FY'2025 Unit Trust Funds Performance Note

Following the release of the Capital Markets Authority (CMA) Quarterly CIS Report – FY'2025, we examine the performance of Unit Trust Funds for the period ended 31st December 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.

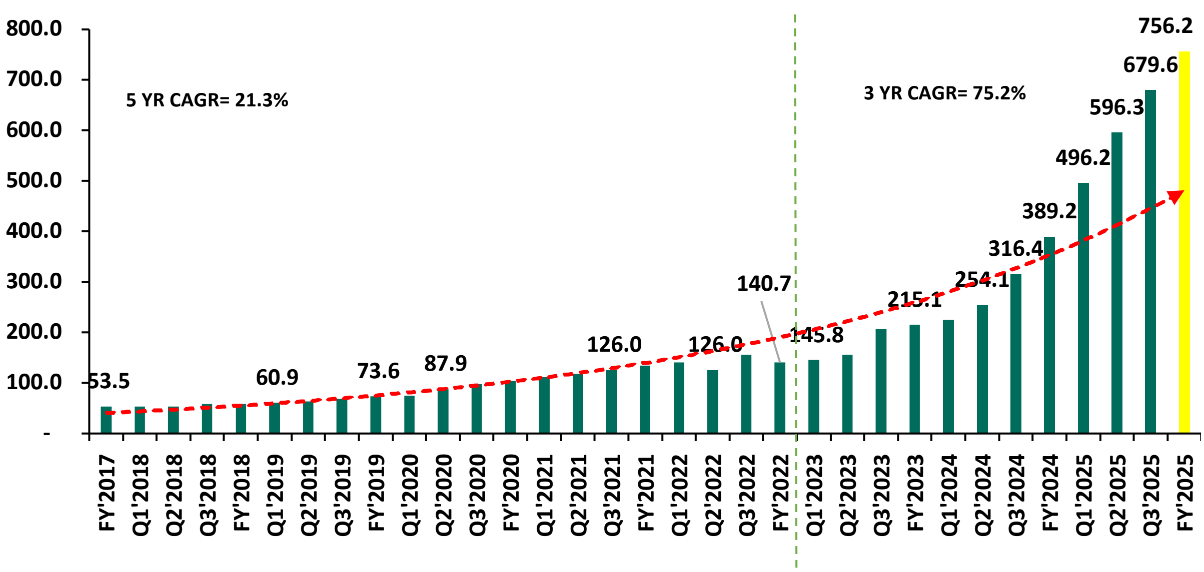
In our previous note on Unit Trust Funds, we looked at the Q3'2025 Unit Trust Funds Performance by Fund Managers, where we highlighted that their AUM stood at Kshs 679.6 bn, a 14.0% growth from Kshs 596.3 bn recorded in Q2'2025. In this note, we focus on the FY' 2025 performance of Unit Trust Funds where 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- FY' 2025, the industry's overall Assets under Management (AUM) grew by 11.3 % on a quarter-on-quarter basis to Kshs 756.2 bn at the end of FY'2025, from Kshs 679.6 bn recorded in Q3'2025. On a y/y basis, the total AUM increased by 94.3%, from Kshs 389.2 bn as at the end of FY'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 21.3% to Kshs 140.7 bn in FY'2022, from Kshs 53.5 bn recorded in FY'2017, and accelerated further at a 3-year CAGR of 75.2% to Kshs 756.2 bn as of FY'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)

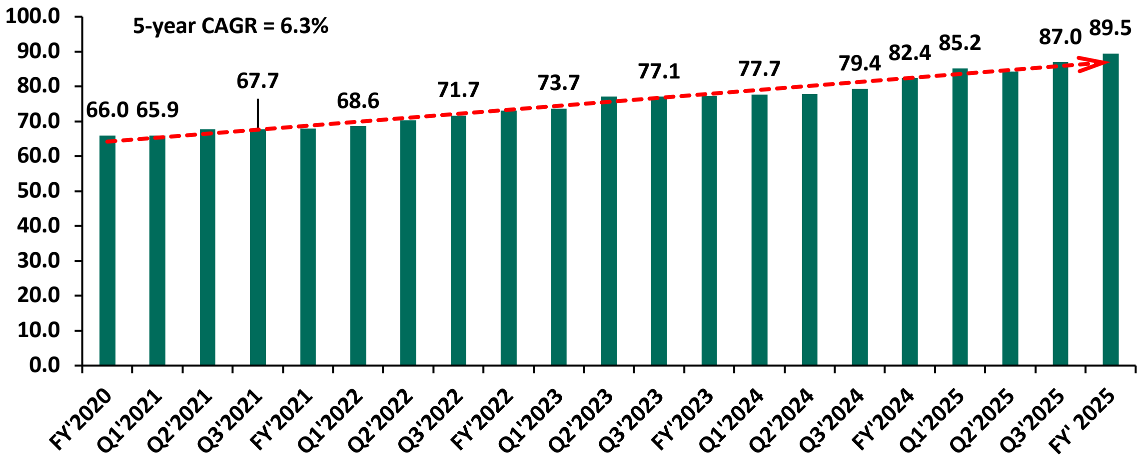


Source: Capital Markets Authority

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 128.8% growth to 3.2 million by December 2025, from 1.4 million in December 2024, according to the Capital Markets Authority (CMA) Quarterly Collective Investment Schemes (CIS) Report-FY'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 December 2025, registered mobile money accounts recorded a 8.5% y/y increase to 89.5 mn accounts, from 82.4 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 89.5 mn at the end of December 2025, from 66.0 mn recorded at the end of December 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.

