



ValuAlliance Specialized Dollar Fund

Market Review

Global Macroeconomic Environment

Global Inflation: Global inflation remained elevated in Q3 2026, with energy prices and geopolitical tensions driving renewed price pressures across major economies. In the U.S. inflationary pressures persisted as Consumer Price Index (CPI) rose to 3.7% in September 2026 from 3.5% in June. The persistence of inflation prompted the Federal Open Market Committee to raise interest rates by 25 basis points in September 2026, reinforcing expectations that monetary policy would remain restrictive until inflation moves closer to target levels of 2.0%.

Geopolitical Developments: Geopolitical tensions remained a key driver of global markets during Q3 2026, particularly in the Middle East, where concerns over energy supply disruptions contributed to higher oil prices, renewed inflationary pressures, and increased market volatility. The heightened uncertainty also supported demand for safe-haven assets and influenced monetary policy expectations, as investors remained cautious amid evolving geopolitical risks.

U.S. Interest Rates: U.S. interest rates remained a key focus for global markets during Q3 2026. Amid persistent inflationary pressures, particularly from higher energy prices, the Federal Open Market Committee raised the Federal Funds Rate by 25 basis points in September 2026 to a target range of 3.75%-4.00%. Policymakers also signaled that rates may remain elevated for longer to ensure inflation returns to target levels. The higher-for-longer rate environment continued to influence global fixed income markets, capital flows, and investor appetite for emerging market debt during the quarter.

Global Markets

U.S. Treasury Market: The U.S. Treasury market remained under pressure during Q3 2026 as investors responded to persistent inflation and expectations of tighter monetary policy. The benchmark 10-Year U.S. Treasury yield averaged approximately 4.3% in July, 4.4% in August, and 4.6% in September, while the 1-Year U.S. Treasury Bill yield averaged between 3.9% and 4.1% over the quarter. Elevated Treasury yields continued to provide attractive risk-free returns and exert upward pressure on emerging market debt yields, including Nigerian Eurobonds.

Eurobonds: Sentiment in the Nigerian Eurobond market was negative during Q3 2026, as average yields increased from 7.05% in July to 7.27% in September. The rise in yields was driven by higher U.S. Treasury yields, persistent inflation concerns, and heightened geopolitical tensions, which led investors to demand higher compensation for credit and sovereign risk. Despite the increase in yields, investor sentiment remained broadly resilient, supported by improving domestic macroeconomic conditions. The elevated yield environment continued to provide attractive entry opportunities for investors seeking dollar-denominated income and long-term capital appreciation potential.

Global Equities: Global equity markets remained resilient during Q3 2026 despite higher interest rates, elevated bond yields, and geopolitical uncertainties. Strong corporate earnings and continued momentum in AI-related investments supported investor sentiment across major markets. During the quarter, the S&P 500 gained approximately 5.2%, bringing its YTD return to 15.9%, while the Nasdaq Composite advanced approximately 6.8%, increasing its YTD return to 28.5%. Technology and AI-related stocks continued to drive market performance, supporting investor confidence and risk appetite throughout the quarter.

Domestic Macroeconomic Environment

FX Reserves and Exchange Rate: Nigeria's external reserves remained strong during Q3 2026, increasing from approximately \$51.46 billion in June 2026 to approximately \$53.0 billion by September 2026, supported by improved foreign exchange inflows and stronger external liquidity. The Naira also remained relatively stable during the quarter, appreciating modestly from approximately ₦1,365/\$ in June to about ₦1,350/\$ by September 2026, reflecting continued stability in the foreign exchange market. The combination of stronger reserves and a stable exchange rate enhanced Nigeria's ability to meet its external obligations, supporting sovereign credit quality and maintaining investor confidence in Nigerian Eurobonds.

Oil Market and Fiscal Position: Brent crude oil prices remained elevated during Q3 2026, averaging approximately US\$86/bbl in July, US\$89/bbl in August, and US\$92/bbl in September, supported by geopolitical tensions and concerns over global supply disruptions. Nigeria's crude oil production also improved from approximately 1.74million barrels per day (mbpd) in June to 1.78mbpd by September, although it remained below the Federal Government's budget benchmark of 1.84mbpd. The combination of higher oil prices and improved production supported government revenues, foreign exchange earnings, reserve accumulation, and Nigeria's overall sovereign credit profile during the quarter.

Fund Review

The ValuAlliance Specialized Dollar Fund is an open-ended, actively managed collective investment scheme established under a Trust Deed. The Fund primarily invests in dollar-denominated fixed income securities with maturities exceeding 365 days, including Nigerian and Non-Nigerian Eurobonds, while also having the flexibility to invest in international equities, real estate, and commodity-linked vehicles. The minimum holding period for investors is 180 calendar days.

