



# ValuAlliance Value Fund

## Market Review

Year on year inflation declined to 11.22% in June 2019 from 11.40% and 11.37% in May and April 2019 respectively. On a month on month basis, the NBS reported that inflation increased by 1.07% in June 2019, relative to an increase of 1.11% and 0.94% in May and April 2019 respectively. As reported by the CBN, the Naira to Dollar rate closed the period at ₦306.4, recording a year to date appreciation of 0.03%. The Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) closed the period at ₦360.56, recording a year to date appreciation of 0.99%. A total of US\$12.92 billion was traded on the I&E FX window during the quarter, a decrease of 36.34% from the previous quarter. Parallel market rates settled at about ₦361.00 to the dollar at the end of the period.

**Fixed Income Market:** During the period under review, the monetary policy rate, cash reserve ratio and liquidity ratio were maintained at 13.50%, 22.50% and 30% respectively. The 180-day Nigerian Inter-Bank Treasury bill True Yield (NITTY) fell by 153 basis points over the quarter, to close at 12.52%. In the bond market, yield on the FGN 10-year bond declined by 4 bps over the quarter to close at 14.31%.

**Equity Market:** The NSE All Share Index declined by 3.46% over the quarter and 21.71% year-on-year, to close at 29,966.87. During the quarter, equity market capitalization increased by 13.14% from to ₦13.206 trillion, driven largely by the listing of MTN Nigeria Communications Plc. Total value traded over the quarter was ₦329.80 billion, an increase of 57.97% relative to the previous quarter.

## Fund Review

During the quarter under review, the Fund initiated a position in Dangote Cement Plc based on the Fund Manager's assessment that the company was trading below intrinsic value. Additionally, the Fund purchased a 5-year Eurobond issued by Eco-bank Transnational Incorporated, thereby extending the duration and increasing the dollar yield on the Fund's fixed income portfolio.

**Portfolio Performance:** The Fund achieved a calendar year-to-date total return of -0.51% (net of fees and expenses) to close the period at ₦152.33/unit. The negative performance was driven by the performance of the Fund's equity holdings which recorded a year to date decline of c. 7.66%. Additionally, the Fund benefited from its c.51% allocation to fixed income securities in the declining interest environment, which led to revaluation gains in the portfolio.

**Portfolio Outlook:** During the second quarter of 2019, OPEC estimates of domestic production improved by 72kb/day in Q2 2019 to c. 1.8mb/d. The economy benefited from higher oil prices, with Brent averaging at \$69.04/b, a c.9.55% appreciation relative to the previous quarter. There however remain risks to oil prices, which in the short term are skewed towards supply volatility. Additionally, we expect to see improved fiscal policy implementation following the selection of ministers (senate confirmation and allocation of portfolios still pending at the date of this report), which may provide much needed stimulus to economic growth.

In consideration of these themes and their impacts, as well as the long-term potential of the Nigerian economy, the Fund Manager will continue to evaluate investment opportunities in the listed and unlisted equity and selectively increase the Fund's exposure to equities. Furthermore, the Fund Manager will take advantage of high yielding fixed income opportunities at acceptable risk levels.

## Top 5 Sector Holdings -Equity - 30.06.19 Top 5 Equity Holdings - 30.06.19

Banking	23.94%	Zenith Bank
Insurance	7.69%	Guaranty Trust Bank
Agriculture	6.30%	Custodian and Allied PLC
Oil & Gas	6.07%	Seplat
FMCG	4.09%	WAMCO
Conglomerate	0.87%	
Industrials	0.02%	

\*\* percentages represent equity holdings relative

## Investment Objective

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

## Investment Strategy

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

## Fund Information

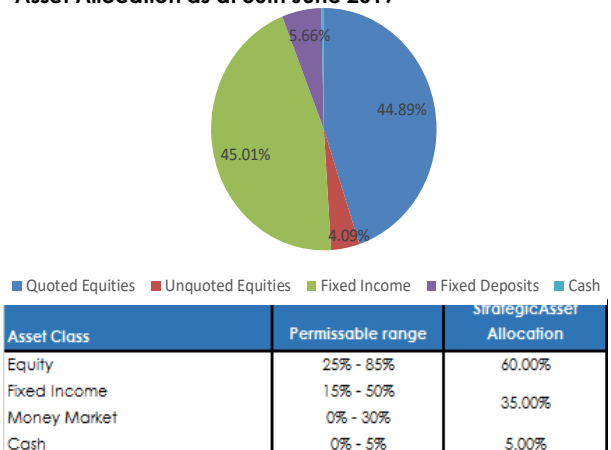
<b>Classification:</b>	Closed End Fund listed on the NSE
<b>Start Date:</b>	30th June 2011
<b>Trustees:</b>	Leadway Capital & Trusts Limited
<b>Custodian:</b>	Stanbic IBTC Bank Plc
<b>GAV:</b>	N4.905 billion
<b>NAV:</b>	N4.889 billion
<b>Total Distribution:</b>	N2,209 million (Inception till date)
<b>Total Distribution/unit:</b>	N68.83 per unit (Inception till date)
<b>Latest Distribution:</b>	N13.00 per unit (Paid in December 2018)
<b>Market Price:</b>	N103.20 per unit
<b>NAV/Unit:</b>	N152.33 per unit

## Key Statistics as at 30.06.19 (net of fees & expenses)

Calendar YTD	CAGR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
-0.51%	10.43%	121.16%	1.56%	1.56%

\* Trailing 12 months exclusive of incentive fee  
\*\* Trailing 12 months inclusive of incentive fees

## Asset Allocation as at 30th June 2019



## 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

This newsletter is for information purposes only; it neither presents a conclusive perspective on the topics discussed nor provides investment, financial or other advice. Prior results do not guarantee a similar outcome in the future.