DRY ASSOCIATES
INVESTMENT BANK

Investment Newsletter May 2026

Dear Investor,

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The picturesque Chamarel Waterall, Riviere Noire District, Mauritius, 14 Oct. '25 (Courtesy: S. Dry)

1. Volatility and Smart Investing

Despite heightened geopolitical tensions earlier this year, the US stock market has remained remarkably resilient. Between late February and mid-May, the Dow Jones Industrial Average experienced a pullback before recovering again – a reminder that volatility is a normal feature of equity investing.

A 10% decline in the stock market is commonly referred to as a "correction". Over the past 25 years, the US stock market has experienced multiple corrections as well as several "bear markets" – declines of 20% or more. The most recent major bear market occurred during Covid-19 in 2020 when markets fell sharply before ultimately recovering.

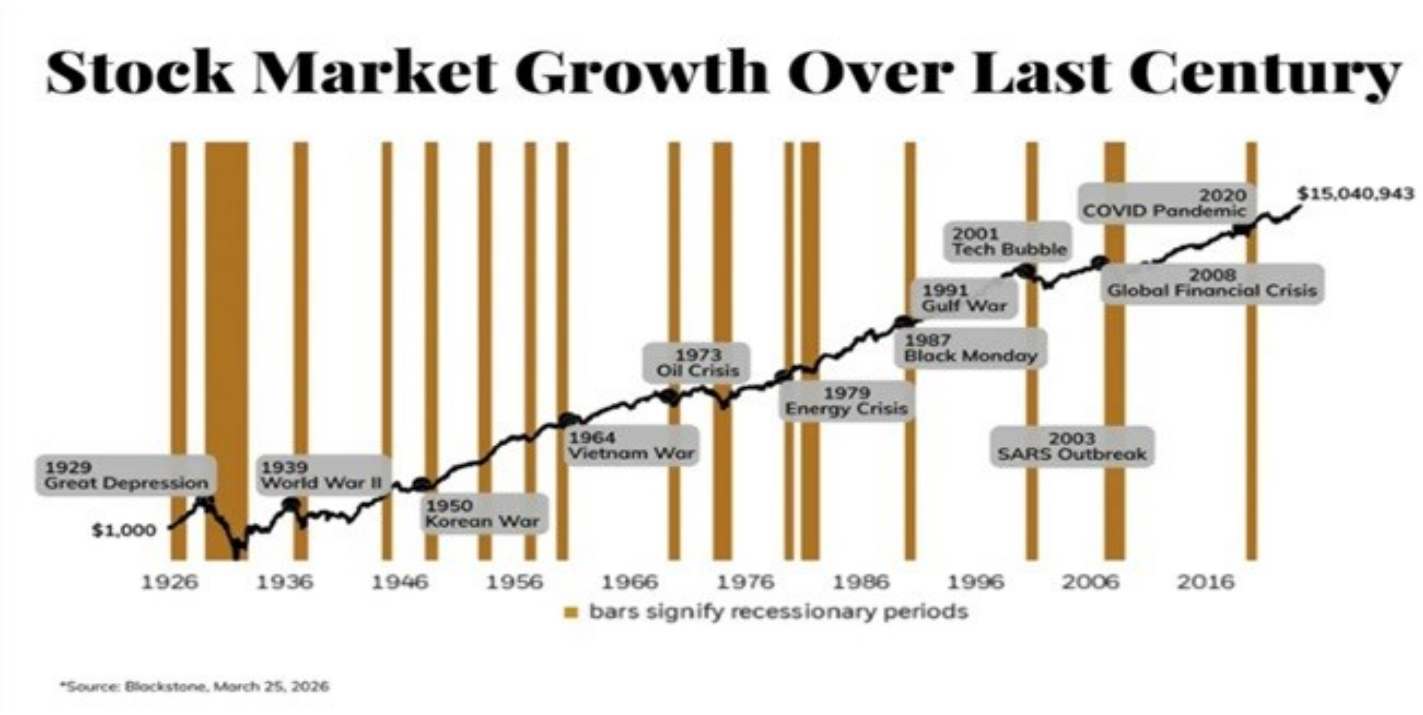
Volatility is the price investors pay for long-term capital appreciation.

