IJG Namibia Quarterly

"Economic Outlook 2014"

1Q14

21January 2014

Country	Namibia
NSX Local Index	996.73
NSX Overall Index	331.72

% Change over Quarter	
NSX Local Index	5.80
NSX Overall Index	1.78
IJG ALBI	1.16
IJG Money Mkt Index	1.34

End-of-Quarter Rates	
N$/US$	10.49
Prime Lending Rate (%)	9.25

1Q13Overall Index Trading Stats	
Volume (m)	27.1
Value (N$m)	1,093.9

Year-to-Date % Changes (quarter-end)	
NSX Local Index	13.35
NSX Overall Index	27.44
IJG ALBI	4.32
IJG Money Mkt Index	5.43

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Quarterly Economic Review: Economic Outlook 2014

Source: Google Images

Executive Summary

Following a below trend growth year in 2013 on account of drought conditions across Namibia, 2014 looks set to perform relatively well from a macroeconomic point of view. An improving global outlook, as growth in advanced economies starts to pick up and emerging market economies rebound, will help to bolster demand for Namibian exports, and result in stabilising international commodity prices for the most part. While the Rand and thus Namibia Dollar are expected to continue to depreciate against the US Dollar and other major currencies for the first quarter of 2014, following elections in South Africa, it is expected that fundamentals will cause the currency to strengthen again towards the close of the year, towards current levels.

Locally, growth is expected to be driven by strong output in the construction industry as a result of a number of sizable and on-going construction projects, most notably the Husab, Otjikoto and Tschudi Mines, as well as the Grove Mall, Freedom Plaza and a number of public works projects under the TIPEEG programme. Additionally, following contraction in 2013, the agriculture sector is expected to rebound strongly in 2014 provided reasonable rainfall is received across the country. Mining output for 2014 is expected to be fairly stagnant when compared to 2013, with a slight rebound in growth expected from “other mining” while diamond output is expected to remain unchanged. Another key sector for 2014 is that of wholesale and retail trade, which has been supported by income tax rate cuts in the 2013/14 financial year, as well as a number of years of expansive monetary policy allowing for access to “cheap credit” by Namibia’s banked population.

The aforementioned strong demand for consumer imports, when coupled with large scale construction and mining sector imports, will culminate to put substantial pressure on Namibia’s balance of payments, particularly on the side of the current account, which is expected to become progressively more negative through 2014 as imports for the Husab project, particularly, gather momentum.
Nevertheless, going forward, expansive monetary and fiscal policy are expected to remain in place for much of 2014 (monetary policy) and beyond (fiscal policy). However, increasing growth and inflationary

pressure on account of a depreciated currency and increasing global commodity (particularly food and fuel) prices may put pressure on interest rates towards the end of the year. Added to this, a weakening external position as a result of strong consumer demand for imports on account of the aforementioned expansive macroeconomic policies will put pressure on the Bank of Namibia to increase rates, and defend the currency peg with the South African Rand, increasing interest rate differential between Namibia and South Africa for the first time.

On-going fiscal expansion will continue to support the local economy through 2014, however the expected fiscal deficit in the 2014/15 budget will result in increased debt issuance in 2014 when compared to 2013. For the year as a whole, domestic debt issuance is expected in the region of N$4.5 billion, up from approximately N$1.6 billion through 2013.

Finally, inflation is expected to remain manageable both in Namibia and South Africa throughout the year, despite the possibility of lagged first and second round inflationary effects of exchange rate depreciation. For Namibia, inflation is expected to average 5.6 percent for the year, similar to the levels expected for South Africa.

In all, 2014 looks to be a positive year for Namibia from a growth perspective, while the country's external position will require monitoring going forward.

Investment themes from the 2014 outlook:

i. Construction Boom – LONG Namibian banks

The momentum witnessed in the construction sector over the past three year is set to continue in the foreseeable future with both the private and public sectors continuing to contribute to the pipeline of projects. The mining sector will also be a significant contributor in 2014, with the construction of the Husab Uranium Mine, the Tschudi Copper Mine and the Otjikoto Gold Mine in full swing.

On the back of the construction boom we expect to see continued strong growth in private sector credit extension, with debt funding playing a critical role in funding these projects. With FNB Namibia and Bank Windhoek setting the pace in the Namibian banking sector, sitting on attractive market shares, we believe they are perfectly position to leverage off the construction boom.

ii. On-going Expansionary Fiscal Policy – SHORT GC's spread

Since the 2011/12 fiscal year, the Government has been implementing an expansionary fiscal policy and we foresee this to continue in 2014/15 and 2015/16, however a notable consolidation is expected to be budgeted for in 2016/17.

