



# ValuAlliance Value Fund

## Market Review

Data from the NBS revealed that the Nigerian economy expanded for the second consecutive quarter in Q1 2021 as GDP rose by 0.5% y/y in the quarter. Nonetheless, the macroeconomic environment remained fragile as key economic variables weakened in Q1 2021. The latest purchasing manager's index available in the period showed that manufacturing activity remained below 50 points, which shows continued contraction in economic activity despite nascent recovery in Q1 2021. The Exchange rate at the parallel market also weakened to N490/\$ in Q2 2021 from N485/\$ it opened in the quarter. Likewise, the rate at the I&E window depreciated to a band of N410-N415/\$ in Q2 2021, with CBN supplying dollars as low as N420/\$ in the window.

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 Q1 2021, the 1-year, 5-year and 20-year risk-free yields expanded by 2.45 ppts, 2.55 ppts and 1.98 ppts respectively to close at 10.53%, 12.60%, and 12.70% in Q2 2021.

The NSE All Share Index declined by 2.91% (vs 3.04% in Q1-2021) over the quarter to close at 37,907.28 points. The performance was dragged by negative sentiments in the liquid Banking, Industrial Goods, Insurance and Consumer Goods indices. We note that the broad market selloffs coincided with higher fixed income interest rates over the quarter.

## Fund Review

During the year under review, the Fund's performance primarily impacted by firmer equity prices and dividend receipts over the period as well as income from interest payments which offset the price impact of rising yields on fixed income holdings.

**Portfolio Performance:** The Fund closed the quarter ended 30th June 2021 with a Net Asset Value of ₦168.96/unit (unaudited) and calendar and financial year-to-date returns of 4.68% and 23.01% respectively.

**Portfolio Outlook:** We expect investor's interest in the domestic equity market to remain weak as the interest rate remain relatively attractive and macro fundamentals struggle to reach an inflection point. While we also note the paucity of bullish-macro fundamentals to spur market activity, corporate actions such including interim dividend announcements and potential stock buybacks could moderate the impact of continued equity market sell pressure in the coming quarter. Additionally, bargain hunting and earnings outperformance could improve market sentiment.

We are of the view that the domestic monetary policy will be driven by the pace of economic recovery and inflationary trend. The MPC are likely to sustain dovish policies, considering consecutive moderations in the inflation rate and the likelihood of further reduction given the high base of last year, even as FX pressures continue to provide a case for a rate hike. We expect interest rates in the fixed income markets to trend lower in Q3'2021 amid liquidity flows from bond maturities, however we see a reversal in direction for the rest of year on sustained pressure from borrowing needs, FX shortage, repatriation demand, elevated inflation levels and relatively lower liquidity conditions.

We see scope for moderate weakening of the local currency in 2021 as weak foreign inflows may be compounded by persistent FX repatriation backlogs, and sustained import and travel demand. We expect the I&E rate to close N420-N430/\$. However, we only envisage a mild repricing due to expected support from improved oil production in H2 2021— as OPEC eases existing supply cuts — as well as external borrowing from Eurobond issuances and multilateral loans.

While 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, as well as take advantage of opportunities as they arise (albeit in a measured manner). The Fund Manager will particularly focus on quality issuers and issues that will contribute to the long-term growth of the Value Fund.

### Top 5 Sector Holdings - Equity - 30.06.2021

Banking	27.42%
Agriculture	9.87%
Oil & Gas	7.23%
Insurance	4.12%
Industrials	3.18%

### Top 5 Equity Holdings - 30.06.2021

Zenith Bank Plc
Seplat
Okomu
Presco
Guaranty Trust Bank

## 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

<b>Classification:</b>	A Balanced Unlisted Closed End Fund
<b>Start Date:</b>	30th June 2011
<b>Trustees:</b>	Leadway Capital & Trusts Limited
<b>Custodian:</b>	Stanbic IBTC Bank Plc
<b>GAV:</b>	N4.90 billion
<b>NAV:</b>	N4.88 billion
<b>Total Distribution:</b>	N2.88 billion (Inception till date)
<b>Total Distribution/unit:</b>	N89.83 per unit (Inception till date)
<b>Latest Distribution:</b>	N10.00 per unit (Paid in December 2020)
<b>NAV/Unit:</b>	N168.96 per unit

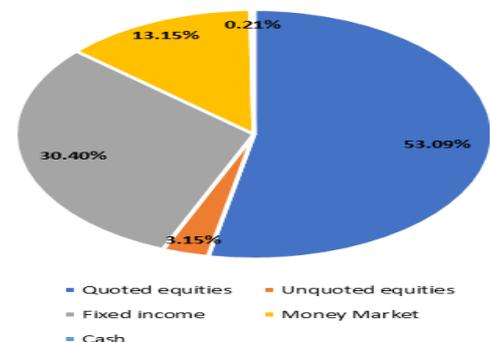
## Key Statistics as at 31.06.2021 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
4.68%	12.88%	158.79%	1.67%	1.67%

\* Trailing 12 months exclusive of incentive fee

\*\* Trailing 12 months inclusive of incentive fee

## Asset Allocation as at 30th June 2021



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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