

**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.

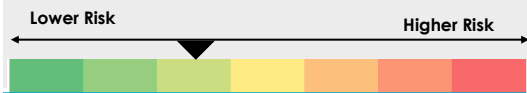
The fund invests in a diversified pool of interest income-earning securities and money market instruments such as bank deposits, Eurobonds, mutual funds and fixed income securities.

### 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.

### RISK RATING: Moderately Conservative



### FUND INFORMATION

Inception Date: **October 2018**

Base Currency: **USD**

Fund Size: **USD 50.79 million**

Benchmark: **Secured Overnight Financing Rate**

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: **1.38%**

### 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: **3.93%**

Monthly Valuation Distribution: **0.45%**

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

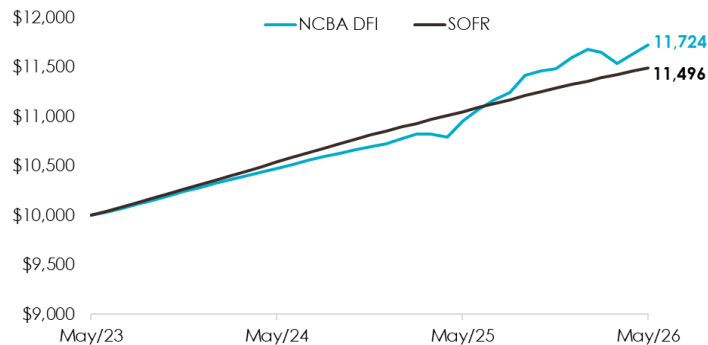
Maximum Drawdown (1 year period): **6.71%**

Maximum Drawdown (3 year period): **6.71%**

### FUND PERFORMANCE

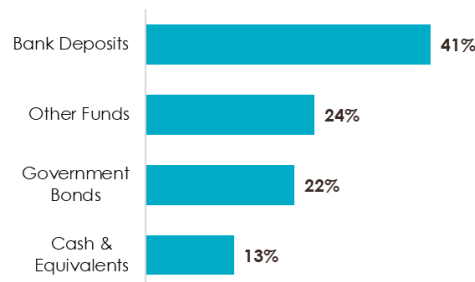
	1 Month	3 Months	6 Months	1YR	3YR (annualized)	5YR (annualized)
<b>Fund</b>	0.78%	0.65%	2.06%	6.98%	5.44%	4.86%
<b>SOFR</b>	0.30%	0.92%	1.84%	4.03%	4.76%	3.91%

#### Cumulative Growth of USD 10,000



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

### ASSET ALLOCATION



### PORTFOLIO MANAGER'S COMMENTARY

The Fund surpassed its benchmark in May, primarily due to valuation gains within its bond portfolio. Global fixed income instruments experienced significant volatility during the period, reflecting ongoing uncertainty surrounding the growth and inflation implications of the Middle East conflict. Meanwhile, local dollar-denominated instruments remained relatively stable throughout the month, contributing to consistent income generation for the fund and mitigating a substantial portion of overall performance fluctuations.

Looking ahead, expectations for the Federal Reserve to maintain a cautious stance and keep rates elevated over the near term are expected to support USD fixed income yields. In this environment, the Fund remains focused on capturing attractive yields while maintaining flexibility to benefit from opportunities across the USD fixed income market.

**David Kiruri**  
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 5 years)

### Disclaimer

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### U.S. Inflation & Interest Rate Trends

CPI data indicates rising inflationary pressures globally. In the United States, April's CPI increased by 3.8% year-over-year, surpassing expectations and recording the fastest annual growth since early 2023. Core CPI was up 2.8% year-over-year, with tariff effects fading and average wage growth steady at 3.6%. April payroll figures are projected to reveal continued but moderate job growth, which keeps the Federal Reserve's attention on persistent inflation.

Although US-Iran negotiations have shown signs of improvement, central banks are likely to remain cautious until the timing of the Strait of Hormuz reopening is clearer and there is more definitive evidence that easing oil prices will last. Even the most recent Fed minutes highlighted the Middle East conflict's role in influencing asset prices and short-term inflation expectations.

Federal Reserve officials increasingly suggest maintaining or even raising interest rates if inflation remains above the 2% target, marking the second straight meeting with a more hawkish outlook. As a result, the Fed is expected to keep rates steady until its economic outlook improves, with a potential rate hike not likely until late 2026 or early 2027.

### U.S. Dollar Performance

During the month, the U.S. dollar gained strength against regional peers and a range of global currencies, as indicated by the Dollar Index. Ongoing uncertainty surrounding the Middle East conflict has reinforced the dollar's role as a safe haven currency. Investors continue to rely on it for short-term safety, particularly as its performance is supported by robust U.S. economic data and widening growth differentials relative to the Euro area, both contributing to the dollar's resilience.

Looking ahead, elevated prices, the U.S.'s status as a net energy exporter, and market expectations that the Federal Reserve will hold for the remainder of this year are all likely to provide some upward momentum for the dollar index.

### Eurobond Markets

Yields on Kenyan Eurobonds declined across all tenors during the month, reflecting improved global outlooks attributed to negotiations towards the end of the month that indicated a potential geopolitical de-escalation. The easing of the energy crisis contributed to lower fixed income yields, as investor sentiment became more positive.

Overall, yields fell by an average of 59 basis points throughout the curve, with mid-tenored bonds experiencing the most significant declines and near-term bonds showing slight declines.

### 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](mailto:unittrustsfunds@ncbagroup.com)



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