

ValuAlliance Money Market Fund

Final Rating Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

ValuAlliance Money Market Fund

Rating:

A+(f)

Low to moderate exposure to downside risk (impairment to the net asset value) in the medium term.

Issue Date: 27 May 2025

Expiry Date: 26 May 2026

Previous Rating: A+(f)

Industry: Asset Management

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RATING RATIONALE

Agusto & Co. affirms the 'A+(f)' rating assigned 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. Agusto & Co. also positively considers the Manager's 10-year operational track in the domestic asset management industry and membership of an established financial services group. However, the rating is constrained by ValuAlliance MMF's increased exposure to securities at the lower end of the acceptable rating scale as well as the Fund's significant unitholder concentration. We have also taken into consideration the limited use of technology in the subscription and redemption processes which has the potential to elevate operational risk.

ValuAlliance MMF is an open-end unit trust scheme managed by ValuAlliance Asset Management Limited ('VAML' or 'the Manager'), a member of the African Capital Alliance Group ('the ACA Group'). As at 28 February 2025, the Fund had over ₦1.57 billion in assets under management (AuM), 16% higher than the ₦1.35 billion reported one year prior. The growth in AuM was largely due to rising yields on money market securities. Consequently, ValuAlliance MMF ranked 27th of the 38 listed money market funds in Nigeria by size, as at the same date.

In the review period (February 2024 – February 2025), the Fund held an average of 42% of net assets in Federal Government of Nigeria (FGN) Treasury Bills (T-bills), with no breaches reported. In addition to low-risk government securities, ValuAlliance MMF held an average of 12%, 8% and 38% of net assets in 'Aa', 'A' and 'Bbb' rated instruments respectively. However, the Fund's allocation to the lower end of the acceptable rating scale (Bbb) was considerably higher than the 29% held in the prior review period but remained acceptable for funds in the 'A(f)' rating category. Overall, we consider ValuAlliance MMF's exposure to credit risk low.

The Fund manages interest rate risk by investing in instruments with a term to maturity of 366 days or less and is expected to maintain a maximum WAM of 90 days as stipulated by SEC. We note positively that ValuAlliance MMF adhered to the regulatory WAM limit throughout the review period with an average maturity of 65 days - albeit an increase from the 54 days in the prior review period. Overall, we consider the Fund's exposure to interest rate risk minimal.

Liquidity risk for ValuAlliance MMF was managed by investing 42% of net assets in highly liquid FGN securities and holding 2% of net assets as cash. In addition, the Fund maintained staggered maturities across its portfolio while largely staying at the short end of the yield curve. Furthermore, ValuAlliance MMF had net inflows of ₱198.4 million, which supported redemptions with customer requests settled within 24 hours. In our opinion, the Fund’s exposure to liquidity risk is low.

We note a significant degree of concentration in ValuAlliance MMF’s unitholding base with the top 10 investors holding over 70% of AuM while the three largest investors held 40% of the Fund’s portfolio as at 28 February 2025. In our view, this level of concentration could significantly distort ValuAlliance MMF’s asset base in the event of a sudden withdrawal from any of the top investors.

VAML relies on the FundFusion software for portfolio management, valuations and trade simulations. The software was upgraded during the review period to integrate adequate maker-checker features that support automated pre-trade checks and operational risk management. Overall, we consider the Fund’s investment and risk management processes adequate for the Manager’s level of operations. However, we believe VAML will benefit from better technology adoption and separating the roles of the Managing Director and Chief Investment Officer.

Agusto & Co. will continue to monitor ValuAlliance MMF’s portfolio holdings on a weekly basis to review adherence to stipulated guidelines.

Figure 1: Strengths and Weaknesses