Additionally, a number of new large projects, such as the Mass Housing Scheme will receive funds in the 2014/15 additional budget, while the likes of NamPort's expansion and the construction of the Kudu gas-to-power plant, can be expected to receive (partial) Government guarantees, increasing the contingent liabilities of the Government. As such, the budget for 2014/15 is expected to increase by 10 to 15 percent on the N$48.2 billion estimate in the 2013/14 MTEF.

From a debt point of view, lower than budgeted for debt issuance in 2013/14, coupled with tumbling cash balances and the expectation of a sizable additional budget, suggests that healthy debt issuances can be expected in 2014/15 and 2015/16.

As a result of expected significantincreases in debt issuance between 2013/14 and 2014/15, the spread on local debt, particularly, can be expected to widen.

iii. Exchange rates – SHORT fixed income, SHORT duration, LONG BIDVest

2013 marked a year of continuing Rand weakness with approximately 60 percent of the de-rating in the Rand attributed to the pricing of tapering talks by the FOMC. In May 2013 the Rand, and hence Namibia Dollar, weakened more than 13 percent (R1.18/USD) when FOMC minutes for the first time mentioned the possibility of reducing quantitative easing (QE). This also saw a broad based sell-off of emerging market assets.

Economist forecasts are suggesting a total unwinding of QE by 2014 year end, and as a result the bearish short term sentiment is likely to persist with a probability that the Rand will surpass the 2001 record levels within the 1st half of CY2014. Towards the end of the year we expect to see the Rand re-gaining some traction when valuation models and countries' differentials are stretched outside the standard deviation ranges.

We continue to recommend an underweight in bonds and income yielding instruments (with a limited growth profile). With the expected further steepening in the yield curve, we prefer shorter duration over longer duration.

BidVest Namibia is a strong Rand hedge, with its fishing division earning predominantly US dollars. We estimate that 70 percent of the movement in the currency flows through to the company's bottom line.

iv. Monetary Policy – LONG floating rate notes

As the primary mandate of the Bank of Namibia (BON) is to maintain the currency peg with the South African Rand, the primary indicator monitored and managed is the official international reserve position of the country, and with the decline in reserves that has been witnessed over recent months, it is very plausibly that a rate hike will be seen in Namibia in 2014. Similarly, a weak and weakening Rand may put pressure on the South African Reserve Bank (SARB) to increase rates, through expected (although not yet experienced) increased inflation. However, it is expected that the SARB will keep rates low for as long as possible due to currently manageable inflation (below the top end of the inflation targeting band), a negative output gap and pervasive unemployment.

In order to ensure that unsustainable outflows of capital are not experienced, Namibia may be required to hike interest rates before South Africa, in the light of expectations of continued fiscal expansion. Alternatively, the Ministry of Finance of Namibia will be required to issue substantive debt to not only fund expenditure in 2014, but also to prop up declining reserve levels.
On the back of our expectations for higher rates towards the end of the year, and possibly higher inflation as the Rand pass-through starts having an effect, we recommend increasing weights in floating rate notes and inflation linkers.

Outturn of 2013

Global

Through 2013, global growth remained fragile, however signs of improvement were seen, particularly in advanced economies. The US continued to post acceptable growth, while the Euro Area emerged from recession in the second quarter of 2013, after six consecutive quarters of contraction. On the other hand, however, a number of emerging market economies faltered somewhat as contagion from prolonged recession in Europe and lacklustre growth in the US started to bite.

On the back of weak demand for manufactured imports in advanced economies, the output of many emerging market economies, particularly those in Asia, slowed during the second half of 2013, which in turn dampened demand for commodity imports, resulting in commodity price declines, particularly for minerals. Nevertheless, despite slowing growth in emerging market economies, overall global growth remained underpinned by the expansion of emerging economies, most notably, China.

Despite the nascent growth recovery in Europe and the US, unemployment remained high throughout 2013. However, with improving trend towards the end of the year, hope for further improvement through 2014 remains. Nevertheless, central banks around the world maintained accommodative monetary policy stances so as to support growth and employment creation, in light of broadly acceptable inflation levels. Towards the end of 2013, the US Federal Reserve Bank announced the tapering of the Quantitative Easing bond-buying programme, highlighting an ever improving outlook for the US economy. As a result however, the significant capital inflows that had been seen in emerging economies as a result of the availability of cheap funds and low returns in the US market, started to reverse, resulting in the weakening of many emerging market currencies, none more so than the Rand.

Domestic

Trade

Despite a fragile global environment, Namibia was fairly shielded from economic headwinds through 2013. However, by the end of the year, declining commodity prices started to bite, reducing the earnings of mineral producers in the country, as well as the export earnings of the country. Nevertheless, mineral production volumes remained largely unchanged in 2013 when compared to the levels seen in 2012, partly due to fixed supply contracts and partly due to forward price hedging. Additionally, some export respite was seen as a result of Rand depreciation, which effectively increased the Rand value of hard currency denominated exports.

