

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.

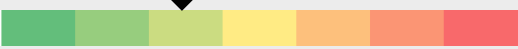
FUND PHILOSOPHY

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.

RISK RATING: Moderately Conservative

Lower Risk Higher Risk



FUND INFORMATION

Inception Date: **September 2006**

Base Currency: **KES**

Fund Size: **KES 37.74 billion**

Benchmark: **Average 91-day T-bill**

Fund Manager: **NCBA Investment Bank**

Custodian: **ABSA Bank Kenya Limited**

Trustees: **KCB Corporate Trustees Limited**

Auditor: **Deloitte**

FEES (calculated as a % of fund value)

Initial & Redemption Fee: **0%**

YTD Total Expense Ratio: **2.84%**

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 Cash Yield: **6.84% p.a**

Monthly Valuation Distribution: **nil**

Weighted Average Duration: **1.54 yrs**

RISK METRICS

Sharpe Ratio (3 year period): **-0.25**

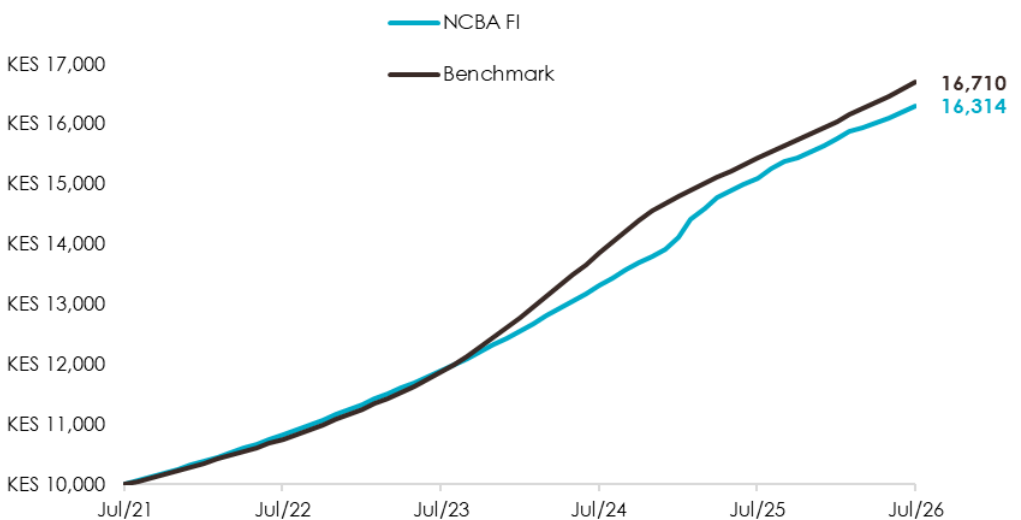
Maximum Drawdown (1 year period): **-0.96%**

Maximum Drawdown (3 year period): **-4.13%**

FUND PERFORMANCE

	1 Month	3 Months	6 Months	1YR	3YR (annualized)	5YR (annualized)
Fund (Total Return)	0.66%	1.76%	3.46%	8.10%	12.13%	9.91%
Benchmark	0.73%	2.16%	4.10%	8.26%	13.62%	13.42%

Cumulative Growth of of KES 10,000 assuming reinvestment of interest



PORTFOLIO MANAGER'S COMMENTARY

The Fund delivered a moderate return supported by steady income from treasury bonds and term deposits. Performance, however, trailed the benchmark as the fixed income market navigated a mixed interest rate following the Monetary Policy Committee's decision to leave the policy rate unchanged amid rising inflationary concerns.

Interest rate movements have been uneven across maturities, resulting in yield compression in the short and medium term, while rising in the long end. Against this backdrop, the Fund has maintained a prudent allocation to high liquid fixed income securities, balancing income generation and selective duration exposure.

Looking ahead, we expect yields to remain elevated in the near term as inflation risks persist. The Fund therefore remains focused on preserving high-quality income, maintaining liquidity flexibility, and selectively taking advantage of opportunities arising from ongoing yield curve adjustments.

Joseph Thiga
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.

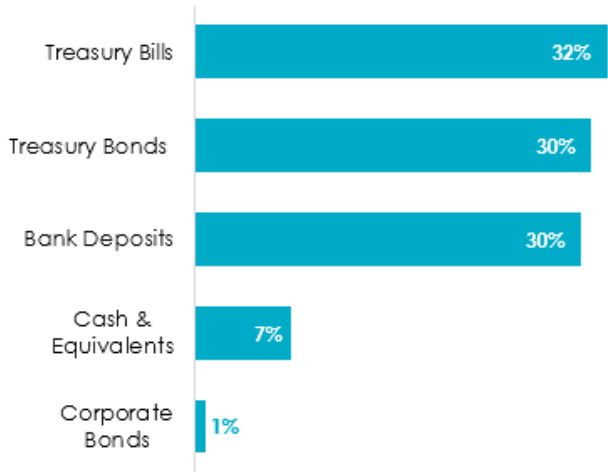
Conservative - Appropriate for investors with a low-risk tolerance and a time horizon less than or equal to 3 years

