VALUALLIANCE MONEY MARKET FUND

ANNUAL REPORT

31 May 2021

CONTENTS

Fund information

Directors of the Fund Manager:

Mr. Samuel Oniovosa	Director
Dr. Okechukwu Enelamah	Director
Mrs. Eno Atoyebi	Managing Director
Mr. Obinnia Abajue	Independent Director*
Mr. Kofi Kwakwa	Director**

**Appointed 18 January 2021 subject to no objection from the regulator (SEC)*
***Appointed 21 January 2021 subject to no objection from the regulator (SEC)*

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Trustee:
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Registrars:
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Auditor:
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island,
Lagos.
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Bankers:
Stanbic IBTC Bank Plc
Union Bank of Nigeria Plc
Access Bank Plc
Fidelity Bank Plc
First City Monument Bank Limited
Rand Merchant Bank Nigeria Limited
Coronation Merchant Bank Limited

Company Secretary:
Alsec Nominees Limited
St. Nicholas House 10th /13th Floors
Catholic Mission Street,
Lagos.

Fund Manager's Report

For the year ended 31 May 2021

The Fund Manager presents its report on the affairs of the ValuAlliance Money Market Fund ("the Fund") together with the financial statements and independent auditor's report for the year ended 31 May 2021.

BACKGROUND INFORMATION

The Fund is a SEC registered open-ended collective investment scheme established in June 2020 . The Fund's primary objective is to provide investors with a steady return on capital, liquidity and capital preservation by investing in a diversified portfolio of high-quality short-term money market instruments which will include short-term government securities, unsubordinated short-term debt instruments such as commercial papers, bankers' acceptances, and fixed deposits.

This Fund targets individuals looking for a vehicle to conservatively grow and optimize their savings or seeking a flexible option for cashflow and liquidity management. The Fund is constituted and governed by a Trust Deed.

INVESTMENT STRATEGY

Selection of securities for the Fund is driven by a detailed investment policy focused on achieving consistent income streams through investing in a diversified portfolio of money market securities and investments specified in the Trust Deed. The Manager seeks to meet the Fund's objective by actively managing the portfolio based on the relative attractiveness of the money market.

ASSET ALLOCATION

The Fund's asset allocation is detailed below;

Asset Class	31-May-21	
	Amount ₦	Percent
Short Term Government Instruments	523,212,967	27%
Placement with Banks	613,365,676	32%
Other Money Markets Instruments	695,073,327	36%
Cash & Cash equivalents	114,549,819	6%
Total	**1,946,201,789**	**100%**

DISTRIBUTION

The Fund distributes income received net of expenses to unitholders on a quarterly basis. The Fund distributed a total net income of ₦10,206,585.00 for the period ended 31 May 2021.

FUND PERFORMANCE REVIEW

ValuAlliance Money Market Fund performance is benchmarked against 90 days Nigerian Treasury Bill. This performance is tracked using 3 months Nigerian Interbank Treasury Bill True Yield (NITTY).

The Fund ended it's financial year with a net yield of 4.23%. There has been an effective monitoring of the Fund's performance, ensuring the Fund's performance is not below but rather above the 90 days treasury bill rate which has been the current situation of the Fund, performing above the 90 days Nigerian Treasury Bill which was at 3.2% (31 May 2021).
Given the interest rate environment over the review period, the Fund has shown strong resilence in perfomance and strong potential for maintaining an upward trend in yield.

NIGERIAN MACROECONOMIC REVIEW AND OUTLOOK

Real Economy:
2020 will be a year to remember across the world as the coronavirus outbreak shut down most of the world economies between Q1 to Q3. This triggered recessions across economies with the global GDP contracting by -3.4% in 2020 (Statista.com, 2021). The advent of a second wave of the virus made most economies to stop their much-needed reopening plans and reintroduce new lockdown restrictions.

In Nigeria, the imposition of lockdowns led to a downturn in output in the first half of the year which led to key sector recording negative growth. Both oil and non-oil sectors slumped as economic activity in these sectors fell by c. 6% year-on-year.

In Q4'20, the Nigerian economy officially exited its pandemic-induced recession by a very minimal growth, with the National Bureau of Statistics (NBS) reporting a growth of 0.11% year-on-year in Q4'20. The surprising recovery in Q4'20 is attributed to the Information and Communications Technology (ICT) sector, which contributed 12.18% to GDP. The sector now being one of the fastest growing sectors due to increased digital adoption and the shift in business continuity plans. Alongside the ICT sector, gains in the Agricultural sector moderated the contraction in the non-oil sector to -1.25% year-on-year (FY'19 growth: 2.06% year-on-year) in 2020 (NBS, 2021). On the other hand, the sustenance of Organisation of Petroleum Exporting Countries (OPEC) production quota and production downtime at export terminals limited growth in the oil sector. The oil sector recorded a deeper contraction of -8.89% year-on-year in FY'20 (FY'19 growth: 4.59% year-on-year). The real estate sector (FY'20: -9.22% year-on-year) also remained with the negative impact, as the pandemic and its effects further pressured income levels limiting consumers' abilities to spend on big ticket items. Meanwhile, the financial services sector maintained its resilience, growing by 9.37% year-on-year in FY'20. Notably, the financial services sector - unlike other sectors - has grown at a faster pace every year, since the 2016 recession. However, due to the previous year's high base effect, the sector slipped by -3.63% year-on-year in Q4'20.

With the approval of vaccines across the world, the globe is set for a gradual recovery in 2021 (NBS, 2021). However, recovery is expected to differ significantly across countries depending on access to medical interventions, exposure to cross-country spillovers and pre-existing economic structures. With improved vaccine rollout, economies could navigate past the COVID crisis. Meanwhile, sustained policy support would be essential to reflate economies, as new variants of the virus pose a downside risk to the anticipated economic recovery.

Following a bumpy 2020, the economy is on course to recover in 2021, riding on the previous year's low base. Notably, the economy consolidated on the tepid recovery in Q4'20, with Q1'21 GDP report showing that economic activities expanded by 0.51% year-on-year. Barring the return of hard lockdown measures, we expect higher growth outcomes in 2021 especially in the mid-quarters (Q2 & Q3), that were the most hit by the pandemic in the previous year.

Inflation:
Multiple cost-push factors stoked prices all through 2020 including, but not limited to border closure, supply chain disruptions, FX and energy reforms. These translated to an average inflation outcome of 13.25% (2019:13.22%) for the year, reflective of the business climate hostilities that characterized the year on account of the pandemic.

Inflation maintained an uptrend in the first three months in 2021, touching a 4-year high of 18.17% in March 21. However, the high base-effect from the previous year supported inflation moderation in April and May, 2021. This was as the headline rate ended May 21 at 17.93%.

Looking ahead, the direction for inflation is expected to take an interesting turn with several factors shaping aggregate price level direction. We highlight several drivers (pushing inflation higher) and drags (pushing inflation lower). Our inflationary drivers include food supply shortages, risk of higher electricity tariffs, and resumption of total deregulation of downstream oil & gas sector. Our inflation drags include high base impact from H2-2020, and muted FX risks. Overall, we forecast average inflation rate for 2021 to print at 17.0%-17.5%, higher than the 13.25% recorded in 2020.

