.0%	-	0.0%
Total	253.7	100.0%	596.3	100.0%	679.6	100.0%

According to the Capital Markets Authority, as of the end of Q3'2025, there were 55 approved Collective Investment Schemes (CISs) in Kenya, up from 38 recorded at the end of Q3'2024 and similar the 55 recorded at the end of Q2'2025. Out of the 55 schemes, 41 of them (equivalent to 72.7%) were active while 14 (27.3%) were inactive. The table below outlines the performance of the Collective Investment Schemes comparing Q2'2025 and Q3'2025;

Cytonn Report: Assets Under Management (AUM) for the Approved Collective Investment Schemes						
No.	Collective Investment Schemes	Q2'2025 AUM (Kshs mns)	Q2'2025 Market Share	Q3'2025 AUM (Kshs mns)	Q3'2025 Market Share	AUM Growth Q2'2025 – Q3'2025
1	Sanlam Investments	113.65	19.1%	130.51	19.2%	14.8%
2	Mansa X Special fund	77.04	12.9%	102.12	15.0%	32.6%
3	CIC Asset Managers	93.37	15.7%	97.71	14.4%	4.7%
4	NCBA Unit Trust Scheme	56.50	9.5%	54.20	8.0%	(4.1%)

5	BRITAM	41.15	6.9%	48.06	7.1%	16.8%
6	Old Mutual	23.45	3.9%	28.21	4.2%	20.3%
7	ABSA Unit Trust Scheme	25.40	4.3%	27.83	4.1%	9.5%
8	ICEA Lion	22.87	3.8%	24.13	3.6%	5.5%
9	Co-op Trust Investment Services Limited	21.17	3.6%	22.67	3.3%	7.1%
10	Jubilee Unit Trust Scheme	15.26	2.6%	18.17	2.7%	19.0%
11	KCB Asset Managers	16.38	2.7%	17.59	2.6%	7.4%
12	Etica Capital Limited	12.73	2.1%	14.69	2.2%	15.5%
13	Madison Asset Managers	11.67	2.0%	13.78	2.0%	18.1%
14	Ziidi Money Market Fund	10.22	1.7%	12.60	1.9%	23.3%
15	Nabo Capital (Centum)	8.47	1.4%	9.80	1.4%	15.6%
16	Faida Unit trust Scheme	5.75	1.0%	8.78	1.3%	52.5%
17	Dry Associates	6.21	1.0%	7.24	1.1%	16.6%
18	Avocarp unit trust	2.89	0.5%	4.94	0.7%	70.7%
19	Stanbic unit trust	4.35	0.7%	4.48	0.7%	3.0%
20	Lofty- Corban Unit trust	4.10	0.7%	4.36	0.6%	6.3%
21	Zimele Asset Managers	3.74	0.6%	3.99	0.6%	6.7%
22	Apollo Asset Managers	3.01	0.5%	3.57	0.5%	18.3%
23	GenAfrica Unit Trust Scheme	2.70	0.5%	3.42	0.5%	26.7%
24	Kuza Asset Managers	2.70	0.5%	3.27	0.5%	21.0%
25	Cytonn Asset Managers	2.33	0.4%	2.57	0.4%	10.3%
26	Mayfair Asset Managers	0.74	0.1%	2.38	0.3%	222.4%
27	Mali Money Market Fund	2.39	0.4%	2.29	0.3%	(4.4%)
28	African Alliance Kenya	1.76	0.3%	1.65	0.2%	(6.1%)
29	Enwealth Capital Unit Trust Scheme	1.29	0.2%	1.37	0.2%	5.9%
30	Orient Collective Investment Scheme	0.69	0.1%	0.84	0.1%	21.4%
31	Gulfcap Unit Trust Funds	0.77	0.1%	0.67	0.1%	(12.5%)
32	Genghis Unit Trust Fund	0.61	0.1%	0.58	0.1%	(3.9%)
33	CPF Unit Trust Scheme	0.36	0.1%	0.40	0.1%	11.9%
34	Faulu Unit trust	0.29	0.0%	0.31	0.0%	7.2%
35	Taifa Unit Trust	0.16	0.0%	0.24	0.0%	49.8%
36	Equity Investment Bank	0.12	0.0%	0.11	0.0%	(0.7%)
37	Amana Capital	0.03	0.0%	0.03	0.0%	1.9%
38	MyXeno Unit Trust Sheme	0.02	0.0%	0.03	0.0%	47.0%
39	Wanafunzi Investments	0.00	0.0%	0.00	0.0%	1.0%
40	Jaza Unit Trust Scheme	0.00	0.0%	0.00	0.0%	(49.5%)
41	Ziidi Shariah Money Market Fund		-	0.03		-
42	Dyer and Blair Unit Trust Scheme					
43	Standard Investments Bank					
44	Masaru Unit Trust Fund					
45	Adam Unit Trust Fund					
46	First Ethical Opportunities Funs					
47	Amaka Unit Trust Scheme					
	Total	596.3	100.0%	679.6	100.0%	14.0%

