DRY ASSOCIATES

INVESTMENT BANK

Investment Newsletter May 2025

Pavillion Resort, Shanzu, Mombasa, Feb 27, 2025 - Courtesy: J.Dry

Dear Investor,

The World Does Not End …

Dry Associates was asked recently to give a training session on Wealth Management to a financial institution here in Kenya. While we can teach financial planners how to construct an investment portfolio so it is tailored to an individual's circumstances and financial goals, it will never achieve those financial goals without one essential ingredient. Without it, the financial plan is useless. What is that attribute? Discipline!

By that, we mean sticking to the plan. Discipline is a personal attribute that every successful investor must have. Why, because successful investing is a long-term endeavor. Without the discipline to stay invested – in bull and bear markets – it is a waste of time.

Morgan Housel, in his book "The Psychology of Money", says it well when he says "… doing well with money has little to do with how smart you are and a lot to do with how you behave. And behavior is hard to teach, even to really smart people."

Yes, the US equities market is currently in correction territory meaning it is 10% below its recent highs. With headlines screaming US tariffs increase, we may be looking at a bear market meaning a 20% downdraft. Do not give in to panic selling. This is one reason we recommend every investor use a financial advisor. A responsible, competent advisor can be an important crutch to lean on during market downdrafts. The key is to stay invested.

Jeremy Siegel in this insightful book "Stocks for the Long Run" notes that the US market has returned an average 7% per year since 1802. For the past 50 years, the S&P 500 has returned 11.95% per year. There is much wisdom in the axiom "It's not timing the market, but time in the market that counts". The US markets can fall quickly, but the rebound cannot be predicted – and they will rebound. No, this time is NOT different!

On a side note, as Kenyan investors, we have better options than US investors. Whereas US fixed income securities historically have paid a paltry 5% and less per year, Kenyan fixed income security yields are much higher. A judicious mix of US equities for long term capital appreciation and Kenyan fixed income securities for current income makes a winning investment portfolio.

5 Years Ago

In the same vein as the world does not end, it's worth reflecting that we passed the 5-year anniversary of the start of Covid this March 2025. On March 10, 2020, the US market dropped 2,000 points. On March 11, all travel between Europe and Asia and the US was suspended. On March 12, the market dropped another 2,352 points. On March 23, the Dow hit its lowest point at 18,213. In less than a month, the market fell nearly 33%.

It took five months to recoup that loss but did so, almost strangely, even as the death toll continued rising. Stock markets are anticipatory, trying constantly to reflect the future. The fact remains, the world does not end, Covid ended, and today fine dining, indoor events and sea cruises are again everyday events.

The Markets Today

Globalization has ended. At least that is what *Wall Street Journal* recent headlines read. They are probably right.

Globalization was the surge in international trade and cooperation, accelerated after the collapse of the Soviet Union in 1989, encouraged by the United States. Francis Fukuyama's 1992 book "The End of History and the Last Man" predicted the rise of Western democracy as the final form of human government. It hasn't worked out that way.

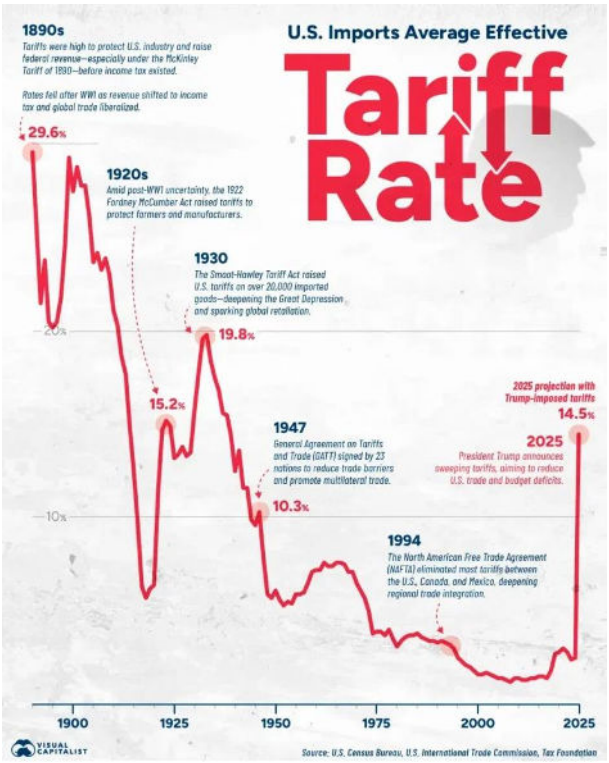
Democracy as a unifying, universal system of government has not spread worldwide as the US anticipated. Instead, international trade spurred global growth, but it also empowered countries that do not espouse democracy so that the political landscape is now multipolar. Another unanticipated outcome for the US is that it hollowed out much of the US manufacturing sector.