Currency:

In response to weaker oil market fundamentals and the COVID-19 pandemic, the CBN embraced some measures to drastically converge the gap between the official exchange rate and the other unofficial rates thereby discouraging rent-seekers or arbitragers in the FX market. The currency status (linked to oil exports) of the Naira made it particularly vulnerable to the slump in oil prices. Compelled by pressure on the gross international reserves (GIR) from fleeing investors, the CBN devalued the Naira on its official window to ₦380/$. The rates were devalued twice in the year with the first in March to ₦360/$.

In the parallel market, speculations ran wild as the tight dollar liquidity position forced importers with due obligations to scramble for hard currency in unofficial sources while most of the liquidity providers (foreign investors) have exited in favour of safe investment options. This continued to put upward pressure on the Naira exchange rate in the parallel market, as rates exchanged above ₦480/$ by the end of the year. Unfortunately, the increase in the naira exchange rate in the parallel market has resulted in the subsequent increase in the gap between the Bureau De Change (BDC) and official exchange rate.

In May 2021, the CBN harmonized the official window with I&E FX window and rates within both segment traded within the range of N405-N415/$ while BDC rates traded within a deeper discount range of N480-510/$ amid sustained scarcity of FX at the other windows. Although USD liquidity improved relative to the prior quarter as the CBN resumed its intervention sales to clear 2020 FX backlogs, liquidity condition remained below its pre-pandemic levels with new FX demand backlogs emerging.

Looking ahead, naira outlook appears positive heading into the second half of the year. First, we expect the Federal Government to proceed with the issuance of Eurobonds following the external debt proposal of $6.2bn expected to be approved by the National Assembly. We estimate Eurobond issuances at around $3.0bn, while the balance may be financed by more multilateral borrowings. These USD inflows are expected to supplement inflows from preagreed multilateral borrowings, providing a boost to external reserves.

Monetary Policy:

Monetary policy was broadly accommodative in 2020. The monetary policy committee (MPC) during the year, voted to reduce the MPR twice; in its May meeting and its September meeting, following a CRR hike in its January meeting. As such, the MPR was slashed by 200bps to 11.5% and the asymmetric corridor around the MPR was revised to +100/-700bps. The Cash Reserves Ratio (CRR) was hiked to 27.5% while the liquidity ratio was retained at 30.0%, amid the combination of a devastating public health crisis, oil market crash, rising inflation, currency market divergence, and GDP contraction. Notably, the committee insisted that rising inflation is driven by structural rather than monetary factors. Hence, the committee favoured supply-side policies of the CBN and lauded the Apex bank’s intervention funding & FX management in the wake of the negative impact of the lockdown triggered by Covid-19. Overall, the impact of the MPC’s monetary policy stance can be observed in the net OMO inflow of close to N4.0trn into the system in 2020, compared to net OMO mop-ups over the last five years.

As of May'2021, the monetary policy committee retained its pro-growth monetary policy stance, leaving its key monetary parameters unchanged despite high inflation concerns.

Looking ahead, the Monetary Policy Committee is expected to meet two times (September, and November) before the end of the year. At the meetings, we expect the Committee's attention to be focused largely on price stability, economic recovery, monetary aggregates, and FX stability. Also, we expect them to keep an eye on policy decisions by monetary policy authorities in developed markets.

FIXED INCOME MARKET

Review and Outlook

Although CBN policy direction going into 2020 pointed towards a moderation in yields, the level of decline witnessed was drastic. The onset of the Covid-19 pandemic saw a shift in liquidity flows, especially at the longer-end of the yield curve, with investors concerned by the possible economic slowdown, seeking safety in still-attractive bonds. Meanwhile, the steep uptick in inflation further eroded investor sentiment, with real returns in the market firmly in negative territory. Whilst government borrowing was expected to remain high due to macro factors and an inability to access concessionary loans, the rates on offer in 2020 were artificially lower than the preceding years. Bonds were sold at an average rate of 9.84% compared with the 14% levels of the previous four years.

Furthermore, Nigerian Treasury Bills rates fell even more dramatically, with average stop rates of 2.82% compared against a range of between 11% to 16% levels over the last five years. Thus, despite the Monetary Policy Committee’s (MPC) decision to stay put at the start of 2020, the economic realities surrounding reduced government revenue and slowing economic activity prompted two 100bps Monetary Policy Rate (MPR) rate cuts during the year. Simultaneously, the CBN and Debt Management Office (DMO) sought to actively lower the cost of borrowing, encourage lending to the real sector and reduce the debt repayment burden, hence the lower borrowing rates observed during the year.

The downtrend in interest rates recorded in 2020 had since reversed in 2021, albiet below 2019 levels. Some factors that has influenced the market direction in 2021 include (1) the significant repricing of OMO bills to attract FPIs, (2) rising inflation, (3) policy actions around the impending securitisation of the Federal government’s ways and means balance with the CBN, and (4) low system liquidity.

On the balance various factors, the direction of financial market interest rates in the rest of 2021 remains unclear. This is as interbank liquidity condition is expected to improve in Jul-2021 amid sizable maturities scheduled for the period and inflation is expected to maintain a downtrend, fueled by the high base-effect from last year. Also, the deliberate effort by the government to bring overall borrowing cost down points to a relatively lower yield environment in Q3-2021, albeit above 2020 levels. However, we note that the possible approval of the supplementary budget by the national assembly is an idiosyncratic event that might edge yields northwards in the rest of 2021.

Disclosure on COVID-19

The COVID-19 pandemic which started in December 2019 and rapidly spread across the world is impacting all aspects of life in a manner that is unprecedented. The impact cuts across businesses, the economy and social interactions. These impacts seem like they will remain for the foreseeable future. In a bid to curtail the spread of the virus, the Federal Government of Nigeria imposed movement restrictions in Lagos and Ogun State as well as the Federal Capital Territory on 29 March 2020. Gradual lifting of movement has commenced with daily updates announced. In adapting to the government's response to COVID-19, the Fund's Management swiftly held a meeting to discuss how employees will work from home and the Fund will run in its full capacity. Tools needed to work from home were swiftly distributed to all employee with adequate precautions in place for employees who had to be at work at all cost. With this, we were able to satisfy all our clients without compromising quality and also able to report on our financials on time and in full.

Assessment of Impact

(a) Impact of COVID-19 on Impairment of financial assets

The Fund does not see a significant impairment impact on its financial assets as a result of COVID-19. The Fund’s financial assets are predominantly bank balances, investment in sovereign securities, as well as commercial papers and money market funds of financial institutions with high credit-wortiness. The stage allocation remains unchanged as there is no significant increase in credit risk. The impact of forward-looking information has also been considered in assessing the impact of COVID-19 on impairment of financial assets. These include GDP growth, exchange rate, country rating, bank rating and inflation. Whilst COVID-19 has negatively impacted all of the forward-looking information, other variables in the computation ensured that the impact remains minimal.

(b) Going concern assessment

The Fund manager will continue to assess the status of the fight against the pandemic and its impact on the Fund’s business. However, based on current assessment, the Directors of the Fund Manager are confident that the Going Concern of the Fund will not be threatened and would be able to continue to operate post COVID-19 and in the foreseeable future.

