



ValuAlliance Value Fund

Market Review

Year on year (YoY) inflation increased to 13.71% in September from 13.22% and 12.40% in August 2020 and July 2020, respectively. On a month on month basis, the National Bureau of Statistics reported that inflation was 1.48% in September 2020, relative to 1.34% and 1.25% in August and July 2020, respectively. As reported by the CBN, the Naira to Dollar exchange rate closed the period at ₦379.00, a 19.00% YoY depreciation against the dollar. The Nigerian Autonomous Foreign Exchange Rate Fixing ("NAFEX") closed the period at ₦385.8, recording a YoY depreciation of 6.15%. A total of US\$3.79 billion was traded on the I&E FX window during the quarter, an increase of 45.32% from the previous quarter, driven by the CBN's FX sales. Parallel market rates settled at about ₦465.00 to the dollar at the end of the period.

Fixed Income Market: During the quarter under review, to stimulate credit expansion, the monetary authority reduced its policy rate (MPR) from 12.50% to 11.50% and adjusted the asymmetric corridor from +200/-500 basis points to +100/-700 basis points. The minimum interest rate on savings accounts was reduced from 30% of MPR to 10% of MPR. Cash reserve ratio and liquidity ratio were however maintained at 27.50% and 30% respectively. The 180-day Nigerian Inter-Bank Treasury bill True Yield (NITTY) declined by 155 bps over the quarter, to close at 0.94%. In the bond market, yield on the FGN 10-year bond decreased by 311 bps over the quarter to close at 7.86%. 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 9.63% over the quarter, the index had declined by 2.87% YoY to close at 26,837.42. All major sub-indices recorded positive quarter-on-quarter returns. Total value traded during the quarter was ₦147.13 billion, a decrease of 18.44% relative to the second 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 prices.

Portfolio Performance: The Fund closed the quarter ended 30th September 2020 with a Net Asset Value of ₦152.93/unit (unaudited) and a financial year to date return of 5.12%. During the quarter, the Fund benefited from a 10.06% return on its equity holdings, as well as interest income and capital gains on its fixed income holdings. The Fund's FY 2019 audit has been completed and the accounts have been submitted to the SEC for approval.

Portfolio Outlook: We expect that global and domestic growth will remain weak in Q4 2020 as the impact of COVID-19 lingers. While health, monetary and fiscal authorities continue to take measures to manage the impact of COVID-19, the resurgence of cases in some regions, including Europe and North America, may lead to a re-adoption of some restrictive measures. Despite reduced oil supply in Q3 2020 (the US Energy Information Administration estimates that average global oil production reduced by c.1.33mb/day in Q3 2020 to c.91.08mb/day), oil prices fell marginally during the quarter (Brent prices fell by c.3.82% to \$40.05/barrel from \$44/barrel as at 30th June 2020) as near term outlook for oil demand remained weak. While OPEC cuts continue to provide some respite, the outlook for oil prices may be worsened by the increasing resurgence in COVID-19 cases.

Domestically, we expect OPEC quotas, low oil prices, heightened insecurity and general economic weakness to contribute to weaker Government revenues, widening fiscal deficit and higher Government borrowings. Low oil receipts and weak capital inflows will also put pressure on FX reserves and exchange rates. Inflation is expected to continue its upward trajectory due to factors that include heightened insecurity, higher exchange rates, closure of borders, and higher energy prices. Domestic interest rates will likely remain depressed in Q4 2020, driven by monetary policies and the relatively low supply of fixed income and money market investments.

While staying cognizant 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, and 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 - 30.09.2020 Top 5 Equity Holdings - 30.09.2020

Banking	22.49%	Zenith Bank Plc
Agriculture	7.06%	Guaranty Trust Bank Plc
Oil & Gas	4.34%	Okomu Oil Palm Plc
FMCG	3.65%	Friesland Campina (WAMCO)
Insurance	3.52%	

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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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:	N4.93 billion
NAV:	N4.91 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:	N115.05 per unit
NAV/Unit:	N152.93 per unit

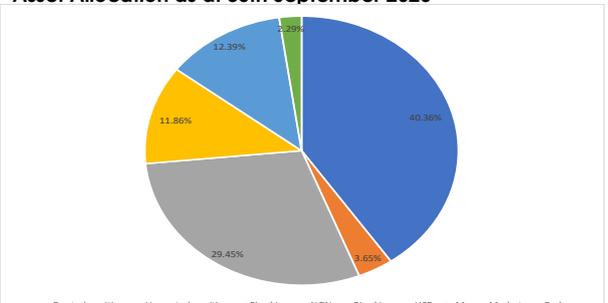
Key Statistics as at 30.09.2020 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
3.11%	12.50%	132.76%	1.48%	1.48%

* Trailing 12 months exclusive of incentive fee

** Trailing 12 months inclusive of incentive fee

Asset Allocation as at 30th September 2020



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%