



# ValuAlliance Value Fund

## Market Review

Real GDP growth printed at 3.5% y/y in Q4'23 (vs. 2.5% y/y in the prior quarter), bringing the FY-2023 average to 2.7% y/y, down from 3.1% in FY-2022. The non-oil sector remained resilient (+3.5% from +2.5% previously) while the oil sector exited its 16-quarter long recession as oil production improved to 1.6mbpd from 1.43mbpd in the preceding quarter.

Headline inflation peaked at 33.2%y/y in March 2024 as a result of the currency depreciation, high PMS prices, rising farm input costs, and persisting security challenges in the country's food-producing states. To tame inflation, the Monetary Policy Committee (MOC) hiked the benchmark rate by 600bps over Q1'24 – 400bps in its February meeting and 200bps in its March meeting – to achieve its average inflation target of 21% in 2024.

The foreign exchange experienced volatility in Q1'24 as the naira tested fresh lows in both segments over the quarter. The CBN's intervention moderated the currency depreciation to c. 44% in the quarter- an improvement from record low exchange rate levels of N1720/\$. As part of its efforts during the quarter, the CBN discontinued cash transactions for BTA and PTA processing; limited the initial repatriation of export proceeds by IOCs to 50%; eliminated the ±2.50% cap spread on interbank FX transactions, and lifted restrictions on the sale of interbank proceeds.

Nigeria's foreign exchange reserve balance increased by 2.7% over the quarter to \$33.83bn, adding \$914mn. A combination of higher prices (with Brent up almost 10%), better crude oil production volumes, and improved USD inflows (remittances and FPIs) contributed to the accretion in reserve balance.

The quarter was characterized by rising yields in fixed-income markets, which reflected the monetary authority's objectives of liquidity management and inflation targeting. Bearish sentiments prevailed in the secondary market as investors sold off their positions in response to the tighter monetary policy stance by the CBN.

The NGX had a bullish run in Q1-2024, supported by buying interest on bellwether tickers in January. In February, sell pressures surfaced as the NGX ASI shed 1.2% MoM before picking up in March which was driven by the resurgence of the Tier-1 banks as investors positioned for dividend announcements. Excitement around the TRANSPower listing also gave the market a lift. Over the quarter, the ASI gained +39.84% to cross the 100,000pts, specifically closing 104,562.10pts at the end of the quarter.

We expect bullish sentiment at the start of 2024FY, as investors position for 2023FY earnings and dividends. Nonetheless, in the latter part of the year, we believe that market sentiments will be shaped by a combination of (1) evolutions in the FX landscape, (2) prospects of improved macro conditions that will enhance corporate earnings, (3) direction of monetary policy authority, and how actions may impact on fixed income yields, and (4) sector-specific events.

## Fund Review

During the review period, the Fund's performance was supported by rising Eurobond prices, price gains across equity holdings, fixed income returns.

**Portfolio Performance:** The Fund closed the quarter ended 31st March 2024 with a NAV of ₦434.94 per unit (unaudited) and calendar year-to-date return of 24.04%.

**Portfolio Outlook:** This year, we expect the CBN to retain its hawkish bias as it sets out to achieve its communicated 21.4% inflation target for 2024. We believe that the CBN's degree of aggressiveness relating to controlling the money supply and interest rate hikes amidst expected liquidity surfeit in 2024 will be the primary driver of interest rates this year.

Considering our interest rate expectations, we favor staying short on bills in Q1'24 while seeking cautious exposure to attractively priced opportunities (as a hedge to our interest rate outlook) and watching for an inflection point to take on duration at high double-digit yields.

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 - 31.03.2024

### Top 5 Equity Holdings - 31.03. 2024

Financial Institutions	52.65%	Seplat	15.08%
Energy	17.32%	Access	11.39%
Consumer staples	16.35%	UBA	10.45%
Industrials	9.51%	DangCem	9.51%
Insurance	5.90%	Presco	8.67%

### 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

<b>Classification:</b>	A Balanced Unlisted Closed End Fund
<b>Start Date:</b>	30th June 2011
<b>Trustees:</b>	Leadway Capital & Trusts Limited
<b>Custodian:</b>	Stanbic IBTC Bank Plc
<b>GAV:</b>	N8,856billion
<b>NAV:</b>	N8,820billion
<b>Total Distribution:</b>	N3.17 billion (Inception till date)
<b>Total Distribution/unit:</b>	N99.83per unit (Inception till date)
<b>Latest Distribution:</b>	N12.50 per unit (Paid in January 2023)
<b>NAV/Unit:</b>	N434.94per unit

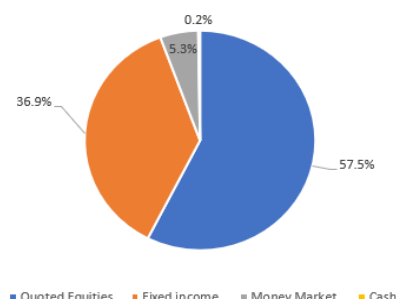
## Key Statistics as at 31.03.2024 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense	**Total expense
24.04%	16.63%	550.84%	0.41%	0.41%

\* Trailing 12 months exclusive of incentive fee

\*\* Trailing 12 months inclusive of incentive fee

## Asset Allocation as at 31st March 2024



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

