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NCBA Fixed Income Fund

February 2026 Fact Sheet

NCBA

NCBA Fixed Income Fund is a KES-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.

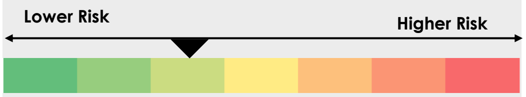
The fund invests in a diversified pool of interest income-earning securities and money market instruments such as bank deposits, treasury bills and bonds, commercial papers and corporate bonds.

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: **September 2006**

Base Currency: **KES**

Fund Size: **KES 41.08 billion**

Benchmark: **Average 91-day T-bill**

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: **2.65%**

DEALING INFORMATION

Minimum Investment: **KES 1,000**

Minimum Top-Up: **KES 1,000**

Interest Distribution Frequency: **Daily**

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

PORTFOLIO CHARACTERISTICS

Average Daily Yield: **6.75%**

Monthly Valuation Distribution: **0.17%**

Sharpe Ratio (3 year period): **-0.25**

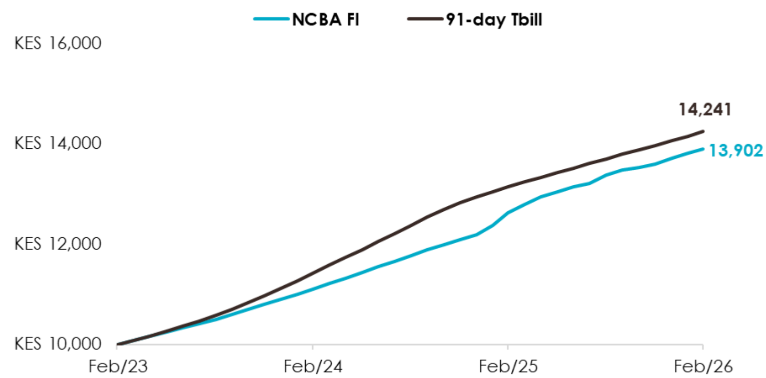
Maximum Drawdown (1 year period): **-0.72%**

Maximum Drawdown (3 year period): **-5.68%**

FUND PERFORMANCE

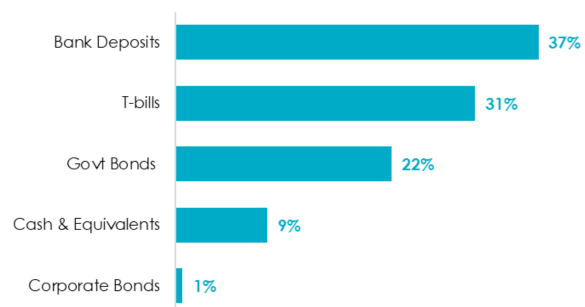
	1 Month	3 Months	6 Months	1YR	2YR	3YR
Fund (Total Return)	0.69%	2.22%	3.99%	10.19%	25.25%	39.02%
91-day T-bill	0.63%	1.94%	3.96%	8.38%	24.71%	42.41%

Cumulative Growth of KES 10,000



The chart illustrates a hypothetical investment of KES 10,000, assuming reinvestment of interest.

ASSET ALLOCATION



PORTFOLIO MANAGER'S COMMENTARY

The fund returned 0.69% in February, outperforming the benchmark return of 0.63%. Performance was supported by declining yields across the yield curve following the 25 basis point policy rate cut. Yields declined across most maturities, with the most pronounced movements observed in the mid-curve as investor demand remained strong for reopened issues. Investors continue to positively price in government's progress in liability management, as seen from sustained activity during the month's auctions.

The fund has progressively managed duration risks, all while positioned to benefit from falling yields. Looking ahead, we anticipate that yields will remain relatively stable to slightly lower in the near term. We anticipate that CBK will maintain a cautious approach with regards to the developments in the Middle East and how that translates to local inflation.

Joseph Thiga

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)*

Macro-Economic Commentary

Inflation

Headline inflation moderated slightly to 4.3% in February, compared to 4.4% recorded in January. Significant reductions were observed in food prices, as well as in the household and fuels category. The transport index remained stable over the month, attributable to lower fuel prices and reduced transport costs. Overall, monthly inflation exhibited substantial easing, decreasing from 0.6% in January to 0.2% in February. This was further underscored by a modest decline in both core and non-core inflation relative to figures reported in January, indicating subdued underlying inflationary pressures amid relatively weak aggregate demand conditions.

With the developments in the Middle East, we anticipate downstream effects as a result of upward pressure on global oil prices. This poses adverse effects on global commodity prices, shipping times and costs on account of route disruptions.

Interest Rates

Short-term interest rates, as reflected by treasury bill yields, continued their steady decline through February. Notable shifts were observed in the 91-day bills, which eased by 13.75 basis points, and the 364-day instruments, which declined by 29.92 basis points to fall below 9%. Across all maturities, it appears that the impact of the 25 basis point rate cut implemented in February was fully transmitted. Despite the higher redemption profile (compared to January), auctions in February resulted in a positive net borrowing position, largely attributed to subscriptions received within the 364-day paper.

Meanwhile, the yield curve shifted downwards by 30 basis points month-on-month, further suggesting that the February rate cut was fully transmitted across the curve. Most of the shift occurred on the belly of the curve - specifically between the 6- and 11-year tenors - with pronounced activity in the 7- and 9-year issues. This aligned with the reopening of the 8.4-year FXD3/2019/015 bond during January's auctions, which drew substantial bids and subsequent yield adjustments.

Currency

The Shilling stayed mostly stable during the month, appreciating 0.01% against the dollar and strengthening notably by 0.92% versus the Euro and 1.87% versus the Pound. This aligns with a 0.64% rise in the dollar index as market expectations shifted toward a June rate cut following the Fed's January meeting minutes. Forex reserves averaged 5.4 months, indicating ample government flexibility and buffers to manage any arising Shilling volatility.

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