



# ValuAlliance Value Fund

## Market Review

Data from the NBS over the period revealed that the Nigerian economy further consolidated its recovery as it marked a third consecutive quarter of expansion as GDP rose by 5.01% y/y Q2 2021. The price environment also improved in the third quarter of the year as inflation moderated to 16.63% y/y in September 2021 (from 17.75% at the beginning of the quarter). Despite these green shoots, the macroeconomic environment continued to show fragility as a closer look at the GDP data shows that economic output contracted on a quarter on quarter basis in Q2 2021 and exchange rate weakened over the quarter. The Exchange rate at the parallel market weakened to N475/\$ in Q2 2021 (from N490/\$ it opened in the quarter) after the CBN halted US dollar sales to BDC's in July. However, the rate at the I&E window depreciated to a band of N411-N415/\$ in Q2 2021, with CBN supplying dollars as low as N429/\$ 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 Q2 2021, the 1-year, 5-year and 20-year risk-free yields contracted by 3.08 ppts and 1.63 ppts respectively to close at 7.45% and 1.07%, in Q3 2021.

The NSE All Share Index recorded its first positive quarter of 2021 as it advanced by 6.10% (vs 2.91% decline in Q2-2021) in Q3-2021. The quarterly rally was enough to offset losses in the H1-2021. The performance coincided with a downtrend in fixed income yields as well as impressive earnings scorecards and dividend announcements.

## 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. Declining fixed income yields over the quarter also buoyed the performance of the fixed income portfolio.

**Portfolio Performance:** The Fund closed the quarter ended 30th September 2021 with a Net Asset Value of ₦171.7534/unit (unaudited) and calendar and financial year-to-date returns of 6.41% and 1.65% respectively.

**Portfolio Outlook:** We expect investor's interest in the domestic equity market to be driven by the quality of Q3 earnings and clarity over the direction of fixed income yields. While we also note the paucity of bullish-macro fundamentals to spur market activity, corporate actions such as including interim dividend announcements and potential stock buybacks could support equities performance in the third quarter.

Domestic monetary policy will likely be driven by the pace of economic recovery and inflationary trend. The MPC are likely to sustain status quo, considering our expectation of continued moderation in the inflation rate, given the high base of last year, even as FX pressures continue to provide a case for a rate hike. We hold the view that yields are likely to hover around current levels and that a future rise in bond yields, if any, is unlikely to be sharp over the coming months due to unaggressive borrowing as the FGN has met the bulk of its borrowing needs and the seeks to manages its debt service costs.

We expect to see a relatively stable foreign exchange rate environment in Q4-2021 as FX obligations are likely to be met with c. \$6 billion in Eurobond issuance by year end (\$4 billion already secured), earlier multilateral borrowings and improved oil price outlook for the rest of the year. However in the medium term, we still see scope for a moderate weakening of the local currency as weak foreign inflows may be compounded by import and travel demand. We expect the I&E rate to close N430-N450/\$.

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 - 30.09.2021

Banking	26.60%
Agriculture	9.96%
Oil & Gas	7.69%
Insurance	4.38%
Industrials	3.87%

### Top 5 Equity Holdings - 30.09.2021

Zenith Bank Plc
Seplat
Presco
Okomu
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:** N5.10billion

**NAV:** N4.96 billion

**Total Distribution:** N2.88 billion (Inception till date)

**Total Distribution/unit:** N89.83 per unit (Inception till date)

**Latest Distribution:** N10.00 per unit (Paid in December 2020)

**NAV/Unit:** N171.75 per unit

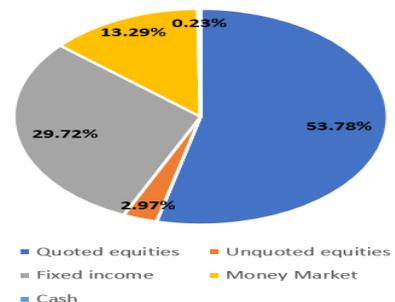
## Key Statistics as at 30.09.2021 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
6.41%	13.01%	161.58%	1.67%	1.67%

\* Trailing 12 months exclusive of incentive fee

\*\* Trailing 12 months inclusive of incentive fee

## Asset Allocation as at 30th September 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:

ValuAlliance Asset Management Limited. Physical Address: 12th Floor, Alliance Place, 33A Alfred Rewane Road, Ikoyi, Lagos  
Tel: + 234 1 466 2000; Email: info@valualliance.com

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