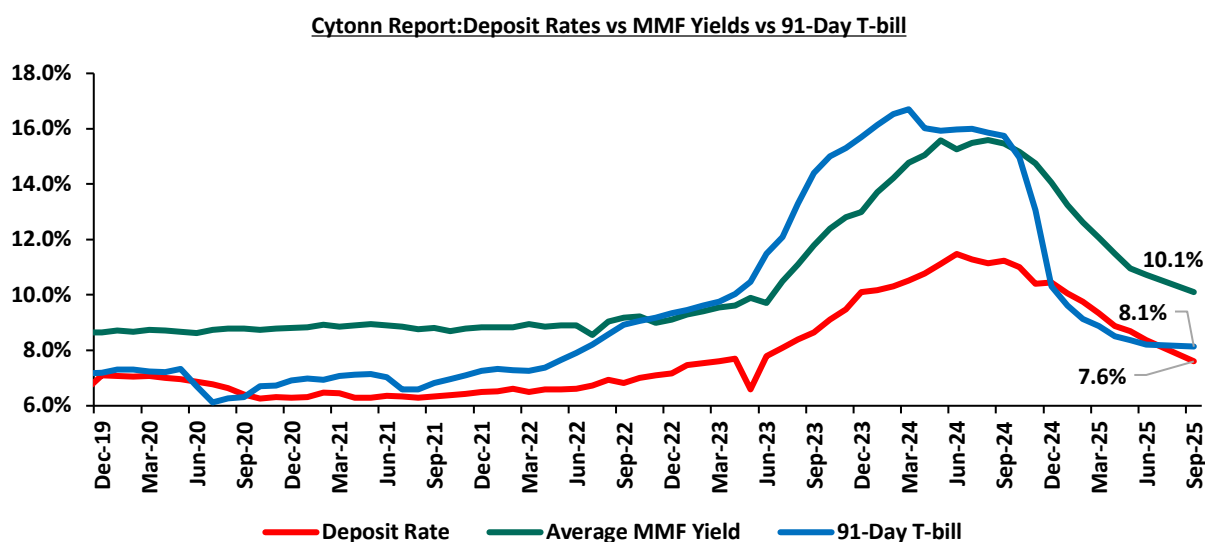
Key take-outs from the above table include:

- **Assets Under Management:** Sanlam Unit Trust Scheme remained the largest overall Unit Trust Fund, accounting for 19.2% of the total market share. Similarly, the AUM recorded a 14.8% growth to Kshs 130.5 bn in Q3'2025, higher than the AUM of Kshs 113.7 bn in Q2'2025,

- **Growth:** In terms of AUM growth, Mayfair Asset Managers recorded the highest growth of 222.4% with its AUM increasing to Kshs 2.4 bn, from Kshs 0.7 bn in Q2'2025. On the other hand, Jaza Unit Trust Scheme recorded the largest decline with its AUM declining by 49.5% to Kshs 2,119 in Q3'2025, from Kshs 4,195 mn in Q2'2025,
- **Market Share:** Sanlam Unit Trust Scheme remained the largest overall Unit Trust Fund, for the second consecutive time in Q3'2025. market share is an indication of increasing competition as new collective schemes enter the market,
- **6 UTFs remained inactive as at the end of Q3'2025:** First Ethical Opportunities Fund, Adam Unit Trust Fund, Masaru Unit Trust Fund, Dyer and Blair Unit Trust Scheme, Diaspora Unit Trust and Amaka Unit Trust remained inactive as at the end of Q3'2025.

