



ValuAlliance Value Fund

Market Review

According to the National Bureau of Statistics, the Nigerian economy expanded by 3.52% in Q4-2022, bringing the annual growth rate to 3.1% in 2022. The growth was driven by the non-oil sector as a moderate improvement in oil production was insufficient to pull the oil sector out of negative territory.

Headline inflation rose once again in Q4-2022 (rising 57bps to 21.3% y/y in the quarter) as prolonged fuel scarcity and increased demand during the festive season offset the disinflationary impact of the harvest season. The currency remained range bound around N450–N460/\$ at the Official markets while the parallel market premium was sustained of between N250– N300/\$ amid lingering dollar shortage.

Following the continued acceleration in inflation, the Monetary Policy Committee doubled down on its hawkish stance in the quarter under review, delivering a 100 bps hike to the benchmark rate (to 16.50%), while keeping the cash reserve and liquidity ratio unchanged at 27.50% and 30.00%, respectively. The committee's decision took the annual cumulative rate hike in 2022 to 500 bps. •In the fixed income market, while average yields on NTBs and Bonds climbed by 0.95ppt and 1.49ppt over the calendar year, they dipped by 1.76ppt and 0.25ppt q/q to end the year at 5.38% and 13.04%, respectively.

After a string of monthly losses between June and October 2022, the local bourse delivered a decent performance in the last quarter, as the NGX-ASI advanced by +4.54% q/q. While the market's dip in parts of Q2-2022 and for most of Q3-2022 coincided with rising LCY fixed-income yields, we attribute the gains over the last quarter to portfolio rebalancing activities and gains on

Fund Review

During the year under review, the Fund's performance was primarily buoyed by rising Eurobond prices, intermittent rallies in prices across most of the equity holdings, dividend receipts as well as income from placements.

Portfolio Performance: The Fund closed the quarter ended 31st Dec. 2022 with a Net Asset Value of ₦186.60/unit (unaudited) and calendar and financial year-to-date returns of 2.91% and -5.73% respectively.

Portfolio Outlook: In 2023, we expect to see a rebound in the oil sector - on completed maintenance work, ongoing pipeline surveillance, and the effect of a low base from 2022 – support growth in the non-oil sector. An upside risk to growth in 2023 is the launch and operation of the Dangote oil refinery, which may impact positively on FX earnings, with possible impacts for improved FX liquidity.

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We expect inflation to remain at the centre of monetary policy decisions even as we expect the MPC keeps tabs on the nation's economic health and exchange rate considerations. Considering our expectations for inflation to remain elevated in 2023, we expect the MPC to sustain a bearish stance through the year. Favourable economic growth outturns will strengthen this position throughout the year. We see scope for another 100-250 bps policy rate hike in FY-23.

We hold the view that after an initial liquidity-driven moderation in fixed income yields in Q1-2023, interest rates will rise substantially in subsequent quarters of the year. Overall, the fixed-income strategy for 2023 would be to play on the short end of the curve and increase exposure to fixed-income securities as yields retrace higher. Specifically, our strategy will be to re-position our fixed-income portfolio to benefit/optimize the expected volatility in the interest rate environment. This entails divesting from relatively low-yielding bonds with long durations and reinvesting later in the year at rates that will be net accretive to the portfolio over the long term.

Given heightened uncertainty in the political and macroeconomic environment, we maintain our preference for quality companies trading below our estimation of intrinsic value •We will seek to selectively trade out of positions that we consider to be trading around intrinsic value and introduce new positions that provide a compelling investment case over the long term.

Top 5 Sector Holdings -Equity - 31.12.2022

| | |
|-------------|--------|
| Banking | 27.73% |
| Agriculture | 11.35% |
| Oil & Gas | 8.12% |
| Insurance | 4.27% |
| Industrials | 3.96% |

Top 5 Equity Holdings - 31.12.2022

| |
|--------------------------|
| Zenith Bank Plc |
| Okomu Oil Plc |
| Presco Plc |
| Seplat Plc |
| Custodian Investment Plc |

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: | N4.651 billion |
| NAV: | N4.710 billion |
| Total Distribution: | N3.48 billion (Inception till date) |
| Total Distribution/unit: | N112.33 per unit (Inception till date) |
| Latest Distribution: | N12.50 per unit (Paid in January 2022) |
| NAV/Unit: | N186.60 per unit |

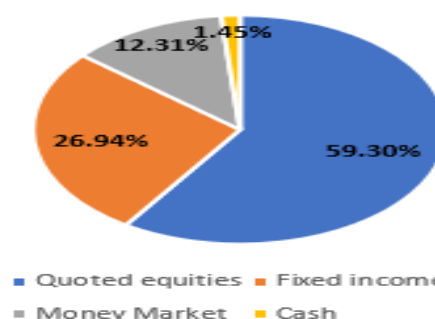
Key Statistics as at 31.12.2022 (net of fees & expenses)

| Calendar YTD | IRR (since inception) | HPR (since inception) | *Total expense ratio | **Total expense ratio |
|--------------|-----------------------|-----------------------|----------------------|-----------------------|
| 9.81% | 12.82% | 198.93% | 1.87% | 1.87% |

* Trailing 12 months exclusive of incentive fee

** Trailing 12 months inclusive of incentive fee

Asset Allocation as at 31st December 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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