



ValuAlliance MMF

Market Review

Global Macros: Despite expectations that a Trump presidency would lift market growth, lower corporate taxes and ease regulation, U.S. equities [S&P 500: -4.6%, NASDAQ: -10.4%, DJIA: -1.3% Q1'25] suffered their worst quarterly performance since Q3'22 due mainly to concerns over Washington's inconsistent trade policy—marked by a series of targeted tariff announcements. On monetary policy, the US Federal Reserve raised its inflation outlook from 2.5% to 2.7% during the quarter on account of Trump's tariff war with China and other trading partners. The central bank also made no change to its federal funds rate (4.375%). The IMF, in its Apr-25 WEO, also lifted its inflation projection for the U.S. to 3%, while cutting down growth from 2.7% to 1.8%.

Elsewhere, in the Eurozone, the equities market rallied in Q1-25 led by the German DAX and Italy's FTSE MIB (both up 11.3% q/q), followed by France's CAC 40, and the UK's FTSE 100, which rose by 5.6%, and 5%, respectively. For Germany, the emergence of a new chancellor/majority party and unveiling of aggressive fiscal spending plans colored domestic market sentiments, while signals of accommodative monetary policy from the European Central Bank anchored performance. On monetary policy, the European Central Bank and Bank of England carried on with policy easing over the quarter, as the focus for both monetary authorities shifted from curbing inflation to supporting economic growth.

Domestic GDP: Economic activity strengthened in Q4'24, with GDP growth reaching 3.84% y/y (up from 3.46% in Q3'24), bringing the overall growth for the year to 3.4% (underperforming the 3.75% benchmark). In Q4'24, the non-oil sector settled at 3.96% y/y (vs 3.37% y/y in the prior quarter), while the oil sector grew 1.48% y/y (vs. 5.17% y/y in Q3'24). The growth in the non-oil sector was supported by services, finance and insurance (consecutive interest rate hikes), telecommunications (higher average data consumption), and manufacturing (resumption of activities in both the Dangote and Port Harcourt refineries).

Inflation: The National Bureau of Statistics implemented its first comprehensive CPI methodology revision in 16 years, with 2024 as the new base year. Headline inflation moderated to 24.48% y/y in January 2025 and 23.18% y/y in February before rising to 24.23% y/y in March, attributable to higher telecommunications tariffs, renewed FX pressure from net FPI outflows, and increased PMS prices following suspension of the Naira-for-crude swap arrangement.

Monetary Policy: The monetary policy committee of the CBN remained resolutely hawkish in the first quarter of 2025, keeping the benchmark rate at 27.5% amid a "wait and see" approach to how inflation would trend under the rebased methodology. At its most recent policy meeting in February, the CBN Governor, Olayemi Cardoso noted that the MPC was able to begin cutting rates and forecasted a moderation in inflation to the high single digits in the medium to long-term.

FX Reserves: Nigeria's foreign exchange (FX) reserve balance decreased by 6.21% (or \$2.66 billion) during Q1'25 to \$38.22 billion (per CBN database). This decline reflects sustained CBN interventions in the FX market. However, Net FX reserves improved to their highest level in over three years at year-end 2024, supported by reduced short-term FX liabilities and improved market confidence.

Exchange Rate: The Naira depreciated marginally against the USD in Q1'25, with the exchange rate weakening to N1541.67/\$ (from N1538.25/\$). This decline stemmed from challenges in the oil sector, with production volumes averaging 1.7mbpd against budgeted 2.2mbpd, compounded by security-related disruptions affecting export reliability.

Fixed Income: Nigeria's fixed income market experienced notable yield compression in Q1 2025, with average yields declining by 610bps to 19.44%, led by strong demand and a more modest inflation print following the rebasing of the CPI basket. The most significant yield drop was at the mid-end of the curve, which fell by 676bps to 18.52%, while short and long tenors declined by 582bps and 552bps, respectively.

The CBN conducted ₦4.57 trillion in OMO sales, which kept system liquidity in deficit and pushed interbank rates higher. To support a revised ₦54.9 trillion federal budget, the DMO/CBN raised ₦7.3 trillion through bonds and bills, and demand remained strong across instruments. Treasury bill and bond yields declined steadily, with stop rates easing and bid-to-cover ratios peaking at 4.1x in February, reflecting strong investor appetite despite fiscal and oil sector concerns.

Equities: The NGX-ASI advanced in Jan-25 (+1.53% MoM) and Feb-25 (+3.18% MoM) before declining in Mar-25 (-2% MoM) bringing the QTD return to +2.66% (vs. +39.84% in Q1'24. March's decline reflected sell pressures in large cap names across Telco, Industrials, Banks and Energy. The Agro-Allied (+45.2%), Telco (+7.5%) and Banking sectors (+7%) topped the gainers chart in Q1'25, benefiting from strong FY'24 scorecards, the impact of tariff adjustments for telcos, investor interest due to fresh capital raise, and attractive dividend declarations from Tier-1 banks like **GTICO** (dividend yield: 10.6%), **UBA** (dividend yield: 8.6%), and **ZENITHBANK** (dividend yield: 8.5%).

Investment Objective

The ValuAlliance Money Market Fund's primary objective is to provide investors with steady return on capital, liquidity and capital preservation by investing in a diversified portfolio of high-quality short-term money market instruments which will include short term government securities, unsubordinated short-term debt instruments such as commercial papers, bankers' acceptances, and fixed deposits in eligible issuers.

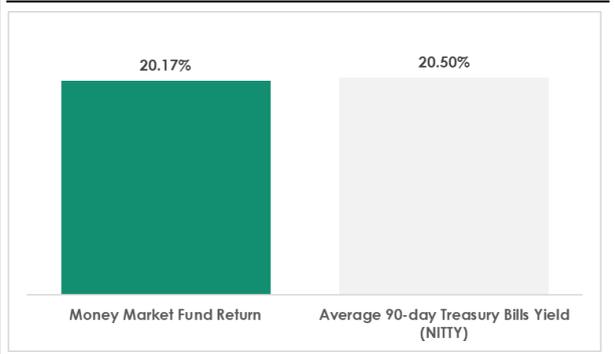
Investment Strategy

The Fund Manager expects the pull back in fixed income yields that began in Q1 '25 to continue into Q2'25, however, at a slower pace than previously anticipated, given the impact of external shocks introduced by Trump's tariff war with China and other trade partners. The Fund Manager will continue to opportunistically extend duration by locking in attractively priced issues on treasuries and commercial papers.

Fund Information

Classification:	Open End Fund
Start Date:	5th May 2020
Trustees:	STL Trustees Limited
Custodian:	Stanbic IBTC Nominees Limited
GAV:	NGN1.463 billion
NAV:	NGN1.452 billion
NAV/Unit:	NGN1.00 per unit

ValuAlliance Money Market Return vs. Benchmark



Asset Allocation as at 31st March 2025

Asset Class	Exposure
Short Term Government Bills	39.51%
Placement with Banks	30.69%
Commercial Papers	19.49%
Other Money Market Instruments	9.94%
Cash/Cash Equivalents	0.37%

Asset Class	Permissible Range
Short Term Government Bill	25% - 100%
Bank Placements	0% - 75%
Other Money Market Instruments (including Commercial Papers and OMMFs)	0% - 75%
Cash & Cash Equivalents	0% - 5%

Manager Information:

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