Section II: Performance of Money Market Funds

Money Market Funds (MMFs) in Kenya have been growing popularity in Kenya, mainly because they provide higher returns than bank deposits while also offering a high degree of security and liquidity. According to the Central Bank of Kenya data, the weighted [average deposit rate](#) in September 2025 decreased to 7.6% from 8.4% recorded in June 2025, lower than the June 2025 average yields of 91-day T-bill of 8.1% and the Money Market Fund average yield of at 10.1%. The graph below shows the performance of the Money Market Fund to other short-term financial instruments:



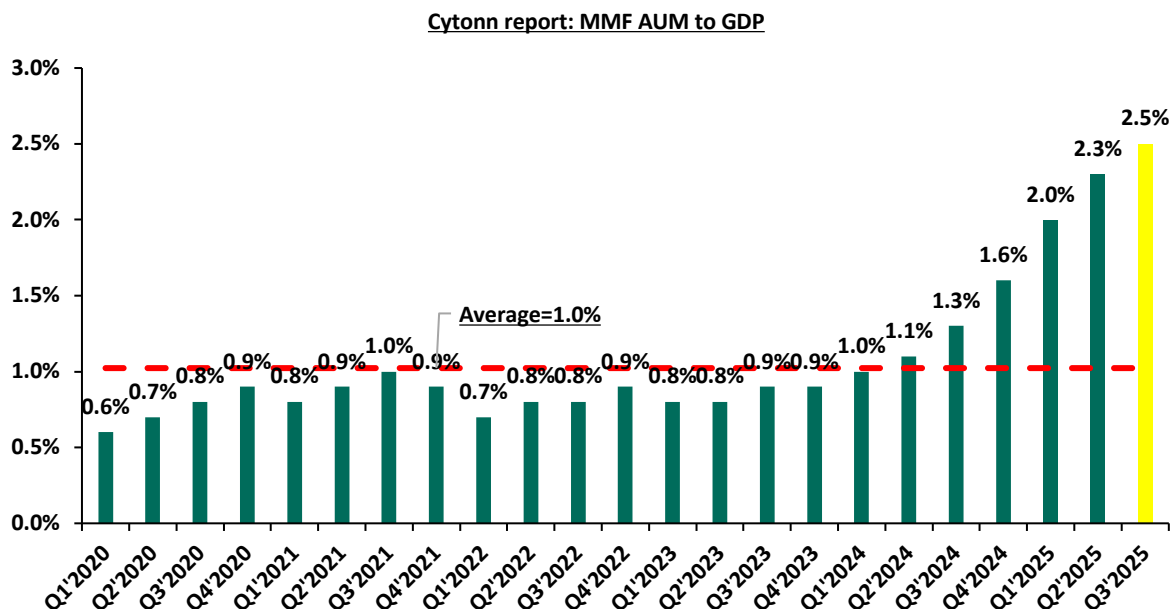
Source: Central Bank of Kenya, Cytonn Research

According to capital markets [Collective Investments Schemes \(CIS\) Regulations 2023](#), MMFs should be invested in short-term, liquid, interest-bearing securities with a maximum weighted tenor to maturity of 18 months or less. These securities include treasury bills, call deposits, commercial papers, and fixed deposits in commercial banks and deposit-taking institutions, as specified by the Central Bank of Kenya (CBK). Consequently, MMFs are ideal for investors seeking a low-risk investment that ensures capital preservation and liquidity while offering competitive returns. They also serve as a safe haven for investors transitioning from high-risk portfolios to more stable, low-risk options, particularly during periods of market uncertainty.

Money Market Funds in Kenya accounted for Kshs 400.0 bn which makes up 58.9% of all the funds under management by Collective Investment Schemes for Q2'2025. This is 7.0% higher than the Kshs 372.8 bn recorded at the end of Q2'2025.

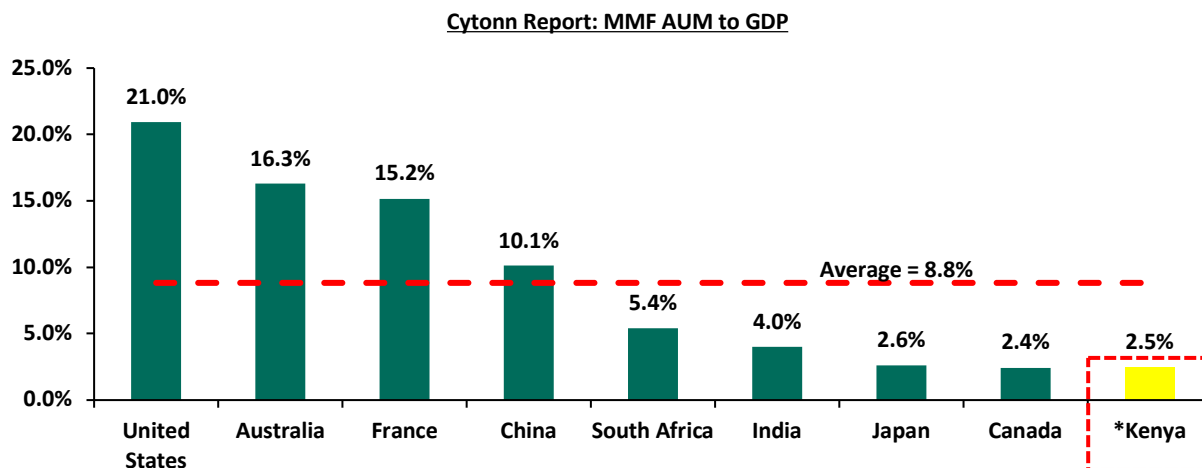
Money Market funds as an asset class are still below the potential, with Kenya's MMF assets to GDP coming in at 2.5% as of Q3'2025, which is below the global average MMF assets to GDP ratio of 8.8% as of Q3'2025.

