

**NCBA Fixed Income Basket Note Fund** is a KES-denominated collective investment scheme suitable for clients seeking investment structures akin to fixed deposits, with available tenors of 3 months, 6 months, 1 year and 2 years.

The fund invests in a diversified pool of interest income-bearing 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, while maintaining high liquidity. Clients that seek to exit before maturity will be subject to a 3% penalty on interest earned.

**KEY FACTS**

Inception Date: **January 2022**

Base Currency: **KES**

Fund Size: **KES 9.73 billion**

Benchmark: **T-Bill Rates for applicable tenors**

Fund Manager: **NCBA Investment Bank**

Custodian: **ABSA Bank Kenya Limited**

Trustees: **KCB Bank Kenya Limited**

Auditor: **Deloitte**

**FEES**

Initial & Redemption Fee: **0%**

YTD Total Expense Ratio: **1.41%**

**DEALING INFORMATION**

Minimum Investment: **KES 5 million**

Pricing Frequency: **Weekly**

**PORTFOLIO CHARACTERISTICS**

Average Monthly Yield

- **3-Months: 9.91%**
- **6-Months: 10.96%**
- **12-Months: 12.09%**
- **24-Months: 11.82%**

Sharpe Ratio (3 year period): **-0.12**

Maximum Drawdown (1 year period): **-6.41%**

Maximum Drawdown (3 year period): **-19.10%**

**Fund Performance: 3-months**

	MTD	QTD	YTD	1YR	2YR	3YR
<b>Fund</b>	9.91%	10.23%	10.23%	12.25%	11.57%	10.71%
<b>91-day Treasury Bill</b>	9.14%	9.38%	9.38%	15.24%	13.72%	11.88%

**Fund Performance: 6-months**

	MTD	QTD	YTD	1YR	2YR	3YR
<b>Fund</b>	10.96%	11.18%	11.18%	12.01%	12.08%	11.30%
<b>182-day Treasury Bill</b>	9.57%	9.80%	9.80%	15.74%	14.08%	12.39%

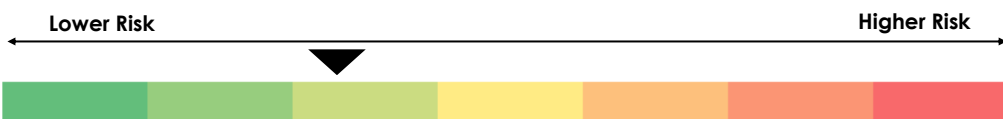
**Fund Performance: 12-months**

	MTD	QTD	YTD	1YR	2YR	3YR
<b>Fund</b>	12.09%	12.50%	12.50%	13.80%	12.89%	12.00%
<b>364-day Treasury Bill</b>	10.80%	11.06%	11.06%	16.04%	14.39%	12.90%

**Fund Performance: 24-months**

	MTD	QTD	YTD	1YR	2YR	3YR
<b>Fund</b>	11.82%	11.86%	11.86%	12.27%	12.69%	12.12%
<b>364-day Treasury Bill</b>	10.80%	11.06%	11.06%	16.04%	14.39%	12.90%

**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**

Bank Deposits	56.8%
Govt Bonds	39.2%
Cash & Equivalents	3.1%
Corporate Bonds	0.5%
NCBA Fixed Income Fund	0.4%

**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.

### Inflation

Year-on-year inflation edged up to 3.5% in February from 3.3% in January, translating to a monthly inflation rate of 0.3%. The increase was primarily driven by rising prices in the Food and Non-Alcoholic Beverages category (+0.6%), while the Transport and Housing, Water, Electricity and Other Fuels categories recorded marginal increases of 0.1%. Core inflation contributed 2.0% to the overall inflation rate, unchanged from January, while non-core inflation accounted for 1.5%. The Food and Non-Alcoholic Beverages category remained the sole contributor to non-core inflation.

### Short Term Interest Rates — Treasury Bills

Treasury bill rates declined across all tenors in February, reflecting the impact of the 50bps Central Bank Rate (CBR) cut. The 91-day, 182-day, and 364-day T-bill rates fell from January's averages of 9.63%, 10.03% and 11.33% to 9.14%, 9.57% and 10.80% respectively.

The rate adjustments were most pronounced in the 364-day paper, which saw the largest month-on-month decline, signalling the Central Bank's preference for easing long-term borrowing costs amidst its preference to extend its maturity profile. Meanwhile, the 182-day paper faced more aggressive bid rejections, as reflected in its higher bid-to-cover ratio of 1.47, compared to 1.01 for the 91-day and 1.16 for the 364-day.

Looking ahead, short-term yields are expected to remain range-bound, supported by increased foreign financing and easing pressure on the exchequer.

### Yield Curve Movements

The yield curve shifted downward by an average of 86bps month-on-month, with the most significant declines observed at the tail-end (20- to 22-year tenors) and the mid-section (6- to 8-year tenors).

The Monetary Policy Committee (MPC) met on February 5th amid sluggish private sector credit growth, banks' reluctance to lower lending rates, and resurging inflationary pressures. In response, the committee cut CBR by 50bps. This rate adjustment appears to have been fully transmitted across the yield curve.

### Currency Market

The Kenyan Shilling remained relatively stable against the U.S. Dollar, closing at KES 129.23, unchanged from January. Against other major currencies, the Shilling exhibited mixed performance; strengthening against the Euro by 0.19% to close at EUR/KES 134.23 and weakening against the Sterling Pound by 1.18%, to close the month at GBP/KES 162.61. Regionally, the Shilling marginally depreciated against the Ugandan Shilling, closing at KES/UGX 28.49, and appreciated 1.33% against the Tanzanian Shilling, closing at KES/TZS 20.07.

### Contact Us

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