Growth

External headwinds notwithstanding, the performance of the Namibian economy in 2013 was mainly shaped by endogenous factors. Following abnormally low rainfall in the 2012/13 season, much of Namibia experienced drought in 2013, causing a number of detrimental social and economic implications to the country. On the economic side, the agriculture sector was most affected, as agronomic production declined, and insufficient grazing resulted in large sell-offs of livestock from commercial farms. This draw-down of inventories as a result of the selloffis expected to result in a sizable contraction in agricultural value added for the year. The agriculture sector, when coupled with the nondescript performance of the mineral and fishing sectors, is expected to result in a contraction in output from the primary sectors as a whole for 2013.

On the other hand, the construction sector saw extremely strong growth in 2013, on account of both public and private sector construction activities. On-going fiscal expansion, particularly the TIPEEG public-works programme, continued to bolster strong output in the construction sector; however, during the year under review it was private projects that drove construction growth primarily. While construction activities remained strong in the municipal residential sector, as illustrated by municipal building plans approved and completed, large construction projects in the private sector were the underlying drivers of the abnormally strong growth in the construction sector as a whole. The construction of the Husab, Otjikoto and Tschudi mines, coinciding with the construction of the Grove Mall, the Freedom Plaza and the aforementioned residential construction and public works programmes, have culminated to generate strong double-digit growth in the sector for the year.

In the tertiary industries, a highly mixed growth picture was seen, with positive growth being driven by the accommodative monetary and fiscal policy stances taken by the Bank of Namibia and Ministry of Finance. Cheap credit coupled with income tax rate cuts, resulted in strong growth in the wholesale and retail sectors of the economy. On the other hand, however, the pervasive fiscal challenges being faced by Euro Area resulted in a decline in demand for Namibia’s tourism industry, which is expected to see low growth in 2013, following contraction in 2012.

As a result of theaforementioned fragmented growth picture, the overall growth outturn for 2013 is expected to register at around 4.0 percent.

Inflation

On the inflation front, the inflation outturn for 2013 was lower than predicted in the 2013 IJG Outlook, partly on account of lower international prices for food and fuel, and partly on account of the rebasing of the Namibia Consumer Price Index in November of 2013. Over the year, the main drivers of inflation remained food and beverage prices, as well as housing, utilities and transport costs, however the inflationary trends in the aforementioned, with the exception of transport inflation, were downward throughout the year. In all, after the rebasing, average inflation for 2013 registered just 5.6 percent, compared to the projected level of 6.0 percent.

InterestRates

As expected, both the South African Reserve Bank (SARB), and the Bank of Namibia (BON) kept interest rates unchanged in 2013, citing a weak global environment, manageable inflation, high unemployment and relatively low growth. The inflation targetingSARB was able to keep rates low as inflation remained within the 3-6 percent target band for the most part of 2013, while BON, guarding a mandate of maintaining the currency peg to the Rand, was able to retain rates at their historically low levels, despite falling reserves.