More needs to be done to increase the ratio, especially at a time when the government is trying to increase savings to GDP ratio. Notably, the 2.5% Money market AUM to GDP in Kenya represents a marginal 0.2% points increase from the 2.3% figure recorded in Q2'2025. The Money markets remain highly competitive compared to other traditional investment options despite the falling yields. The chart below shows the performance of the Money Market Funds AUM to GDP in the last five years.



Source: CMA, Central Bank of Kenya

The chart below shows the performance of the Money Market Funds AUM to GDP comparing Kenya to other economies:



Source: World Bank, CMA, EFAMA

*Data as of Q3'2025

Top Five Money Market Funds by Yields

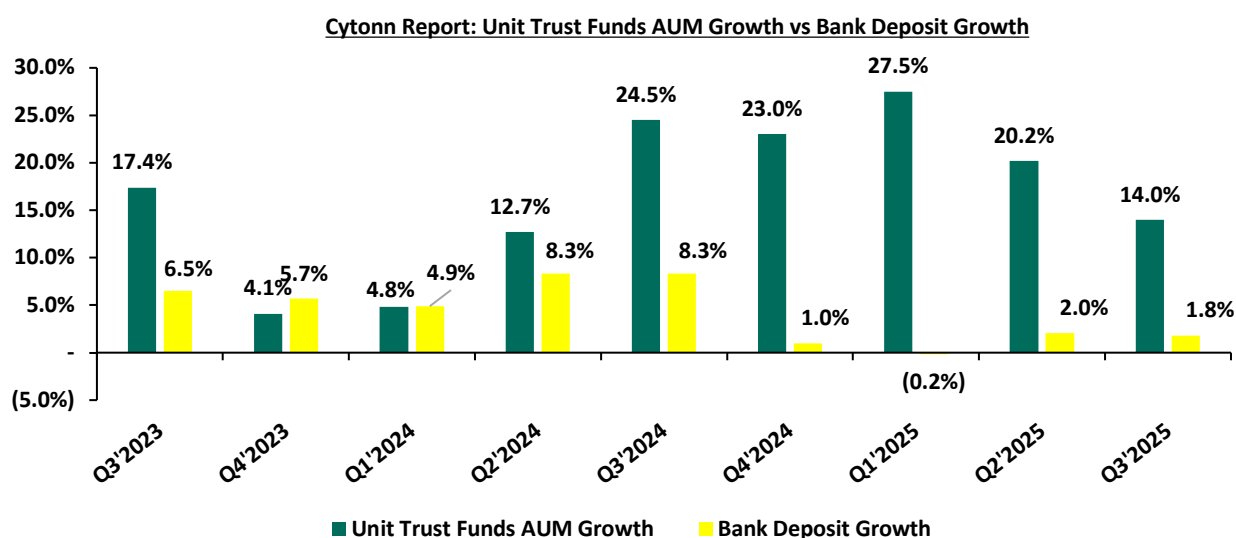
During the period under review, Cytonn Money Market Fund registered the highest average effective annual yield at 13.1% against the industry Q3'2025 average of 10.1%. Below is a table of the top five Money Market Funds with the highest average effective annual yield declared in Q3'2025;

Cytonn Report: Top 5 Money Market Fund Yield in Q3'2025		
Rank	Money Market Fund	Effective Annual Rate (Average Q3'2025)
1	Cytonn Money Market Fund	13.11%
2	Ndovu Money Market Fund	13.06%
3	Gulfcap Money Market Fund	12.80%
4	Nabo Africa Money Market Fund	12.47%
5	Lofty-Corban Money Market Fund	12.43%
Average of Top 5 Money Market Funds		12.8%
Industry average		10.1%

