DFI

NCBA Dollar Fixed Income Fund

February 2026 Fact Sheet

NCBA

NCBA Dollar Fixed Income Fund is a USD-denominated collective investment scheme that invests in a diversified portfolio of interest income earning assets, while ensuring low risk on the principal investment and access to funds on demand.

The fund invests in a diversified pool of interest income-earning securities and money market instruments such as bank deposits, Eurobonds, mutual funds and fixed income securities.

FUND PHILOSOPHY

1. Investment Focus: The fund focuses on generating stable interest income with minimal credit risk over capital gains.

2. Subscriptions and redemptions: The fund offers daily subscriptions and top-ups, while maintaining high liquidity to ensure investors can redeem their units on a T+1 day basis.

RISK RATING: Moderately Conservative

FUND INFORMATION

Inception Date: **October 2018**

Base Currency: **USD**

Fund Size: **USD 49.40 million**

Benchmark: **Overnight SOFR**

Fund Manager: **NCBA Investment Bank**

Custodian: **ABSA Bank Kenya Limited**

Trustees: **KCB Bank Kenya Limited**

Auditor: **Deloitte**

FEES (calculated as a % of fund value)

Initial & Redemption Fee: **0%**

YTD Total Expense Ratio: **1.37%**

DEALING INFORMATION

Minimum Investment: **USD 1,000**

Minimum Top-Up: **USD 100**

Interest Distribution Frequency: **Daily**

Pricing: **Daily Net Asset Value (NAV)**

PORTFOLIO CHARACTERISTICS

Average Daily Yield: **3.92%**

Monthly Valuation Distribution: **-0.56%**

Sharpe Ratio (3 year period): **0.15**

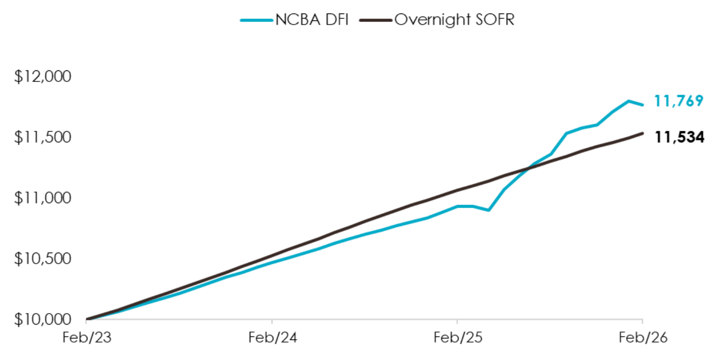
Maximum Drawdown (1 year period): **-6.71%**

Maximum Drawdown (3 year period): **-11.62%**

FUND PERFORMANCE

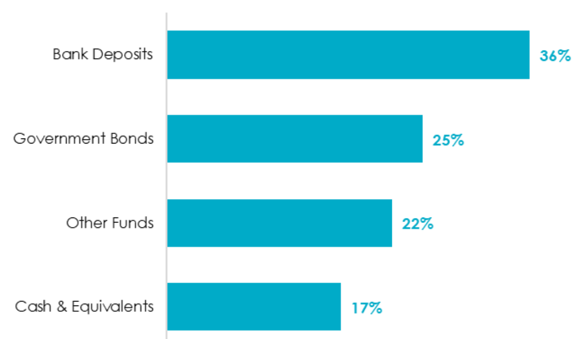
	1 Month	3 Months	6 Months	1YR	2YR	3YR
Fund	-0.26%	1.40%	3.58%	7.61%	12.41%	17.69%
SOFR	0.31%	0.95%	2.00%	4.24%	9.54%	15.34%

Cumulative Growth of USD 10,000



The chart illustrates a hypothetical investment of USD10,000, assuming reinvestment of interest.

ASSET ALLOCATION



PORTFOLIO MANAGER'S COMMENTARY

The fund trailed the benchmark in February, primarily due to price declines in our Eurobond holdings following the government's announcement of a partial buyback of the 2028 and 2032 maturities. The issuance of new Eurobonds also placed downward pressure on the valuation of existing bonds, resulting in lower mark-to-market prices across the portfolio.

