



NCBA UNIT TRUST SCHEME.

NCBA DOLLAR FIXED INCOME FUND

INFORMATION MEMORANDUM

FEBRUARY 2025

APPENDIX 2

SUPPLEMENTAL INFORMATION MEMORANDUM – NCBA DOLLAR FIXED INCOME FUND

The Promoter:

NCBA Investment Bank Limited
NCBA Annex, Hospital Road , Upper Hill, Nairobi
P.O. Box 44599, 00100 Nairobi Kenya
Tel: 020-2884444
Date of Approval: September 2022

Fund Manager:

NCBA Investment Bank Limited
NCBA Centre Annex, Hospital Road, Upper Hill, Nairobi
P.O. Box 44599-00100, Nairobi, Kenya
Tel: 020-2884444
Registration Number: C.115878: Date of Registration: 11th April, 2005
Number & Type of Shares (Value of Shares): Ordinary 300,000 (KES 1,000.00 Each)
: Preference 200,000 (KES 1,000.00 Each).
NCBA Investment Bank Limited is a wholly owned subsidiary of NCBA Group PLC which is regulated by the Central Bank of Kenya. NCBA Investment Bank is regulated by the Capital Markets Authority.

The Trustee

KCB Bank (Kenya) Limited, Trustee Services
KCB Tower, 8th Flr, Kenya Road, Upper Hill,
P.O. Box 30664-00100, Nairobi, Kenya
Tel: 3270-000 / 0711-012-000
Registration Number: CPR/2015/185698; Date of Registration: 20th April, 2015
KCB Bank Kenya Limited is regulated by the Central Bank of Kenya and approved as a Trustee by the Capital Markets Authority

The Custodian

ABSA Bank Kenya PLC, Custodial Services
Absa Headquarters, Waiyaki Way,
4th Floor, P.O. Box 30120, 00100 GPO, Nairobi, Kenya.
Incorporation date and number: C18208

ABSA Bank is regulated by the Central Bank of Kenya and approved as a Custodian by the Capital Markets Authority.

The Auditor

Deloitte & Touche LLP
Deloitte Place
Waiyaki Way
Muthangari
P O Box 40092 GPO 00100

1. PREAMBLE

The Sponsor and the Trustee, have agreed to establish, a fund of the NCBA Collective Investment Scheme, to be known as the **NCBA Fixed Income Fund ("Fund")**, which shall be subject to all the relevant provisions of the Trust Deed together with any amendments thereto the, regulations and Act, such legislation as may be published from time to time, and this Supplemental Trust Deed.

The information Memorandum ("IM") will be valid for a period of two years from the date of release. This IM will be reviewed and revised at least once every two years or earlier where the need arises, to update for any material changes or new material information that should be included in the IM regardless of the two-year review cycle. A revision of the IM may take the form of a complete substitution of the previous memorandum, or a supplement to the information memorandum. The date of the change shall be prominently displayed.

PERMISSION HAS BEEN GRANTED BY THE CAPITAL MARKETS AUTHORITY TO OFFER TO THE PUBLIC THE SECURITIES WHICH ARE THE SUBJECT OF THIS ISSUE.

AS A MATTER OF POLICY, THE AUTHORITY ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS OR OPINIONS MADE OR REPORTS CONTAINED IN THIS PROSPECTUS.

THE NCBA UNIT TRUST SCHEME AND THE CONSTITUENT FUNDS ARE REGISTERED BY THE CAPITAL MARKETS AUTHORITY VIDE CERTIFICATE NO 9/24 DATED 03 MAY 2024.

2. OBJECTS OF THE NCBA DOLLAR FIXED INCOME FUND.

The object of the NCBA Dollar Fixed Income Fund is to provide a medium whereby investors can obtain participation in a diversified portfolio of interest earning assets and money market securities.

The return objective of the NCBA Dollar Fixed Income Fund is to generate total return (comprising interest income, and unrealise/realized gains or losses, net of fund charges/expenses).