Source: Cytonn Research, Daily Nation

Section III: Comparison between Unit Trust Funds AUM Growth and Other Markets

Unit Trust Funds' assets recorded a q/q growth of 14.0% in Q3'2025. On the other hand, banks' [deposits](#) recorded a growth of 1.8% in Q3'2025 to Kshs 5.9 tn from the Kshs 5.8 tn recorded in Q2'2025, translating to 0.2% points decline from the 2.2% points increase recorded in Q2'2025. For the Unit Trust Funds, the q/q growth of 14.0% was a decrease of 6.2% points, compared to the 7.3% q/q decline recorded in Q2'2025. The chart below highlights the quarter-on-quarter AUM growths for Unit Trust Funds AUM vs Listed banks' deposits growth since 2023;

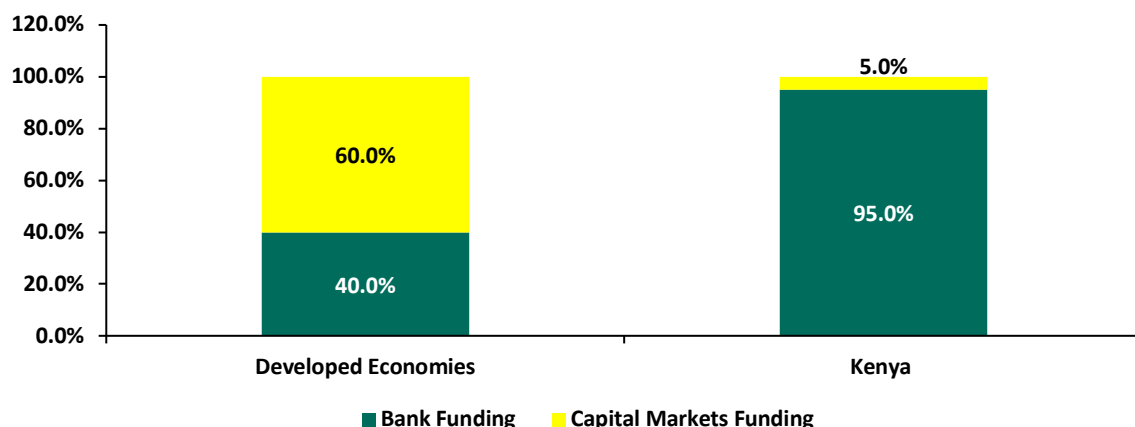


Source: Cytonn Research

We note that there was a 14.0% q/q increase in UTF AUM which can be attributed to the overall growth reported by existing CIS funds as well as additional funds registered by existing umbrella schemes and commenced reporting in 2025. The increase can also be attributed to intensified marketing efforts by the fund managers. The increase was achieved despite relatively lower returns in the collective investment schemes, especially the MMFs. As at September 2025, Money Market Funds offered an average return of 10.1% for Q3'2025, lower than the 11.1% average recorded in Q2'2025, while bank deposits offered an average of 7.6%, lower than the 8.6% average recorded in Q2'2025. We therefore anticipate an expansion in business funding coming from capital markets from the current 5.0%, in the short-term to medium term due to Kenya's economic growth and improved investor confidence and awareness. World Bank statistics reveal that in efficient economies, only 40.0% of business financing comes from banks, while a significant 60.0% is sourced from Capital markets. However, in Kenya, the scenario is quite different. The World Bank

points out that Kenyan businesses depend on banks for a whopping 95.0% of their funding, with a negligible 5.0% being raised from the capital markets.

