



DRY ASSOCIATES

INVESTMENT BANK

Investment Newsletter October 2025



Looking towards Mt. Kenya on the Laikipia Plateau, Lewa Downs (May 2, 2025) - Courtesy: S.Dry

4th Quarter Themes...

- Investment Outlook
- Beating Inflation ... and Taxes
- What Should an Investor Do?
- Pensions for Yourself and/or Staff
- Interest Rates Available in Kenya Today
- Estate Planning – Family Trusts
- Estate Planning – Land Title Deed Conversions

Dear Investor,

Investment Outlook

The global investment outlook continues to look positive. In July 2025, the International Monetary Fund (IMF) revised upward its 2025 global growth forecast from 2.8% to 3%. Emerging Markets are forecast to grow 4.1% in 2025 per the following:

IMF World Growth Projections

	2024	2025	2026
World Output	3.3	3.0	3.1
US	2.8	1.9	2.0
Euro Area	0.9	1.0	1.2
Germany	(0.2)	0.1	0.9
France	1.1	0.6	1.0
Italy	0.7	0.5	0.8
Spain	3.2	2.5	1.8
Japan	0.2	0.7	0.5
UK	1.1	1.2	1.4
Emerging Markets	4.3	4.1	4.0
China	5.0	4.8	4.2
India	6.5	6.4	6.4
Russia	4.3	2.6	1.7

Since the opening of the Dry Associates Global Markets platform, allowing clients to invest anywhere in the world, our clients have increased their exposure to US equities, which is a good thing. The quarter point reduction in the US Fed Funds interest rate on September 19 to 4.00% and the prevalent AI theme is underpinning growth in the US market. All the market indexes are hitting new highs, including the Dow Jones Industrial Average which surpassed 46,000 for the first time.

We encourage investors to diversify their investment portfolios to include some exposure to US equity markets as it offers capital gains as opposed to the just high-interest rate yields in Kenya.

The Global Markets platform now offers our investors access to the full range of US securities – whether pure plays like Nvidia or JP Morgan or Exchange Traded Funds (ETFs) like “cubes” representing the largest 100 companies on the tech heavy Nasdaq exchange with ticker symbol QQQ or ‘spiders (SPY) representing the entire gamut of Standard & Poor’s 500 stocks or even physical gold ownership (GLD).

Sample One Year Returns of US Stocks

Sector	Stock	Ticker Symbol	1-YR Return
Aerospace	Rocket Lab	RKLB	437%
AI	Palantir	PLTR	383%
Nuclear Energy	Nano Nuclear Energy	NNE	175%
Financial Services	Interactive Brokers	IBRK	90%
Communication/Music	Spotify	SPOT	88%
Aerospace & Defense	iShares US Defense (ETF)	ITA	55%
Defense	Leonardo DRS	DRS	53%
Banking	JP Morgan	JPM	50%
Semiconductor	Nvidia	NVDA	48%

Speaking of gold, rather ironically it too is hitting new highs. Gold, a commodity which typically acts as an “insurance policy” for investors in times of uncertainty, almost certainly is attractive to investors increasingly concerned about inflation. Court us among them.

Beating Inflation ... and Taxes

The goal of investing is to create wealth, but at a minimum your money needs to earn more than inflation and taxes. You will not beat inflation and taxes by putting your money in a commercial bank account. Inflation is currently diminishing the value of the Kenya shilling at 4.6% per year. Inflation in the US is currently 2.9% after hitting 9.1% in June 2023.

Inflation is too much money chasing too few goods. It can be caused by temporary imbalances in supply and demand, but the biggest cause is excess government “deficit” spending. Deficit spending is the amount governments spend more than the amount they take in in taxes. In 2025, the US government’s deficit spend will be \$2 trillion (that is, 6.2% of GDP). The Kenyan government’s deficit spend will be KES 923 billion (that is, 4.8% of GDP). A single year’s deficit spend would not be a problem but when it occurs year after year, the currency is debased.