President Donald Trump's world view and ambition is to forcefully and directly reverse the current international trading system with new US tariffs. This, as we all know, is roiling markets worldwide.

As investors, we should try to anticipate the end game here. In round numbers, the US imports about 15% of a $30 trillion economy – or roughly $4.5 trillion. As such, foreign companies exporting to the US are facing tariffs that will make their goods more expensive to the US consumer. The US consumer would have to pay higher prices – at least in the short to medium term – if it continues to purchase these goods which means inflation in the US would rise. Retaliatory tariffs by other countries would effectively result in importing inflation to these countries as well.

There are strongly felt arguments on both sides. Most economists were brought up on the theory of comparative advantage which states that countries benefit from international trade by producing goods and services that they can produce less expensively than other countries. China and Thailand certainly produce sneakers and T-shirts less expensively than the US. The US has an advantage in aircraft and software.

Where the problem is particularly acute is with commodities like corn or beef which are vital for any nation's food security as well as certain industries like the auto and shipbuilding industries which the US feels is critical either for full employment or national security reasons.



U.S. Imports Average Effective Tariff Rate

The way forward would seem to be a leveling of all tariffs or no tariffs at all allowing comparative advantage to benefit the consumer except for those goods and services deemed critical to certain counties. The US president is obviously transactional and appears to be looking to conclude deals that are more favorable to the US. It is difficult to estimate how long this process with take, especially with China, but level heads will eventually prevail, and this man-made crisis will likely be resolved with compromises and practical decisions well before year end 2025.

Launch of Special High Yield Fund

Dry Associates launched its *Special High Yield Fund* in January 2025. The fund was approved under the Capital Markets Authority's Alternative Investments legislation. Under this legislation, this fund provides income over the medium to long-term by investing in a diversified portfolio of fixed income securities with a weighted average duration of no longer than sixty (60) months. The longer duration and larger exposure to corporate debt relative to bank and government debt allows higher yields than the traditional money market funds. The Fact Sheet for the Special High Yield Fund showing the interest rate returns for this fund as well as fact sheets for the *Dry Associates Kenya Shilling Money Market Fund* and *Dry Associates US Dollar Money Market Fund* are updated monthly and posted on our website under the heading "Fund Management" (www.dryassociates.com).

Issuance of new 4G Capital KES One Billion programme

On April 4th, 2025, Dry Associates signed an Engagement Letter with Forth Generation Capital ("4G Capital") to raise Kenya Shillings One Billion (equivalent in KES and USD) under a 2-year note programme. 4G Capital is a licensed digital credit provider bringing responsible lending to thousands of SME's and individuals. With branches in Kenya and Uganda, its proprietary technology provides high fidelity insights and due diligence to previously underserved sectors of the economy. 4G Capital currently has a short-term note (STN) programme of KES 800 million with us which has been fully subscribed for some time. The new programme will be similarly collateralized, that is, a fixed and floating charge registered on the Movables Register equivalent to 1.5x the funds borrowed as well as an additional cash cover of 17.50% of the amount borrowed. The 2-year notes currently offer an annual KES interest rate of 17.50% and US dollar notes pay 9.50% with interest paid quarterly. The following link is a Fact Sheet on 4G Capital and the new offering https://www.dryassociates.com/wp-content/uploads/2025/04/4G-Capital-MTN-Fact-Sheet-April-2025.pdf.