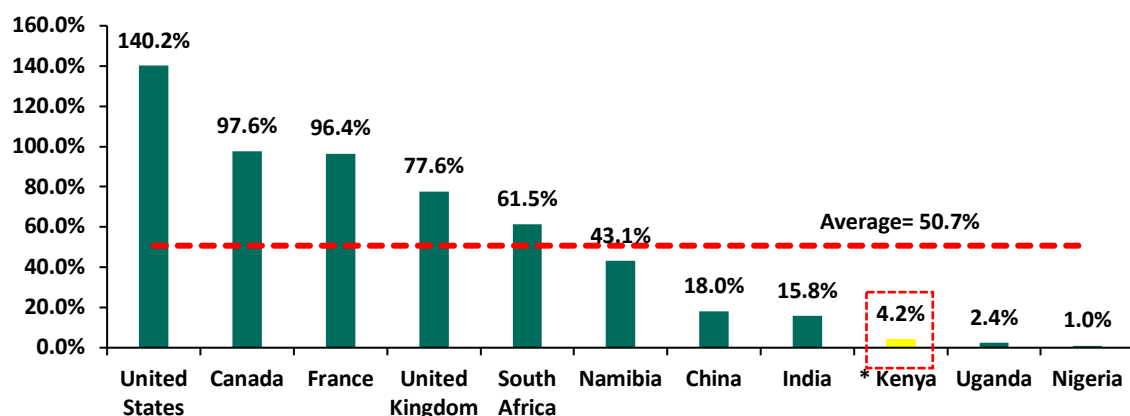
Cytonn Report: Bank and Capital Markets Funding in Kenya vs Developed Economies



Source: World Bank

Notably, Kenya's Mutual Funds/ETFs to GDP ratio at the end of Q3'2025 came in at 4.2%, significantly lower compared to an average of 50.7% amongst [select global markets](#) an indication of a need to continue enhancing our capital markets. Additionally, Sub-Saharan African countries such as South Africa and Namibia have higher mutual funds to GDP ratios coming in at 61.5% and 43.1%, respectively as of the [latest](#) data, compared to Kenya. The chart below shows select countries' mutual funds as a percentage of GDP:

Cytonn Report: Mutual Funds Assets to GDP

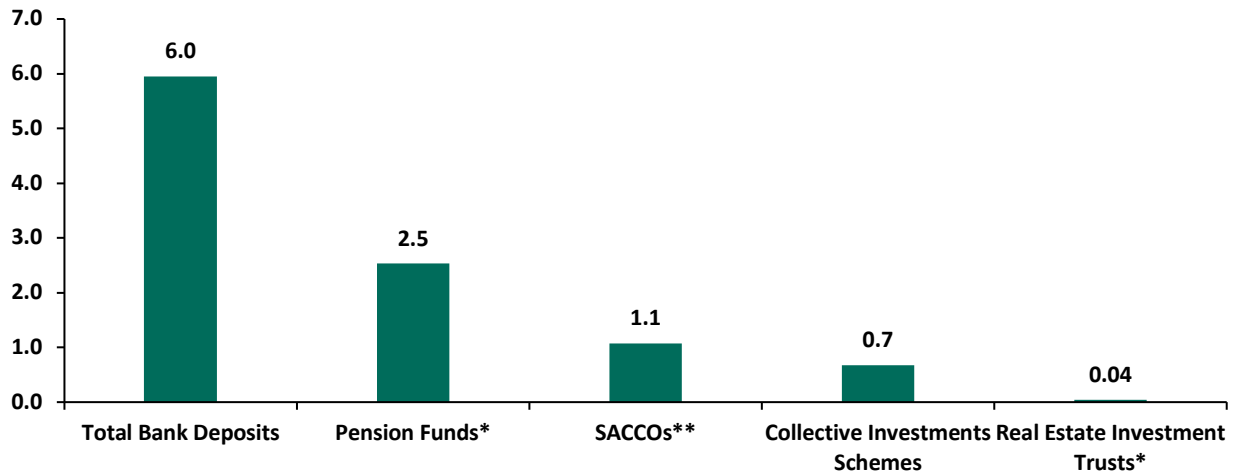


*Data as of September 2025

Source: World Bank Data

In the last five years, the Assets Under Management (AUM) of Unit Trust Funds (ETFs) have shown a remarkable performance, having grown at a 5-year CAGR of 47.4% to Kshs 679.63 bn in Q3'2025, from Kshs 97.8 bn in Q3'2020. However, the industry is still dwarfed when compared to other deposit-taking institutions such as bank deposits, with the entire banking sector [deposits](#) coming in at Kshs 6.0 tn as at September 2025 from [Kshs 5.7 tn](#) recorded in September 2024. Similarly, the pension industry recorded an increase of 27.9%, to 2.5 tn as of June 2025 from Kshs 2.0 tn recorded in June 2024. Below is a graph showing the sizes of different saving channels and capital market products in Kenya;

Cytonn Report: Total Size as of September 2025 (Kshs tn)