(c) Outlook

Management is confident that business operations of the Fund can continue uninterrupted with operational measures put in place. Notwithstanding, since we cannot reasonably estimate the length or severity of this pandemic, Management would continue to assess the material impact on the Fund’s financial position, results of operations, and cash flows and would regularly make appropriate disclosures thereon to all stakeholders.

Events after reporting period

There were no events after the reporting period which could have had a material effect on the assets and liabilities of the Fund as at 31 May 2021 and its operating results for the year then ended which have not been adequately provided for or disclosed in these financial statements.

Auditor

Messrs. KPMG Professional Services were recently appointed as the Fund's independent auditor and having satisfied the relevant corporate governance rules during their tenure, have indicated their willingness to continue in office as auditor to the Fund.

BY ORDER OF THE BOARD OF DIRECTORS OF THE FUND MANAGER

ALSEC NOMINEES LIMITED
Company Secretaries

Alsec Nominees Limited Type text here
St. Nicholas House 10th /13th Floors
Catholic Mission Street.
P. O. Box 53123, Ikoyi, Lagos, Nigeria
FRC/2013/ICSAN/00000001651
30 August, 2021

Statement of Fund Manager's Responsibilities in Relation to the Financial Statements for the year ended 31 May 2021

The Fund Manager accepts responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

The Fund Manager further accepts responsibility for maintaining adequate accounting records as required by the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and have no reason to believe the Fund will not remain a going concern in the year ahead.

BY ORDER OF THE BOARD OF DIRECTORS OF THE FUND MANAGER

Samuel Oniovosa
Director
(FRC/2013/ICAN/00000004911)
30 August 2021

Dr. Okechukwu Enelamah
Director
(FRC/2013/ICAN/00000004912)
30 August 2021

Certification of Accounts by Directors of the Fund Manager

The Directors of the Fund Manager accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Financial Reporting Council Act of Nigeria (FRC) Act, 2011 and hereby certify that neither the Fund Manager nor any other person acting on its behalf has:

i transferred units to another person for sale, or subsequent transfer to the Fund Manager for sale or resale; or

ii acquired or disposed of investments for account of the Fund other than through a recognized stock exchange except where such investments consist of money market instruments or cash; or

iii disposed of units to another person for a price lower than the current bid price; or

iv acquired units for a price higher than the current offer price.

Samuel Oniovosa
Director
(FRC/2013/ICAN/00000004911)
30 August 2021

Dr. Okechukwu Enelamah
Director
(FRC/2013/ICAN/00000004912)
30 August 2021

TRUSTEE'S REPORT

The Trustees present their report on the affairs of the ValuAlliance Money Market Fund ("the Fund"), together with the audited financial statements for the year ended 31 May 2021.

Principal Activity:

The principal activity of the ("the Fund") is to create an umbrella entity that would allow eligible investors to pool together their assets and resources for the purpose of collectively investing and re-investing in a diversified investment portfolio supervised and managed by a professional Fund Manager. To achieve a balanced mix of income and capital appreciation which will be re-invested in the Fund.

During the year under review, the Fund was administered in accordance with the Trustees Investment Act, CAP T22 LFN, 2004, the Investments and Securities Act, 2007, the provisions of the Trust Deed thereto, together with the rules and regulations set out by the regulatory bodies established pursuant to the legislation referred to within this paragraph ("Applicable Regulations"), taking into cognisance the prevailing market conditions as well as preserving of (and minimising possible losses to) Unitholders' funds.

Results:

The results for the year are extracted from the financial records prepared by the Fund Manager and have been duly audited in accordance with Section 169(1) of the Investments and Securities Act 2007, and the Trust Deed establishing the Fund.

	31 May 2021
	₦
Profit for the year	19,224,553
Net assets attributable to unit holders	1,992,170,123

Distribution:

The Fund Manager distributed the total sum of N10,206,585 to unit holders for the year ended 31 May 2021.

Disclosure of actual performance against the regulatory benchmark

The Fund performance at the end of the period under review is above the set performance benchmark as stipulated in the fund's trust deed and also the guidance contained in the SEC rules. The Fund's performance is benchmarked against the 90 days Nigerian Treasury Bill. This performance is tracked using the 3 months Nigerian Interbank Treasury Bill True Yield (NITTY).
The Fund ended it's financial year with a net yield of 4.23%. There has been an effective monitoring of the Fund's performance, ensuring the Fund's performance is not below but rather above the 90 days treasury bill rate which has been the current situation of the Fund, performing above the 90 days Nigerian Treasury Bill which was at 3.2% (31 May 2021).

Directors:

The directors of the Fund Manager who served on the board of the Fund Manager during the year under review and up to the date of approving these financial statements were:

1. Dr. Okechukwu Enelamah
2. Mr. Samuel Oniovosa
3. Mrs. Eno Atoyebi
4. Mr. Obinnia Abajue
5. Mr. Kofi Kwakwa

Responsibilities of the Fund Manager:

The Investments and Securities Act, 2007 requires the Fund Manager to keep proper books of account and prepare annual financial statements which give a true and fair view of the state of affairs of the unit trust scheme during the period covered by the financial statements.

In our opinion, the Fund Manager has in preparing the financial statements:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- ensured that the applicable accounting standards have been followed; and
- prepared the financial statements on a going concern basis; since it was appropriate to assume that the Fund shall continue to exist in the foreseeable future.

The Fund Manager was responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any point in time, the financial position of the Fund, and enables the Fund Manager to ensure that the financial statements comply with the Trustee Investment Act, CAP T22 LFN, 2004, the Investment and Securities Act, 2007 and the provisions of the Trust Deed thereto, together with the rules and regulations set out by the regulatory bodies established pursuant to the legislation referred to within this paragraph ("Applicable Regulations").

The Fund Manager is also responsible for maintaining adequate financial resources to meet its commitments and to manage the risks to which the Fund is exposed.

Responsibilities of the Trustee:

The responsibilities of the Trustee as provided by the Securities and Exchange Commission's Rules and Regulations made pursuant to the Investment and Securities Act, 2007 are as stated below:

- Monitoring of the activities of the Fund Manager and the Custodian on behalf of and in the interest of the unit holders';
- Ensuring that the Custodian takes into custody all of the scheme's assets and holds it in trust for the holders in accordance with the Trust Deed and the Custodial Agreement;
- Monitoring the register of the unit holders' or contributors;
- Ascertaining the Fund Manager's compliance with the Applicable Regulations;
- Ascertaining that the monthly and other periodic returns/reports relating to the Fund are sent by the Fund Manager to the Commission;
- Taking all steps and executing all documents which are necessary to secure acquisitions or disposals properly made by the Fund Manager in accordance with the Trust Deed and custodial Agreement;
- Exercising any right of voting conferred on it as the registered holder of any investment and/or forward to the fund manager within a reasonable time and notices of meetings, reports, circulars, proxy, solicitations and any other document of a like nature for necessary actions;
- Ensuring that fees and expenses of the fund is within the prescribed limits; and
- Acting at all times in the interest of and for the benefits of the unit holders' of the scheme.

