



# ValuAlliance MMF

## Market Review

**Global Macros:** U.S. equities posted strong quarterly gains in Q2 2025 [S&P 500: +11.18%, NASDAQ: +17.75%, DJIA: +6.04%], recovering from the steep sell-off triggered by the early-April "Liberation Day" tariffs. The S&P 500, DJIA and NASDAQ each declined between 7% to 10% after the announcement. Market recovery was fueled by subsequent trade truce announcements with China and the UK, and the temporary suspension of new tariffs. On the macro front, the Federal Reserve left its benchmark rate unchanged at 4.375% but raised its PCE inflation outlook from 2.7% to 3.0%, citing tariff-related price pressures and upside risks to import costs. The World Bank, in its June 2025 GEP, sharply revised its 2025 real GDP growth rate projections for the U.S. down to 1.4% from 2.3%.

Eurozone equities posted modest Q2 2025 gains [FTSE MIB: +2.72%, DAX: +6.45%, STOXX 600: +1.40%, CAC 40: -3.16%, FTSE 100: +1.18%] amid a supportive monetary backdrop and elevated FX-driven inflows. German performance was driven by the announcement of a €1 trillion fiscal stimulus plan—targeting green investment, rearmament, and digital infrastructure, boosting industrial and capital goods stocks. In contrast, France's index was weighed by weaker industrial and consumer-goods earnings. The ECB eased rates by 50 bps to a 2.00% deposit rate, which coincided with headline CPI easing to 2.0% in June, aligning with target and setting the stage for one further cut later in the year. The U.K.'s FTSE 100 rose modestly (+1.18%), weighed by commodity sector weakness, soft earnings, and political uncertainty.

**Domestic GDP:** Economic activity strengthened in Q2 2025, driven by a rebound in oil production—averaging over 1.45mbpd and reaching 95% of Nigeria's OPEC quota in May—boosted by improved security and reduced theft. This lifted oil receipts and pushed FAAC disbursements to ₦4.918 trillion, one of the highest on record. While the non-oil sector saw slower output growth, headline PMI remained in expansion territory for the seventh consecutive month in June, supported by resilient services and trade activity. Business sentiment also improved markedly, with confidence reaching its highest level since August 2022, reflecting optimism around funding and investment prospects. We await the release of Q1'25 GDP reports.

**Inflation:** In Q2 2025, headline inflation continued its disinflationary trend, aided by the CPI basket rebasing carried out earlier in the year. Following the methodological revision in January; which set 2024 as the new base year for Nigeria's Consumer Price Index, the pace of inflation has moderated for two consecutive months. Headline CPI eased to 23.71% y/y in April and 22.97% y/y in May-25, from 24.23% in Mar-25. On a MoM, inflation has slowed to 1.53% in May-25 (vs. 1.86% in Apr-25 and 3.9% in Mar-25), reflecting stabilization in food prices, stable FX, and reduced seasonal pressures.

**Monetary Policy:** The monetary policy committee of the CBN maintained its hawkish stance in the second quarter of 2025, keeping the benchmark rate at 27.5%, and adopting a "wait and see" approach to better understand near-term economic developments and monitor local and global risks. At its most recent policy meeting in May-25, the committee noted new policies introduced by the FGN to boost local production and reduce the foreign currency demand pressure.

**FX Reserves:** Nigeria's foreign exchange reserve balance declined by 2.58% (or \$988.37 million) over Q2'25 to \$37.32 billion (per CBN data). This decline reflects the sustained CBN interventions in the FX market. The external reserve balance has now reduced by \$3.56 billion in the first six months of 2025.

**Exchange Rate:** In Q2'25, the Naira appreciated by a marginal 46bps against the USD, with the FX rate strengthening to ₦1529.71/\$US (from ₦1536.82/\$US previously). This modest gain was underpinned by the apex bank's sustained efforts to support the Naira through increased supply to deposit money banks (DMBs) and bureau de change operators (BDCs).

**Fixed Income:** Nigeria's fixed income market saw moderate yield compression in Q2'25, with average NTB yields inching up to 20.2% from 19.44%. Mid- and long-term yields rose by 118bps and 96bps respectively, amid selective risk repricing and an aggressive ₦8.16 trillion OMO issuance - almost 2x Q1'25 levels. The CBN's preference for liquidity sterilization over further rate hikes kept short-term yields stable at the 17% handle, while improved system liquidity (₦832 billion surplus on average vs. ₦284.32 billion deficit in Q1) supported auction demand and sustained funding (interbank) rates.

Despite a heavy issuance calendar by the DMO, treasury bills and bonds performed resiliently, with robust subscription levels and strong bid-to-cover ratios, especially in May and June, driven by improving inflation data and ample liquidity.

**Equities:** The ASI advanced in Apr-25 (+12bps MoM), May-25 (+5.62% MoM) and in Jun-25 (+7.37% MoM) bringing the quarter-to-date return to +13.54% (vs. +2.67% in Q1'25). The Agro-Allied (+55.4%), FMCG (+45.2%) and Telco sectors (+22%) topped the gainers list in Q2'25, benefiting from strong Q1'25 earnings, a more stable FX environment, and improved FPI participation (total transactions soared to ₦3.41 trillion in the first five months of 2025, with foreign participation climbing to 15.4% on average between April and May). Specific sectors like Telco was supported by tariff adjustments.

## 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.

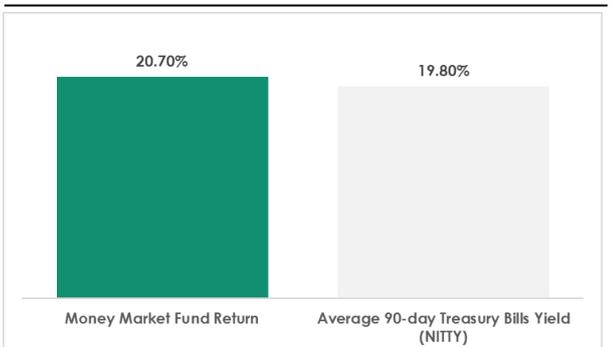
## Investment Strategy

The Fund Manager expects interest rates to continue to moderate over the rest of the year, and retains its expectation for a likely interest rate cut by the MPC. For the quarter, the Team would focus on opportunistically extending duration across FGN bills, bank placements, and high quality commercial papers to lock in these rates, guided by the long-term view of inflation to remain elevated.

## Fund Information

<b>Classification:</b>	Open End Fund
<b>Start Date:</b>	5th May 2020
<b>Trustees:</b>	STL Trustees Limited
<b>Custodian:</b>	Stanbic IBTC Nominees Limited
<b>GAV:</b>	NGN1.699 billion
<b>NAV:</b>	NGN1.690 billion
<b>NAV/Unit:</b>	NGN1.00 per unit

## ValuAlliance Money Market Return vs. Benchmark



## Asset Allocation as at 27th June 2025

Asset Class	Exposure
Short Term Government Bills	31.56%
Placement with Banks	42.62%
Commercial Papers	16.05%
Other Money Market Instruments	9.53%
Cash/Cash Equivalents	0.24%

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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