On a global scale, investors remained attentive to mixed U.S. inflation data and the likelihood that the Federal Reserve will keep rates unchanged in the near future, with possible cuts projected around mid-2026. Looking ahead, Kenyan Eurobonds could continue to see positive momentum from improved investor confidence due to recent sovereign rating upgrades and continued debt management strategies. Nevertheless, shifts in global interest rate expectations and geopolitical events may cause occasional market volatility.

David Kiruri

Portfolio Manager

Glossary of Terms

Maximum Drawdown *measures the largest percentage decline in value that an investment experiences from its highest point to its lowest point.*
Sharpe Ratio *measures the return of an investment per unit of risk. The higher the ratio the higher the risk-adjusted return.*
Conservative - *Appropriate for investors with a low-risk tolerance and a time horizon less than or equal to 3 years*
Moderate - *Appropriate for investors with medium risk tolerance and a time horizon not longer than 5 years*
Aggressive - *Appropriate for investors with a high-risk tolerance and a longer time horizon (at least 5years)*

U.S. Inflation & Macroeconomic Trends

In January, the producer price index (excluding food and energy) increased by 0.8%, which pushed the annual rate up to 3.6%, higher than the Federal Reserve's 2% target. Meanwhile, consumer inflation slowed, as the consumer price index rose 2.4% over the past year - down from 2.7% in December. Although prices for necessities like food and gasoline eased, electricity and heating costs stayed high.

Economists point out that tariffs and immigration policies have also contributed to rising inflation. The recent government shutdown distorted some data, making inflation appear lower; Moody's estimates that the CPI would be 2.7% if October's figures were included.

Heightening tensions with Iran could push prices even higher, particularly if supply disruptions continue. In addition, there are emerging inflationary pressures outside the energy sector, which shift expectations in the near term.

U.S. Interest Rates

The next Fed meeting falls on March 17-18, with a policy announcement set for March 18. The Fed paused rate cuts in January and is expected to do the same in March, likely resuming cuts in June if inflation allows. Officials remain divided between controlling inflation and supporting the job market. While most expect inflation to decline this year, its pace is uncertain, and tariffs are impacting prices.

Labor data indicates weak job growth outside the health-care sector, but unemployment fell to 4.3% and payrolls exceeded expectations. Inflation metrics are mixed, with personal consumption expenditures steady at 3% and consumer price index excluding food and energy at a five-year low. We anticipate rate cuts in June and possibly September or October.

U.S. Dollar Performance

The U.S. Dollar Index rebounded, erasing some of its recent declines as trade policy uncertainties emerged once again. The index climbed 0.64% over the month, influenced by shifting market expectations toward a possible rate cut in June, following the Fed's January meeting minutes. Recently, the USD has lacked a clear direction, with conflicting job market and inflation signals making future rate changes harder to predict. This is expected to keep the dollar trading within a narrow range in the near term. However, we forecast two rate cuts which would lower the terminal rate to 3.25%. Coupled with concerns about government debt and the Fed's independence, these factors are projected to further weaken the dollar.

Eurobond Market

Kenya returned to international markets with a capped buyback of $500 million in its Eurobonds - $350 million from bonds maturing in 2032 and $150 million from those due in 2028. The buyback offered premiums of $1,055 for the 2032 bonds and $1,035 for the 2028 bonds per $1,000. All bids submitted for the 2028 bond ($90.5 million) were accepted, while for the 2032 bond, only $324.8 million of the $892.1 million in offers was taken.

After the announcement, the price of the 2032 bond rose closer to the offer level. The deal was funded by issuing two new Eurobonds: a 2034 bond with a weighted average life of 6.93 years, coupon of 7.875%, yield of 8.1%, raising $900 million; and a 2039 bond with a weighted average life of 11.93 years, coupon of 8.7%, yield of 8.95%, raising $1.35 billion. Repayments are scheduled in three equal installments for both bonds. Notably, the coupons on the repurchased bonds were 7.25% (2028) and 8% (2032), meaning the government refinanced at somewhat higher rates.

This move follows recent sovereign rating upgrades from Moody's, similar to the Eurobond issued in October 2025 after S&P's upgrade. It also coincides with significant commercial maturities expected in March, forming part of Kenya's strategy to manage liabilities and smooth out repayments while market sentiment remains favorable.

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