In order to achieve this object, the Fund Manager shall be entitled to investing in a range of US Dollar denominated interest earning instruments and/or near cash & cash holdings in the Kenyan market, subject to the provisions of the Trust Deed and of the Act and to create and issue an unlimited number of units in the fund established in terms of the Trust Deed.

3. SUITABILITY

The fund is suitable for investor with a low to moderate risk appetite seeking an opportunity to accumulate funds in US Dollars in a low risk investment vehicle while ensuring ability to liquidate the invested funds on demand.

4. KEY FEATURES OF THE FUND

Investment Attribute	Description
Name of Fund	<ul style="list-style-type: none"> NCBA Dollar Fixed Income Fund
Return	<ul style="list-style-type: none"> Total return comprising Distributable cash income and Capital gains and losses.
Risk	<ul style="list-style-type: none"> Low Risk on the basis of eligible asset classes and diversification.
Liquidity	<ul style="list-style-type: none"> High Liquidity (redemptions paid within T+2 Days)
Preferred investment tenure	<ul style="list-style-type: none"> Investors with a tenure of between 1 month and 3 years
Eligible assets classes	<ul style="list-style-type: none"> As summarized in this information memorandum
Taxation	<ul style="list-style-type: none"> Subject to Withholding Tax on interest income at applicable tax rates
Regulated	<ul style="list-style-type: none"> Yes by Capital Markets Authority
Purchase price	<ul style="list-style-type: none"> Daily Net asset Value
Management fees	<ul style="list-style-type: none"> ✓ No Upfront preliminary or initial fee ✓ Management fee of 1% p.a. (before applicable 16% VAT) of Assets Under Management charged on the Fund. • No redemption fee
Initial investment	<ul style="list-style-type: none"> USD 100
Minimum Top-up	<ul style="list-style-type: none"> USD 100
Minimum Withdrawal	<ul style="list-style-type: none"> USD 100
Pricing frequency	<ul style="list-style-type: none"> Priced daily and published on the NCBA Website.

5. THE INVESTMENT POLICY AND AUTHORISED INVESTMENTS.

In selecting securities for the NCBA USD Fixed Income fund, the Fund Manager shall seek to achieve an investment medium for Investors, which shall have as its primary objectives; steady growth of income, a reasonable level of current income, liquidity and safety for capital invested.

5.1. INVESTMENT PRINCIPLES

The guiding principles for the NCBA Dollar Fixed Income Fund are:

1. To invest predominantly in interest earning instruments spread amongst institutions of repute subject to maximum permitted by the Regulations and consistent with the fund's investment policy/asset allocation guidelines.
2. Ensure the funds retain optima level of liquidity to fund liquidation on demand while avoiding cash drag on the return through excessive cash or short-term investments.
3. To prioritise generation of interest income than capital growth.
4. The **NCBA Dollar Fixed Income fund** will predominantly invest in USD denominated assets in the Kenyan investment markets at all times and will be permitted to make investments in a mix of foreign US Dollar denominated interest earning instruments and/or near cash & cash holdings, to the maximum permitted by the regulations, which are consistent with the portfolio's investment policy.
5. The Fund Manager may from time to time invest in suitable portfolios of collective investment schemes, subject to regulatory and investment policy limits.
6. Where the aforementioned schemes are operated in territories other than Kenya, participation in these schemes will be only where the regulatory environment is to the satisfaction of the Fund Manager and the Trustee and is of sufficient quality standards.
7. The Trustee shall ensure that the investment policy set out herein the preceding clause is implemented accordingly.

5.2. POWERS OF THE FUND MANAGER

1. The fund manager may vary the main objective of the fund to take account of changing economic factors, tax laws and provisions and from retaining cash or placing cash on deposit in line with the provision of the Trust Deed and regulations.
2. Nothing in this supplemental trust deed shall preclude the Fund Manager from varying the ratios of securities, to maximise investment potential in a changing economic environment or market conditions or to meet the regulatory requirements or objectives of the fund; provided that the Fund Manager shall ensure that the aggregate value of the assets comprising the unit trust fund shall consist of securities and liquid asset investments of the aggregate value required from time to time by the Act and regulations.