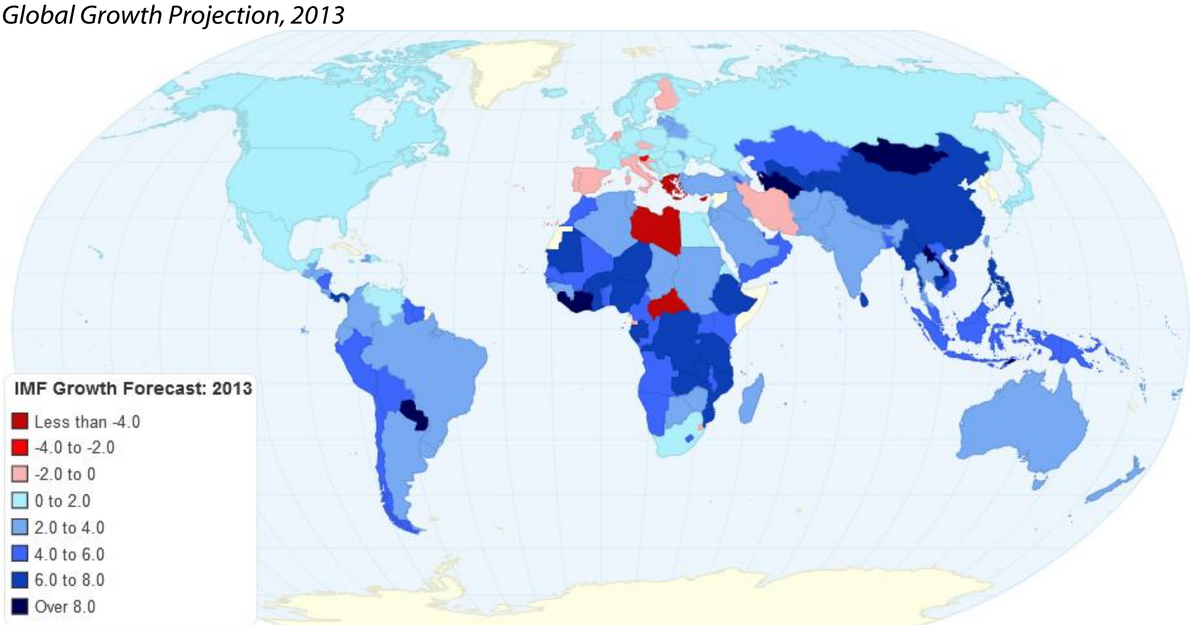
Exchange Rates

Through 2013, the Rand, and thus Namibia Dollar depreciated heavily against the globes major currencies. Against the US dollar, the currency weakened by some 23.8percent over the course of the year, initially due to social unrest in South Africa in early 2013, which caused large losses in production and sizable current account deficits, and subsequently as a result of theunwinding of quantitative easing in the US, and the withdrawal of funds from emerging market economies back to the US.

Globaleconomy

The global growth picture for 2014 generally sees improvement over 2013, with significant growth pickups in the advanced economies, with the vast majority of such positing positive growth for the first time in over a year.

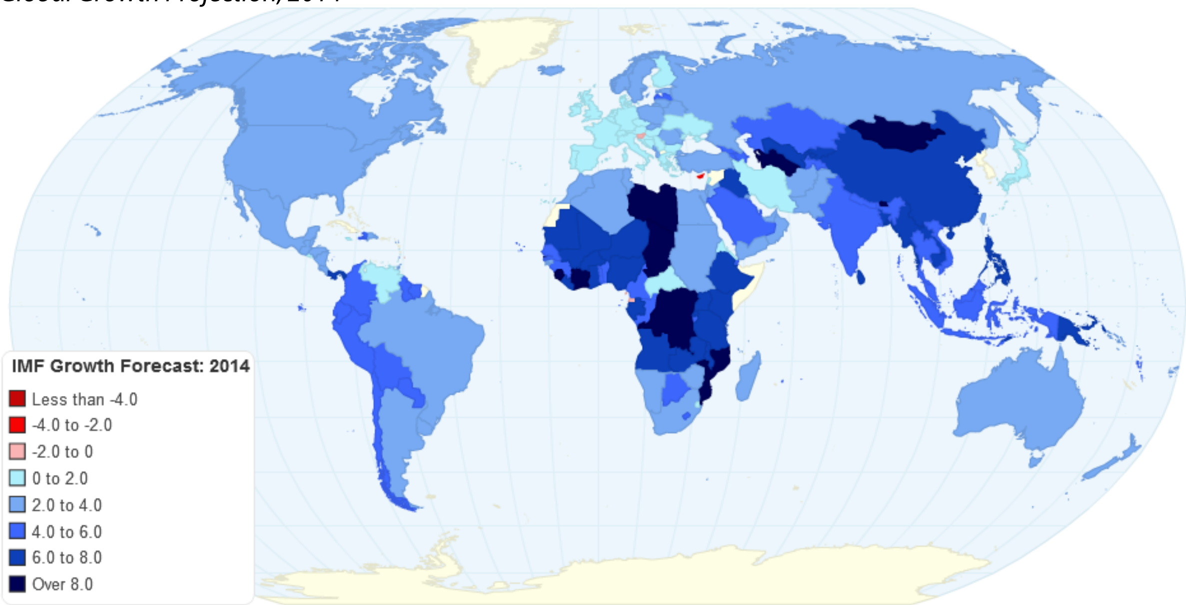
Global Growth Projection, 2013



Source: IMF WEO (October 2012)

For many emerging market economies the growth picture has also improved for 2014 when compared to 2013, as global drag effects, originating from lacklustre growth and/or recession in advanced economies has started to abate.

Global Growth Projection, 2014



Source: IMF WEO (October 2012)

Given the above, global growth is forecasted to accelerate to 3.7 percent in 2014 from 2.9 percent in 2013.

United States

It is forecasted that the US will have its strongest year of economic growth since the recessionthat ended in 2009. The US has endured a fiscal drag for the last three years and growth was also capped by 2013's tax increases.Over the next year, the fiscal drag is expected to lighten, helping to spark further growth in the economy. The Fed announced it would begin in January 2014 to reduce its monthly bond purchases from $85 billion to $75 billion, as there are signs of the economy improving. There are also recoveries being seen in housing, consumer spending and business investment. Finally, US growth should be supported by an improving labour market, with unemployment having come down from 7.8 percent in January to 6.7 percent in December, 2013. On account of these improvements,the U.S. economy is forecasted to grow 2.6 percent in 2014 after growing 1.6 percent in 2013.