Launch of Dry Associates Global Markets Platform – Gateway to Global Investing

In April 2025, we launched Dry Associates Global Markets, our new offshore trading desk that opens up a world of opportunity for our Private Wealth clients. Through this platform, clients can now access over **24,000 global securities**, including **stocks, mutual funds, ETFs, sovereign and corporate bonds**, and a wide range of international investment options — all seamlessly integrated into your Private Wealth portfolio.

As markets evolve, so must one's portfolio. Diversifying across geographies and currencies is no longer a luxury — it's a strategic necessity. While many investors remain focused solely on local opportunities, the global stage offers potential for growth, protection, and long-term wealth preservation. This new platform will allow clients to expand their investment horizons positioning portfolios for long-term success across multiple markets and currencies.

"The best time to plant a tree was 20 years ago. The second best time is now."
Chinese proverb

Please contact your Investment Executive to schedule a personalized strategy session. Whether looking to complement your existing Private Wealth or Franklin Templeton holdings — or build a fresh offshore portfolio — we' would be delighted to host you for a coffee and a conversation.

Put Options as "Insurance" Against Market Volitivity

While stock ownership creates wealth in the long term, it comes with a price. That price is volatility. Over the long run, US stocks have proved a much better wealth creator than bonds. In the short term, however, and with the increased investment by our clientele in US and international stocks and bonds, there are ways to provide "insurance" against short term market volatility. One of the best ways to do this is through the purchase of put options.

A put option gives an investor the right to sell a stock at an agreed “strike price” even as the stock price has fallen. For example, if an investor has a diversified portfolio of US stocks, and volatility is a concern, you might buy a put on the entire market by purchasing a 30, 60, 90 day or longer put option on the Standard & Poor 500 Index. This is done by purchasing the S&P 500 Exchange Traded Fund (ETF) which is a mirror image of the top 500 companies listed on the New York Stock Exchange. This ETF trades like a stock and has the ticker symbol SPY (sometimes called a “spider”). By purchasing the SPY put option, if the market falls, the put will increase in value, offsetting the fall in the value of your investment portfolio. If the S&P 500 index does not fall during the life of the put, the put will expire worthless, which is like paying an insurance premium. Please talk to your Investment Executive if you would like to investigate this further.

Old Town, Mombasa, March 1, 2025 - Courtesy: J.Dry

Estate Planning

We continue to receive questions regarding wills and trusts. Here are a few of the questions and brief answers. Please contact our in-house lawyers for more personalized answers.

Do I need a will or a trust? Regardless of the size of one’s estate, a trust, particularly Family Trusts, are generally preferable to wills. A Family Trust is revocable meaning it can be changed by the Settlor (the individual setting up the trust) while still alive. This is

important because after a trust is established, things can change - divorce, deaths in the family, diminished mental capacity of the Settlor. A Settlor can make changes to the trust such as providing instructions on how one's affairs are to be handled if you become incapacitated. Another drawback to a will is that it must be probated, meaning the transfer of ownership of assets is a long-drawn-out court process. Trust administration is private. And finally, administering a trust is generally less expensive and less time consuming than probating a will.

What is the cost of preparing a trust? The legal cost of preparing a trust for private wealth clients is about KES 100K (All inclusive). This cost includes the cost of preparation and registering the Trust with the relevant Registry.

"Put not your trust in money but put your money in trust."
Oliver Wendell Homes, Justice of the US Supreme Court (1902 – 1932)

Is a trust drawn in Kenya enforceable in other countries like the UK? A trust drawn in Kenya is limited to assets within the Kenyan jurisdiction. Assets held in foreign countries should be included in a trust drawn in that country.