5.3. PERMISSIBLE ASSETS

The Fund will invest all its assets excluding cash and cash equivalents in USD denominated in fixed and floating rate debt securities issued by sovereigns and corporates subject to the maximum permitted by the Collective Investment Schemes regulations and the strategic asset allocation provided for in this information memorandum or any other securities, which may be included in a portfolio which are consistent with the portfolio's investment policy.

The following asset classes are considered to be appropriate investments for the scheme:

- USD denominated fixed income securities listed on approved Securities Exchanges.
- USD denominated fixed income securities issued by the sovereigns
- Other collective investment schemes including umbrella schemes denominated in USD
- USD denominated Offshore investments
- USD denominated Fixed deposits with banks in Kenya
- Non-Listed Fixed income securities issued by corporate issuers subject to counterparty pre-approval.

6. ASSET ALLOCATION

The Fund manager and Trustee consider the following distribution of assets to represent a suitable overall strategic asset allocation and tactical ranges and performance benchmark for the scheme.

Asset Class	Target Asset Allocation	Asset Allocation Range	CIS Limit	Fund Benchmark
Cash and Demand Deposits	5%	0% - 10%	Min 60%	Average Daily SOFR
Fixed deposits	40%	20% - 60%		
Commercial Papers, Corporate Bonds (USD)	5%	0% - 10%		
Fixed Income Structured Products (USD)	10%	0% - 20%		
Euro Bonds (USD)	25%	10% - 40%		
Listed/Unlisted Offshore investments	5%	0% - 10%	Max 10%	
Other assets (including other CIS)	10%	0% - 20%	Max 20%	
Total Allocation	100%			

7. KEY INVESTMENT RISKS

The Fund managers recognize a number of risks involved in the investment of the scheme assets that investors should be aware of prior to investing and over the period of investment;

Risk	Mitigation Measures
<p>Credit Event Risks</p> <p>A credit event is a negative change in a debt security issuer's ability to meet its payments. The three most common credit events are</p> <ol style="list-style-type: none"> 1. filing for bankruptcy, 2. defaulting on payment, 3. restructuring debt. 	<ul style="list-style-type: none"> • All counterparties, including banks & corporates, with which the funds are invested are pre-vetted and approved by the Board of Directors. • The fund manager conducts frequent reviews on debt instrument issuers for credit risk indicators. • Suspension of dealing rules or alternative measures as outlined in the Trust deed and information memorandum and regulations may be applied in the event of crystallization of a significant credit risk.
<p>Settlement Risk</p> <p>Failure of settlement where a counterparty defaults before a transaction is settled.</p>	<ul style="list-style-type: none"> • Conducting periodic counterparty evaluation for privately placed securities. • Trading on through the securities exchange for listed securities
<p>Concentration Risk – Risk of loss of funds should one investment lose value or counterparty fail to honor its obligations</p>	<ul style="list-style-type: none"> • The risk is managed by ensuring adequate diversification of investment between and within asset classes, counterparties, investment type, tenures and maturities in line with the Collective Investment Schemes Guidelines.
<p>Liquidity Risk – Risk of failure of the fund to settle maturing obligations or redemption requests.</p>	<ul style="list-style-type: none"> • The risk is managed through retaining portion of the assets in highly liquid assets e.g. call deposit, duration management for bond investments and establishment of a maturity ladder for all fund's investments. • Monitoring behavioral changes in liquidity needs of the funds and adjusting liquidity provision accordingly. • Suspension of dealing rules as outlined in the Trust deed. Information memorandum and regulations may be applied in the event of a liquidity crisis.
<p>Interest rates risk - the risk that the value of a bond or other fixed-income investment will suffer as the result of a change in interest rates.</p>	<ul style="list-style-type: none"> • A portion of funds invested in short-term assets with nil/low market risk. • Compliance with asset allocation policies to securities subject to Interest rates risks including asset allocation, duration management, stop loss trades etc. to reduce the sensitivity of the overall portfolio to significant adverse shifts in the yield curve.

