



ValuAlliance Value Fund

Market Review

The Q1'24 real GDP growth settled at 3.0% y/y (vs. 3.5% y/y in Q4'23), with oil and non-oil sectors printing at 5.7% y/y and 2.8% y/y, from 12.1% y/y and 3.1% y/y in Q4'23. The Nigerian economy was largely pressured in Q1'24 as a trilemma of factors; material currency devaluation, high interest rates and weak purchasing power constrained growth, masking the positive passthrough from a lower base.

Nigeria's headline inflation accelerated in Q2'24, reaching 34.19% y/y in June, driven by persistent security challenges in food-producing regions, elevated energy costs, higher transport expenses, and upward adjustments in electricity tariffs. The MPC responded with a 150bps rate hike to 26.25%, aligning with its inflation-targeting stance.

The Naira stabilized around N1500/\$, underpinned by intermittent CBN interventions. For H2'24, we expect the NGN to trade within the N1400-N1600/\$ range, supported by \$2.25bn in World Bank inflows, with \$750mn available immediately. Additionally, the Federal Government's potential issuance of a USD-denominated bond could further enhance FX liquidity.

Foreign reserves increased by 1.18% q/q to \$34.2bn, bolstered by \$4.5bn in FPI and FDI inflows in H1'24. However, sentiment weakened in May as reserve balances came under pressure from maturing FX obligations and weak fiscal oil earnings, increasing reliance on flows from multilateral sources.

In the fixed income market, bond sentiments were mixed, while liquidity constraints fueled bearish conditions in the NTB space. The CBN's hawkish stance, reflected in a 150bps hike in the MPR, alongside seven OMO auctions totaling N2trn, kept interbank rates elevated around 30% throughout the quarter.

Equity market momentum tapered in Q2'24. The NGXASI contracted in April (-6.1% MoM), before modest recoveries in May (+1.1% MoM) and June (+0.8% MoM). Sell-offs in the Banking and Telecom sectors, due to capital raises and FX-related earnings pressures, weighed on performance. Gains in Agro-Allied (strong earnings and dividend actions) and Oil & Gas stocks (SEPLAT's acquisition approval and OANDO's profitability) provided some support.

Heading into H2'24, we expect subdued sentiment amid high interest rates and macro-economic headwinds. Opportunities exist in the banking sector, following recapitalization-driven selloffs, as well as in corporates with solid FX exposure, low leverage, and strong cash reserves, such as OKOMUOIL, TRANSCORP, UACN, and UNILEVER.

Fund Review

During the review period, the Fund's performance was supported by rising Eurobond prices, income from fixed-income investments and FX gains.

Portfolio Performance: The Fund closed the quarter ended 30th June 2024 with a NAV of ₦479.07 per unit (unaudited) and calendar year-to-date return of 36.69%.

Portfolio Outlook: In the second half of 2024, we anticipate that the Central Bank of Nigeria (CBN) will maintain a hawkish stance as it strives to meet its stated inflation target of 21.4% for the year. We expect that the CBN's approach to managing money supply and raising interest rates, particularly in response to the projected liquidity surplus, will be the key determinant of interest rate movements throughout the year.

However we think that the current yield levels at the bond and bills market are near peak levels and as such we favor increasing the portfolio duration of NGN fixed income investments.

For equities, we maintain our preference for quality companies trading below our estimation of intrinsic value. The Fund manager will seek to selectively trade out of positions that we consider to be trading around intrinsic value and introduce new positions that provide a compelling investment case over the long term.

Top 5 Sector Holdings -Equity - 30.06.2024

Top 5 Equity Holdings - 30.06. 2024

Financial Institutions	45.16%	Seplat	17.61%
Consumer staples	23.31%	Presco	13.76%
Energy	20.22%	Okomu	9.55%
Industrials	9.08%	Access	9.11%
Conglomerate	2.07%	Dangcem	9.08%

Manager Information:

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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:	A Balanced Unlisted Closed End Fund
Start Date:	30th June 2011
Trustees:	Leadway Capital & Trusts Limited
Custodian:	Stanbic IBTC Bank Plc
GAV:	N8,788billion
NAV:	N8,757billion
Total Distribution:	N4.13 billion (Inception till date)
Total Distribution/unit:	N99.83 per unit (Inception till date)
Latest Distribution:	N18.50 per unit (Paid in April 2024)
NAV/Unit:	N479.07 per unit

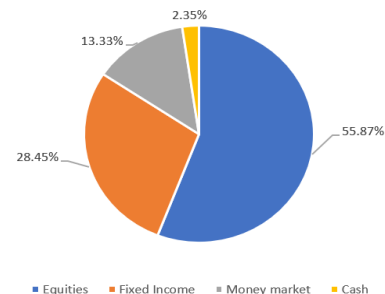
Key Statistics as at 30.06.2024 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
36.69%	18.53%	789.64%	0.41%	0.41%

* Trailing 12 months exclusive of incentive fee

** Trailing 12 months inclusive of incentive fee

Asset Allocation as at 30th June 2024



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

