



ValuAlliance Value Fund

Market Review

Economic activities in Q1 2022 were adversely affected as the FGN suspended implementation of the capital expenditure component of the 2022 budget during the quarter, while crude oil production remained underwhelming due to technical and insecurity issues.

In Q1-2022, NBS data revealed that the Nigerian economy expanded by 3.40% YoY in 2021, following the announcement of 3.98% YoY growth in Q4 2021. However, the price environment which saw signs of improvement in the H2-2021 reversed direction in February 2022 on persisting price pressures, despite the high base effect from the corresponding quarter of last year. The currency remained range bound between N415-N425/\$ at the I&E FX window, amid lingering dollar illiquidity and relatively tepid FX inflows. Meanwhile, the parallel market premium widened from the previous quarter amid continued FX supply crunch. The green back fell to c. N585/\$ (versus N575/\$ at the parallel market in Q1-2021).

During the quarter under review, the monetary policy rate, cash reserve ratio, and liquidity ratio were maintained at 11.50%, 27.50% and 30.00%, respectively. Relative to the end of Q4 2021, the yield on 91-day, 182-day, and 1-year NTBs contracted by 74bps, 45bps and 45bps, respectively. Similarly, the 5-year, 10-year and 20-year risk-free yields decreased by 1.18ppts, 1.74ppts, and 0.3ppts, respectively.

Activities in the equity market were predominantly bullish over Q1-2022 (as the NGX-ASI climbed by 9.1% m/m in Jan-22, 1.7% m/m in Feb-22, and then fell by 0.9% m/m in Mar-22). The positive trend observed over the quarter was supported by the depressed fixed income yield environment, and investors positioning ahead of the FY-2021 earnings season.

Fund Review

During the year under review, the Fund's performance was primarily buoyed by firmer equity prices across most of the equity holdings, dividend receipts as well as income from interest payments. Declining fixed income yields on short term papers also buoyed the performance of the fixed income portfolio.

Portfolio Performance: The Fund closed the quarter ended 31st March 2022 with a Net Asset Value of ₦182.84/unit (unaudited) and calendar and financial year-to-date returns of 6.36% and 14.13% respectively.

Portfolio Outlook: In Q2-2022, we expect investor's interest in the domestic equity market to be driven by the quality of Q1-2022 earnings, dividend announcements, corporate actions and potentially higher fixed income yields.

We expect domestic monetary policy to be driven by the pace of economic recovery and inflationary trend. We foresee the MPC maintaining status quo in H1-2022, as the Committee will remain mindful of the need to support the fragile economic recovery even amidst elevated price levels. However, we expect the Committee to hike the benchmark rate in H2-2022 as sustained inflationary and FX pressures strengthen the case of the rate amid a more stable growth environment.

We expect factors such as a more hawkish monetary policy in advanced climes; record FGN fiscal deficit/borrowing; the CBN's plan to raise c. N7.0tn, domestic inflationary pressures; pre-election year uncertainties; and sparse liquidity condition from Q2-2022 are expected to exert an upside pressure on the interest rate environment from Q2-2022. However, the c. N10.4tn CRR sitting with the CBN remains a wildcard in the hands of the apex bank to control the pace of interest rate acceleration.

We maintain our expectation of a further repricing to N440-460/\$ at the I&E window in 2022 on sustained FX pressures from imports amid tepid export growth, repatriation demand, travel resumption and external balance pressures to drive a further repricing by FY-2022. While we estimate a fair value closer to N500/\$, we posit that recent FX inflows (c. \$4 billion in Eurobond issuance in H2-2021, c. \$1.5 billion of multilateral borrowings) and improved oil price outlook for 2022 will provide the CBN with the legroom to effect only a mild repricing of the currency by FY-2022. Nonetheless, in the medium term, we see scope for a steeper weakening of the local currency as weak foreign inflows, compounded by import and travel demand may compel a repricing.

The Fund manager will continue to invest in accordance with the value investment philosophy of the Fund, whilst keeping abreast of the volatile and uncertain operating environment. The Fund Manager will continue to evaluate investment opportunities across the quoted/unquoted equities and fixed income space, and take advantage of timely opportunities as they arise (within risk constraints). The Fund Manager will particularly focus on quality issuers and issues that will contribute to the long-term objective of the Value Fund.

Top 5 Sector Holdings - Equity - 31.03.2022

Banking	24.51%
Agriculture	15.06%
Oil & Gas	10.39%
Insurance	4.31%
Industrials	3.83%

Top 5 Equity Holdings - 31.03.2022

Presco
Seplat
Okomu
Zenith
Access

Investment Objective

The ValuAlliance Value Fund aims to provide investors with capital growth over the long-term by investing in listed and unlisted Nigerian equities and other securities as approved by SEC. The Fund pursues a total return objective.

Investment Strategy

The Fund pursues a pragmatic value philosophy. Thus, the Fund invests in securities which are sufficiently undervalued relative to their intrinsic value. It seeks securities with low earnings multiples, low price to book ratio, and which are trading at an acceptable margin of safety to the Fund Manager's assessment of fair value.

Fund Information

Classification:	A Balanced Unlisted Closed End Fund
Start Date:	30th June 2011
Trustees:	Leadway Capital & Trusts Limited
Custodian:	Stanbic IBTC Bank Plc
GAV:	N5.039billion
NAV:	N5.039 billion
Total Distribution:	N3.17 billion (Inception till date)
Total Distribution/unit:	N99.83 per unit (Inception till date)
Latest Distribution:	N10.00 per unit (Paid in January 2022)
NAV/Unit:	N182.84 per unit

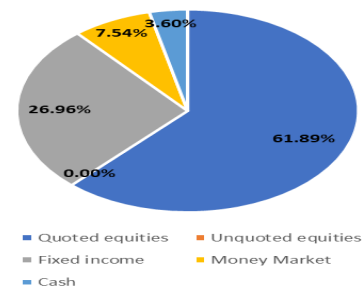
Key Statistics as at 31.03.2022 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense	**Total expense
6.36%	13.01%	182.67%	1.69%	4.11%

* Trailing 12 months exclusive of incentive fee

** Trailing 12 months inclusive of incentive fee

Asset Allocation as at 31st March 2022



Asset class	Permissible Range
Quoted equities	20% - 60%
Unquoted equities	0% - 20%
Fixed income	20% - 60%
Money market	0% - 40%
Cash	0% - 5%

Manager Information:

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