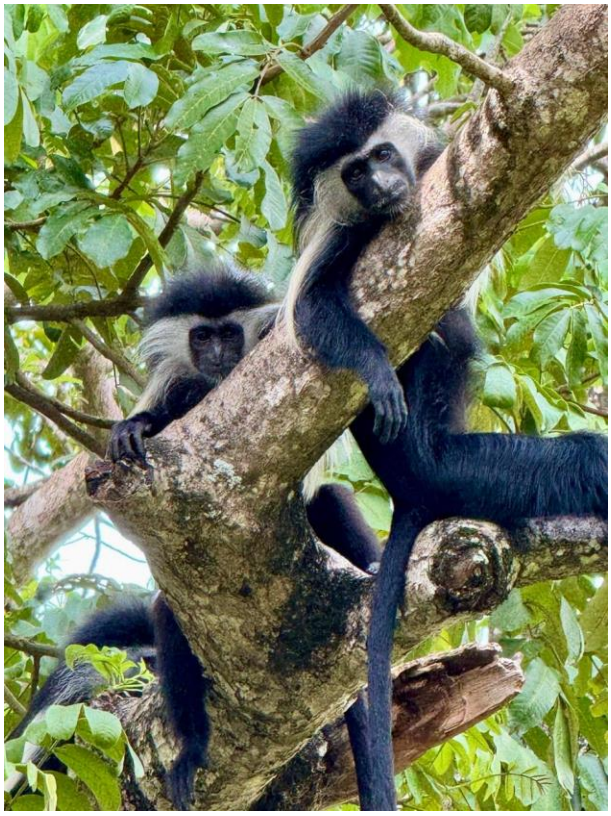
Are there different types of Family Trusts in Kenya? Yes, a Family Trust can be unincorporated or incorporated. An unincorporated trust is the more common and can hold any type of asset – stock and bond securities, real estate, for example. If these assets are listed and described in the trust, the title on each of these assets individually need not be changed to the trust name to be included in the trust. An incorporated trust, on the other hand, can undertake any business activity it deems fit to undertake, but of course, it must file all the annual returns including annual taxes like any other business.

If I own a business, how should I proceed? Succession planning deals with leadership transitioning or restructuring of a business as opposed to estate planning which deals with the entirety of one's assets and/or wealth. Dry Associates has unique insights in this area as it may involve succession options such as listing on an exchange, private equity buy-ins, earn-out agreements or other arrangements to retain or dispose of shareholding. This involves working closely with business owners to prepare and execute a plan which caters to the owner's and the business's respective needs.

Interest Rates Available in Kenya

The following are some of the current yields available on Kenya debt securities:

Security	Interest Rate Yield (%)
2-year Corporate Note	17.00 – 17.50
1-year Corporate Note	14.00 – 17.00
Dry Associates Special High Yield Fund	12.66
Dry Associates KES Money Market Fund	11.47
1-year Kenyan Treasury Bill	10.07
6-month Kenyan Treasury Bill	8.76
3-month Kenyan Treasury Bill	8.50
Dry Associates US Dollar Money Market Fund	5.24
Average Annual Inflation	***3.98***



Galu Beach, Diani, Apr 14, 2025 - Courtesy: C. Dry

A Few Housekeeping Notes

Dry Associates is automating many previously paper-based functions in an effort to keep client data current, allow easier access to your funds, and generally improve communications. Sometimes it doesn't work that way!

Phone System: First the phone system. Dry Associates now uses a "3cx" system which is entirely computer based. There are several reasons for this. Perhaps the most important is that it has allowed us to put the 3cx system on employees' mobile phones, which permits recording of all client phone calls. We strongly discourage interacting with your Investment Executive or any Dry Associates employee on their personal phone number. In fact, in the