In fact, rising government debt has become the single biggest macroeconomic concern today. Podcasts, videos and media outlets are raising the prospect of a bursting “debt bomb” which would create global instability. Warren Buffet in his May 2025 Berkshire Hathaway shareholders meeting, speaking about US government debt said “We’re operating at a fiscal [“government budget”] deficit now that is unsustainable over a very long period of time. We don’t know whether that means two years or twenty years ... but you know this cannot go on forever”.

It's the old, boiled frog analogy. Put a frog in boiling water and it will jump out immediately but put it in a pot and slowly raise the temperature and it will remain in the water until it weakens and dies. That is inflation – a slow erosion of money as a store of value eviscerating savings, fixed income investments and eventually the currency itself.

Of course, the other thing working directly against investors is taxes. Some taxes are necessary but when a government continuously raises taxes, it is a direct assault on wealth creation and preservation.

One common sense solution to eliminate deficit spending would be a balanced budget amendment outlawing deficit spending. In fact, some countries have balanced budget rules, but they are not enforced. Credit though to countries like Estonia, Latvia and Austria for exercising reasonable budget constraints. But worldwide, investors need to accept that governments will continue irresponsible spending.



A flooded house, Lake Naivasha (September 28, 2025) - Courtesy: S.Dry

What should an investor do?

- 1) Diversify your portfolio. Strong diversification includes a multi-national mix of investments. Our Global Markets platform and/or Franklin Templeton mutual funds offer broad international exposure. Note, however, we continue to recommend some exposure to the US economy. It is arguably the world's most dynamic economy, and its policies are pro-business supporting innovation and entrepreneurship. In addition, the economy has deep capital markets as well as strong rule of law.
- 2) Buy tangible assets such as commodities like gold and silver. Real estate is another tangible asset that should keep up with inflation.
- 3) Buy stocks of growing companies whether locally or internationally since companies can price inflation into their goods and services, unless there is very high inflation.

Pensions for Yourself and/or Staff

Dry Associates held its Annual General Meeting (AGM) for the Dry Associates Personal Provident Plan (DAPPP) on September 19th. While many of our clients may overlook pension plans because the amount one can contribute is relatively low, it is nevertheless noteworthy that monthly tax-free contributions have increased to KES 30,000 per month (from KES 20,000) or an annual contribution of KES 360,000. While this may not be much, it is the only concession you'll get from the government. In any event, a tax-free contribution of KES 30K per month earning 10% per year (compounded monthly) tax free will grow to KES 67,792,031 in 30 years and KES 189,659,147 in 40 years. The funds can be taken out tax free at retirement age which DAPPP defines as age 50 or more. Incidentally, you do not have to be employed to contribute to a Kenyan pension plan.

While wealthier clients may not want to bother with a pension plan, you may want to enroll your colleagues at work or your domestic staff in DAPPP. There is no cost to doing so. In particular, it can provide a good deal of financial security for domestic staff. A KES 5,000/= contribution deducted from salary meaning no tax is levied on the KES 5,000/=: will grow to KES 11,302,440 in 30 years if it's earning 10% per year. Incidentally, DAPPP earned 12% in 2024.

At retirement, a pension "member" can withdraw the amount as a lump sum tax free because it is a "provident" plan. Other pension schemes do not allow the withdrawal of the entire sum. Then, after withdrawal of the funds, the funds can be placed into an

investment portfolio. One easy way to invest is to place the funds into a Unit Trust like Dry Associates Money Market Fund. The unit trust can then be instructed to pay out monthly amounts – that is, all the interest earned monthly or some specified Kenyan Shilling amount. Either way, the staff member's lump sum will continue to pay out indefinitely and will provide a legacy to his/her beneficiaries at death. If the funds were invested in an annuity managed by an insurance company, the monthly payout would be higher, but the insurance company keeps the entire lump sum at death which probably is not an attractive alternative.

