



ValuAlliance Value Fund

Market Review

Economic activity accelerated in Q2'24, with GDP growth at 3.2% y/y (up from 3% y/y in Q1). This growth was largely driven by the oil sector (+10.2% y/y vs. +5.7% y/y in Q1), although the low base effect from H1-23 obscured the continued softness in oil production, which fell by 10.2% q/q due to oil theft, pipeline vandalism, and declining investments.

By Q3 2024, headline CPI eased from 34.2% y/y in June to 32.7% y/y in September, aided by a high base effect and the southern harvest. However, new inflationary pressures—fuel scarcity, price adjustments, and flooding in northern food-producing regions—may have halted the disinflation trend, as inflation climbed from August's 32.15% to 32.7% in September. The MPC maintained a hawkish stance in Q3'24, implementing two consecutive 50bps hikes to 27.25% to curb inflation.

During the third quarter, the Naira depreciated against the USD, with the exchange rate declining from N1505/\$ to N1541/\$. Demand pressures persisted despite the CBN's periodic interventions and a relatively robust reserve balance. We anticipate similar trends in Q4'24, albeit at a moderated pace compared to Q3'24, which typically sees heightened USD demand due to summer travel and education obligations.

Q3'24 saw a notable 12% q/q increase in FX reserves (+\$4.2bn to \$38.35bn), primarily due to one-off inflows from multilateral agencies including the World Bank (\$3.82bn), AfDB (\$500mn), and a 5-year USD bond issuance (\$900mn). This supported CBN's FX interventions to stabilize the Naira amid heightened USD demand during the quarter.

In the fixed income space, the DMO sought to refinance N1.69 trillion in maturing bills in Q3'24 but under allotted N1.62 trillion despite strong demand, with total subscriptions reaching N4.2 trillion. Average primary market auction stop rates dropped from 19.2% in July to 17.8% in September. For bonds, the DMO reopened several issues amid strong investor demand, leading to average yields declining to 18.5%, driven by interest in mid and long-term securities.

The local equity market saw bearish momentum in Q3'24, with the NGX-ASI declining 2.3% in July, 1.2% in August, and rebounding 2.0% in September. The Industrials (notably DANGCEM and BU-ACEMENT), Consumer Goods (DANGSUGAR, NB, NASCON, NESTLE, and INTBREW), and Telco sectors (MTNN) faced significant headwinds. Conversely, the Oil & Gas sector performed best, driven by rallies in OANDO and SEPLAT due to the OANDO-AGIP deal and SEPLAT-MPNU acquisition.

Fund Review

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

Portfolio Performance: The Fund closed the quarter ended 30th September 2024 with a NAV of ₦512.88 per unit (unaudited) and calendar year-to-date return of 45.83%.

Portfolio Outlook: For the last quarter of 2024, we expect inflation to remain elevated due to fuel scarcity, price adjustments, and flooding. The CBN will likely remain hawkish, with a possible MPR hike in November to manage inflation and manage exchange rate pressure. Exchange rate volatility will persist, with the NGN ending the year between N1500–N1700/\$.

We see limited upside to fixed income yields from 2024 highs. Our preference is to opportunistically extend duration across fixed income assets.

In equities, we remain focused on undervalued quality companies, trimming positions near intrinsic value and opening new undervalued positions. The oil and gas, power, and banking sectors are key areas of interest, with plans to introduce new long-term investment opportunities.

Top 5 Sector Holdings -Equity - 30.09.2024

Top 5 Equity Holdings - 30.09. 2024

Banking	41.17%	Seplat	17.08%
Consumer Staples	27.59%	Presco	16.92%
Energy	21.14%	Okomu	10.67%
Industrials	6.60%	UBA Plc	9.82%
Conglomerate	2.46%	Access	8.91%

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:	N9.450billion
NAV:	N9,407billion
Total Distribution:	N4.13 billion (Inception fill date)
Total Distribution/unit:	N122.33 per unit (Inception fill date)
Latest Distribution:	N18.50 per unit (Paid in April 2024)
NAV/Unit:	N512.88 per unit

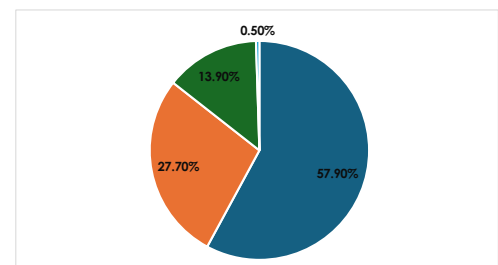
Key Statistics as at 30.09.2024 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense	**Total expense
45.83%	18.69%	812.35%	1.12%	5.56%

* Trailing 12 months exclusive of incentive fee

** Trailing 12 months inclusive of incentive fee

Asset Allocation as at 30th September 2024



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