Risk	Mitigation Measures
Volatility of Daily Fund return – The yield on the Fixed Income Fund is determined on a daily basis at that yield may vary substantially failing to meet client return objectives.	<ul style="list-style-type: none"> • Active monitoring of the underlying assets to ensure they are optimally invested to generate a consistent return. • Ensuring that liquidity position is retained at optimal to ensure low drag on the daily yield. • A mix of short date and long-dated investments ensure anchoring of the interest income thus moderating yield volatility.
Operational and pricing errors.	<ul style="list-style-type: none"> • Daily review of daily pricing with appropriate sign-off of prices.

8. VALUATION OF FUND AND PRICING OF UNITS.

8.1. NAV Calculation

The Fund assets and liabilities and the units shall be valued at the end of each business day as per pricing formula set below;

The formula for calculation of Fund and Unit Net asset value will be as provided below;

$$\text{Fund NAV} = (\text{Assets} - \text{Liabilities})$$

Where;

- *Assets* - Value of underlying securities based on closing [market prices](#) or best estimate of valuation for non-marketable securities of the portfolio's securities+ Interest receivable)
- *Liabilities* - Value of fund liabilities (excluding unitholders funds) including accrued expenses, distribution accrual and any provision of projected expenses/losses.

$$\text{Daily Unit NAV} = \text{Fund NAV} / \text{Total number of Units Issued}$$

The Daily Unit NAV will be the price used for purpose of subscriptions and redemption and creation and cancellation of units.

8.2. Annualised Daily Yield computation

The NCBA Fixed Income Fund will publish an annualized daily Yield ("ADY") comprising two components; Daily Cash return ('DCR') and Daily capital gains/losses.

1) Daily Cash return is calculated as below;

Daily Cash Return	=	Daily net accrued interest income
	add	Daily accretion of discounts
	less	Daily amortization of premiums
	Add	Realized gains on disposal/sale of investments
	Less	Realized losses on disposal/sale of investments
	Less	Fund expenses

2) $\text{Daily Cash return /Unit} = \text{Daily Cash Return/Total number of Issued Units}$ Daily Capital Gains/Losses is calculated as below;

Daily Changes in unrealized gains/losses/Total Number of Issued Units.

3) The Annualized Daily Yield shall be calculated as below;

$$\text{Annualised Daily Yield} = ((1 + \text{DCR})^{365} - 1) \times 100 + \% \text{ Daily Capital Gain/loss}$$

9. DISTRIBUTIONS

9.1. Calculation of Distributable Income

A distributable income of the Fund shall consist the Daily Cash return calculated as provided above.

9.2. Distribution policy

1. The NCBA Fixed Income Fund shall accrue daily distributable income and which shall be credited to client portfolios monthly, on the distribution date, which shall be the last day of each calendar month.
2. The monthly distributable income (**net of applicable withholding taxes**) may be re-invested based on client instructions or paid out to a designated bank account.
3. The reinvestment price will be the Unit NAV on the last day of the month.
4. Details of the distribution arising from interest will be shown on monthly statements to Investors.

10. SUBSCRIPTION, SWITCHING AND REDEMPTION

10.1. Subscription and Switching Process

1. The Fund Manager shall notify the Trustee to secure the creation and issue of units on new subscriptions or re-investment of distributable income; and for that purpose, to accept

- application monies for the purpose of the NCBA Unit Trust Scheme provided that the price at which the units are acquired shall be the calculated price at the time of the transaction.
2. Where a fund manager is required to issue new units, the fund manager shall create the Units in accordance with the Trust Deed within **24 Hours** from the time the obligation arose except for weekends and bank/public holidays where the units will be created on the next business day.
 3. The instructions in writing or email or via digital platform in relation to creation of units will specify the type of unit to be created, the number to be created, price of the units to be created.
 4. **The close off time for same day subscription will be 11.00 am** provided that the respective fund bank collection account is credited by 11:00am. All else the investor will receive value during the next business day when the funds are cleared through the bank.
 5. The conversion of units from one fund type to another will be regarded as a switch and is subject to prevailing prices for the fund the investor is switching out of and the fund the client is switching into.
 6. A client may be liable to a switching fee.
 7. A switch will be effected based on Investor's written instructions request clearly stating the fund they intend to be switching from/into.
 8. **The close off time for same day switching will be will be 11.00 am and subject to each respective fund subscription and redemption rules.**