The Fund commenced operations in Jan-26, with investment deployment beginning in Apr-26, and is primarily invested in dollar-denominated fixed income securities issued by the Federal Government of Nigeria (FGN) and high-quality corporate issuers. The Fund's benchmark is a composite of 70% of the average return on the 3-year Nigerian Sovereign Eurobond and 30% of the return on the 1-year U.S. Treasury Bill. As at Sept-26, the portfolio's maturity profile comprised 59% in securities maturing within one year and 41% in securities maturing between one to five years. The portfolio had a weighted average yield to maturity (YTM) of 5.81%, a weighted average time to maturity (TTM) of 1.50 years, and a duration of 1.50, indicating relatively low sensitivity to changes in interest rates and bond yields. The Fund is valued using a fair value (mark-to-market) methodology, with portfolio assets revalued daily based on prevailing market prices. As a result, the Fund's Net Asset Value (NAV) reflects current market conditions and may fluctuate as market yields and bond prices change.

Portfolio Performance: The Fund closed the quarter ended 30 September 2026 with a Net Asset Value of \$9.9525 per unit, delivering a YTD return of -0.48%, compared to the benchmark return of -1.08%.

Outlook: Eurobond yields are expected to gradually normalize as geopolitical tensions ease and oil prices moderate. The Fund will maintain a core allocation to Nigerian USD-denominated Eurobonds, to capture attractive coupon income and potential capital appreciation. The Fund will also selectively invest in high-quality corporate Eurobonds backed by strong balance sheets and invest in USD-denominated exchange-traded funds to enhance the return of the Fund.

Investment Objective

The ValuAlliance Specialized Dollar Fund aims to deliver superior, risk-adjusted total returns over the medium- to long-term by providing qualified investors with access to a well-diversified USD investment product. This objective will be achieved through exposure to quality fixed-income and variable-income securities, prioritizing capital preservation while seeking opportunities for capital growth.

Investment Strategy

The Fund will invest in high-quality fixed income and variable investment securities, combining strategic long-term positioning with tactical opportunities to enhance returns and manage risk. Investments may be made through carefully selected asset managers and investment vehicles, based on factors such as risk-adjusted performance, manager quality, cost efficiency, operational strength, custody arrangements, and alignment with the Fund's objectives.

The Fund will maintain a moderate duration profile, extending duration only when market conditions are favourable.

Fund Information

Classification:	An open-ended specialized fund with a maximum of 20% exposure to securities of non-Nigerian issuers.
Start Date:	26th January 2026
Trustees:	Leadway Trustees Limited
Custodian:	Rand Merchant Bank Nigeria Limited
Benchmark:	A composite consisting of 70% average Nigerian 3-Year Sovereign Eurobond returns and 30% U.S. 1-Year Treasury Bill returns.
Valuation Methodology:	Fair Value (mark-to-market daily)
Investment Horizon:	Medium to long-term
NAV/Unit:	\$9.9525 per unit

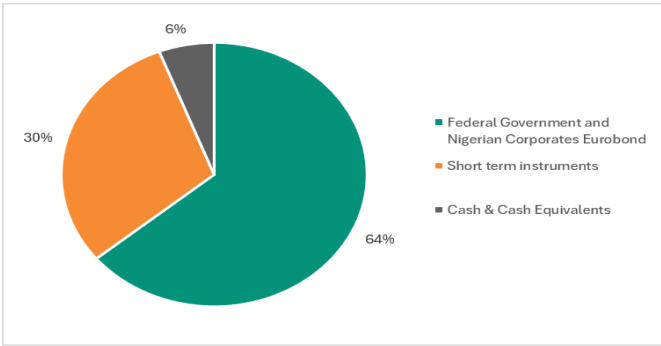
Key Statistics as at 30.09.2026

Calendar YTD	Price Return	Income Return	Expense Ratio
-0.48%	-2.20%	2.86%	1.14%

Fund Characteristics as at 30.09.2026

Yield to Maturity	Time to Maturity	Duration
5.81%	1.50 years	1.50

Asset Allocation as at 30th September 2026



Asset Class	Permissible Range
Eurobond and foreign denominated fixed income instruments of the Federal Government and Nigerian Corporates	20% - 80%
Short term instruments with tenor of 365 days or less	0% - 40%
Eurobond securities of non-Nigerian institutions and variable investment securities	0% - 20%
Cash & Cash Equivalents	0% - 5%

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