*Data as of June 2025, **Data as of December 2025

Source: CMA, RBA, CBK, SASRA Annual Reports and REITs Financial Statements

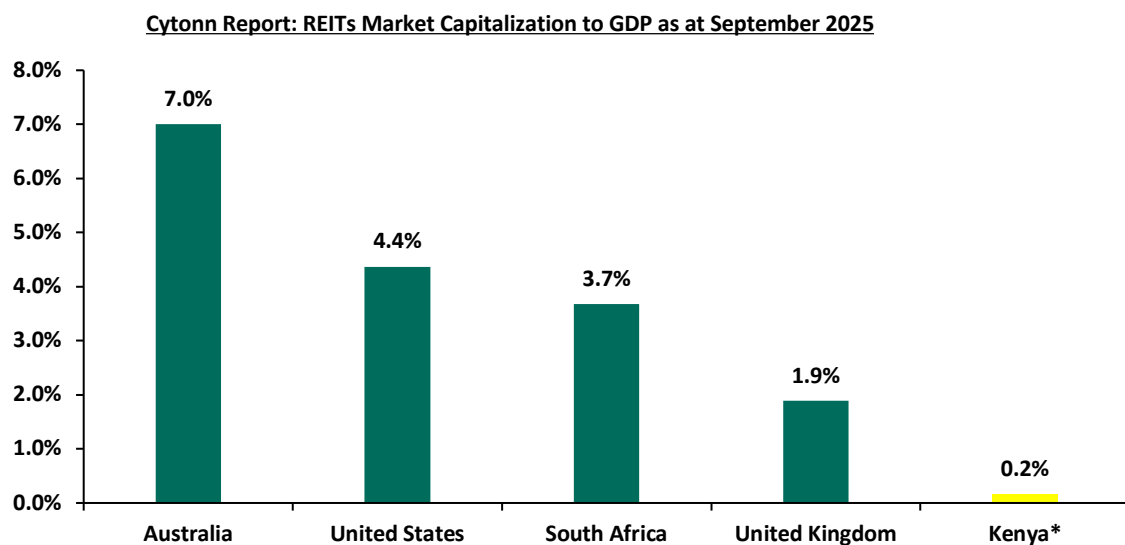
Comparing other Capital Markets products like REITS, Kenya's REIT market faces additional challenges due to its relatively underdeveloped capital markets, especially when compared to countries like South Africa. Currently, there is only one listed REIT in Kenya, which is not actively trading. Most property developers in Kenya continue to rely on traditional funding sources, such as banks, unlike in more developed markets. Since the establishment of REIT regulations, four REITs have been approved in Kenya, all structured as closed-ended funds with a fixed number of shares. However, none of these REITs are actively trading on the Main Investment Market Segment of the Nairobi Securities Exchange (NSE). Following the delisting of ILAM Fahari I-REIT in February 2024, LAPTrust Imara I-REIT is the only listed REIT in the country, quoted on the [restricted market sub-segment](#) of the NSE's Main Investment Market. It is important to note that Imara did not raise funds upon listing. The ILAM Fahari I-REIT, Acorn I-REIT and D-REIT are not listed but trade on the Unquoted Securities Platform (USP), an over-the-counter market segment of the NSE. The table below outlines all REITs authorized by the Capital Markets Authority (CMA) in Kenya:

Cytonn Report: Authorized REITs in Kenya						
#	Issuer	Name	Type of REIT	Listing Date	Market Segment	Status
1	ICEA Lion Asset Management (ILAM)	Fahari	I-REIT	July 2024	Unquoted Securities Platform (USP)	Trading
2	Acorn Holdings Limited	Acorn Student Accommodation (ASA) – Acorn ASA	I-REIT	February 2021	Unquoted Securities Platform (USP)	Trading

3	Acorn Holdings Limited	Acorn Student Accommodation (ASA) – Acorn ASA	D-REIT	February 2021	Unquoted Securities Platform (USP)	Trading
4	Local Authorities Pension Trust (LAPTrust)	Imara	I-REIT	March 2023	Restricted Market Sub-Segment of the Main Investment Market	Restricted

Source: Nairobi Securities Exchange, CMA

The listed REITs' capitalization as a percentage of GDP in Kenya stands at 0.2% as of June 2025, compared to 6.7% in Australia and 3.3% in South Africa as of September 2025. This reflects the challenges faced by the Kenya's REIT market, especially when compared to countries like South Africa. Below is a graph showing a comparison of Kenya's REITs to Market Cap Ratio to that of the US, UK, Australia and South Africa:



*Data as of June 2025

Source: Online Research, Nairobi Securities Exchange (NSE)

