

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 38.17 billion**

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

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: **2.57%**

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 Daily Yield: **6.64%**

Monthly Valuation Distribution: **-0.03%**

Sharpe Ratio (3 year period): **-0.26**

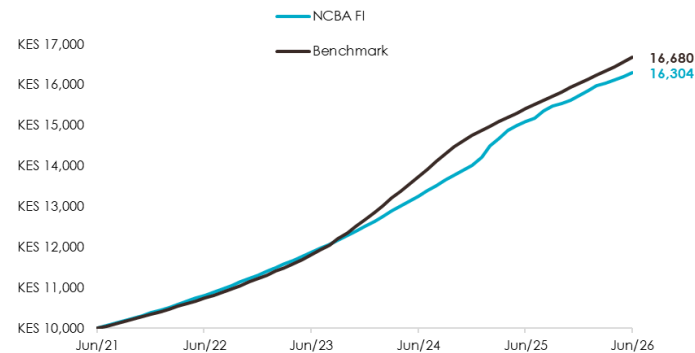
Maximum Drawdown (1 year period): **-1.13%**

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

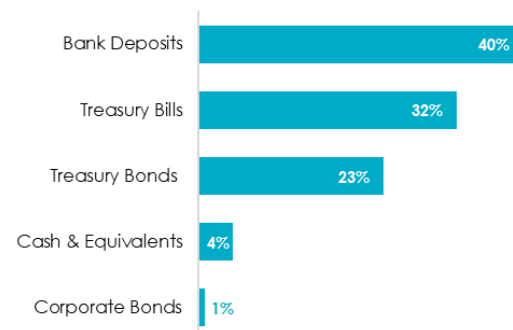
FUND PERFORMANCE

	1 Month	3 Months	6 Months	1YR	3YR (annualized)	5YR (annualized)
Fund (Total Return)	0.63%	1.59%	3.58%	8.04%	11.83%	10.02%
Benchmark	0.72%	2.05%	4.00%	8.20%	13.75%	13.36%

Cumulative Growth of KES 10,000 assuming reinvestment of interest



ASSET ALLOCATION



PORTFOLIO MANAGER'S COMMENTARY

The Fund delivered a moderate return though performance trailed the benchmark as the fixed income market adjusted to monetary policy expectations and inflationary concerns.

Returns were supported by steady income from corporate bonds, treasury bills, and deposits. This was however, partially offset by mark-to-market losses as yields moved higher across the curve.

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)

Disclaimer

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

Annual headline inflation declined to 6.4% in June from 6.7% in May, while monthly, the consumer price index rose by 0.2%. General prices increased much slower in June relative to May following a tamer rise in food prices, while energy and transport costs escalated marginally. Food inflation rose by 8.6% annually and 0.3% month-on-month while transport inflation expectedly rose by 16.5% and 0.3% on an annual and monthly basis, respectively. Core inflation fell marginally to 3.1% from 3.2% recorded in the previous month, a countermovement to the sharp increase in the previous month rather than a change in underlying price pressures.

Following the cooling of geopolitical tensions related to the Middle East war and the re-opening of the Strait of Hormuz easing supply chain constraints,, inflationary expectations have come down, we expect la lower inflation path in the near term.

Interest Rates

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 8.75% during its June meeting, extending the pause in the monetary easing cycle as policymakers continued assessing the evolving global and domestic macroeconomic environment.

Despite the unchanged policy stance, yields continued to rise across the government securities curve, reflecting cautious investor sentiment and expectations that interest rates are likely to remain elevated in the near term.

At the short end, Treasury bill yields increased across all three tenors, with the 91-day, 182-day and 364-day papers rising by 44, 59 and 37 basis points to 8.83%, 8.84% and 8.99%, respectively. Activity in the Treasury bill market in June reflected uneven investor participation, with demand fluctuating significantly across auction dates and tenors. Overall subscription averaged ~265%, highlighting investor preference for shorter-duration instruments.

The yield curve also experienced a broad-based repricing. The most pronounced increases were recorded at the long end of the curve, where yields on the 10- to 29-year tenors increased by between 13 and 109 basis points as investors demanded greater compensation for holding longer-dated government securities. Government's reopened Treasury bond auctions and subsequent tap sales attracted healthy investor participation, particularly in the longer-dated tenors, demonstrating continued demand for duration at more attractive yield levels.

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 appreciated marginally by 0.1% against the US Dollar during the month and on a year-to-date basis, the USD/KES pair remains largely flat reinforcing a broader theme of exchange rate stability. The U.S. Dollar Index (DXY) gained 2.2% during the month, supported by the Federal Reserve's cautious approach to monetary policy.

The Shilling weakened against the Euro, depreciating by 0.3% and 0.1% against the British Pound in June following relative strength in European currencies as energy price concerns moderated and investor positioning normalized.

Foreign exchange reserves rose to USD 14.05 billion (6 months of import cover) up from 13.21 billion in May. Reserve adequacy remains within comfortable levels, continuing to provide the CBK with sufficient capacity to manage short-term volatility and anchor market expectations.

Disclaimer

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.