NCBA Fixed Income Fund

March 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.

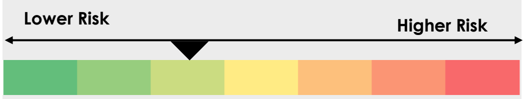
The fund invests in a diversified pool of interest income-earning securities and money market instruments such as bank deposits, treasury bills and bonds, commercial papers and corporate bonds.

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 42.04 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: **2.64%**

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: **6.54%**

Monthly Valuation Distribution: **-0.10%**

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

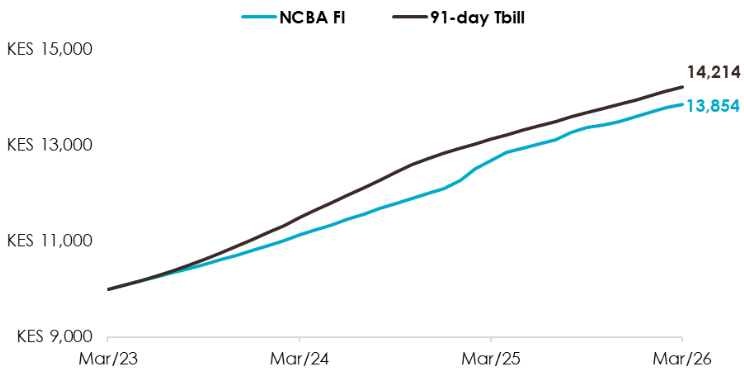
Maximum Drawdown (1 year period): **-0.72%**

Maximum Drawdown (3 year period): **-4.13%**

FUND PERFORMANCE

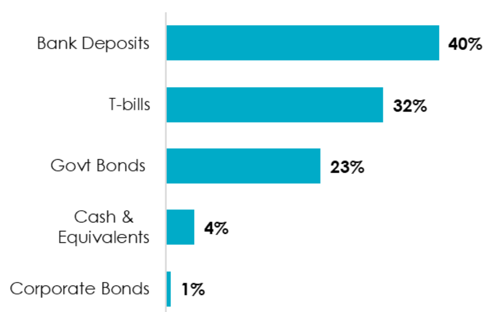
	1 Month	3 Months	6 Months	1YR	2YR (annualized)	3YR (annualized)
Fund (Total Return)	0.46%	1.92%	3.66%	9.26%	11.60%	11.48%
91-day T-bill	0.63%	1.92%	3.92%	8.26%	11.25%	12.44%

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 0.46% in March, underperforming the 91-day Treasury bill benchmark return of 0.63%. Performance was driven by steady interest income from treasury bills and bank deposits, which was partially offset by modest mark-to-market losses as yields edged higher across parts of the curve amid rising inflation expectations.

The Fund remains well-balanced across income, liquidity, and selective duration exposure, with shorter-term instruments anchoring stability while government bonds provide yield enhancement.

Looking ahead, with inflation risks expected to rise and policy likely to remain cautious, the Fund is positioned to maintain high-quality income and flexibility, while selectively taking advantage of opportunities as yields adjust.

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

Annual inflation edged up slightly to 4.4% in March, compared to 4.3% in February, while monthly inflation stood at 0.5% in March, up from 0.2% in February. Notable price increases were observed within the food category, as well as housing, water, electricity, and other fuels. Transport and the latter categories experienced the most significant month-on-month rises. Although fuel prices (diesel and petrol) remained stable throughout the month, transport-related items exhibited varied trends. Electricity prices rose by 2.2% in March 2026, representing a marginally slower increase than in February. Core inflation held steady at 2.1%, whereas non-core inflation increased to 10.8% from 10.1% in February.

The Middle East conflict is raising global concerns about an oil shock impacting inflation and economic growth. While the International Energy Agency has released 400 million barrels from reserves and OPEC has modestly increased production, these steps may not fully counter longer-term disruptions. Supply chain worries and talk of limited fuel storage could push prices higher in April, with local pump price reviews likely reflecting these issues.

The government may reinstate a fuel subsidy to ease consumer impact, but fiscal constraints could limit its size, offering only temporary relief. Inflation risks remain high, with gradual increases expected to reach 5% to 6% in May and June.

Interest Rates

Investor participation in the month's treasury bill auctions was robust, with each week recording oversubscriptions. The government secured sufficient bids to fulfill repayment obligations, concluding the month with a net positive borrowing position. Among the three tenors, yields decreased most significantly in the 364-day issue, which fell by approximately 50 basis points by the end of March, granting the government flexibility to reduce rates and manage yield pressures resulting from substantial repayments within this tenor.

The yield curve moved 14 basis points higher overall, reflecting increased rate expectations in the 3- and 7-year issues, as well as at the longer end of the curve. Conversely, yield declines signaled lower rate expectations between the 1- and 2-year issues, and the 14- to 17-year maturities. During the month, CBK's dual bond issuance attracted considerable demand, as investors were particularly aligned with the higher coupon on longer-dated bonds. The government maintained a focus on rate management, rejecting nearly half of the total bids received due to their costliness. In continuation of its liability management strategy, the government's switch auction was oversubscribed, successfully converting KES 18.4 billion from the 2021 five-year bond (scheduled to mature on November 9, 2026) into an eight-year paper (FXD3/2019/015). April is expected to present a similar scenario regarding liability management, with another switch bond targeting the partial conversion of KES 20 billion from an August 2026 maturity into a seven-year bond (FXD1/2018/15).

With the Monetary Policy Committee scheduled to meet on Wednesday, April 8th, there is anticipation to observe whether CBK will adopt a cautious stance similar to that of global policymakers in response to prevailing concerns over inflation and economic growth.

Currency

The Kenyan Shilling (KES) showcased notable resilience during March 2026, maintaining a stable trajectory despite a turbulent global backdrop. While the U.S. Dollar Index (DXY) surged 2.41% MTD as investors sought safe-haven assets due to escalating Middle East tensions, the Shilling's depreciation against the dollar remained remarkably contained at 0.57% for the month.

The Shilling strengthened 1.76% against the Euro, with the pair ending at 149.71. This gain was primarily driven by the Euro's heightened vulnerability to imported energy price shocks and the region's proximity to the geopolitical fallout. Similar strength was observed against the Sterling, which closed at 171.49, reflecting a 1.50% month on month appreciation for the Shilling.

Kenya's foreign exchange reserves (ending March at approximately $14.02 billion, translating to 6 months of import cover) provided a critical buffer, allowing the CBK to smooth out excessive volatility.

Contact Us

NCBA Investment Bank - Wealth Management

NCBA Annex, Hospital road – Upper Hill,

P.O. Box: **44599 – 00100 Nairobi. Kenya**

Tel: **+254 020 2884444**

Email: **unittrustsfunds@ncbagroup.com**

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