Euro Zone

In 2013 the Euro Zone emerged from an 18 month recession, however growth for 2014, as was the case in 2013, will be slow. A number of financial, economic, and political challenges remain to the monetary block, and until resolved can be expected to continue to dampen growth prospects. Unemployment in the Euro Zone is expected to stay at 12.2 percent in 2014. The commission forecasts Euro Zone annual inflation to be 1.5 percent in 2014, slowing to 1.4 percent in 2015, adding to pressure on the European Central Bank to cut interest rates further from already record-low levels.

On a positive front, however, the ECB has stabilized sovereign debt markets and systemic risk is much reduced when compared to 24 months ago. Further, manufacturers are expected to make a greater contribution to growth, investment and job creation this year. With a recovery in both external and domestic demand, we expect an improvement in Euro Zone growth in 2014, with the monetary area expected to expand by 1.3 percent.

United Kingdom

In the UK, the growth prospects are looking promising for 2014. Increasing business confidence is expected to spur growth in various sectors, including increase corporate spending. The Monetary Policy Committee of the Bank of England pledged to keep interest rate at current historic low levels of 0.5 percent until unemployment in the U.K. falls to at least 7 percent encouraging households and corporates to borrow, spend and invest to boost economic growth. The national deficit is also forecast to fall below £100bn in 2014/15, for the first time since the recession. As such, it is forecasted that the economy will grow by a solid 2.8 percent in 2014.

Japan

In 2013, Japan increased consumption tax from 5 percent to 8 percent in an effort to curb vast debt in the country. However, this move is expected to curb growth, as it reduces consumer spendingwhich accounts for more than 50 percent of GDP.
Nevertheless, Japan is likely to continue to grow in 2014 with assistance from expansive policies such as the ¥18.6 trillion stimulus package passed in December 2013. The package includes steps to promote reconstruction in areas damaged by the Great East Japan Earthquake and tsunami, and infrastructure investments for the 2020 Tokyo Olympics and local spending on public works. Exports and capital expenditures are also expected to grow in 2014, and thus it is forecasted that Japan's economy will grow between 1 percent and 1.5 percent for the year.

China

China's growth slowed marginally in 2013 on account of global headwinds and reduced demand for her manufactured exports, however new policies focusing on domestic growth gained traction and transactions and construction picked up significantly as the year progressed. Going forward, as global growth gains steam once again, external demand will likely improve through 2014 and as the U.S. and Euro Zone economies grow, demand for China's exports will show positive growth again. Thus, a steady growth of 7.5 percent is forecasted for the year.

South Africa

The outlook for South Africa is somewhat overshadowed by political and social issues on account of 2014 being an election year. However while economic disruptions can be expected as a result of such, we believe that these will be relatively minor. Unemployment is expected to remain elevated, while inflation is expected to pick up slightly on account of lagged first and second round effects of exchange rate depreciation in 2013 and early 2014. The fiscal position is expected to worsen, with the country's debtexpected to increase to 47 percent of GDP in 2014, due to on-going expansionary fiscal policy.

On the bright side South Africa's economy remains resilient in the long term, as strong and established economic infrastructure and sophisticated capital markets remain intact. Economic growth is likely to remain sluggish in the short term but the long term outlook should be more positive provided that South Africa can attract greater levels of Foreign Direct Investment, increase productivity, ease labour tensions and stabilize its fiscal policy. It is forecasted that the economy will grow 2.8 percent in 2014.