Cytonn Report: Mobile Money Accounts



Source: Central Bank of Kenya (CBK), FY'2025 data as of December 2025

Spread of Investments:

Cytonn Report: Investment Allocation in Different Funds					
Fund	Q3'2025 (Kshs bn)	FY'2025 (Kshs bn)	q/q Growth (Q3'2025 & FY'2025)	Q3'2025 Investment Share	FY'2025 Investment Share
Money Market	400.0	423.7	5.9%	58.9%	56.0%
Fixed Income	136.8	164.4	20.2%	20.1%	21.7%
Special Funds	137.8	162.4	17.9%	20.3%	21.5%
Equity Fund	3.3	3.5	7.2%	0.5%	0.5%
Balanced Fund	1.7	2.2	28.6%	0.3%	0.3%
Total	**679.6**	**756.2**	**11.3%**	**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 56.0% in FY'2025, a deterioration from 58.9% recorded in Q3'2025. Similarly, the amounts invested in MMFs as of 31st December 2025 recorded a 5.9% increase to Kshs 423.7 bn, from Kshs 400.0 bn recorded at the end of Q3'2025. Notably, on a y/y basis the allocation in MMFs has declined by 7.0% points from 63.4% allocation recorded in FY'2024 mainly attributable to the diversification of funds into other investment categories, including special funds. Moreover, the top three schemes which include, Sanlam Unit Trust Scheme, Standard Investment Trust Fund and CIC Unit Trust Scheme registered AUM above the 100.0 bn mark. This has led them to have a cumulative market share of 49.1% of the total market AUM. The high percentage of 56.0% in FY'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 17.9% q/q growth to Kshs 162.4 bn in FY'2025, up from Kshs 137.8 bn in Q3'2025, showing consistent growth after a 21.5% growth in Q3'2025 from Q2'2025. Notably, the allocation increased by 1.2% points to 21.5%, from the 20.3% recorded the previous quarter
- **Fixed Income Funds** recorded a 20.2% q/q growth to Kshs 164.4 bn in FY'2025, up from Kshs 136.8 bn in Q3'2025. Similarly, the allocation increased by 1.6% points to 21.7%, from the 20.1%

recorded the previous quarter. This is mainly attributable to currency appreciation and improved liquidity positions over the period, and,

- **Equity Funds** remained unchanged in their investment allocation, at 0.5% at the end of FY’2025, similar to Q3’2025. However, equity funds recorded a 7.2% growth in AUM to Kshs 3.5 bn in FY’2025, from Kshs 3.3 bn Q3’2025. The increase in equity funds’ portfolio holdings is largely attributable to increased market activity, with the NSE 20 registering a 52.5% y/y gain in FY’2025 following increase in capital gains by major listed companies in the Nairobi Securities Exchange such as Diamond Trust Bank, Safaricom and NCBA, as well as an improved business environment as evidenced by Purchasing Manager’s Index (PMI) registering an average of 51.0, falling above the expansionary zone in FY’2025, which was 2.8% increase from an average of 49.6 in Q2’2025.

Notably, the overall UTFs portfolio remained predominantly invested in government securities, accounting for the largest share at 42.8% by the end of FY’2025. Similarly, this represents 2.8% points decrease from the 45.6% allocation in Q3’2025, with the total value increasing by 4.5% to Kshs 323.6 bn in FY’2025 from Kshs 309.6 billion in Q3’2025. This was followed by Fixed deposits at 28.2% allocation, 2.9% points decrease from 31.8% allocation in Q3’2025 despite 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 FY’2024, Q3’2025 and FY’2025 in the UTF industry.

Cytonn Report: Distribution of Unit Trust Funds Investments in terms of Asset Classes (Kshs bn)						
Fund	**FY'2024**	**FY'2024 (%)**	**Q3'2025**	**Q3'2025 (%)**	**FY'2025**	**FY'2025 (%)**
Government Securities	164.8	42.4%	309.6	45.6%	323.6	42.8%
Fixed Deposits	118.0	30.3%	216.0	31.8%	213.1	28.2%
Cash and demand deposits	56.2	14.4%	62.5	9.2%	88.5	11.7%
Offshore Listed Investments	24.2	6.2%	27.3	4.0%	43.3	5.7%
Unlisted Securities	12.3	3.2%	17.0	2.5%	26.9	3.6%
Listed Securities	7.0	1.8%	11.4	1.7%	10.7	1.4%
Alternative Investments	-	-	31.2	4.6%	6.9	0.9%
Other Collective Investments schemes	6.6	1.7%	4.2	0.6%	7.4	1.0%
Offshore Unlisted Investments	-	-	0.5	0.1%	35.8	4.7%
Immovable Property	-	-	-	-	-	-
Total	**389.2**	**100.0%**	**679.6**	**100.0%**	**756.2**	**100.0%**

According to the Capital Markets Authority, as of the end of Q4’2025, there were 59 approved Collective Investment Schemes (CISs) in Kenya, up from 55 recorded at the end of Q3’2025. Out of the 59 schemes, 40 of them (equivalent to 67.8%) were active while 19 (32.2%) were inactive. The table below outlines the performance of the Collective Investment Schemes comparing Q3’2025 and Q4’2025:

Cytonn Report: Assets Under Management (AUM) for the Approved Collective Investment Schemes						
No.	**Collective Investment Schemes**	**Q3’2025 AUM (Kshs mns)**	**Q3’2025 Market Share**	**FY’2025 AUM (Kshs mns)**	**FY’2025 Market Share**	**AUM Growth Q3’2025 – FY’2025**
1	Sanlam Investments	130.5	19.2%	144.3	19.1%	10.6%
2	Mansa X Special fund	102.1	15.0%	125.3	16.6%	22.7%
3	CIC Asset Managers	97.7	14.4%	102.0	13.5%	4.4%
4	BRITAM	48.1	7.1%	53.1	7.0%	10.5%
5	NCBA Unit Trust Scheme	54.2	8.0%	52.4	6.9%	(3.4%)
6	Old Mutual	28.2	4.2%	30.6	4.0%	8.5%
7	ABSA Unit Trust Scheme	27.8	4.1%	29.1	3.8%	4.5%

8	Co-op Trust Investment Services Limited	22.7	3.3%	24.3	3.2%	7.0%
9	ICEA Lion	24.1	3.6%	22.9	3.0%	(5.0%)
10	Jubilee Unit Trust Scheme	18.2	2.7%	21.7	2.9%	19.6%
11	KCB Asset Managers	17.6	2.6%	18.9	2.5%	7.5%
12	Etica Capital Limited	14.7	2.2%	17.6	2.3%	19.9%
13	Madison Asset Managers	13.8	2.0%	15.9	2.1%	15.4%
14	Ziidi Money Market Fund	12.6	1.9%	15.4	2.0%	21.7%
15	Nabo Capital (Centum)	9.8	1.4%	12.0	1.6%	22.5%
16	Faida Unit trust Scheme	8.8	1.3%	9.2	1.2%	5.0%
17	Dry Associates	7.2	1.1%	8.1	1.1%	11.7%
18	Avocarp unit trust	4.9	0.7%	7.9	1.1%	61.0%
19	Stanbic unit trust	4.5	0.7%	5.3	0.7%	18.2%
20	GenAfrica Unit Trust Scheme	3.4	0.5%	4.9	0.7%	44.4%
21	Lofty- Corban Unit trust	4.4	0.6%	4.7	0.6%	7.1%
22	Zimele Asset Managers	4.0	0.6%	4.3	0.6%	8.6%
23	Apollo Asset Managers	3.6	0.5%	4.1	0.5%	13.9%
24	Mayfair Asset Managers	2.4	0.3%	3.7	0.5%	57.5%
25	Kuza Asset Managers	3.3	0.5%	3.7	0.5%	13.7%
26	CPF Unit Trust Scheme	0.4	0.1%	3.4	0.4%	734.1%
27	Cytonn Asset Managers	2.6	0.4%	2.8	0.4%	7.8%
28	Mali Money Market Fund	2.3	0.3%	2.3	0.3%	(0.8%)
29	Enwealth Capital Unit Trust Scheme	1.4	0.2%	1.7	0.2%	27.4%
30	African Alliance Kenya	1.7	0.2%	1.7	0.2%	0.4%
31	Gulfcap Unit Trust Funds	0.7	0.1%	0.9	0.1%	27.9%
32	Orient Collective Investment Scheme	0.8	0.1%	0.6	0.1%	(24.9%)
33	Genghis Unit Trust Fund	0.6	0.1%	0.6	0.1%	6.9%
34	Faulu Unit trust	0.3	0.0%	0.3	0.0%	(1.0%)
35	Taifa Unit Trust	0.2	0.0%	0.3	0.0%	23.1%
36	Equity Investment Bank	0.1	0.0%	0.1	0.0%	(3.7%)
37	Amana Capital	0.0	0.0%	0.0	0.0%	4.7%
38	MyXeno Unit Trust Sheme	0.0	0.0%	0.0	0.0%	(8.3%)
39	Wanafunzi Investments	0.0	0.0%	0.0	0.0%	2.4%
40	Jaza Unit Trust Scheme	0.0	0.0%	0.0	0.0%	1388.9%
41	Ziidi Shariah Money Market Fund	-	-	-	-	-
42	Dyer and Blair Unit Trust Scheme	-	-	-	-	-
43	Standard Investments Bank	-	-	-	-	-
44	Masaru Unit Trust Fund	-	-	-	-	-
45	Adam Unit Trust Fund	-	-	-	-	-
46	First Ethical Opportunity Fund	-	-	-	-	-
47	Amaka Unit Trust Scheme	-	-	-	-	-
	Total	**679.6**	**100.0%**	**756.2**	**100.0%**	**11.3%**

Key take-outs from the above table include:

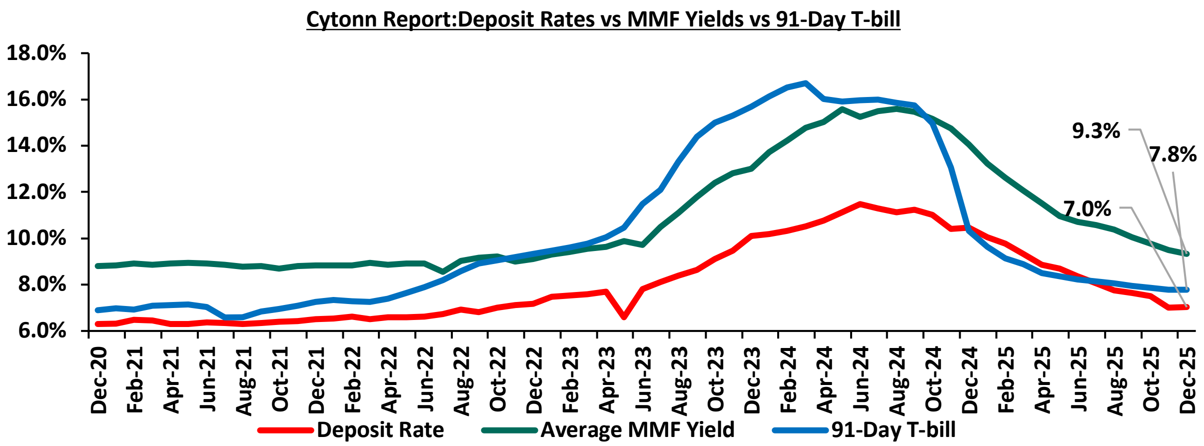
- **Assets Under Management**: Sanlam Unit Trust Scheme remained the largest overall Unit Trust Fund, accounting for 19.1% of the total market share. Similarly, the AUM recorded a 10.6% growth to Kshs 144.3 bn in FY’2025, higher than the AUM of Kshs 130.5 bn in Q2’2025,
- **Growth:** In terms of AUM growth, CPF Unit Trust Scheme recorded the highest growth of 734.1% with its AUM increasing to Kshs 3.4 bn, from Kshs 0.4 bn in Q3’2025. On the other hand, Orient

Collective Investment Scheme recorded the largest decline with its AUM declining by 24.9% to Kshs 631.3 mn in FY'2025, from Kshs 840.1 mn in Q3'2025,

- **Market Share:** Sanlam Unit Trust Scheme remained the largest overall Unit Trust Fund, for the third consecutive time in FY'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 FY'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 December 2025 decreased to 7.0% from 7.8% recorded in September 2025, lower than the December 2025 average yields of 91-day T-bill of 7.8% and lower than the December 2025 Money Market Fund average yield of at 9.3%. The graph below shows the performance of the Money Market Fund to other short-term financial instruments:

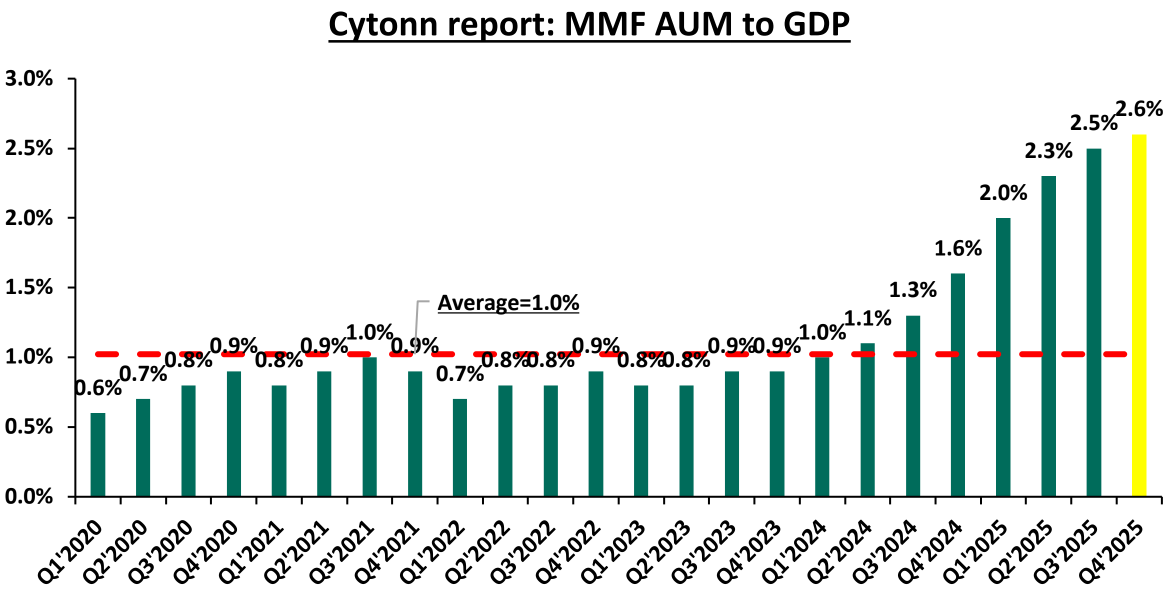


Source: Central Bank of Kenya, Cytonn Research

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.