Administration of the Fund:

The Fund was administered in accordance with the Applicable Regulations, taking into cognisance the prevailing market conditions as well as the goal of preserving and minimizing possible losses to Unitholders' funds.

Charitable donations:

The Fund did not make any charitable donations during the year.

Opinion:

The Trustees are of the opinion that the Fund was administered and managed in line with the provisions of the Trust Deed and the Investment and Securities Act, 2007.

BY ORDER OF THE TRUSTEES

Funmi Ekundayo
FRC/2014/NBA/00000006946
Managing Director
STL Trustees Limited
Lagos, Nigeria
30 August 2021

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INDEPENDENT AUDITOR'S REPORT

To the Unit holders of ValuAlliance Money Market Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ValuAlliance Money Market Fund (the Fund), which comprise:

- the statement of financial position as at 31 May, 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in net assets attributable to unitholders.
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 May, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors of the Trustee and the Board of Directors of the Fund Manager are responsible for the other information. The other information comprises the Fund Information, Fund Manager's Report, Statement of Fund Manager's Responsibilities in relation to the financial statements, Certificate of Accounts by the Directors of the Fund Manager, Trustee's Report, Statement of Trustee's Responsibilities and other National Disclosures included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Registered in Nigeria No BN 986925

Partners:

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Ajibola O. Olomola, Akinyemi Ashade, Ayobami L. Salami, Ayodele A. Soyinka,
Ayodele H. Othihiwa, Chibuzor N. Anyanechi, Chineme B. Nwigbo, Elijah O. Oladunmoye,
Goodluck C. Obi, Ibitomi M. Adepoju, Ijeoma T. Emezie-Ezigbo, Joseph O. Tegbe,
Kabir O. Okunlola, Lawrence C. Amadi, Martins I. Arogie, Mohammed M. Adama,
Nneka C. Eluma, Oguntayo I. Ogungbenro, Olabimpe S. Afolabi, Oladimeji I. Salaudeen,
Olanike I. James, Olufemi A. Babem, Olumide O. Olayinka, Olusegun A. Sowande,
Olutoyin I. Ogunlowo, Oluwafemi O. Awotoye, Oluwatoyin A. Gbagi, Temitope A. Onitiri,
Tolulope A. Odukale, Victor U. Onyenkpa

Responsibilities of the Directors for the Financial Statements
The Board of Directors of the Fund Manager are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

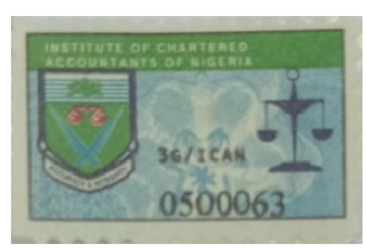
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of the Fund Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nneka

Nneka Eluma, FCA
FRC/2013/ICAN/00000000785
For: KPMG Professional Services
Chartered Accountants
31 August 2021
Lagos, Nigeria



Statement of financial position

As at 31 May

	Note	2021
		₦
Assets		
Cash and cash equivalents	12	727,915,495
Financial assets at amortised cost	13	897,575,452
Financial assets at fair value through profit or loss	14	320,710,842
Accounts receivable	15	50,393,884
Total assets		**1,996,595,673**
Liabilities		
Accounts payable	16	4,425,550
Total liabilities		**4,425,550**
Net assets attributable to unit holders		**1,992,170,123**
Represented by:		
Net subscriptions by unit holders	17(b)(ii)	1,983,152,155
Undistributed profit	17(b)(ii)	9,017,968
Total		**1,992,170,123**
Total liabilities and net assets		**1,996,595,673**

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors of the Fund Manager on 30 August 2021 and signed on its behalf by:

Samuel Oniovosa
(FRC/2013/ICAN/00000004911)
Director

Dr. Okechukwu Enelamah
(FRC/2013/ICAN/00000004912)
Director

Additionally certified by:

Ejakhaluse Omonkhogbe
FRC/2020/001/00000021270
Head of Finance

Statement of profit or loss and other comprehensive income

For the year ended 31 May

	Note	2021 ₦
Interest income calculated using effective interest rate method	7	25,979,706
Net gain from financial assets at fair value through profit or loss	8	5,341,374
Total revenue		**31,321,080**
Operating expenses	9	(10,890,977)
Total expenses		**(10,890,977)**
Profit before tax		**20,430,103**
Withholding tax expense	10	(1,205,550)
Profit for the year		**19,224,553**
Other comprehensive income		-
Increase in net asset attributable to unit holders		**19,224,553**
Basic and diluted earnings per unit (kobo)	11	1.00

The accompanying notes are an integral part of these financial statements.

Statements of changes in net assets attributable to unit holders

For the year ended 31 May 2021	Note	Unit holders' equity at par	Profit	Total equity
		₦	₦	₦
Balance at 1 June 2020		-	-	-
Increase in net assets attributable to unit holders	17(b)(ii)	-	19,224,553	19,224,553
Total comprehensive income for the year		**-**	**19,224,553**	**19,224,553**
Transactions with unit holders, recorded directly in equity:				
Subscriptions to unit holder's equity	17(b)(ii)	2,497,468,929	-	2,497,468,929
Redemption of unit holder's equity	17(b)(ii)	(514,316,774)	-	(514,316,774)
Distribution paid to unit holders	17(b)(ii)		(10,206,585)	(10,206,585)
Total contribution and redemption by unit holders		**1,983,152,155**	**(10,206,585)**	**1,972,945,570**
Balance at 31 May 2021		**1,983,152,155**	**9,017,968**	**1,992,170,123**

The accompanying notes are an integral part of these financial statements.

Statement of cash flows
For the year ended 31 May

	Note	2021 ₦
Cash flows from operating activities		
Profit after tax		19,224,553
Add: withholding tax expense	10	1,205,550
Profit before tax		**20,430,103**
Adjustment for:		
- Interest income	7	(25,979,706)
- Net gain from financial assets at fair value through profit or loss	8	(5,341,374)
- Loss on disposal of financial asset- treasury bill	9	930,531
		(9,960,446)
Changes in:		
Accounts receivable	22(b)	(50,092,506)
Accounts payable	22(c)	4,425,550
		(55,627,402)
Interest received	22(h)	13,268,871
Withholding tax paid	10	(1,205,550)
Net cash used in from operating activities		**(43,564,081)**
Cashflows from financing activities:		
Proceeds from subscription	17(b)(ii)	2,497,468,929
Distribution to unit holders	17(b)(ii)	(10,206,585)
Redemption by unit holders	17(b)(ii)	(514,316,774)
Net cash generated from financing activities		**1,972,945,570**
Cashflows from Investing activities:		
Investments in financial assets at FVTPL	22(a)	(315,369,468)
Investments in financial assets at amortised cost	22(d)	(988,050,455)
Proceed from sale of treasury bill	22(f)	99,147,074
Net cash generated used in investing activities		**(1,204,272,849)**
Net increase in cash and cash equivalents		725,108,640
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year	**22(g)**	**725,108,640**

1 Reporting entity

The ValuAlliance Money Market Fund (“the Fund”) is an open-ended collective investment scheme established in June 2020 . The Fund is a SEC registered open-ended Collective Investment Scheme, whose primary objective is to provide investors with a steady return on capital, liquidity and capital preservation by investing in a diversified portfolio of high-quality short-term money market instruments which will include short term government securities, unsubordinated short-term debt instruments such as commercial papers, bankers’ acceptances, and fixed deposits. As an open-ended fund, registered units of the Fund will be continuously issued to investors and the units held by investors will be redeemable through the Fund Manager, ValuAlliance Asset Management Limited. The Fund targets individuals looking for a vehicle to conservatively grow and optimize their savings or seeking a flexible option for cashflow and liquidity management. The Fund is constituted and governed by a Trust Deed.