Section IV: Recommendations

The number of total registered Mobile Money Accounts has been growing steadily, recording a 5-year CAGR of 6.3%, increasing from Kshs 64.0 mn at the end of September 2020 to Kshs 87.0 mn at the end of September 2025. Consequently, there is a pressing need to leverage innovation and digitization to drive the expansion of unit trust funds in Kenya. Utilizing technology as a distribution channel for unit trust products enables these funds to reach the retail segment, which demands convenient and innovative

products. To further promote the growth of Unit Trust Funds (UTFs) in the Kenyan capital market, we advocate the following recommendations:

- i. **Encourage innovation and diversity of UTF investments:** The Kenyan unit trust industry has experienced remarkable growth, with Assets Under Management (AUM) reaching Kshs 679.6 bn in Q3'2025, up from Kshs 253.7 bn in the same quarter of 2024. This expansion reflects increasing public interest in collective investment schemes, particularly Money Market Funds (MMFs), which now account for 58.9% of total AUM. Notably, 45.6% of UTFs' AUM was invested in securities issued by the Kenyan government and 31.8% in Fixed Deposits with Commercial Banks, a market that competes with Unit Trust Funds for deposit mobilization. As a result, there is a need to reassess laws and encourage fund managers to diversify investments, as well as improve investment vehicle innovation. While MMFs offer liquidity and stability, their dominance suggests a need for greater product diversification. Promoting balanced, equity, and special funds would help investors pursue higher returns. The promotion of special funds, such as Shariah-compliant funds, sector-specific funds, and thematic investment vehicles. These funds cater to niche investor needs and can attract new segments of the population, including faith-based communities and impact-driven investors. Key to note, special funds' AUM increased by 21.5% to Kshs 137.8 bn in Q3'2025 from Kshs 113.8 bn recorded in Q2'2025, attributable to high rates, less restrictions and aggressive marketing,
- ii. **Allow for sector funds:** Under present capital markets regulations, UTFs must diversify. However, one must request specific permission in the form of sector funds such as a financial services fund, a technology fund, or a Real Estate Unit Trust Fund. Regulations permitting unit holders to invest in sector funds would go a long way towards widening the breadth of unit holders interested in participating,
- iii. **Encourage different players to enter the market to increase competition:** Increased competition in capital markets will not only push Unit Trust Fund managers to provide higher returns for investors, but it will also eliminate conflicts of interest in markets and enhance the provision of innovative products and services. Notably, in Q3'2025 the top 5 CIS dominated the market accounting for 63.7% of the AUM,
- iv. **Fee optimization:** Unit Trust Funds should continuously review and optimize management fees and other associated costs to ensure they are competitive while still covering operational expenses. Optimizing fees through regulatory caps, tiered pricing and transparency would enhance investor confidence and make UTFs more competitive against traditional savings options. The fee structure should be designed to align fund managers' interests with those of investors, while maintaining fairness and transparency,
- v. **Provide Support to Fund Managers:** We believe that the regulator, CMA, should incorporate market stabilization measures as part of the regulations/Act to assist fund managers in meeting fund responsibilities, particularly during times of distress, such as when there are a large number of withdrawals from the funds. We commend and appreciate the regulator's role in protecting investor interests. However, because fund managers play an important role in capital markets, the regulator should preserve the reputations of various fund managers in the business. This can be accomplished by partnering with industry participants to discover answers rather than openly rejecting and alienating industry players facing issues, that may not be in the best interests of investors,
- vi. **Improve fund transparency to provide more information to investors:** To increase transparency for investors, each Unit Trust Fund should be required to publish their portfolio holdings on a quarterly basis and make the information available to the public. Providing more information to investors will increase accountability by enabling them to make more informed decisions, which will boost investor confidence, and,
- vii. **Allow non-financial institutions to participate as trustees and eliminate conflicts of interest in capital market governance:** Capital market legislation should promote a governance structure that is more responsive to market participants and growth. In particular, confining Trustees of

Unit Trust Schemes to Banks limits options, especially considering the direct competition between the banking industry and capital markets.

As Kenya's financial sector evolves, Unit Trust Funds play a critical role by offering diversity and accessibility to a wide range of investors. Emphasizing innovation, digitization, and product development in the capital markets will accelerate the growth of UTFs. Policymakers should support and enable UTF expansion and diversification to promote the overall growth of capital markets and attract new participants.

Disclaimer: *The views expressed in this publication are those of the writers where particulars are not warranted. This publication is meant for general information only and is not a warranty, representation, advice or solicitation of any nature. Readers are advised in all circumstances to seek the advice of a registered investment advisor.*