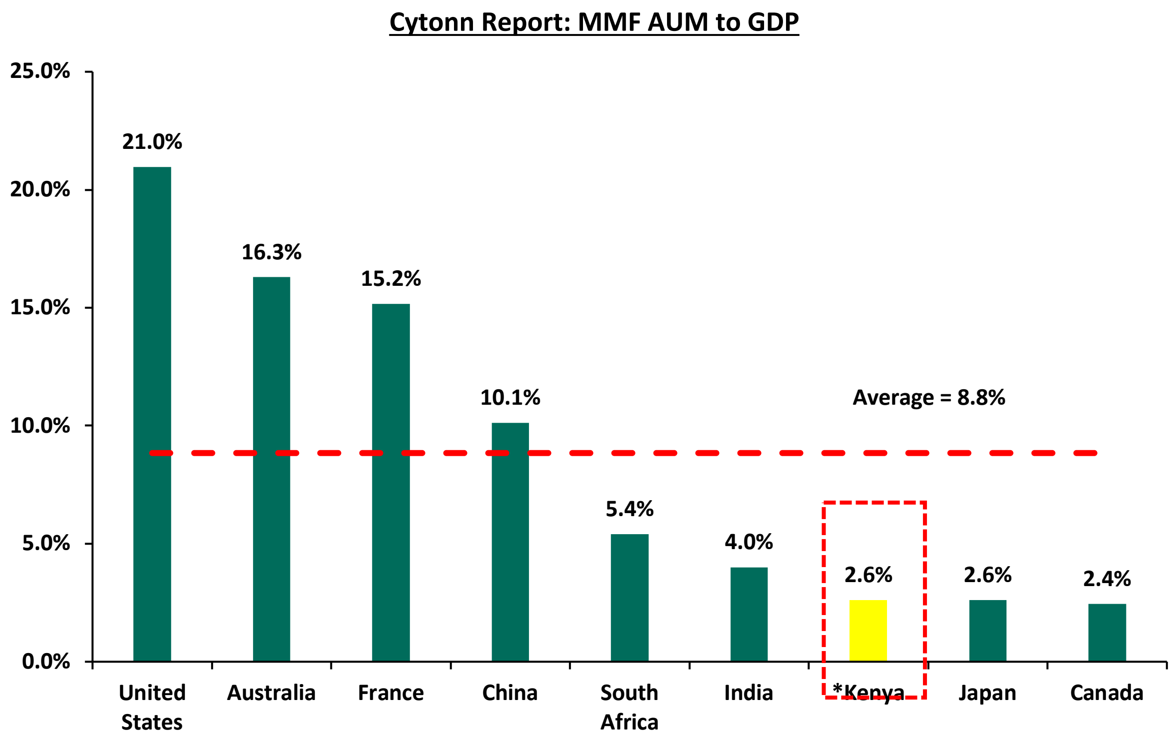
Money Market Funds in Kenya accounted for Kshs 423.7 bn which makes up 56.0% of all the funds under management by Collective Investment Schemes for Q4'2025. This is 5.9% higher than the Kshs 400.0 bn recorded at the end of Q3'2025.

Money Market funds as an asset class are still below the potential, with Kenya's MMF assets to GDP coming in at 2.6% as of Q4'2025, which is below the global average MMF assets to GDP ratio of 8.8% as of Q4'2025. 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 2.6% Money market AUM to GDP in Kenya represents a marginal 0.1% points increase from the 2.5% figure recorded in Q3'2025. 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 Q4'2025*

Top Five Money Market Funds by Yields

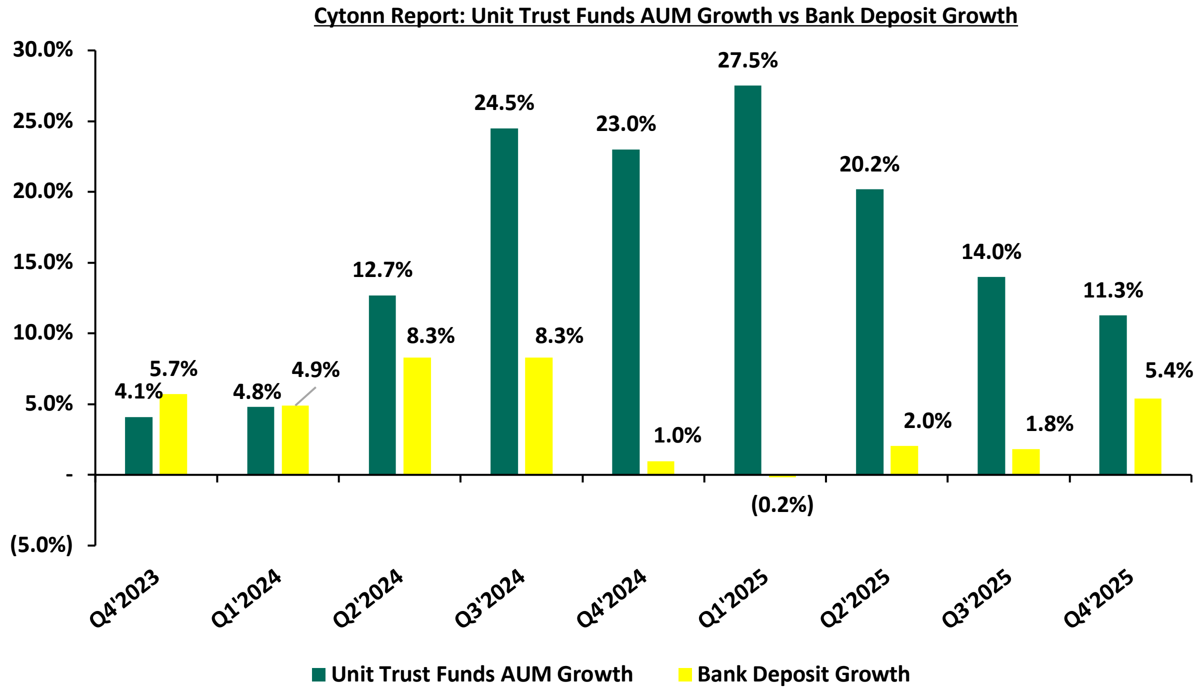
During the period under review, Cytonn Money Market Fund registered the highest average effective annual yield at 12.2% against the industry Q4'2025 average of 9.6%. Below is a table of the top five Money Market Funds with the highest average effective annual yield declared in Q4'2025;