The investment activities of the Fund are managed by ValuAlliance Asset Management Limited ("the Fund Manager").

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

The financial statements were authorized for issue by the Board of Directors of the Fund Manager on 30 August 2021.

(b) Basis of measurement

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The Fund Manager has a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Fund has adequate resources to continue as a going concern for the foreseeable future.

The financial statements have been prepared on a historical cost basis, except financial instruments measured at fair value through profit or loss, other financial instruments that are initially measured at fair value and subsequently at amortized cost. The Fund applies the accrual method of accounting where all income is recognized when earned and all expenses recognized once incurred.

Historical cost is generally based on the amount of cash and cash equivalent paid or received or fair value of consideration received or paid in exchange for assets and liabilities.

(c) Comparatives
There are no prior year comparatives as the Fund started on 1 June 2020.

(d) Functional and presentation currency

The financial statements are presented in Naira which is the functional currency of the Fund.

(e) Reporting period
The financial statements have been prepared for the year ended 31 May 2021.

(f) Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5 to the financial statements.

3 Statement of significant accounting policies
3.1 Applicable standards and accounting policies
(a) Financial assets and liabilities

(i) Recognition and Initial recognition

All financial assets (except account receivables) and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument. Account receivable is initially recognised when they are originated.

A financial asset or financial liability is measured initially at fair value at plus or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement
Classification of financial assets
On initial recognition, the Fund classifies all its financial assets as measured at amortised cost or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All other financial assets of the Fund are measured at FVTPL and includes only its investments in money market fund.

Business Model Assessment
In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:
- The stated policies and objectives for the portfolio and the operation of those policies in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash inflows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Fund's Management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment. the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features)

Reclassification

Financial assets are not reclassified subsequent to their initial recognition unless the fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets - Subsequent measurement and gain and losses

Financial assets at fair value through profit or loss (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses including any investment income are recognised in profit or loss. Only the Fund investments in money market fund are included in this category.

Financial assets at amortized cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such, on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

All the Fund's financial liabilities are at amortised cost and includes balances due to the fund manager, custodian, trustees, auditors and other counterparties.

(iii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of an asset or liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(iv) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance.

(v) Impairment of financial assets

The Fund recognizes loss allowance for ECLs on financial assets measured at amortised cost. The Fund measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- financial assets that are determined to have low credit risk at the reporting date: and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have a low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of investment grade.
Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).
ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer:
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(vi) Derecognition
Financial assets
The Fund derecognises its financial assets when:
- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(viii) Specific instruments
Cash and cash equivalents
Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

(b) Interest income and interest expense

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss, using the effective interest method excluding transactions cost since they are expenses when incurred.

(c) Operating expenses

Expenses comprising management fees, custodian fees, registrar fees, trustee's fees, auditor's fees, and other expenses are recognised over the period in which the services are rendered, in accordance with the substance of the Trust Deed and relevant agreements.

(d) Taxation
The Fund is exempt from paying income taxes under the current system of taxation in Nigeria. However, dividend income and interest income on fixed interest and dividend income received by the Fund are subject to withholding tax in Nigeria and represent final income tax on the profit for the period. During the period, the withholding tax rate was 10%.

(e) Capital
(i) Subscriptions
The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.
The Fund's units in issue are financial instruments issued by the Fund and on liquidation of the Fund, the Unitholders are entitled to the residual net assets. They rank pari passu in all material respects and have identical terms and conditions. The units provide the investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all the of the following conditions:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- It is in the class of instruments that is subordinate to all other classes of assets of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial assets, the instruments does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instruments over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's units meet these conditions and are classified as equity.

(ii) Repurchase of units

When units recognised as equity are redeemed, the par value of the units is presented as a deduction from capital. Any premium or discount to par value is recognised in retained earnings.

(f) Earnings per unit

The Fund presents basic and diluted earnings per unit data for its units. Basic earning per unit is calculated by dividing the profit or loss attributable to unit holders of the Fund by the total number of units outstanding during the period. Diluted earnings per unit is determined by adjusting the profit or loss attributable to unitholders and the weighted number of units outstanding at the end of the period for the effects of all dilutive potential ordinary units.

(g) Net asset per unit

The Fund also presents the net asset per units for its unitholders. Net asset per unit is calculated by dividing the total value of the fund by the number of outstanding units during the period.

(h) Distribution of profit

Income earned by the Fund are distributed to all unitholders in proportion to their investment at the end of every calendar quarter. However, a unitholder may elect to re-invest their dividend/income by indicating so in the account opening form.

(i) Undistributed profit

Undistributed profit is the result generated from the continuing principal revenue - investing activities of the Fund as well as other income net of all expenses, that is not distributed to the unit holders.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. Contingent liabilities are disclosed in the financial statements.

3.2 New standards and interpretations not applicable to Funds

A number of new standards and amendments to standards are effective for annual periods beginning after 1 June 2021 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements.

The following new and amended standards and interpretations are not expected to have a significant impact on the Fund's financial statements:
– Classification of Liabilities as Current or Non-Current (Amendments to IAS 1), annual periods beginning on or after January 1, 2023.

4 Financial risk management and fair value disclosures

Introduction and overview

The Fund is exposed to the following risks from financial instrument:

- Market risk
- Credit risk
- Liquidity risk
- Concentration risk

Risk management framework

The Fund Manager has a discretional authority to manage the asset in line with the Fund's investment objectives in compliance with the target asset allocation as described in the trust deed. Composition of the portfolio is monitored by the investment committee on a regular basis.

In instances where the portfolio has deviated from the target asset composition, the Fund Manager is obliged to take actions to rebalance the portfolio in line with established targets within the prescribed time limits.

The Fund uses different methods to measure the various types of risks and the means of managing them are documented below:

a Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuers credit standing) will affect the Fund's income or the fair value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Fund's market risk is affected by changes in actual market prices.

(i) *Foreign exchange risk*

The Fund does not have transactions in any other currency except the Fund's functional currency which is the Nigerian Naira. Hence, it is not exposed to foreign exchange risk.

(ii) *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the fund invests in interest-bearing financial instruments. The Fund's interest rate risk is concentrated in its cash and cash equivalents, investment in commercial papers and treasury bills. The table below summarizes the Fund's interest rate exposure at the end of the period and the impact of fluctuation in interest rates on the Fund's profit and net asset value.

