

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.

KEY FACTS

Inception Date: **September 2006**
 Base Currency: **KES**
 Fund Size: **KES 37.30 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: **2.71%**

DEALING INFORMATION

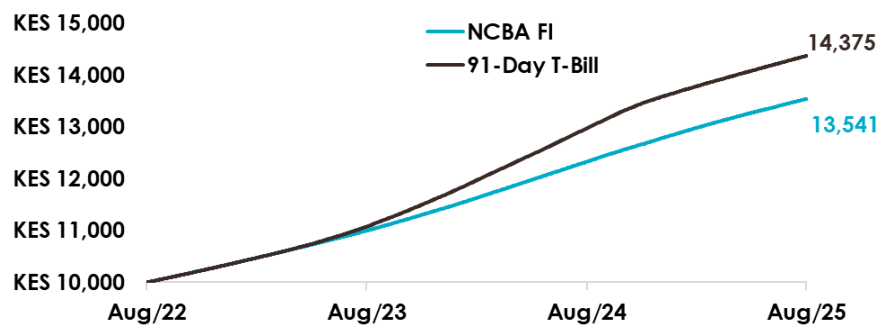
Minimum Investment: **KES 1,000**
 Minimum Top-Up: **KES 1,000**
 Interest Distribution Frequency: **Daily**
 Pricing: **Daily Net Asset Value (NAV)**

PORTFOLIO CHARACTERISTICS

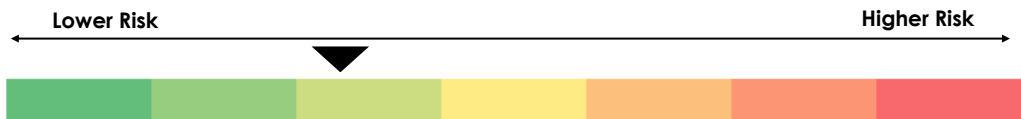
Average Daily Yield: **7.86%**
 Valuation Distribution: **6.98%**
 Sharpe Ratio (3 year period): **-1.62**
 Maximum Drawdown (1 year period): **-4.17%**
 Maximum Drawdown (3 year period): **-10.11%**

Fund Performance

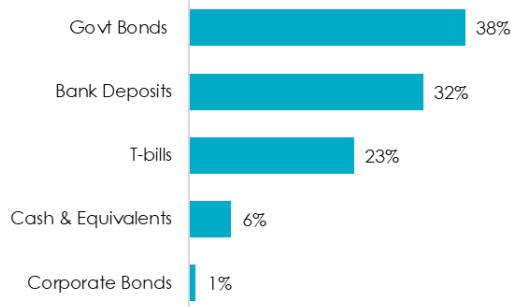
	1 Month	3 Months	6 Months	1YR	2YR	3YR
Fund	0.67%	2.03%	4.33%	9.82%	23.13%	35.41%
91-day T-bill	0.69%	2.07%	4.30%	10.78%	29.78%	43.75%

Cumulative Growth of KES 10,000


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

Risk Rating: Moderately Conservative**


** - The risk indicator is based on the volatility of historical performance of the fund over the last five years. The risk category may change over time and returns are not guaranteed. The lowest category, referencing treasury bills, does not equate to a risk-free investment

Asset Allocation

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 5 years)

The content of this document and any other materials is for information purposes only and should not be construed as financial, investment, legal or tax advice.

The returns are not guaranteed, and past performance is not a guarantee of future investment results.

There are risks involved in investing in securities, and in certain circumstances, the right to redeem units may be suspended with possible loss of principal.

The Capital Markets Authority does not take responsibility for the financial soundness of the scheme or for the correctness of any statements made or opinions expressed in this regard.

NCBA Investment Bank is licensed as a Fund Manager by the Capital Markets Authority.

Inflation

Year-on year inflation rose to 4.5% in August, ticking up slightly from 4.1% in July. Monthly inflation increased to 0.3%, offset by price slow-downs in the housing, fuels and transport indices. Price pressures were felt in the food & beverages index. We anticipate that as the impact of rate cuts continues to transmit into credit and economic activity, market demand is expected to exert slight upward pressure on prices and inflation.

Short Term Interest Rates — Treasury Bills

Treasury bill rates dipped by an average 20 basis points in August, with the most decline experienced on the 182-day paper (35 bps). Across the T-bill tenors, and the general yield curve, we can conclude that the impact of the 25bps cut to the CBR effected in the August 12th MPC meeting has fully transmitted. Treasury bills had a net negative position in August owing to heavy redemptions for the 91-day and 182-day papers. In the short term, we expect that yields will remain sticky around the upper 7% levels on government's rate management efforts.

Yield Curve Movements

The yield curve shifted 51 basis points lower in August. Yields across all tenors dipped with 16-year papers as the outlier (rising 11 bps over the month). The largest declines were seen on the long-end of the curve, led significantly by the 18-year issues, which dipped 109 bps.

CBK has remained proactive in yield curve management. Responding to the elevated repayment obligations in August, the government reopened two infrastructure bonds, seeking KES 90 billion. Unmoved by the overwhelming market liquidity reflected in the subscription rate at the primary auction, they picked up just enough flows to meet the KES 94 billion bond maturity and came back to the market via a tap sale to collect KES 179 billion. This enabled them both front load on domestic borrowing and surpass the prorated net domestic borrowing target for the two months ending August.

Central Bank has maintained its preference for long-term bonds in the September primary auction, reopening the papers tenored 12.5 years, 22.1 years and 15.4 years respectively, seeking a joint KES 60 billion across the three issued. Given the government's liability management efforts, we expect that these will be effective in taming any yield pressures stemming from elevated maturities and coupon payments in the coming months, achieving a steady decline in interest rates.

Currency Market

In August, the Kenyan Shilling remained relatively stable to the Dollar, while weakening 1.93% against the Euro and 1.69% against the Pound. It closed the month at USD/KES 129.24, EUR/KES 150.73 and GBP/KES 174.41. Regionally, the Tanzanian and Ugandan Shillings strengthened against their Kenyan counterpart by 2.24% and 0.92% respectively. The currency pairs closed at KES/TSHS 19.40 and KES/UGSHS 27.48.

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