Cytonn Report: Top 5 Money Market Fund Yield in Q4'2025		
Rank	**Money Market Fund**	**Effective Annual Rate (Average Q4'2025)**
1	Cytonn Money Market Fund	12.2%
2	Nabo Africa Money Market Fund	11.9%
3	Etica Money Market Fund	11.8%
4	Ndovu Money Market Fund	11.5%
5	Lofty-Corban Money Market Fund	11.4%
	Average of Top 5 Money Market Funds	**11.6%**
	Industry average	**9.6%**

Source: Cytonn Research, Daily Nation

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

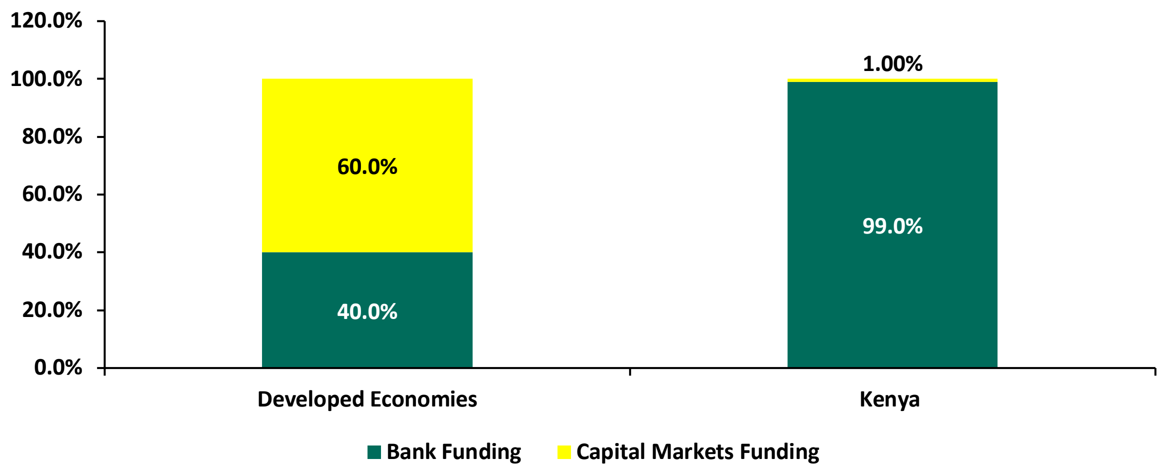
Unit Trust Funds' assets recorded a q/q growth of 11.3% in Q4'2025. On the other hand, banks' deposits recorded a growth of 5.4% in Q4'2025 to Kshs 6.3 tn from the Kshs 6.0 tn recorded in Q3'2025, translating to 3.6% points growth from the 0.2% points increase recorded in Q3'2025. For the Unit Trust Funds, the q/q growth of 11.3% was a decrease of 2.7% points, from the 14.0% growth recorded in Q3'2025. The chart below highlights the quarter-on-quarter AUM growths for Unit Trust Funds AUM vs Listed banks' deposits growth since 2023:



Source: CBK Credit Surveys, CIS Report

We note that there was an 11.3% 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 December 2025, Money Market Funds offered an average return of 9.6% for Q4’2025, lower than the 10.2% average recorded in Q3’2025, while bank deposits offered an average of 7.3%, lower than the 7.8% average recorded in Q3’2025. We therefore anticipate an expansion in business funding coming from capital markets from the current 1.0%, 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 99.0% of their funding, with a negligible 1.0% being raised from the capital markets.

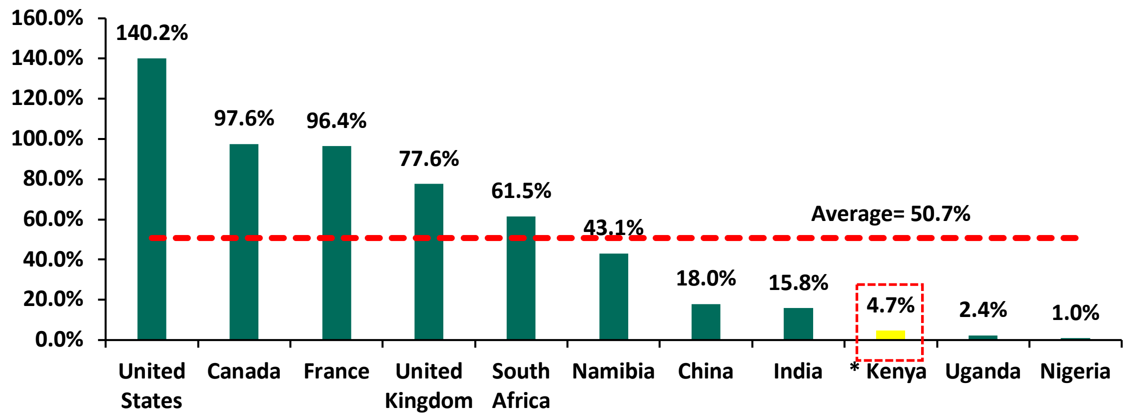
Cytonn Report:Bank and Capital Markets Funding in Kenya vs Developed Economies



