



# ValuAlliance Value Fund

## Market Review

In Q4-2021, NBS data revealed that Nigeria further consolidated its economic recovery as GDP expanded by 4.03% y/y, marking a fourth consecutive quarter of expansion. The price environment also showed signs of improvement in the final quarter of the year as inflation moderated to 15.63% y/y in December 2021 (from 16.63% at the beginning of the quarter) on higher energy costs. However, we note that the consumer price index recorded an uptick in December following the 8 previous consecutive quarters of disinflation. The currency also weakened in the quarter (despite accretion to FX reserves from foreign borrowings) to a band of N411-N430/\$ at the I&E FX window. The I&E FX rate closed the year at N430/\$. Additionally, the parallel market premium was sustained from the previous quarter amid continued FX supply crunch. The green back traded at c. N575/\$ at the parallel market in FY-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 Q3 2021, the 1-year risk free paper contracted by 2.21 ppts to close at 5.24%, while the 10Y FGN bond appreciated by 59 bps to 12.2%.

The NSE All Share Index recorded its second consecutive quarter of positive growth in Q4-2021 as it advanced by 6.20% (vs 6.10% in Q3-2021). The equity market rally in H2-2021 buoyed the index to a 6.07% annual return. The performance coincided with broadly impressive earnings scorecards and dividend announcements.

## Fund Review

During the year under review, the Fund's performance was primarily impacted by firmer equity prices, 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 December 2021 with a Net Asset Value of ₦181.31/unit (unaudited) and calendar and financial year-to-date returns of 12.33% and 7.31% respectively.

**Portfolio Outlook:** In Q1-2022, we expect investor's interest in the domestic equity market to be driven by the quality of earnings, dividend announcements, corporate actions and clarity over the direction of 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.

For the fixed income market, we are of the view that yields are likely to rise in 2022 from Q4-2021 levels. This position is supported by the recorded FGN budget deficit, tighter liquidity conditions from Q2-2022 and persistent balance of payment pressures. However, we see sustained unorthodox CBN measures to suppress rates as key headwinds to higher rates in 2021. Consequently, we forecast only a moderate rise in FI yields across the yield curve.

We expect the currency to be repriced further to N440-460/\$ 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 calculate the fair value of the naira to be c. N464/\$, 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 growth of the Value Fund.

## Top 5 Sector Holdings - Equity - 31.12.2021

Banking	25.08%
Agriculture	11.11%
Oil & Gas	7.25%
Insurance	4.90%
Industrials	3.37%

## Top 5 Equity Holdings - 31.12.2021

Zenith Bank Plc
Okomu
Presco
Custodian Investment Plc
Seplat

## 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>	N5.38billion
<b>NAV:</b>	N5.23 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>	N181.31 per unit

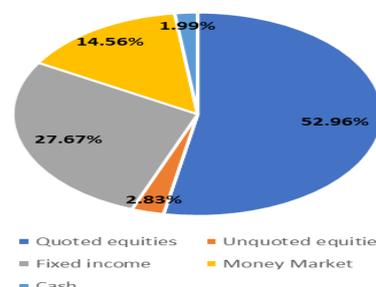
## Key Statistics as at 31.12.2021 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
12.33%	13.44%	171.14%	1.62%	1.62%

\* Trailing 12 months exclusive of incentive fee

\*\* Trailing 12 months inclusive of incentive fee

## Asset Allocation as at 31st December 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  
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