	Notes	31-May-21
		₦
Cash and cash equivalents	12	727,915,495
Treasury bills	13(a)	523,212,967
Commercial papers	13(a)	374,362,485
Total exposure		**1,625,490,947**
Interest income for the year	7	25,979,706
Average percentage of interest income to total exposure		1.6%
Sensitivity of interest rate movement on profit and net assets attributable to unitholders:		₦
+ 1%	Increase	16,254,909
+ 2%	Increase	32,509,819
+ 5%	Increase	81,274,547
- 1%	Decrease	(16,254,909)
- 2%	Decrease	(32,509,819)
- 5%	Decrease	(81,274,547)

(iii) *Market price risk*

The Fund's strategy for the management of market risk is driven by the Fund's investment objectives. The Fund's investment objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Fund. The Fund's market position are monitored on a periodic basis by the investment committee. The investments of the Fund are subject to normal market fluctuations and the risk inherent in investment in financial instruments. The market risk is managed and reduced through a careful selection of securities within the limits of the investment objectives and strategy. In addition, the risk is managed through diversification of assets held while the rebalancing policy in place allows for bringing within limit any security which may have exceeded its limit as a result of market established limits.

A breakdown of the Fund's investment portfolio as at 31 May 2021 is shown in note 13(b) and 14(a).

b Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has to the Fund resulting in a financial loss.

The Fund is subject to credit risk from the following:
- its holdings in money market placements
- current account balances with local banks
- investments in commercial papers and treasury bills
- account receivables

The Fund limits this exposure to credit loss by placing funds with banks and investing in securities issued by entities with high credit quality.

The Fund's cash is held with the custodian, the Stanbic IBTC Bank. The credit risk is considered minimal as the counterparty has always maintained high credit ratings as assigned by international credit rating agencies. Similarly, the fund has investments with issuers (financial institutions and the government) as listed in note 13(b) . These issuers are considered to have low credit risk as they have always maintained quality credit ratings.

In line with the Trust Deed, the Fund is not authorized to engage in securities lending.

Analysis of credit risk:

As at the reporting date, the Fund's credit risk exposures is analysed as shown below:

	Notes	31-May-21
		₦
Cash and cash equivalents	12	727,915,495
Treasury bills	13(a)	523,212,967
Commercial papers	13(a)	374,362,485
Money market fund investments	14(a)	320,710,842
Account receivable	15	50,393,884
Total credit risk exposure		**1,996,595,673**

c Concentration risk

Concentration risk refers to any single exposure or group of exposures large enough to cause credit losses which threaten the fund's capital adequacy or ability to maintain its core operations. It is the risk that common factors within a risk type or across risk types cause credit losses or an event occurs within a risk type which results to credit losses.

Concentration of credit risk

As at the reporting date, the Fund's debt securities exposures were concentrated as follows:

	% of concentraction	31-May-21
		₦
Government	35%	688,849,463
Manufacturing	9%	179,244,114
Financial services	55%	1,099,020,221
Oil and gas	1%	29,481,875
Total exposure	**100%**	**1,996,595,673**

The investments in government debt securities are in Naira-denominated treasury bills which are deemed to have low credit risk.

The Fund's investment in manufacturing services represents commercial papers from Dangote cement, Nigerian Breweries and Duma Prima Series, which were rated Aa, Aa and B2 by Agusto & Co respectively.

The Fund's investment in financial services represents short term placements with Access bank, Union bank, Stanbic IBTC bank, FCMB, Fidelity bank, Rand Merchant bank and FSDH Merchant bank. It also includes investments (units subscription) to the ARM, AXA Mansard, FBNQuest and Stanbic IBTC money market funds.

Geographical sectors

All credit risk exposures are maintained within Nigeria.

Expected Credit Loss assessment

The loss rates on all the financial assets held during the year have been assessed as zero. As a result, no expected credit losses have been recognised on the balances as the majority of the balances are held by banks in Nigeria who meet the cash and liquidity thresholds set by the Central Bank of Nigeria and, at least, have an Investment Grade rating by one of the recognised rating agencies in Nigeria or abroad.

d Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's Trust Deed provides for daily creation and cancellation of units and it is therefore exposed to liquidity risk of meeting unit holders' redemptions. Liquidity risk is managed by investing the Fund's assets in investments that are traded in an active market and can be easily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

The Fund's investments are considered readily realizable and highly liquid; therefore, the Fund's exposure to liquidity risk is considered minimal. The following were the contractual maturities of financial assets and liabilities at the reporting date. The amounts disclosed below are gross and undiscounted.

				Contractual cash flows		
31 May 2021	**Note**	**Carrying amount**	**Gross nominal value**	**Less than 3 months**	**3 - 12 months**	**Above 1 year**
		₦	₦	₦	₦	₦
Cash and cash equivalents	12	727,915,495	731,102,560	731,102,560	-	-
Treasury bills	13(a)	523,212,967	542,125,000	252,264,000	289,861,000	-
Commercial papers	13(a)	374,362,485	376,454,000	244,054,000	132,400,000	-
Money market fund investments	14(a)	320,710,842	320,710,842	320,710,842		
Accounts receivable	15	50,393,884	50,393,884	50,393,884	-	-
Total financial assets		**1,996,595,673**	**2,020,786,286**	**1,598,525,286**	**422,261,000**	**-**
Accounts payable	16	4,425,550	4,425,550	4,425,550	-	-
Total financial liabilities		**4,425,550**	**4,425,550**	**4,425,550**	**-**	**-**
Gap (assets-liabilities)		**1,992,170,123**	**2,016,360,736**	**1,594,099,736**	**422,261,000**	**-**
Cumulative liquidity gap				**1,594,099,736**	**2,016,360,736**	**2,016,360,736**

5 Uses of estimates and judgments

(a) Critical accounting judgment in applying the Fund's accounting policies

(i) Financial asset and liability classification

The Fund's accounting policies provide a guide for assets and liabilities to be classified at inception into different accounting categories in certain circumstances.

- In classifying financial assets at fair value through profit or loss, the Fund has determined that it has met the criteria for this classification as set out in *note 3(a)(ii)* .
- The unit holders interest is classified as equity, as the Fund has determined that it has met the criteria for this classification as set out in *note 3(e)(i)* .

(b) Critical accounting estimates

(i) Valuation of financial instruments

The Fund's accounting policy on fair value measurement is disclosed in note 3(a)(v).

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

(i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

(ii) Level 2 : Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using valuation techniques. Valuation techniques include net present value and discounted cashflow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices, foreign currency exchange rates, equity and equity index prices volatilities and correlations. The objective of valuation technique is to arrive at a fair value determination that reflects the price of the financial instruments at reporting date that would have been determined by market participants acting at arm's length.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determination of fair value. Availability of observable market prices and inputs varies depending on the product and market, and is prone to changes based on specific events and general conditions in the financial markets.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 May 2021

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
		₦	**₦**	**₦**	**₦**
Investment securities:					
Money market fund investments *(see note (a) below)*	14(a)	-	320,710,842	-	320,710,842
		-	320,710,842	-	320,710,842

(a) The fair value of the money market fund investments has been measured using the net assets value per unit as reported by the investee. This is then applied on the number of units held by the Fund with the respective money market funds.

