



# ValuAlliance Value Fund

## Market Review

Year on year inflation increased to 11.24% in September 2019 from 11.02% and 11.08% in August and July 2019 respectively. On a month on month basis, the NBS reported that inflation rose by 1.04% in September 2019, relative to an increase of 0.99% and 1.01% in August and July 2019 respectively. As reported by the CBN, the Naira to Dollar rate closed the period at ₦306.50, returning to the same rate it was at the beginning of the year. The Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) closed the period at ₦362.08, recording a year to date appreciation of 0.58%. A total of US\$15.58 billion was traded on the I&E FX window during the quarter, an increase of 20.65% from the previous quarter. Parallel market rates settled at about ₦360.00 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) increased by 44 bps over the quarter, to close at 12.96%. In the bond market, yield on the FGN 10-year bond increased by 4 bps over the quarter to close at 14.35%.

**Equity Market:** The NSE All Share Index declined by 7.80% over the quarter and 12.09% year-to-date to close at 27,630.56. With the exception of the NSE Premium Index (3.49% Ytd), all major sub-indices recorded negative Ytd returns. Total value traded over the quarter was ₦187.90 billion, a decrease of 43.05% relative to the previous quarter.

## Fund Review

During the quarter under review, the Fund's performance was adversely impacted by the performance of the listed equity market, which witnessed significant diminution in value. However, to take advantage of depressed valuations, the Fund Manager increased the Fund's exposure to Dangote Cement Plc from 0.2% to 2.2% of the Fund following the Fund Manager's assessment that the company was trading below its intrinsic value. Also, the Fund's FY2019 audit was completed and the accounts have been submitted to the SEC for approval.

**Portfolio Performance:** The Fund achieved a calendar year-to-date total return of -1.64% (net of fees and expenses) to close the period at ₦150.56/unit. The negative performance was driven by the performance of the Fund's equity holdings which recorded a year to date total return of -11.22%. However, the Fund benefited from its c.48.7% allocation to domestic and foreign fixed income securities in the declining interest environment, which led to revaluation gains in the portfolio.

**Portfolio Outlook:** OPEC estimates that domestic oil production improved by 44kb/d in Q3 2019 to c.1.85mb/d. The domestic economy also benefited from favourable albeit lower oil prices, with Brent averaging \$61.95/b, a 10.27% decline relative to the previous quarter - this was despite the attack on two Saudi facilities in September 2019. Risks to oil prices remain skewed towards supply volatility in the short term. On fiscal policy, we expect to see much needed improvement in implementation following portfolio assignment to newly appointed ministers. We expect that this will be supported by actions being taken by the Central Bank of Nigeria,

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 space and selectively increase the Fund's exposure to equities. Furthermore, the Fund Manager will take advantage of attractive fixed income opportunities at acceptable risk levels.

## Top 5 Sector holdings -Equity - 30.09.19      Top 5 Equity Holdings - 30.09.19

Banking	23.33%	Zenith Bank
Insurance	8.05%	Guaranty Trust Bank
Agriculture	5.19%	Seplat Petroleum Development
Oil & Gas	6.05%	Custodian and Allied Plc
FMCG	3.42%	Continental Reinsurance
Industrials	2.20%	
Conglomerate	0.99%	

\*\* percentages represent equity holdings relative to Gross Asset Value of Fund

## 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

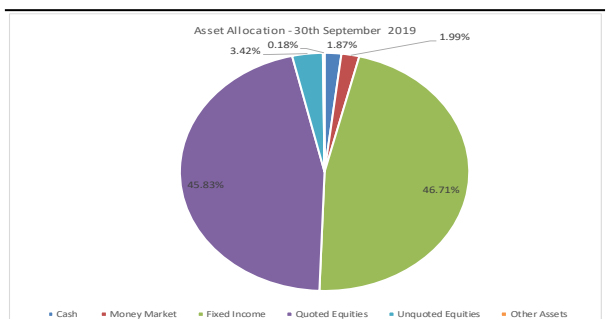
<b>Classification:</b>	Closed End Fund listed on the NSE
<b>Start Date:</b>	30th June 2011
<b>Trustees:</b>	Leadway Capital & Trusts Limited
<b>Custodian:</b>	Stanbic IBTC Bank Plc
<b>GAV:</b>	N4.847 billion
<b>NAV:</b>	N4.832 billion
<b>Total Distribution:</b>	N2.209 billion (Inception till date)
<b>Total 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>	N150.56 per unit

## Key Statistics as at 30.09.19 (net of fees & expenses)

Calendar YTD	CAGR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
-1.64%	9.99%	119.39%	1.37%	1.37%

\* Trailing 12 months exclusive of incentive fees

\*\* Trailing 12 months inclusive of incentive fees



Asset Class	Permissible range	Strategic Asset Allocation
Equity	25% - 85%	60.00%
Fixed Income	15% - 50%	35.00%
Money Market	0% - 30%	
Cash	0% - 5%	5.00%

**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.