Source: World Bank

Notably, Kenya's Mutual Funds/UTFs to GDP ratio at the end of FY'2025 came in at 4.7%, 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:

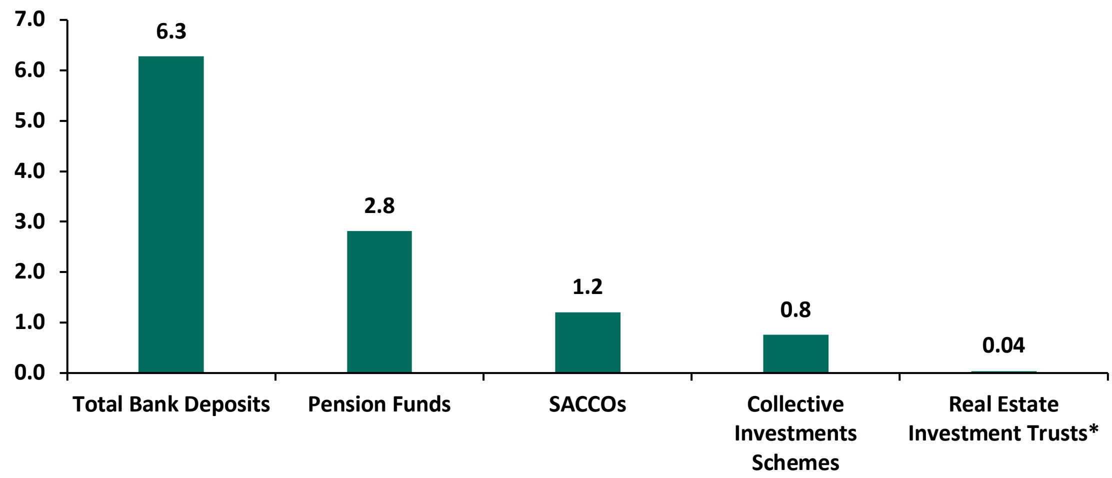
Cytonn Report: Mutual Funds Assets to GDP



**Data as of December 2025*
Source: World Bank Data

In the last five years, the Assets Under Management (AUM) of Unit Trust Funds (UTFs) have shown a remarkable performance, having grown at a 5-year CAGR of 41.2% to Kshs 756.2 bn in FY'2025, from Kshs 134.7 bn in FY'2021. 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 6.3 tn as at December 2025 from Kshs 5.7 tn recorded in December 2024. Similarly, the pension industry recorded an increase of 24.6%, to 2.8 tn as of December 2025 from Kshs 2.3 tn recorded in December 2024. Below is a graph showing the sizes of different saving channels and capital market products in Kenya;

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



**Data as of December 2025*

Source: CMA, RBA, CBK, SASRA 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 are only two listed REITs in Kenya, which are 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, five 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 remained the only listed REIT in the country, quoted on the restricted market sub-segment of the NSE's Main Investment Market Segment until March 2026, when ALP Industrial REIT was listed. It is important to note that Imara did not raise funds upon listing. The ALP REIT is the first industrial REIT in East Africa and the first USD-denominated security to list and trade on the NSE. 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:

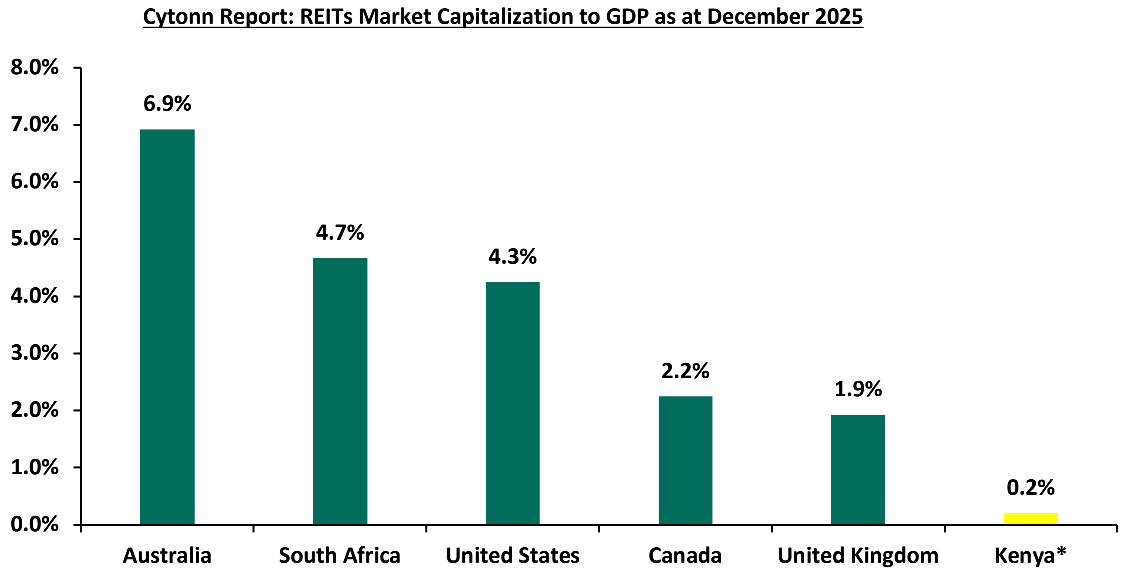
Cytonn Report: Authorized REITs in Kenya