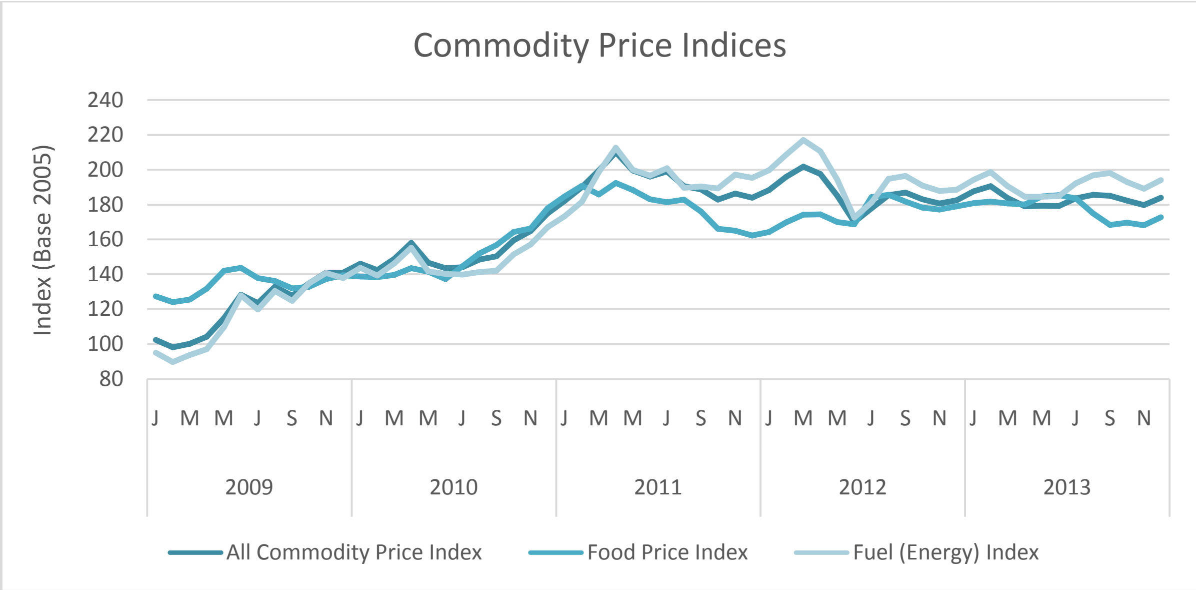
Commodities

Through 2013, commodity prices softened, largely on account of slowing growth in China and South Asia, jitters surrounding Fed tapering and rising supply expectations. Going into 2014, this trend is expected to continue for the most part, however as import demand picks up in advanced economies, it is expected to start to reverse. The currently unwinding gold price is expected to continue to fall as the global economy inches towards recovery, while the price of crude oil is forecasted to uptrend as the year progressed due to increased demand from the US where consumption has rebounded to its strongest level in five years.

Domestic Economy

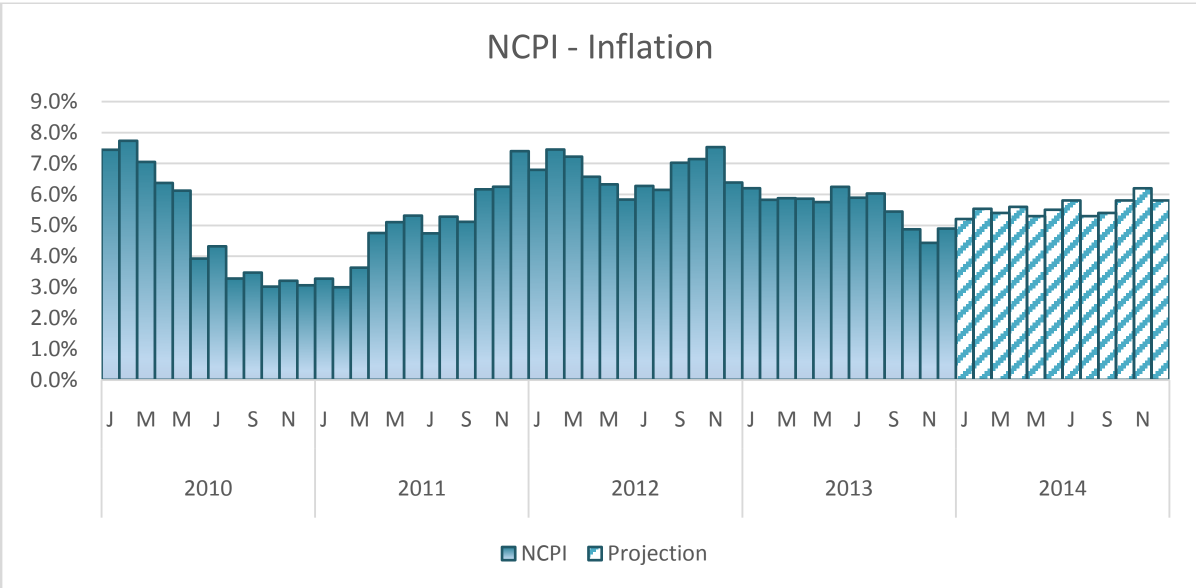
Inflation

Namibian inflation moderated through 2013, going from 6.2 percent in January, to 4.9 percent in December, and finishing the year with an average annual inflation of 5.6 percent, down from the 6.7 percent average of 2012.
This decline in inflation occurred despite a weakening Rand, and was largely on account of falling commodity prices, most notably global food and fuel prices, through the year. The pass-through of Rand weakness has not yet been witnessed in its entirety, and although an inflationary impact can be expected up to a year after currency movements, to date a strong relationship between changes in currency, and changes in local prices, has not been witnessed.



Source: IMF

Thus, going forward inflation is projected to remain moderate through 2014, averaging 5.6 percent for the year, as was the case in 2013. Slight volatility is expected as a result of base effects, particularly in June August and November, however the rebased NCPI basket is expected to reduce volatility in the long run, due to a lower weighting for the volatile category of food and beverages.