Moderate - Appropriate for investors with medium risk tolerance and a time horizon not longer than 5 years

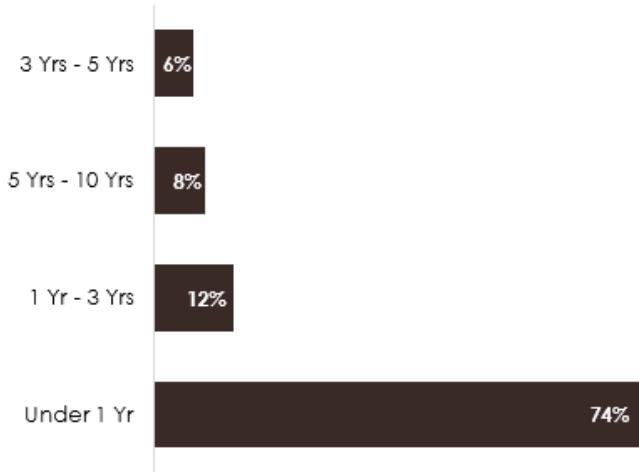
Aggressive - Appropriate for investors with a high-risk tolerance and a longer time horizon (at least 5 years)



ASSET ALLOCATION



MATURITY PROFILE



HISTORICAL PERFORMANCE

	2023	2024	2025	2026
Jan	0.80%	0.97%	1.43%	0.76%
Feb	0.73%	0.93%	2.03%	0.69%
Mar	0.81%	1.02%	1.32%	0.46%
Apr	0.78%	0.96%	1.29%	0.48%
May	0.82%	1.00%	0.77%	0.47%
Jun	0.81%	0.96%	0.69%	0.63%
Jul	0.84%	0.97%	0.59%	0.66%
Aug	0.87%	0.97%	1.16%	
Sep	0.88%	0.94%	0.78%	
Oct	0.93%	0.89%	0.39%	
Nov	0.91%	0.84%	0.56%	
Dec	0.95%	0.87%	0.75%	
Full Year / YTD	10.59%	11.92%	12.40%	4.22%

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Inflation

Annual headline inflation edged up to 6.5% in July from 6.4% in June, while on a monthly basis, the consumer price index rose by 0.2%. General prices rose slightly faster in July relative to June, largely on the back of a pickup in food prices, alongside continued upward pressure from energy and transport costs. Food inflation rose by 9.0% annually, driven by persistently elevated vegetable prices though this was partly offset by softer prices for maize flour, beans, and sugar. Transport inflation rose to 15.6% annually, underpinned by higher diesel and petrol prices, which pushed bus fares up 16.8% year-on-year. Core inflation ticked up marginally to 3.2% from 3.1% in June, largely a pass-through from food and transport prices rather than a signal of stronger underlying demand.

Going forward, the inflation path remains tied to the on-again, off-again US-Iran conflict where a renewed flare-up could reintroduce price pressure in the near term, though talks expected in August should help ease oil prices and a lower inflation path.

Interest Rates

The Monetary Policy Committee did not convene in July, meaning the Central Bank Rate remains unchanged at 8.75%, holding the pause in the easing cycle that began in June as policymakers continue to assess the shifting global and domestic macro backdrop.

At the short end, Treasury bill yields moved in mixed directions across tenors during the month. The 91-day paper eased slightly, closing July at 8.782% from 8.828% at end-June, a decline of roughly 5 basis points. The 182-day paper moved the other way, rising by about 11 basis points to 8.955%, while the 364-day paper edged up marginally by around 4 basis points to 9.036%. Investor appetite for T-bills softened noticeably during the month, with overall subscription averaging approximately 174%, down from ~265% in June, and demand continuing to skew toward the shorter end of the curve.

On the bond side, two re-opening auctions drew strong interest despite the elevated rate environment. The first covering the 6-, 15-, and 30-year papers was oversubscribed at ~206%, with yields ranging from 12.78% to 14.62% as the long end continued to command a premium. The second, covering the 13- and 21-year papers, was similarly well-received at ~215% subscription, with yields between 13.92% and 14.44%.

The outlook remains uncertain with investors exercising caution and selective duration exposure, as markets reassess the trajectory of monetary policy in an unstable macro environment.

Currency

The Kenyan Shilling (KES) remained broadly stable in June, continuing to demonstrate resilience despite fluctuations in global currency markets. The Shilling depreciated marginally by 0.1% against the US Dollar during the month, reversing June's gain though on a year-to-date basis, the USD/KES pair remains up by 0.3% reinforcing a broader theme of exchange rate stability. The U.S. Dollar Index (DXY) declined 1.3% over the month, supported by the Federal Reserve's cautious approach to monetary policy.

The Shilling came under more pressure against the Euro and British Pound, depreciating by 0.95% and 1.56% respectively during July, reflecting relative strength in European currencies as energy price concerns moderated and investor positioning normalized.

Foreign exchange reserves rose sharply to USD 15.40 billion (6.4 months of import cover) up from 13.17 billion in June. Reserve adequacy remains within comfortable levels, continuing to provide the CBK with sufficient capacity to manage short-term volatility and anchor market expectations.

Disclaimer

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