

**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.

### KEY FACTS

Inception Date: **October 2018**

Base Currency: **USD**

Fund Size: **USD 48.76 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: **1.50%**

### DEALING INFORMATION

Minimum Investment: **USD 100**

Minimum Top-Up: **USD 100**

Interest Distribution Frequency: **Daily**

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

### PORTFOLIO CHARACTERISTICS

Average Daily Yield: **2.78%**

Sharpe Ratio (3 year period): **0.11**

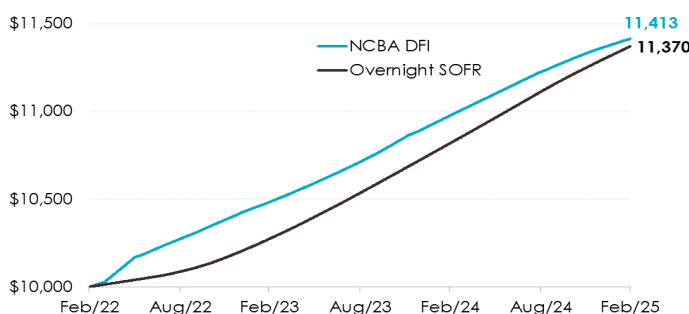
Maximum Drawdown (1 year period): **-7.23%**

Maximum Drawdown (3 year period): **-24.86%**

### Fund Performance

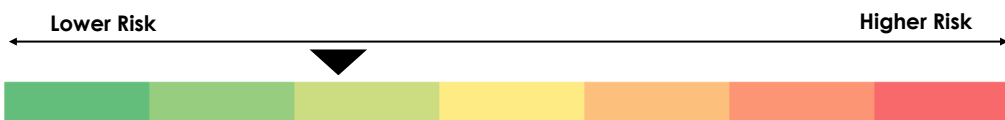
	MTD	QTD	YTD	1YR	2YR	3YR
<b>Fund</b>	0.21%	0.46%	0.46%	3.98%	8.87%	14.13%
<b>SOFR</b>	0.33%	0.70%	0.70%	5.10%	10.67%	13.70%

### Cumulative Growth of US \$10,000



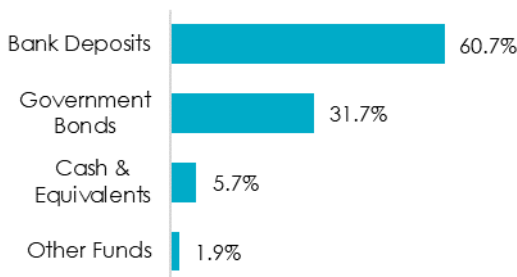
The chart illustrates a hypothetical investment of USD10,000, assuming reinvestment of interest.

### 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. It indicates the worst historical loss an investment has experienced over a specified period.

**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.

### U.S. Inflation & Macroeconomic Trends

The U.S. Consumer Price Index for All Urban Consumers (CPI-U) increased by 0.5% in January, following a 0.4% rise in December, bringing the annual inflation rate to 3.0%. The energy index rose 1.1% over the month, while food prices increased by 0.4%. Excluding food and energy, core CPI rose 0.4% in January and 3.3% year-over-year.

February was marked by weaker-than-expected macro-economic data, with serial disappointments as the impact of Department of Government Efficiency (DOGE) policies became evident. Growth expectations declined sharply, even as inflation continued to surprise to the upside.

Bloomberg Economics estimates that if DOGE measures aim to cut \$600 billion annually, the economy could experience a 2% contraction in GDP by year-end, a nearly one percentage point rise in unemployment, and a 0.9% decline in year-over-year CPI.

### U.S. Interest Rates

As of December 2024, the Federal Reserve projected a 50bps rate cut in 2025, which markets initially priced in as a single adjustment of the same magnitude. However, in the final days of February, expectations shifted significantly amid mounting growth concerns. Market bets have now increased from one to three rate cuts, with the first 25bps cut anticipated in June, followed by additional 25bps reductions in July and September. By year-end, markets expect rates to settle within the 3.50% - 3.75% range.

### U.S. Benchmark Bonds Performance

Bond yields plunged in February as growth fears intensified, with benchmark yields falling 25-30bps over the month. The 2-year yield dipped below 4% for the first time since October 2024, while the 3-month/10-year spread inverted, signalling investor scepticism about economic growth under Trump 2.0.

Markets have yet to fully price in the impact of DOGE savings. Elon Musk acknowledged concerns over fiscal credibility, as investors demand clearer evidence that spending cuts will meaningfully reduce the budget deficit and national debt. Under Trump 2.0, focus seems to be on U.S. treasuries, particularly the 10-year benchmark bond yield, on Elon and Treasury Secretary Scott Bessent's influence.

### Currency Market

The Dollar Index fell 0.70% in February, closing at 107.61, while the U.S. Dollar weakened against the Euro, depreciating 0.13% to EUR/USD 1.04. The dollar initially spiked on tariff tensions but ended the month lower, though renewed tariff discussions drove a late rebound. Meanwhile in Europe, the euro strengthened, despite the U.S. pausing military aid to Ukraine, as markets anticipated a rapid increase in defence spending to support Ukraine.

### Eurobond Market

Kenyan Eurobond yields declined over the month on investor confidence, closing the month at KE2027 - 6.96% (January - 7.56%), KE2028 - 7.91% (January - 8.79%), KE2031 - 9.47% (January - 9.89%), KE2032 - 9.31% (January - 9.64%), KE2034 - 9.46% (January - 9.77%) and KE2048 - 10.05% (January - 10.22%).

Towards the end of the month, the Kenyan government successfully accessed external markets, issuing a new 11-year Eurobond (10-year weighted average). The primary objective of the issuance was to refinance the upcoming \$900 million Eurobond maturity in 2027 and settle some high-cost concessional loans. The bond was priced at a slight discount to par, carrying a coupon rate of 9.5% and a yield of 9.95%. The issuance attracted strong investor demand, with total bids reaching \$4.9 billion, with the government accepting only \$1.5 billion. The government successfully retired around \$580M of the \$900M 2027 Eurobond maturity from these proceeds.

### Contact Us

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#### Client Services Team

NCBA Investment Bank - Wealth Management

NCBA Annex, Hospital road – Upper Hill,

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

Tel: **+254 020 2884444**

Email: [unitrustsfunds@ncbagroup.com](mailto:unitrustsfunds@ncbagroup.com)



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