



# ValuAlliance Value Fund

## Market Review

Despite the unprecedented headwinds in the global economic environment, Nigeria's economy maintained its growth momentum in Q1-2022, expanding by 3.11% y/y. This growth came on the back of sustained improvement in activities in the non-oil sector, while the oil sector remained recessionary (still plagued by technical and insecurity issues).

Headline inflation continued its acceleration over the quarter (rising 88bps to 18.6% y/y in June-22) as the ongoing Russia-Ukraine conflict kept food and energy prices elevated. The Naira weakened against the dollar over Q2-2022 as the trading range at the official window fell from N415-N420/\$ in Q1 to N420-N435/\$. Meanwhile, the parallel market premium widened to N590-N615/\$ (vs. N575-N588/\$ in Q1-2021) amid the protracted FX supply crunch.

Against the backdrop of accelerating inflation, the Monetary Policy Committee took a hawkish stance in the quarter under review, delivering a 150bps hike to the benchmark rate (to 13.00%), while keeping the cash reserve and liquidity ratio unchanged at 27.50% and 30.00%, respectively. The committee's decision, combined with the strained liquidity condition in the interbank market lifted fixed income yields q/q. Relative to the end of Q1 2022, yields on 91-day, 182-day, and 1-year NTBs expanded by 2.58ppts, 1.30ppts and 3.37ppts, respectively. While, the 5-year, 10-year and 20-year risk-free yields climbed by 2.55ppts, 1.98ppts, and 1.40ppts, respectively.

The local bourse recorded strong gains over Q2-2022 (gaining 5.7% and 8.1% in April and May-22, respectively) as negative real fixed income yields, and positive Q1-2022 scorecards kept local investors interested in the equities market. Like observed towards the end of Q1-2022, sentiments waned in June (with the NGX-ASI down 3.4%) as investors took profits from the prior months gains.

## 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. The performance was however tempered by rising fixed income yields in on both domestic and Euro-bond yield curves.

**Portfolio Performance:** The Fund closed the quarter ended 30th June 2022 with a Net Asset Value of ₦197.93/unit (unaudited) and calendar and financial year-to-date returns of 14.68% and 23.03% respectively.

**Portfolio Outlook:** While we expect rising interest rates to cap the performance of the equities market in H2-2022 as investors rotate out of risk assets, we see the market posting a positive return by the end of the year, hinged on the strong performance over H1-2022.

Like in H1-2022, sustained policy normalization in advanced economies, borrowing to fund a widened government deficit, heightened political risk associated with a pre-election year, and relatively sparse liquidity conditions should exert an upward pressure on domestic interest rates in H2-2022. We expect the Monetary Policy Committee's stance to be influenced by the strength of economic output growth and the inflation trajectory. The monetary policy committee has raised policy rates by a cumulative of 250bps so far this year, and we see room for further rate hikes over H2-2022 on persisting inflationary pressures. Notwithstanding, the apex bank's proclivity for unorthodox policies may suppress the transmission of these rate hikes to FGN borrowing rates. We also expect rising policy rates globally to catalyze outflows in emerging and frontier markets, which may present quality risk adjusted opportunities in the near term.

We maintain our expectation of a further repricing to N440-460/\$ at the I&E window by year end 2022 on sustained FX pressures from imports amid tepid export growth, repatriation demand, normalization of travel and external balance pressures. While we estimate a fair value closer to N540/\$, we posit that recent FX inflows (c. \$4bn in Eurobond issuance in H2-2021, and c. \$1.5bn of multilateral borrowings), political influence ahead of general elections in 2023 and an 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 Naira as weak foreign inflows, compounded by import and travel associated 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 quoted/unquoted equities and within the 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 - 30.06.2022

Banking	24.40%
Agriculture	13.46%
Oil & Gas	9.14%
Insurance	4.74%
Industrials	3.93%

## Top 5 Equity Holdings - 30.06.2022

Okomu
Presco
Seplat
Zenith
Custodian

## 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:** N4.993billion

**NAV:** N4.908 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:** N197.93 per unit

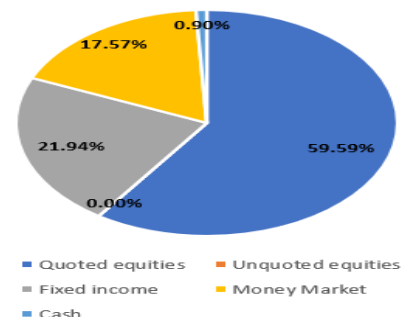
## Key Statistics as at 30.06.2022 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense	**Total expense
14.68%	13.57%	197.76%	1.85%	1.85%

\* Trailing 12 months exclusive of incentive fee

\*\* Trailing 12 months inclusive of incentive fee

## Asset Allocation as at 30th June 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:

ValuAlliance Asset Management Limited. Physical Address: 12th Floor, Alliance Place, 33A Alfred Rewane Road, Ikoyi, Lagos  
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