



ValuAlliance Money Market Fund

Market Review

Global Macros: Donald Trump's victory in the US Presidential election in November and the Republicans winning control of congress lifted equities in Q4'24 (S&P 500: +2%, DJIA: +1%, Nasdaq: +6%), rounding out a solid year for the market (S&P 500: +23%, DJIA: +13%, Nasdaq: +29% YTD). Expectations that a Trump presidency would lift growth, lower taxes and cut regulation anchored these gains. On monetary policy, the US Federal Reserve lowered interest rates twice, by 25bps in November and December, in line with expectations. For 2025, the Fed scaled back the number of interest rate cuts expected (from four to two 25bps cuts) as inflation remained sticky (core PCE, which is the US Federal Reserve's preferred inflation measure, printed at 2.8% y/y in Nov-24).

Elsewhere, in the Eurozone, the equities market closed lower during the quarter amid recession fears, political instability in two of the regions largest economies; France (where the Prime Minister Michel Barnier was ousted) and Germany (where Chancellor Olaf Scholz sacked his Finance Minister and the governing coalition collapsed paving way for elections early in February 2025), and worries over trade wars after Donald Trump won the US election. On monetary policy, the European Central Bank cut interest rates by 25bps in Oct-24 and Dec-24 respectively and signaled more cuts to come in 2025 as the region continues to grapple with slowing output growth.

Domestic GDP: Economic activities gathered pace in Q3'24, with output growth printing at 3.5% y/y (vs. 3.2% y/y in the prior quarter). The non-oil sector settled at 3.8% y/y (vs 2.8% y/y in the prior quarter), while the oil sector grew 5.2% y/y (vs. 10.2% y/y in Q2'24). The non-oil sector print was supported by services (recovery in transportation), finance and insurance (driver: consecutive interest rate hikes), and telecommunications (driver: higher average data consumption).

Inflation: Nigeria's headline CPI scaled 20bps MoM to print at 34.80% y/y in Dec-24, primarily driven by core inflation. The surge in core inflation is largely attributed to increases in the Transportation (+119bps to 31.73% y/y) and Housing, Water, Electricity, Gas and Other Fuels sub-indices (+13bps to 29.15% y/y). Elsewhere, food inflation moderated by 8bps to 39.84% y/y (from 39.93% y/y in Nov-24), supported by better agro output from the main harvest season.

Monetary Policy: The monetary policy committee of the apex bank remained resolutely hawkish in the last quarter of 2024, hiking the benchmark interest rate by 25bps (cumulative: +875bps) to 27.5%. This decision is in line with the apex bank's inflation targeting framework (and target of 21% inflation). We expect the apex bank to stand pat on rate hikes/cuts in H1'25.

FX Reserves: Continuing the trend observed from prior quarters, Nigeria's foreign exchange (FX) reserve balance increased by 6.5% (or \$2.5 billion) over the fourth quarter to \$40.88 billion (per CBN database). This increase likely reflects inflows from the \$2.2 billion Eurobond raise in early December. This healthy balance has supported the apex bank's ability to defend the Naira, by periodically intervening in the foreign exchange (FX) market.

Exchange Rate: The Naira appreciated mildly against the USD in Q4'24, with the exchange rate improving to N1538.25/\$ from N1541.91/\$. This relative stability was supported by the introduction of the EFEMS platform, increased FPI flows, USD-denominated borrowing, higher FX reserves, and a positive current account balance. Similar trends are expected in 2025, underpinned by remittance inflows and a positive trade balance. However, significant Naira appreciation could trigger profit-taking by FPIs, potentially exerting downward pressure on the currency.

Fixed Income: Weak sentiments in the equities market and an increasingly attractive yield environment anchored interest in the fixed income market. As a result, the yield curve bear-flattened since April, as short-term yields rose faster than the long-term yields (average treasury and bond yields settled at 25.49% and 19.75% compared to 6.29% and 14.13% in 2023 respectively). In addition, the aggressive interest rate hikes narrowed the negative real rate of return to 5.27% from 8.58% in Jan-24. Despite prevailing bearish sentiments during the period, the benchmark S&P/FMDQ Nigeria Sovereign Bond Index posted a y/y change of 3.94% (vs. 8.87% in 2023FY).

To manage excess system liquidity, the apex bank ramped up OMO issuances in 2024, with sales reaching NGN11.25trn compared to NGN627.20bn in 2023. This aggressive liquidity mop-up left system liquidity constrained, averaging NGN232.79bn at the end of the year (vs. NGN322.39bn in 2023). Consequently, interbank lending rates rose significantly as open buyback and overnight rates reached 27.30% and 27.80% (vs. 15.06% and 15.47% in December 2023) respectively.

Equities: The NGX-ASI gained 37.7% in 2024 anchored on strong investor sentiment particularly in H1'24. In H2'24, momentum slowed, and the market was characterised by heightened volatility and a bearish tilt as fixed income yields rose (amid aggressive rate hikes). All the sectoral indices under our coverage universe closed in the green in 2024 (Oil & Gas: +160%, Insurance: +123%, Agric: +88%, Consumer Goods: +54%, Industrials: 32%, Banking: +21%, and Telco: +5.2%). The Oil & Gas sector however outperformed all the other indices for the second consecutive year due mainly to policy reform tailwinds and exciting corporate actions (OANDO's acquisition of AGIP, SEPLAT's acquisition of MPNU's onshore assets, sale of SPDC to Renaissance consortium, & ARADEL listing).

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.

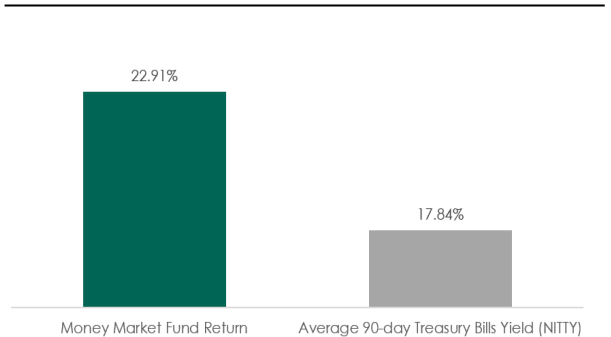
Investment Strategy

The Fund Manager is of the view that the upswing in fixed income yields have peaked, with little upside from current levels. For the fourth quarter of 2024, the Fund Manager focused on opportunistically extending duration across treasury bills, bank placements, and commercial papers investment buckets to lock in attractive rates on offer for longer, guided by the long-term view of inflation to remain elevated.

Fund Information

Classification:	Open End Fund
Start Date:	5th May 2020
Trustees:	STL Trustees Limited
Custodian:	Stanbic IBTC Nominees Limited
GAV:	NGN1.552 billion
NAV:	NGN1.543 billion
NAV/Unit:	NGN1.00 per unit

ValuAlliance Money Market Return vs. Benchmark



Asset Allocation as at 31st December 2024

Asset Class	Exposure
Short Term Government Bills	49.25%
Bank Placements	28.71%
Commercial Papers	10.30%
Other Money Market Funds	9.85%
Cash and Cash Equivalents	1.89%

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 Equivalent	0% - 5%

Manager Information:

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