



ValuAlliance Value Fund

Market Review

Data from the NBS revealed that Nigeria exited recession in Q4 2020 as GDP expanded by 0.1% in the quarter. Nonetheless the macroeconomic environment remained fragile as key economic variables weakened in Q1 2021. Headline inflation accelerated from 15.75% in December 2020 to 18.17% in March 2021 as food inflation hit a 15-year high level at 22.94%. CBN's purchasing manager's index in the period remained below 50 points, which shows continued contraction in economic activity despite nascent recovery in Q4 2020. The Exchange rate at the parallel market also weakened to N485/\$ in Q1 2020 from N460/\$ it opened in the quarter. Likewise, the official rate converged with the I&E rate over the quarter, which implies a technical devaluation from the previous official rate of N379/\$ to the closing rate of N408/\$ at the I&E window as at 31 March 2021.

During the quarter under review, the monetary policy rate, cash reserve ratio, and liquidity ratio were maintained at 11.50%, 27.50% and 30.00%, respectively. The 180-day Nigerian Inter-Bank Treasury-bill True Yield (NITTY) advanced by 396 bps over the quarter, to close at 4.34%. Likewise, the yield on the benchmark FGN 10-year bond rose by 346 bps to close at 10.72% in Q1 2021. Higher yields over the period reflected relatively lower liquidity, rising inflation levels, sustained FX pressures and a wide fiscal deficit.

The NSE All Share Index declined by 3.04% over the quarter to close at 39,045.13 points. The performance was dragged by negative sentiments in the liquid Banking, Industrial Goods and Consumer Goods indices. We note that the broad market selloffs coincided with rising fixed income interest rates.

Fund Review

During the year under review, the Fund's performance primarily impacted by firmer equity prices and dividend receipts over the period as well as income from interest payments which offset the price impact of rising yields on fixed income holdings. The relative appreciation of the naira at the I&E window also weighed on naira return for USD investments.

Portfolio Performance: The Fund closed the quarter ended 31st March 2021 with a Net Asset Value of ₦162.89/unit (unaudited) and a financial year-to-date return of 18.83%. During the quarter the Fund benefited from a 2.91% return on its equity holdings, as well as interest income and capital gains on its fixed income holdings.

Portfolio Outlook: We expect investor's interest in the domestic equity market to remain weak as the interest rate environment continues to trend upwards. While we also note that the absence of bullish-fundamental triggers like dividend announcement in Q2'21 could further soften equity interest, a better-than-expected economic expansion, bargain hunting and earnings outperformance could drive a reversal in equity returns in the quarter

We are of the view that the domestic monetary policy will be driven by the pace of economic recovery and inflationary trend. Accordingly, we expect the CBN to take a wait and see approach to monetary policy even as inflationary and FX pressures continue to strengthen the case for a rate hike. We expect interest rates in the fixed income markets to sustain its upward trend in Q2'2021 amid sustained pressure from borrowing needs, FX shortage, repatriation demand, rising inflation and relatively lower liquidity conditions.

We see scope for moderate weakening of the local currency in 2021 as weak foreign inflows may be compounded by accelerating inflation trend, persistent FX repatriation backlogs, and sustained import and travel demand. We expect the I&E rate to close N420-N440/\$. However, we only envisage a mild repricing due to expected support from improved oil production in H2 2021— as OPEC eases existing supply cuts — as well as external borrowing from Eurobond issuances and multilateral loans.

While keeping abreast of the volatile and uncertain operating environment, the Fund Manager will continue to evaluate investment opportunities across the quoted/unquoted equities and fixed income space, as well as take advantage of opportunities as they arise (albeit in a measured manner). The Fund Manager will particularly focus on quality issuers and issues that will contribute to the long-term growth of the Value Fund.

Top 5 Sector Holdings - Equity - 31.03.2021

Banking	22.49%
Agriculture	8.22%
Oil & Gas	5.72%
Insurance	4.20%
Industrials	2.89%

Top 5 Equity Holdings - 31.03.2021

Zenith Bank Plc
Guaranty Trust Bank Plc
Presco Plc
Custodian Investment Plc
Seplat

Investment Objective

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

Investment Strategy

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

Fund Information

Classification: A Balanced Unlisted Closed End Fund

Start Date: 30th June 2011

Trustees: Leadway Capital & Trusts Limited

Custodian: Stanbic IBTC Bank Plc

GAV: N5.24billion

NAV: N5.22 billion

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

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

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

Market Price: N115.05 per unit

NAV/Unit: N162.89 per unit

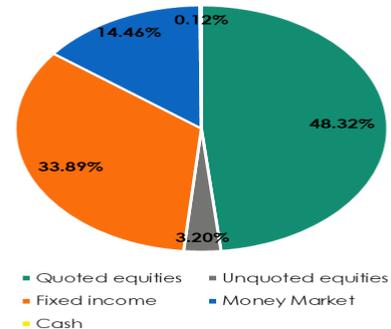
Key Statistics as at 31.03.2021 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
0.91%	12.60%	152.72%	1.63%	1.63%

* Trailing 12 months exclusive of incentive fee

** Trailing 12 months inclusive of incentive fee

Asset Allocation as at 31st March 2021



Asset class	Permissible Range
Quoted equities	20% - 60%
Unquoted equities	0% - 20%
Fixed income	20% - 60%
Money market	0% - 40%
Cash	0% - 5%

Manager Information:

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

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