Author and professor Jeremy Siegel of the Wharton School, in his well-known book *Stocks for the Long Run*, compared different investment strategies over the past two centuries and concluded that diversified portfolios of common stocks have historically outperformed most other financial assets over long periods of time.

Siegel's research focuses principally on US equities and bonds, where equities have historically generated stronger long-term returns than fixed income securities. His recommended allocation includes broad exposure to large-cap, mid-cap, small-cap and international equities, recognizing that a substantial portion of global economic activity now occurs outside the United States.

A key principle of long-term investing is "dollar cost averaging" – investing steadily at regular intervals regardless of market swings. Many of our most successful investors continue adding to their portfolios monthly or quarterly through both rising and falling markets.

That said, Kenyan investors operate in a different interest rate environment from investors in developed economies. Kenya continues to offer comparatively high yields on fixed income securities including money market funds, corporate notes and Government of Kenya Treasury instruments. As such, portfolio construction in Kenya often benefits from a meaningful allocation to both equities and high-yielding debt securities.



2. Investing in Megatrends

At Dry Associates Investment Bank, we generally recommend that Kenyan investors maintain between 25% and 50% exposure to equities depending on age, financial objectives and risk tolerance.

Within this equity allocation, we typically recommend that a substantial portion be invested in broad-based Exchange Traded Funds (ETFs). ETFs trade like ordinary shares but provide exposure to diversified baskets of companies representing broader market indices or sectors.

For example:

- The ETF with ticker symbol DIA ("Diamonds") mirrors the Dow Jones Industrial Average.
- SPY ("Spiders") tracks the S&P 500 Index.
- QQQ tracks the Nasdaq 100 Index, including companies such as Nvidia, Microsoft, Amazon and Apple.

These instruments provide investors with diversified exposure to developed markets while reducing the risks associated with concentrating capital in individual companies.

Alongside broad market exposure, many investors are also seeking exposure to transformational long-term economic themes such as:

- Artificial Intelligence
- Semiconductors
- Space and satellite technologies
- Nuclear and energy infrastructure
- Cybersecurity and defence technologies

Rather than selecting a single company within these sectors, many investors prefer thematic ETFs which spread risk across multiple businesses operating within the same industry.

For example, the ETF UFO provides exposure to companies involved in satellite operations, launch systems and space-related technologies. Its holdings include a diversified basket of companies operating across the broader space economy.

Similarly, ETFs focused on semiconductors, uranium, aerospace and technology infrastructure have attracted significant investor attention over recent years as global capital increasingly flows toward these industries.

If an investor has particularly strong conviction regarding a single company, individual stock exposure can certainly form part of a portfolio. However, as a general principle, we recommend limiting concentrated single-stock positions relative to the broader portfolio.

All the securities below can be accessed through the Dry Associates Global Markets Platform.

Sector	Stock	Ticker Symbol	1-year Return (%)	5-year Return (%)
Coca-Cola	Individual Stock	KO	8	44
STOXX Europe 600	STOXX Index	EXSA	16	8
30 Blue Chip Companies in US	Dow Jones Index	DIA	20	42
Large and mid-cap banks with EU focus	ETF	EUFN	20	178
JP Morgan Chase Bank	Individual Stock	JPM	24	92
Total US stock market index	Vanguard Total Stock Mkt Index	VTI	28	62
500 Largest Companies in US	Standard & Poor 500	SPY	28	70
Aerospace & Defense companies	41 companies in ETF	ITA	34	101
Gold	Gold ETF	GLD	37	145
100 Largest Companies on Tech heavy Nasdaq	Nasdaq 100	QQQ	39	102
Amazon	Individual Stock	AMZN	45	66
Roundhill Magnificent Seven ETF	Alphabet (Google), Amazon, etc.	MAGS	47	177
Information Technology	ETF	VGT	49	125
Nasdaq 700 Small Cap Index	ETF focused this index	FYX	50	41
Reactors, construction, utilities and energy	38-44 company ETF in nuclear sector	NUKZ	71	186
Nvidia	Individual Stock	NVDA	77	1255
Uranium mining, refining, exploration ETF	Companies across uranium sector	URA	115	148
Space (Satellite and Rocket Industry)	56 Companies in ETF	UFO	124	71
Silver	Silver ETF	SLV	126	162
25 largest US semiconductor companies	Van Eck Semiconductor ETF	SMH	134	318
Alphabet	Individual Stock	GOOG	157	228

