

ValuAlliance Money Market Fund

Final Rating Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

ValuAlliance Money Market Fund

Rating:

A(f)

Issue Date: 2 March 2021

Expiry Date: 2 March 2022

Previous Rating: A- (f)

Industry: Asset Management

Analysts:

Tomisin Ogungbemi

tomisinogungbemi@agusto.com

Wonuola Kunle-Bello

wonuolabello@agusto.com

Agusto & Co. Limited

UBA House (5th Floor)

57, Marina

Lagos

Nigeria

www.agusto.com

RATING RATIONALE

- Agusto & Co assigns an **A(f)** rating to ValuAlliance Money Market Fund ('ValuAlliance MMF' or 'the Fund'). The rating is upheld by the Fund's low exposure to credit, liquidity and interest rate risks. However, the rating is constrained by the absence of a dedicated portfolio management software and the limited experience of the two lead portfolio managers. In addition, the rating takes into consideration the current weak macroeconomic environment and the low yields available on money market securities.
- ValuAlliance MMF is an open-ended collective investment scheme managed by ValuAlliance Asset Management Limited ('ValuAlliance' or 'the Manager'). The Fund was launched on 30 June 2020 and has grown to be the 15th of 26 listed money market funds in Nigeria by size, with a net asset value (NAV) of ₦1.8 billion as at 29 January 2021.
- Since its launch, the Fund has adhered to its conservative credit guidelines by investing in securities we consider to be of investment-grade credit quality on the national rating scale. In the review period (July 2020 – January 2021), ValuAlliance MMF held an average of 27% of net assets in Federal Government of Nigeria (FGN) Treasury Bills, which we consider to be of Aaa credit quality in local currency. In addition, an average of 43% and 27% of net assets were held with counterparties with Aa and A national credit ratings respectively, with less than 5% in Bbb rated securities in the review period. In our view, ValuAlliance MMF's exposure to credit risk is low. However, the ability of the Fund to keep credit risk exposures low will need to be demonstrated as the size of net assets grows and in the absence of a significant improvement in yields on money market securities.

- ValuAlliance MMF minimizes exposure to interest rate risk by maintaining a weighted average maturity and maximum term to maturity of 90 days and 365 days respectively, in line with SEC guidelines. The Fund recorded no breach of these guidelines in the review period.
- ValuAlliance MMF manages liquidity by adhering to the prescribed 25% minimum allocation to FGN securities and maintaining a 5% minimum allocation to cash balances (or money on call). In addition, the Fund maintains staggered maturities of assets in its portfolio with at least 20% of net assets held in securities maturing within 30 days. We consider the level of liquidity provisioning good for the scale of operations. In our view, the Fund's exposure to liquidity risk is low.
- We consider ValuAlliance MMF's investment strategy conservative. However, we note the absence of an integrated portfolio management system to support the operations of the Fund and the limited experience of the lead portfolio managers.

Figure 1: Strengths and Weaknesses