(b) Financial instruments not measured at fair value

The financial assets not measured at fair value include cash and cash equivalent, treasury bills, commercial papers, account receivables and payables. The fair values of these instruments are presented in the table below. For cash and cash equivalents, account receivables and payables, their carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

31 May 2021

	Note	**Carrying amount**	**Amortised cost**	**Fair value**
		₦	**₦**	**₦**
Cash and cash equivalents	12	727,915,495	727,915,495	727,915,495
Treasury bills	13(a)	523,212,967	523,212,967	523,251,217
Commercial papers	13(a)	374,362,485	374,362,485	371,933,603
Accounts receivable	15	50,393,884	50,393,884	50,393,884
		1,675,884,831	**1,675,884,831**	**1,673,494,199**
Accounts payable	16	4,425,550	4,425,550	4,425,550
		2,628,279,717	**2,628,279,717**	**2,623,498,454**

6 Classification of financial assets and liabilities

The table below shows the categories into which the line items of financial instruments have been classified:

31 May 2021	**Note**	**At fair value through profit or loss**	**Amortized cost**	**Other financial liabilities**	**Total carrying amount**
		₦	**₦**	**₦**	**₦**
Cash and cash equivalents	12	-	727,915,495	-	727,915,495
Financial assets at amortised cost	13		897,575,452	-	897,575,452
Financial assets at fair value through profit or loss	14	320,710,842	-	-	320,710,842
Accounts receivable	15	-	50,393,884	-	50,393,884
		320,710,842	**1,675,884,831**	**-**	**1,996,595,673**
Accounts payable	16	-	4,425,550	-	4,425,550
		-	**4,425,550**	**-**	**4,425,550**

7 Interest income calculated using effective interest rate method

	31-May-21
Interest income on financial instruments at amortised cost:	
Treasury bills	7,727,073
Commercial papers	6,256,248
	13,983,321
Interest income on cash and cash equivalents:	
Short term placements	11,695,007
Interest income on matured placement - accounts receivable	301,378
	25,979,706

8 Net gain on financial assets at fair value through profit or loss

	31-May-21
	₦
Income from money market fund investments	5,341,374
	5,341,374

9 Operating expenses

	31-May-21
	₦
Registrar's fees	806,250
Auditor's remuneration	2,250,000
Custodian's fees	922,025
Trustee's fees	684,707
Management fees*	5,094,218
Loss on disposal of financial asset- treasury bill	930,531
Bank charges	34,496
VAT expenses on audit fees	168,750
	10,890,977

* During the year, the Fund manager agreed to reduce the rate at which management fee was charged from 1% to 0.4% to enable the Fund meet its regulatory finance performance benchmark. The rate will be revisited in future and revised accordingly when the performance of the Fund improves.

10 Withholding tax expense

The Fund is exempted from paying income taxes under the current system of taxation in Nigeria. However, interest income on fixed deposits received by the Fund are subject to withholding tax in Nigeria and represent final income tax on the profit for the year. During the year, the withholding tax rate was 10%.

	31-May-21
	₦
Withholding tax on interest income	1,205,550
Total tax expense	**1,205,550**

11 Earnings per unit (basic and diluted)

Earnings per unit is calculated by dividing the profit for the year by the number of units as at year end.

	31-May-21
	₦
Increase in net assets attributable to unitholders	19,224,553
Number of units as at year end (see note 17(b))	1,983,152,155
Earnings per unit (kobo) (basic and diluted)	1.00

The Fund does not have any dilutive potential units. Therefore, basic earnings per unit and diluted earnings per unit are the same for the Fund.

12 Cash and cash equivalents

Cash and cash equivalents comprise:

	31-May-21
	₦
Bank balances	114,549,819
Short term placements	613,365,676
	727,915,495

13 Financial assets at amortised cost

	31-May-21
	₦
(a) Financial assets at amortised cost comprise:	
Treasury bills	523,212,967
Commercial papers	374,362,485
	897,575,452

	31-May-21
	₦
Current	897,575,452
Non Current	-
Balance, end of year	**897,575,452**

(b) **Analysis of investment portfolio**
The concentration of the investment portfolio of the Fund was as follows:

		31 May 2021
Commercial Papers:	**Carrying amount**	**% of total investment**
	₦	
FSDH Merchant Bank	100,018,497	11%
Dufil Prima Series 3	90,364,018	10%
Nigerian Breweries Plc	49,890,391	6%
Dangote Cement	38,989,705	4%
Coronation Merchant Bank XI	24,925,685	3%
Coronation Merchant Bank XII	24,732,774	3%
Total Nigeria Plc	29,481,875	3%
Stanbic IBTC	15,959,540	2%
	374,362,485	**42%**
Treasury bills	**Carrying amount**	**% of total investment**
	₦	
365 Days Tbill (26 May 2022)	160,876,123	18%
91 Days Tbill (15 Jul 2021)	89,783,014	10%
360 days Tbill (29 Jul 2020)	55,397,952	6%
364 days Tbill (12 Aug 2021)	49,705,417	6%
365 days Tbill (09 Sep 2021)	49,590,381	6%
342 days Tbill (28 Oct 2021)	40,027,304	4%
108 Days Tbill (10 Jun 2021)	31,592,208	4%
101 days Tbill (10 June 2021)	24,990,137	3%
364 Days Tbill (29 Apr 2022)	21,250,431	2%
	523,212,967	**58%**
Total investments	**897,575,452**	**100%**

14 Financial assets at fair value through profit or loss — **31-May-21** ₦

(a) Financial assets at fair value through profit or loss comprise:

	31-May-21
	₦
Money market fund investments	320,710,842
	320,710,842

	31-May-21
	₦
Current	320,710,842
Non Current	-
Balance, end of year	**320,710,842**

		31-May-21
Money market fund investments	**Market value**	**% of total investment**
	₦	
Stanbic IBTC Money Market Fund	60,146,412	19%
AXA Mansard Money Market Fund	60,176,586	19%
FBN Money Market Fund	100,435,243	31%
ARM Money Market Fund	99,952,601	31%
Total money market fund investments	**320,710,842**	**100%**

15 Accounts receivable

	31-May-21
	₦
Matured placement - Rand Merchant Bank	50,393,884
Total	**50,393,884**

Current	50,393,884
Non Current	-
	50,393,884

16 Accounts payable

	31-May-21
	₦
Management fees payable	1,388,025
Audit fee payable	2,418,750
Trustee fee payable	186,602
Payables to registrar	202,392
Custodian fee payable	229,781
	4,425,550

	₦
Current	4,425,550
Non Current	-
	4,425,550

17 Unitholders' Equity

(a) The ValuAlliance Money Market Fund is authorised and registered in Nigeria as a Collective Unit Trust Scheme under Section 160 of the Investment and Securities Act (ISA). The Fund is governed by a Trust Deed dated 05 May 2020 with STL Trustees Limited as Trustees to the Fund.

The rights accruing to unitholders of the Fund are as follows:

- Rights of participation in returns of the Fund's assets.
- Rights to receive notices to attend and vote at any general meeting of the Fund.