#	Issuer	Name	Type of REIT	Listing Date	Market Segment	Status
1	Africa Logistics Properties	ALP Industrial REIT	I-REIT	March 2026	Restricted Market Sub-Segment of the Main Invesment Market	Restricted
2	ICEA Lion Asset Management (ILAM)	Fahari	I-REIT	July 2024	Unquoted Securities Platform (USP)	Trading
3	Acorn Holdings Limited	Acorn Student Accommodation (ASA) – Acorn ASA	I-REIT	February 2021	Unquoted Securities Platform (USP)	Trading

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

Source: Nairobi Securities Exchange, CMA

The listed REITs' capitalization as a percentage of GDP in Kenya stood at 0.2% as of June 2025, compared to 6.9% in Australia and 4.7% in South Africa as of December 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 December 2025*

Source: Online Research, Nairobi Securities Exchange (NSE

Section IV: Recommendations and Conclusion

The Kenyan Collective Investment Schemes (CIS) sector has continued to record strong growth, supported by increasing investor participation, sustained demand for diversified investment products, and the continued approval of new collective investment schemes and sub-funds by the regulator in a bid to deepen Kenya's capital markets. The rising number of investors participating in unit trust funds highlights the growing adoption of collective investment schemes as an alternative investment vehicle to traditional savings products. As the industry continues to evolve, there remains a need to strengthen the regulatory and operational framework to support sustainable growth, enhance product diversification, and improve investor confidence in collective investment schemes. To further accelerate the growth of Unit Trust Funds (UTFs) in Kenya's capital markets, we recommend the following:

i. **Encourage innovation and diversification of investment products:** While the CIS sector has experienced strong growth, there remains significant room for product diversification beyond traditional investment structures. The regulator should continue encouraging the development of alternative and specialized funds such as infrastructure funds, private credit funds, thematic funds, and sector-focused funds. Expanding the range of investment products would provide investors with greater portfolio diversification opportunities while also supporting capital formation in key sectors of the economy.

ii. **Allow greater flexibility for sector and thematic funds:** Current CIS regulations emphasize diversification across asset classes, which helps reduce concentration risk but may also limit the development of sector-focused funds. Allowing greater flexibility in the establishment of sector funds, such as financial services, technology, infrastructure, and real estate funds, would enable investors to gain targeted exposure to specific sectors with strong growth potential while also expanding the breadth of investment products in the market.

iii. **Encourage entry of new market participants to enhance competition:** Despite the growth of the CIS sector, the market remains relatively concentrated among a few large fund managers. Encouraging the entry of additional asset managers, including fintech-driven investment platforms and specialized fund managers, would enhance competition in the sector. Increased competition would likely lead to improved fund performance, lower costs for investors, and greater innovation in product development.

iv. **Leverage technology to expand retail participation:** Technology continues to play a key role in expanding access to investment products, particularly among retail investors. Leveraging digital investment platforms, mobile onboarding processes, and fintech partnerships would significantly enhance accessibility to Unit Trust Funds. Integrating investment platforms with mobile money ecosystems would also allow fund managers to reach a wider investor base, particularly younger and first-time investors.

v. **Review the proposed increase in regulatory fees to support industry growth:** The Capital Markets Authority (CMA) proposed a shift from the current flat licensing fee structure to an annual regulatory fee based on Assets Under Management (AUM). Under the proposal, collective investment schemes would pay approximately 0.05% of AUM annually, capped at Kshs 15.0 mn and floored at Kshs 100,000. While the proposed framework aims to align regulatory funding with the growth of the industry, it could significantly increase compliance costs for fund managers as the sector expands. As such, there is a need to carefully review the proposed fee structure to ensure that it does not discourage innovation or create barriers to entry for smaller or emerging fund managers. A phased implementation approach or a tiered fee structure could help balance the regulator's funding requirements with the need to support the continued development of the CIS sector.

vi. **Strengthen liquidity management and risk-management frameworks:** As the CIS sector continues to grow rapidly, strengthening liquidity management frameworks will be critical in safeguarding investor confidence. Regulators should encourage fund managers to implement robust liquidity management practices, including stress testing and redemption management mechanisms, to ensure funds remain resilient during periods of market volatility or large redemption pressures.

vii. **Enhance investor education and financial literacy:** Despite the rapid growth in the CIS industry, a large portion of the population remains unfamiliar with collective investment schemes and their benefits. Expanding investor education initiatives through collaboration between regulators, fund managers, and capital market stakeholders would improve financial literacy and encourage greater participation in unit trust funds. This would support the development of a stronger investment culture and enhance long-term domestic savings.

As Kenya's financial sector continues to evolve, Unit Trust Funds are playing an increasingly important role in mobilizing domestic savings and providing accessible investment opportunities to a broad range of investors. The continued growth in investor participation, coupled with the introduction of new investment products and regulatory developments within the CIS sector, highlights the expanding role of collective investment schemes in Kenya's capital markets. As such, policymakers should focus on fostering innovation, enhancing product diversification, leveraging technology to expand investor access, and ensuring that regulatory reforms support rather than constrain industry growth. Doing so will be key in strengthening the Unit Trust Funds sector, deepening Kenya's capital markets, and attracting a wider pool of both local and international investors.

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