Interest Rates Available in Kenya Today

The following are interest rate returns available in Kenya today on debt securities:

Security	Annual Interest Rate Yield
3-year Corporate Note	19 – 21 %
2-year Corporate Note	18.5%
1-year Corporate Note	17.5%
Dry Associates Special High Yield Fund	12.9%
Dry Associates KES Money Market Fund	10.0%
1-year Kenyan Treasury Bill	9.5%
6-month Kenyan Treasury Bill	7.9%
KES 5M 3-month Bank Deposit (Tier 1 Bank)	6.5%
Dry Associates USD Money Market Fund	5.1%
<i>Average Annual Inflation</i>	4.6%

Estate Planning – The Family Trust

At Dry Associates we know all our clients are going to live to be 100, but just in case something was to happen prior to the centennial, it is best to have one's financial affairs in order. In fact, our clients are keeping our legal team very busy preparing Family Trusts and converting land title deeds. A little planning goes a long way and having a Family Trust in place ensures financial obligations are met and property decisions will not be an additional burden on the family. Dry Associates is in the business of ensuring wealth stays in the family. So, a balanced investment portfolio and a Family Trust are key to continued family wealth in this uncertain world.

We put a few questions regarding Family Trusts to Florence Okeyo (Tel: 0111 014 606) our General Counsel who responded as follows:

1) Do clients need a Will and a Family Trust?

Typically, a family trust is sufficient for clients with assets located within Kenya. It allows for private, probate-free distribution and can be accompanied by a Letter of Wishes detailing personal items, charitable donations, and other instructions. A will is recommended for assets outside the Kenyan jurisdiction or those not placed in the trust, and it may be subject to probate proceedings.

2) As we understand it, there are two ways to title assets in Kenya 1) Joint Tenancy (which means equal ownership and right of survivorship and no need to probate) and 2) Tenancy in Common (which means assets are owned separately and perhaps not equally and there is no right of survivorship meaning the deceased person's assets are probated). Is this correct?

Yes. Joint Tenancy is ideal for spouses or partners who want assets to pass quickly and seamlessly upon death while Tenancy in Common is ideal for business partners or investors who want their heirs to inherit their specific share of an asset.

3) There are assets that typically bypass probate like Joint Tenancy Bank Accounts, Insurance Policies with named Beneficiaries. Are there other titled assets that would not require probate in the absence of a will or trust?

Yes. Contractual Assets (with Designated Nominee/Beneficiary) such as;

- Retirement/Pension Funds (e.g., NSSF, private occupational schemes)
- SACCO Shares and Deposits (Savings and Credit Co-operative Societies)
- Joint Tenancy Land/Property
- Jointly Titled Registered Company Shares (Less common, but possible)

Estate Planning – Land Title Conversions

We asked Sylvia Agagiate (Tel: 0111 014 649) also an attorney in our legal department about the requirement that Nairobi landowners replace their existing title deeds with new digitized title deeds. She is actively making conversions for clients, and she responded:

1) Can Nairobi properties still be bought and sold with the old titles?

Old title deeds are no longer valid for new property transactions in Nairobi. The Ministry of Lands and Physical Planning requires mandatory conversion of titles for all gazetted parcels under the ongoing digitization process.

- 2) What are the benefits of having your old title converted?

There are many benefits to having your title converted, the primary reason being defense against land fraud and corruption, as it makes titles instantly verifiable and eliminates the reliance on error-prone physical files. Conversion is essential for securing your property rights and simplifying transactions.

Ultimately, a converted title ensures your property is compliant, marketable, and secure, allowing for faster and more efficient future transactions like transfers, leases, or charges.

- 3) Is there a deadline when these titles changes must be made?

There is no deadline, however, all transactions (including Charges, Transfers, Leases, Purchases and Sales) must be done via the Ministry of Lands and Physical Planning new National Land Information System (NLMIS).

- 4) Can old Nairobi property titles be transferred into a Family Trust?

Yes, they can be transferred into a Family Trust.



Sundowners, looking toward Borana, (May 1, 2025) - Courtesy: S.Dry

This newsletter is already too long so we'll hit the send button. But as we do, we do so with the commitment to serving each of our clients to the best of our ability. We encourage each of our clients to work with your designated Investment Executive to construct a balanced investment portfolio that continues creating wealth today and tomorrow.

Sincerely,

Dry Associates Investment Bank