3. The Other Half of Your Portfolio – Fixed Income Securities

So far, we have focused principally on the equity side of portfolio construction. However, fixed income securities remain equally important, particularly for Kenyan investors.

Fixed income investments include:

- Corporate notes and bonds
- Money market funds
- Government Treasury Bills and Bonds
- Tax-free Infrastructure Bonds

Kenya, as an emerging market economy, continues to offer comparatively attractive yields on shilling-denominated debt securities relative to developed markets.

Historically, equities in developed markets such as the United States have generated annualized long-term returns in the region of 10–11%. By contrast, high-quality private corporate debt opportunities in Kenya have at times offered materially higher nominal yields.

Naturally, these elevated yields come with additional considerations, including liquidity risk, credit risk and foreign exchange risk. Over the past decade, the Kenya Shilling has depreciated gradually against the US Dollar, and investors should consider currency diversification as part of prudent long-term portfolio construction.

At Dry Associates, we generally encourage clients to diversify across:

- Asset classes
- Currencies
- Geographies
- Industries

This diversification helps reduce concentration risk while positioning portfolios for long-term capital preservation and growth.



A historic cottage, southern shore of Lake Naivasha, 21 Feb. '26 (Courtesy: S. Dry)

4. Sample Investment Portfolio

At Dry Associates Investment Bank, we work with clients to structure diversified portfolios aligned with their individual objectives, liquidity needs and risk tolerance.

Assuming an investor had KES 100 million to invest, we might suggest a sample portfolio something like the following, of course, personalized to one's age, financial goals and risk appetite:

Kenya Shilling Investments				US Dollar Investments			
KES Amount	**% of Portfolio**	**Security**	***Annual Return %**	**$ USD Amount**	**% of Portfolio**	**Security**	***Annual Return %**
20,000,000	20.0%	** GOK (tax free) Infrastructure Bonds	16.5%			**Index Exchange Traded Funds (ETFs)**	
		Corporate Bonds (2-3 years)		$65,000	8.4%	SPY (Standard & Poor 500 Index)	28.0%
6,000,000	6.0%	Watu		$65,000	8.4%	QQQ (Nasdaq 100 stocks)	39.0%
6,000,000	6.0%	4G	19.2%	$30,000	3.9%	SLV (Silver ETF)	126.0%
6,000,000	6.0%	Mogo				**Sector Exchange Traded Funds (ETFs)**	
		Dry Associates Unit Trusts		$30,000	3.9%	UFO (Space & Satellite sector)	124.0%
5,000,000	5.0%	KES Money Market Fund	9.4%	$30,000	3.9%	URA (Uranium mining sector)	115.0%
5,000,000	5.0%	Special High Yield Fund	12.2%	$30,000	3.9%	SMH (Semi-conductor sector)	134.0%
		Nairobi Securities Exchange stocks		$30,000	3.9%	SEMA.SW (Emerging Markets UCITS)	51.0%
1,000,000	1.0%	Stanbic Bank (on NSE)	172.0%	$30,000	3.9%	**Franklin Templeton Technology Fund**	28.0%
500,000	0.5%	Diamond Trust Bank	108.0%			**Corporate Bonds (3 years)**	
500,000	0.5%	Car & General	300.0%	$75,000	9.7%	Watu Tuu	12.0%
50,000,000	**50.0%**			**$385,000**	**50.0%**		
Weighted Average Return			**18.57%**	**Weighted Average Return**			**58.69%**
Blended Return			**38.63%**				