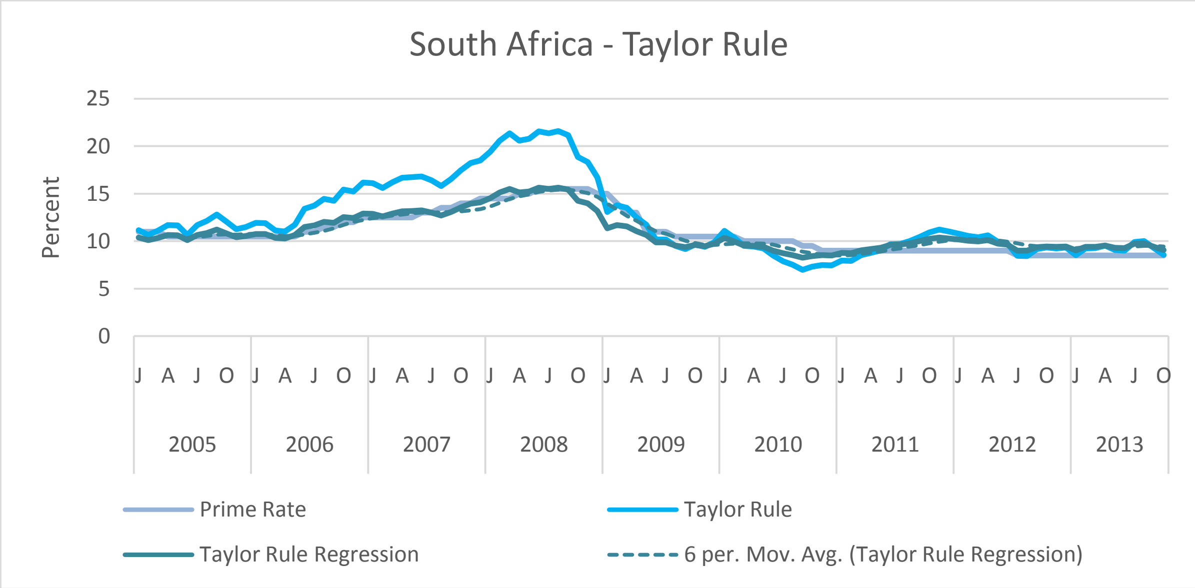


Source: Namibia Statistics Agency, IJG Research

MonetaryPolicy

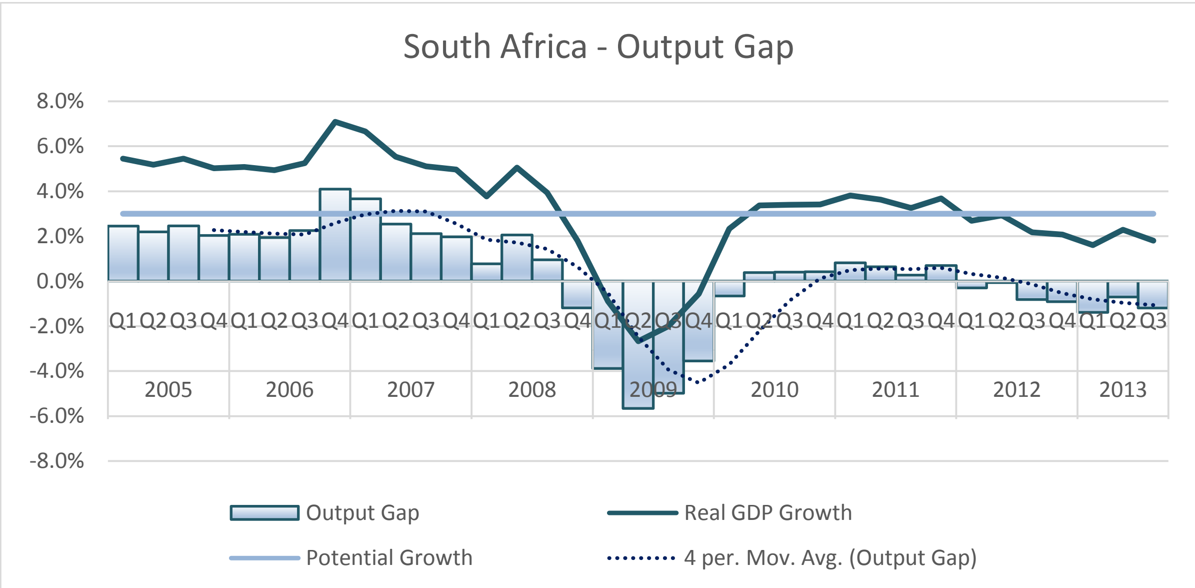
In 2013, the SARB and BON both kept their repo rates unchanged, at 5.00 and 5.50 percent, respectively. However, towards the end of the year the prolonged expansionary policies pursued by BON and Ministry of Finance started to put pressure on the Namibian Bank's International Reserve position, an early warning as to a threat to the ability of the country to defend the currency peg with the South African Rand.