10.2. Redemption / Repurchase of Units.

1. Any Investor desiring to sell units shall be entitled at any time, by valid notice in writing or email or via digital platform received by the Fund Manager, to require the Fund Manager to repurchase all or any of such units, and the Fund Manager shall repurchase such units subject to the provisions of this Deed and respective fund trust deed.
2. On agreeing to redeem units, the Fund Manager shall pay the appropriate proceeds of redemption in line with the redemption policy of each fund under the NCBA Unit Trust Scheme.
3. The formulas to be adopted to determine the redemption amount of each fund per unit are outlined in the respective Fund's Supplemental Trust Deed.
4. The Fund Manager may deduct from the price so payable for each such unit an amount not exceeding the equivalent of any necessary charges which would be payable in connection with the sale of that part of the underlying securities to fund the redemption.
5. Upon full redemption being made by the Fund Manager the unit holder shall cease to be the unit holder of the units purchased by the Fund Manager and an entry to this effect shall be made in the register.
6. Redemption days shall be on each business day during normal working hours up to 3.00 pm.
7. **Subject to each fund redemption rules, the close off time for same day redemption will be will be 11.00 am** to be eligible for that day's value date and if received after this time will be deemed to notice received on the following business day.
8. The minimum value of units that may be redeemed at any one time shall be USD100 unless the investor wishes to close the investment account.
9. The Fund Manager will transfer the monies requested to the Investor's bank account, on record, but have no control over how these respective banks process their transactions.
10. The Fund Manager will not be held responsible for any bank charges incurred by the unit holder for crediting of /receiving funds in the bank account, if onward payments issued to the investors bank account assuming their bank account was credited.

11. FUND CHARGES AND EXPENSES

The fund expenses for the time being are summarized below;

Expense Type	Payable to	Rate (p.a.)	Basis
Management fees*	NCBA Investment Bank	1%	% Assets under Management
Trustee fees*	KCB Bank Kenya Limited	0.10%	% of Assets under Management
Custodial Fees*	ABSA Bank Kenya	0.135%	% of Assets under Custody
Fund expenses*	taxes audit fees, publication fees. Transaction charges, bank charges etc.		At transaction rates.

* - Fees are subject to value added taxes and excise duties as applicable

Total expense ratio - The current annualized total expense ratio for the fund is 2.62% of Asset under management.

12. FUND REPORTS

These include:

- **Monthly Statements;** Unit holders will receive a monthly statement of their investments and a Fund Fact Sheet within 10 working days of the end of the month.
- **Monthly fact sheet:** The Fund Fact Sheet will review the investment activity and performance of the fund and any changes comprising the fund's portfolio for the month.
- **Key Investor Information Document(KIID)** – The KIID shall provide investors with up to date key investor information in good time before their proposed subscription of participatory interests in the scheme. The key investor information shall be made available on the website or at our NCBA Bank Annex offices.
- **Audited Fund Financial Reports:** The NCBA Fixed Income Fund will have copies of the most recent Fund Financial Reports approved at an Annual General Meeting and unitholders can obtain past reports free of charge from the Fund's Trustee, KCB bank Corporate Trustee, P. O. Box 30664-00100 Nairobi, Email: trustee@kcbgroup.com, or The Fund Manager, NCBA Investment Bank, P.O Box 44599-00100, Nairobi Kenya, website <https://investment-bank.ncbagroup.com/> or request via email on InvestmentTeam@ncbagroup.com

SEALED with the common seal of

THE PROMOTER/FUND MANAGER

NCBA Investment Bank Limited

in the presence of:



SIGNED BY: *Florence Nduba*

THE TRUSTEE

(Authorised Signatory of

KCB BANK (KENYA) LIMITED

in the presence of:

PATRICIA A. ODONGO
ADVOCATE
P. O. Box 58025 - 00200
NAIROBI

Pat



FLORENCE NDUBA
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