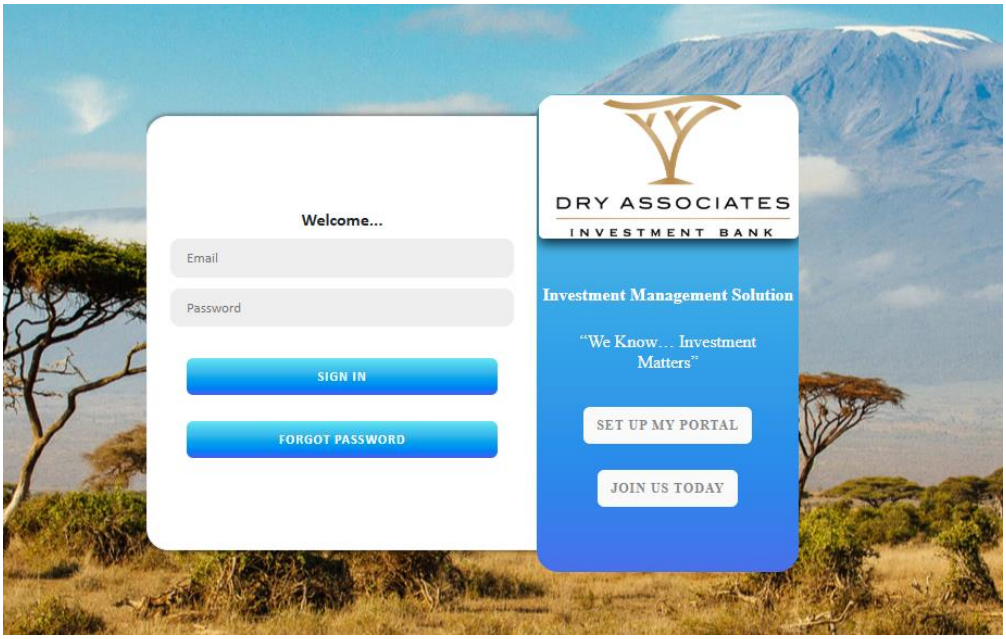
UK, US and EU, it is mandatory that all telephone conversations at investment banks are recorded for transparency. We are simply getting a head start. Doing so will help clarify any ambiguity in agreements or instructions if that situation ever arises.

That said, some of these official phone numbers will not be answered if the individual is occupied or away from their phone. We have found that in some cases, the number will ring 5 times and the call is dropped – meaning it did not roll to another number or go to voice mail. We are working on rectifying this but in the meantime, our Receptionist's Number is **0111 014 600** which is manned 8 hours every day and will roll over to another person if the receptionist was not available for any reason. In other words, we should always be reachable! Each Investment Executive has his/her own official number so please put that on your contacts list on your phone. Other company numbers are:

0111 014 617	Client Services (Eunice is the Client Services Manager)
0111 014 606	Legal Department (Florence)
0111 014 649	Legal Department (Sylvia)

Unit Trust Login:

All members of Dry Associates unit trusts can now set up and log into their accounts through the Dry Associates website (www.dryassociates.com). The unit trust log in portal on our website looks like this:



Perhaps one confusing link is the "Join Us Today". We may remove this link as it requests client data like ID or Passport Number and other information, but it is simply a notification to Dry Associates to contact you. Easier to pick up the phone and call!

The other Unit Trust links are straight forward. However, the unit trust link was updated on

our website in February 2025, so if you “bookmarked” the earlier link on your computer, please delete that (and bookmark this current link if you want). Using the Unit Trust link allows clients to view current balances in the unit trusts as well as submit on-line redemption requests. We hope the automation will, in time, make communication with us easier.

As we close this newsletter, we recommit to serve each of our clients diligently. We view our brand as a promise and our clients as individuals with names, faces and individual goals and aspirations. We look forward to working with each of you now and for years to come.

Sincerely,
Dry Associates Investment Bank

DRY ASSOCIATES
INVESTMENT BANK

Dry Associates Investment Bank offers a wide range of products and services:

Private Wealth Management | Unit Trusts | Commercial Paper | Investment Advisory Services | Pension Fund Management | Offshore Funds | Consulting | Corporate Finance | Treasury Management | Portfolio Management

For more information visit our website www.dryassociates.com or speak to us directly on
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