

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 10.68 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: **1.44%**

DEALING INFORMATION

Minimum Investment: **KES 5 million**

Pricing Frequency: **Weekly**

PORTFOLIO CHARACTERISTICS

Average Monthly Yield

- **3-Months: 8.75%**
- **6-Months: 9.00%**
- **12-Months: 9.25%**
- **24-Months: 9.25%**

Sharpe Ratio (3 year period): **-0.64**

Maximum Drawdown (1 year period): **-35.27%**

Maximum Drawdown (3 year period): **-35.27%**

Fund Performance: 3-months

(Period Averages)	MTD	QTD	YTD	1YR	2YR	3YR
Fund	8.75%	9.42%	9.42%	12.36%	12.11%	10.93%
91-day Treasury Bill	8.88%	9.22%	9.22%	13.47%	13.70%	12.05%

Fund Performance: 6-months

(Period Averages)	MTD	QTD	YTD	1YR	2YR	3YR
Fund	9.00%	9.67%	9.67%	12.43%	12.35%	11.31%
182-day Treasury Bill	9.13%	9.57%	9.57%	14.04%	14.04%	12.52%

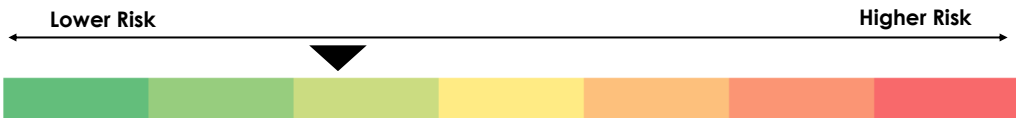
Fund Performance: 12-months

(Period Averages)	MTD	QTD	YTD	1YR	2YR	3YR
Fund	9.25%	9.92%	9.92%	12.49%	12.54%	11.66%
364-day Treasury Bill	10.47%	10.86%	10.86%	14.60%	14.44%	13.00%

Fund Performance: 24-months

(Period Averages)	MTD	QTD	YTD	1YR	2YR	3YR
Fund	9.25%	9.92%	9.92%	12.02%	12.46%	11.82%
364-day Treasury Bill	10.47%	10.86%	10.86%	14.60%	14.44%	13.00%

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	54.5%
Govt Bonds	41.4%
Cash & Equivalents	2.8%
NCBA Fixed Income Fund	0.8%
Corporate Bonds	0.5%

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 increased marginally to 3.6% in March from 3.5% in February, with month-on-month inflation at 0.4%. The Food and Non-Alcoholic Beverages, Transport, Housing, Water, Electricity and Other Fuels categories saw slight monthly increments of 0.1%. Core inflation, which rose to 2.3% from 2.0% in January and February, remained the primary driver of overall inflation. Non-core inflation accounted for 1.3%, driven by a 1.5% rise in the Food and Non-Alcoholic Beverages category, partially offset by a -0.2% contribution from Housing and Fuels.

Short Term Interest Rates — Treasury Bills

Treasury bill rates declined across all tenors in March. The 91-day, 182-day, and 364-day T-bill rates fell from an average of 9.14%, 9.57% and 10.80% in February to 8.88%, 9.13% and 10.47% in March, respectively. The most pronounced decline was in the 182-day paper, which fell by 25bps. Investor aggression prevailed in the 182-day paper, prompting the Central Bank to intervene and keep rates lower, as reflected in a bid-to-cover ratio high of 1.74 during the month.

As investors anticipate the 8th April Monetary Policy Committee meeting - where expectations point to a hold on the Central Bank Rate - short-term interest rates are likely to remain range-bound, with pressure from near-term maturity obligations easing.

Yield Curve Movements

The yield curve shifted downward by an average of 26bps month-on-month, with the most significant declines observed between the 10-year and 13-year tenors.

Ample interbank liquidity and expected Treasury bond maturities towards the close of the financial year in June are expected to support continued investment in government securities, sustaining a further, albeit marginal, drop in yields. Expectations of further policy easing in the near-term (through June), alongside the government's liability management efforts, reinforce expectations of lower yields.

Long-term, the government's plans to extend its debt maturity profile and shift its financing mix from external reliance to domestic sources may take shape following IMF's visit for what was expected to be the 9th review of the program, initially set to conclude in April 2025. The review and the program's anticipated end were overshadowed by Kenya's failure to meet several structural benchmarks set by the IMF, prompting a request for a new funding program. Consequently, discussions led to the termination of the final review, meaning the ~KES 120 billion tranche was not disbursed. Reports suggest that these funds may be rolled over into a new program - if negotiations prove successful.

However, last month's measures to manage near-term repayment obligations - both domestically (through the Treasury bond buyback program) and externally (via refinancing of the 2027 Eurobond) - suggest that the government may have anticipated such an outcome from the IMF.

Currency Market

The Kenyan Shilling depreciated against the U.S. Dollar, Euro and Pound by 0.07%, 3.93% and 2.92% to close the month at USD/KES 129.32, EUR/KES 139.51 and GBP/KES 167.35, respectively. Regionally, the Shilling appreciated by 2.86% against the Tanzanian Shilling, closing at KES/TZS 20.65, and depreciated 0.50% against the Ugandan Shilling, closing at KES/UGX 28.34.

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