



ValuAlliance Value Fund

Market Review

Year on year (YoY) inflation increased to 12.56% in June from 12.40% and 12.34% in May and April 2020 respectively. On a month on month basis, the National Bureau of Statistics reported that inflation was 1.21% in June 2020, relative to 1.17% and 1.02% in May and April 2020, respectively. As reported by the CBN, the Naira to Dollar rate closed the period at ₦361.00, recording a 14.98% YoY depreciation against the dollar. The Nigerian Autonomous Foreign Exchange Rate Fixing ("NAFEX") closed the period at ₦386.75, recording a YoY depreciation of 5.70%. A total of US\$2.61 billion was traded on the I&E FX window during the quarter, a decrease of 88.68% from the previous quarter. Parallel market rates settled at about ₦460.00 to the dollar at the end of the period.

Fixed Income Market: During the quarter under review, the monetary policy rate was reduced from 13.50% to 12.50% to support lending growth. The cash reserve ratio and liquidity ratio were maintained at 27.50% and 30% respectively. The 180-day Nigerian Inter-Bank Treasury bill True Yield (NITTY) declined by 187 bps over the quarter, to close at 2.48%. In the bond market, yield on the FGN 10-year bond decreased by 178 bps over the quarter to close at 10.97%. The decrease in yields was primarily driven by the relatively low supply of fixed income securities.

Equity Market: Although the NSE All Share Index appreciated by 14.92% over the quarter, the index declined by -18.31% YoY to close at 24,479.22. All major sub-indices recorded positive quarter-on-quarter returns except the oil and gas index. Total value traded during the quarter was ₦180.40 billion, a decrease of 43.87% relative to the first quarter of 2020.

Fund Review

During the quarter under review, the Fund's performance was positively impacted by the quarter-on-quarter increase in equity and Eurobond prices.

Portfolio Performance: The Fund closed its 9th financial year ended 30th June 2020 with a Net Asset Value of ₦145.49/unit (unaudited) and a financial year return of 2.72%. During the quarter, the Fund benefited from a 12.51% return on its equity holdings, as well as interest income, capital gains and exchange gains on its fixed income holdings. The Auditors of the Fund, Deloitte and Touche, have commenced the FY 2020 audit of the Fund.

Portfolio Outlook: We expect that global and domestic growth will remain weak in Q3 2020, especially if COVID-19 cases continue to rise and there still remains no cure. While health, monetary and fiscal authorities – globally and domestically – continue to take measures to mitigate risks from COVID-19, it remains uncertain if these measures will adequately counteract the impact of the pandemic on lives and the economy.

Despite the rally in oil prices to above \$40/barrel and the continuance of the April 2020 OPEC+ deal, downside risks to oil prices persist in the near term as global activity and oil demand are expected to remain lower than pre-COVID 19 levels. Additionally, Nigeria may have to compensate for lack of full compliance with the previous cut (Nigeria's oil production in June stood at 1.5mb/d, 0.1mb/d higher than the 1.4mb/d OPEC+ peg for June and July), as a result, Nigeria's oil production between August and September has been pegged at 1.359mb/d. We expect lower oil receipts to weaken Government revenue, FX reserves and exchange rates and believe Government borrowings will increase significantly due to: a) the need to fund the widening fiscal deficit b) higher Naira equivalent of foreign currency borrowings.

While taking cognizance of the risks in these uncertain times, the Fund Manager will continue to evaluate investment opportunities across the quoted and unquoted equities and fixed income space, and take advantage of opportunities as they arise in a measured manner. The Fund Manager will particularly focus on quality issuers and issues that will contribute to the long-term growth of the Value Fund.

Top 5 Sector holdings -Equity - 30.06.2020 Top 5 Equity Holdings - 30.06.2020

Sector	Percentage	Company
Banking	21.10%	Zenith Bank Plc
Agriculture	6.77%	Custodian and Allied Plc
Oil & Gas	4.46%	Guaranty Trust Bank Plc
Insurance	3.91%	Access Bank
FMCG	3.30%	Seplat Petroleum and Development Plc

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Investment Objective

The ValuAlliance Value Fund aims to provide investors with capital growth over the long-term by investing in listed and unlisted Nigerian equities and other securities as approved by SEC. The Fund pursues a total return objective.

Investment Strategy

The Fund pursues a pragmatic value philosophy. Thus, the Fund invests in securities which are sufficiently undervalued relative to their intrinsic value. It seeks securities with low earnings multiples, low price to book ratio, and which are trading at an acceptable margin of safety to the Fund Manager's assessment of fair value.

Fund Information

Classification:	Closed End Fund listed on the NSE
Start Date:	30th June 2011
Trustees:	Leadway Capital & Trusts Limited
Custodian:	Stanbic IBTC Bank Plc
GAV:	N4.69 billion
NAV:	N4.66 billion
Total Distribution:	N2.56 billion (Inception till date)
Total Distribution/unit:	N79.83 per unit (Inception till date)
Latest Distribution:	N11.00 per unit (Paid in December 2019)
Market Price:	N103.20 per unit
NAV/Unit:	N145.49 per unit

Key Statistics as at 30.06.2020 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
-1.92%	12.06%	125.32%	1.50%	1.50%

* Trailing 12 months exclusive of incentive fee

** Trailing 12 months inclusive of incentive fee

Asset Allocation as at 30th June 2020

