



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 28.9% y/y in December (FY-2023: 24.5%) reflecting the impact of electioneering spending, currency pressures, elevated PMS prices, rising farm input costs, and persisting security challenges in the country's food-producing states. Despite runaway inflation, the monetary policy committee (MPC) left the benchmark rate unchanged at 18.75% over Q4'23. Due to personnel changes at the apex bank, the MPC held no meeting during the quarter having fulfilled its meeting quota for the year. The focus, according to newly appointed CBN Chief, Governor Cardoso, has been to improve the effectiveness of these meetings.

Despite the Central Bank of Nigeria's best efforts at foreign exchange unification in H1'23, the official and parallel market premium widened, with the Naira testing fresh lows in both segments over the last quarter of the year as foreign exchange supply failed to show any improvement. As a consequence, the NGN lost 96.6% of its value in the official market segment in 2023.

Elsewhere, Nigeria's reserves sustained a downtrend, depleting by more than \$300M over Q4'23, according to CBN data. In addition to muted FX accretion from crude sales, the apex bank's commitments to clearing its FX backlog (forwards estimated at around \$7bn) and the amount owed to foreign airlines exerted downward pressure on Nigeria's FX reserve balance.

Nigeria's public debt soared to N87.4trn (41.4% of GDP) in Q3'23 from N49.8trn (20.8% of GDP) in Q2'23. This sharp increase was driven by the addition of the CBN's Ways and Means.

During the quarter, the fixed income market was marked by volatility with yields reaching new highs influenced by both market dynamics – i.e. demand and supply imbalance and a new orthodox policy direction by the apex bank – tightening stance by MPC, a return to OMO auctions, cash reserve ratio (CRR) normalization and standing deposit facility (SDF) cap removal.

For equities, the benchmark NGX-All Share Index (+45.9% y/y) raced to a 15-year high on market-friendly reforms introduced by the new administration at the start of H2'23 and resilient corporate performance across board. Corporate actions including the merger of **DANGSUGAR, NASCON**, and Dangote Rice; **SEPLAT**'s acquisition of Mobil Producing Nigeria Unlimited; **OANDO**'s delisting and acquisition of Agip's assets from ENI, also sustained investor interest in the equities market.

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 (4) sector-specific events.

Fund Review

During the review period, the Fund's performance was supported by rising Eurobond prices, price gains across most of the equity holdings, dividend income and income from placements.

Portfolio Performance: The Fund closed the quarter ended 31st December 2023 with a NAV of ₦ per unit (unaudited) and calendar and financial year-to-date returns of % and %, respectively.

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 - 31.03.2023

Banking	32.43%
Agriculture	13.18%
Oil & Gas	9.18%
Insurance	4.68%
Industrials	4.30%

Top 5 Equity Holdings - 31.03. 2023

Zenith Bank
Okomu Oil
Presco
Fidelity Bank
Seplat

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:	N4.651 billion
NAV:	N4.710 billion
Total Distribution:	N3.48 billion (<i>Inception till date</i>)
Total Distribution/unit:	N112.33 per unit (<i>Inception till date</i>)
Latest Distribution:	N12.50 per unit (<i>Paid in January 2022</i>)
NAV/Unit:	N197.26 per unit

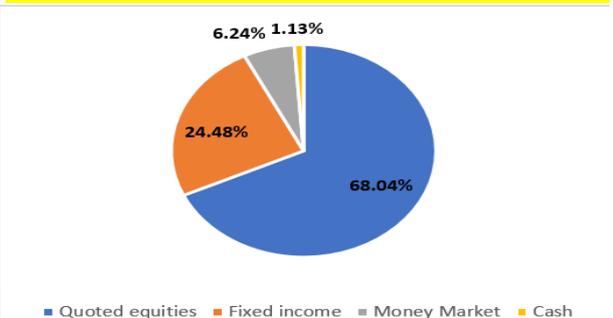
Key Statistics as at 31.03.2023 (net of fees & expenses)

Calendar YTD	IRR (since inception)	HPR (since inception)	*Total expense ratio	**Total expense ratio
5.72%	13.16%	209.59%	0.41%	0.41%

* Trailing 12 months exclusive of incentive fee

** Trailing 12 months inclusive of incentive fee

Asset Allocation as at 31st March 2023



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

Manager Information:

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