*Annual Returns are current in case of debt securities

*Annual Returns are actual prior 1-year returns in case of stocks

**Annual Return on tax free Infrastructure Bonds expressed as taxable (that is, 14%/(1-.15))

A larger portfolio, for example, may include a blend of:

Kenya Shilling Investments

- Government Infrastructure Bonds
- Corporate Notes
- Money Market Funds
- High Yield Private Debt

US Dollar Investments

- Broad-based ETFs
- Technology and AI Exposure
- Precious Metals
- Global Equities
- Thematic Sector Investments

No single investment should typically dominate a portfolio, and diversification remains central to long-term investing.

Certain private debt opportunities may also require larger minimum investment amounts, meaning smaller portfolios may need to be structured differently while still maintaining appropriate diversification.

We continue to believe that sectors linked to artificial intelligence, semiconductors, energy infrastructure and space technologies are likely to remain important long-term global investment themes.

Fixed income opportunities also remain attractive in Kenya. Investors evaluating private corporate debt versus sovereign debt should consider not only headline yields, but also:

- Probability of default
- Security structure
- Expected recovery value
- Duration
- Currency exposure

These considerations are central to intelligent risk-adjusted investing.

Dry Associates does not provide tax advice and investors should consult their own tax advisers regarding their specific circumstances. Foreign investors purchasing offshore securities may be subject to differing tax treatments depending on jurisdiction, including withholding taxes on dividends.

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5. New Issues – Year to Date 2026

Dry Associates Investment Bank acted as Arranger and Placement Agent for the Watu Tuu (Mauritius) Limited USD 20 million multicurrency note issuance in March 2026. The issue offers one-year notes denominated in USD, Euro and Sterling and supports financing initiatives for Tanzania's largely unbanked population.

Dry Associates also expanded Watu Credit (Kenya)'s Short Term Note Programme from KES 2.5 billion to KES 4 billion during the period. Amounts advanced under the programme are collateralized by accounts receivable.

Additionally, Dry Associates acted as Transaction Advisor for the expansion of Mogo Auto Kenya's:

- KES 3 billion Short Term Note Programme to KES 4 billion
- KES 1.5 billion Medium Term Note Programme to KES 2.5 billion

Mogo Auto Kenya forms part of the Eleving Group, an international fintech company operating across multiple jurisdictions.

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6. Events at Dry Associates

Dry Associates Unit Trust AGM

Dry Associates held its Annual General Meeting on April 29, 2026 at the firm's headquarters. Approximately 100 attendees reviewed the performance of the:

- KES Money Market Fund
- USD Money Market Fund
- Special High Yield Fund

Combined assets under management across the funds totaled approximately KES 9.4 billion equivalent.

Representatives from both Standard Chartered Bank Kenya, the Custodian & Administrator, and Co-operative Bank of Kenya, the Trustee, also addressed investors.



Spence Dry, General Manager, chairing Dry Associates' 10th Unit Trust Annual General Meeting

GardaWorld Investor Briefing – 5 Year Bond Refinancing

On May 12, GardaWorld reviewed its African operations as part of preparations for the refinancing of its KES 1.8 billion 5-year bond issuance.

Dry Associates noted its longstanding relationship with KK Security (now GardaWorld Consulting) and will act as Transaction Advisor for the refinancing process.



Oliver Westmacott, President & COO, GardaWorld Security offering an Investor Briefing in advance of the bond launch

As we close this newsletter, we reaffirm our commitment to helping clients build diversified investment portfolios designed to preserve and grow wealth over the long term, regardless of changing economic and political conditions.

Sincerely,