(b) The analysis of movements in the number of units and net assets attributable to unitholders during the year were as follows:

(i) Movement in units

	31-May-21
Balance at 1 June	-
Subscription to unit holders' equity	2,497,468,929
Redemption of unit holders' equity (after conversion)	(514,316,774)
Balance at 31 May (units)	**1,983,152,155**

(ii) Net assets value attributable to unitholders

31 May 2021	Unitholders' equity at par	Profit	Total
	₦	₦	₦
Balance at 1 June 2020	-	-	-
Subscription to unit holder's equity	2,497,468,929	-	2,497,468,929
Redemption of unit holder's equity	(514,316,774)	-	(514,316,774)
Profit for the year	-	19,224,553	19,224,553
Distribution paid to unit holders	-	(10,206,585)	(10,206,585)
Balance at 31 May 2021	**1,983,152,155**	**9,017,968**	**1,992,170,123**

(c) Net assets value per unit

Net assets value per unit is calculated by dividing the total net assets by the number of units as at year end.

	31-May-21
	₦
Net assets at end of the year (see note 17(b)(ii))	1,992,170,123
Number of units as at year end (see note 17(b)(i))	1,983,152,155
Net assets per unit	1.00

(e) Distribution paid to unitholders

The distribution paid for the financial year ending 31 May 2021 was N10,206,585.00

18 Related parties

(a) Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes associates, joint ventures, as well as key management personnel.

The following summarize the total unit holding of related parties:

Name	Nature of relationship	Units held as at 31-May-21
		₦
ValuAlliance Asset Management Limited	Fund manager	61,000,000
STL Trustees Limited	Trustee	50,000,000
Mrs. Eno Atoyebi	Managing director of the Fund manager	1,569,829

Key management personnel

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of a business - directly or indirectly.

The Fund Manager, Fund Custodian and the Trustee to the Fund meet the definition of key management personnel as they have the authority and responsibility for planning, directing and controlling the activities of the Fund - directly or indirectly.

(i) Fund manager

The Fund appointed ValuAlliance Asset Management Limited, an investment management company incorporated in Nigeria, to implement the investment strategy as specified in the prospectus. The Fund Manager was appointed by way of the Fund's trust deed dated 5 May 2020. Under the terms of the Trust Deed, the Fund manager receives a management fee at an annual rate of 1% of the net assets value attributable to the unitholders of the Fund, accrued daily and payable quarterly. The Fund Manager is also entitled to an incentive fee equivalent to 20% of total returns in excess of the benchmark yield (being average yield of 91-day FGN treasury bills).

During the year, the Fund manager agreed to reduce the rate at which management fee is charged from 1% to 0.4% to enable the Fund meet its regulatory finance performance benchmark. The rate will be revisited in future and revised accordingly when the performance of the Fund improves.

(ii) Trustees

The Fund appointed STL Trustees Limited, a trust services company incorporated in Nigeria, to provide trust services to the fund on behalf of its subscribers. Under the terms of the Trust Deed, the trustee is entitled to an annual fee of 0.05% of the net asset value of the fund, accrued on a daily basis, and payable quarterly in arrears.

(iii) Custodians

The Fund appointed Stanbic IBTC to provide custodial services to the fund. Under the terms of the Trust Deed, the custodian is entitled to an annual fee as set out below, which shall be accrued daily and be payable quarterly in arrears:

Value of Net Assets (₦)	Fees
Nil to ₦5 billion	0.125%
Above ₦5 billion- ₦10 billion	0.10%
Above ₦10 billion	0.075%

(b) *Transactions with related parties*

A number of transactions were entered into with related parties in the normal course of business. The related-party transactions and outstanding balances as at year end are as follows:

(i) *Fees to related parties*

	Note	31-May-21
		₦
ValuAlliance Asset Management Limited - Management fee	9	5,094,218
STL Trustees Limited- Trustee fee	9	684,707
Stanbic IBTC Bank- Custodian fee	9	922,025
		6,700,950

(ii) *Payables to related parties*

	Note	31-May-21
		₦
ValuAlliance Asset Management Limited - Management fee	16	1,388,025
STL Trustees Limited- Trustee fee	16	186,602
Stanbic IBTC Bank- Custodian fee	16	229,781
		1,804,408

All related party transactions were carried out at arm's length.

19 Contingencies

There were no contingent liabilities as at 31 May 2021.

20 Events after the reporting period

There were no events after the reporting period which could have had a material effect on the assets and liabilities of the Fund as at 31 May 2021 and its operating results for the year then ended which have not been adequately provided for or disclosed in these financial statements.

21 Capital commitments after reporting date

The Fund had no capital commitments as at 31 May 2021

22 Reconciliation notes to the statement of cash flows

(a) Financial assets at fair value through profit or loss

	Notes	31-May-21
		₦
Balance at the start of the year		-
Earned income from money market fund investment	8	5,341,374
Received income from money market fund investment		-
Balance at the end of the year	14	(320,710,842)
Cash outflow		**(315,369,468)**

(b) Accounts receivable

	Notes	31-May-21
		₦
Balance at the start of the year		-
Interest income earned	7	301,378
Balance at the end of the year	15	(50,393,884)
Net increase in accounts receivable		**(50,092,506)**

(c) Accounts payable

	Notes	31-May-21
		₦
Balance at the start of the year		-
Balance at the end of the year	16	4,425,550
Net increase in accounts payable		**4,425,550**

(d) Financial assets at amortised cost

	Notes	31-May-21
		₦
Balance at the start of the year		-
Interest income earned	7	13,983,321
Interest income received		(4,380,719)
Disposal of treasury bill	22(f)	(100,077,605)
Balance at the end of the year	13(a)	(897,575,452)
Cash outflow		**(988,050,455)**

(e) Redemption of unit holders' equity

	Notes	31-May-21
		₦
Redemption at par value	17(b)(ii)	(514,316,774)
Distribution paid to unitholders	17(b)(ii)	(10,206,585)
Cash outflow on redemption		**(524,523,359)**

(f) Disposal of Treasury bill investment

	Notes	31-May-21
		₦
Carrying amount of asset disposed		100,077,605
Loss on disposal borne by the Fund	9	(930,531)
Proceed from disposal		**99,147,074**

(g) Reconciliation of cash and cash equivalent to statement of cash flows

	Notes	31-May-21
		₦
Balance at the start of the year		-
Interest income earned	7	11,695,007
Interest income received		(8,888,152)
Balance at the end of the year	12	(727,915,495)
Net Increase in cash and cash equivalent		**725,108,640**

(h) Total interest income received

	Notes	31-May-21
		₦
Interest income received on assets at amortised cost	22(d)	4,380,719
Interest income received on cash and cash equivalents	22(g)	8,888,152
Interest income received		**13,268,871**

OTHER NATIONAL DISCLOSURES

Other National Disclosures

Value added statement

	31-May-21	%
	₦	
Total revenue	31,321,080	153%
Bought in goods and services- Local	(10,890,977)	-53%
Value added	**20,430,103**	**100%**
Applied to pay:		
Government as taxes (Withholding taxes)	1,205,550	6%
Distributed to Unitholders	10,206,585	50%
Retained in the Fund	9,017,968	44%
Value added	**20,430,103**	**100%**

Financial Summary
This is the Fund's first set of financial statements. Accordingly, no financial summary has been prepared.