South African Reserve Bank



Source: South African Reserve Bank, IJG Research

A simple Taylor Rule and adjusted Taylor Rule assessment of the South African monetary policy position suggests that towards the end of 2013 a marginal rate hike could have been justified based on inflation and the output gap. Going forward, as growth picks up and should a depreciated Rand see a pass through to inflation as theory would suggest, fundamentals will suggest that a rate hike will be required. However, it is expected that the SARB will keep rates low for as long as possible due to currently manageable inflation (below the top end of the inflation targeting band), a negative output gap and pervasive unemployment. As such, should a hiking cycle start in 2014, it will be towards the end of the year, and in the year as a whole we are unlikely to see an increase greater than a 50 basis points.



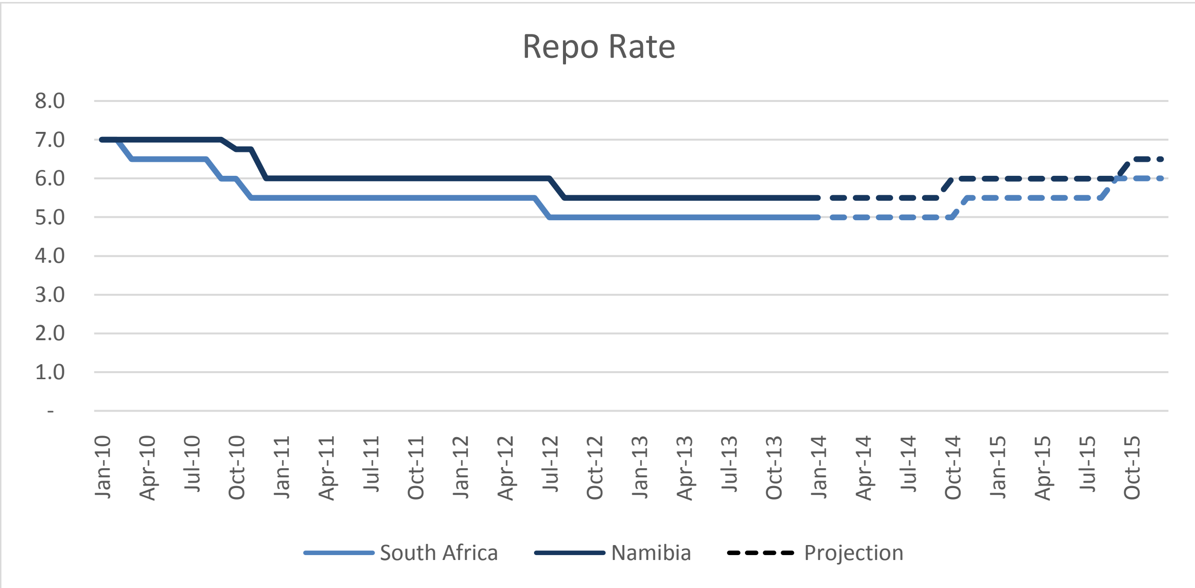
Source: South African Reserve Bank, IJG Research

Bank of Namibia

As the primary mandate of the Bank of Namibia is to maintain the currency peg with the South African Rand, the primary indicator monitored and managed is the official international reserve position of the country, and with the decline in reserves that has been witnessed over recent months, it is very plausibly that a rate hike will be seen in Namibia in 2014. The reason for this is that over the past three years, the Ministry of Finance has been implementing an expansionary fiscal policy in an attempt to increase growth and employment in Namibia, and has been injecting significant funds into the local economy for public works programmes. Additionally, in 2013 the Minister of Finance announced income tax cuts, effectively increasing the disposable incomes of income tax paying individuals in the country. At the same time, BON has kept interest rates at historically low levels for a number of years, allowing access to cheap credit. All of the above have resulted in increased merchandise imports, particularly construction materials, consumer vehicles and electronics, all of which have negatively affected the merchandise trade balance and by extension the overall balance of payments and national reserves.

Thus, while broadly speaking, the interest rate of Namibia tends to follow the movements of that of South Africa, based on similar economic conditions, 2014 may be a year in which deviation from this trend is witnessed. In order to ensure that unsustainable outflows of capital are not experienced, Namibia may be required to address macroeconomic imbalances leading to reserve losses. Two broad options exist, firstly, rates will have to be increased, or alternatively, the Ministry of Finance of Namibia will be required to issue substantive debt to not only fund expenditure in 2014, but also to prop up declining reserve levels.

In light of expectations of a weakening external position for Namibia, we believe that 2014 may see BON taking the lead by making an interest rate move before South Africa. While this would be a first for the Bank, given our growth and inflation projections, as well as expectations of strong expansion in private sector credit extension, a weak balance of payments, plummeting reserves and high household indebtedness, we believe that economic conditions in Namibia are likely to be substantially different from those in South Africa, and that should a hike appear imminent in South Africa, that BON may act first by tightening rates in the third quarter.



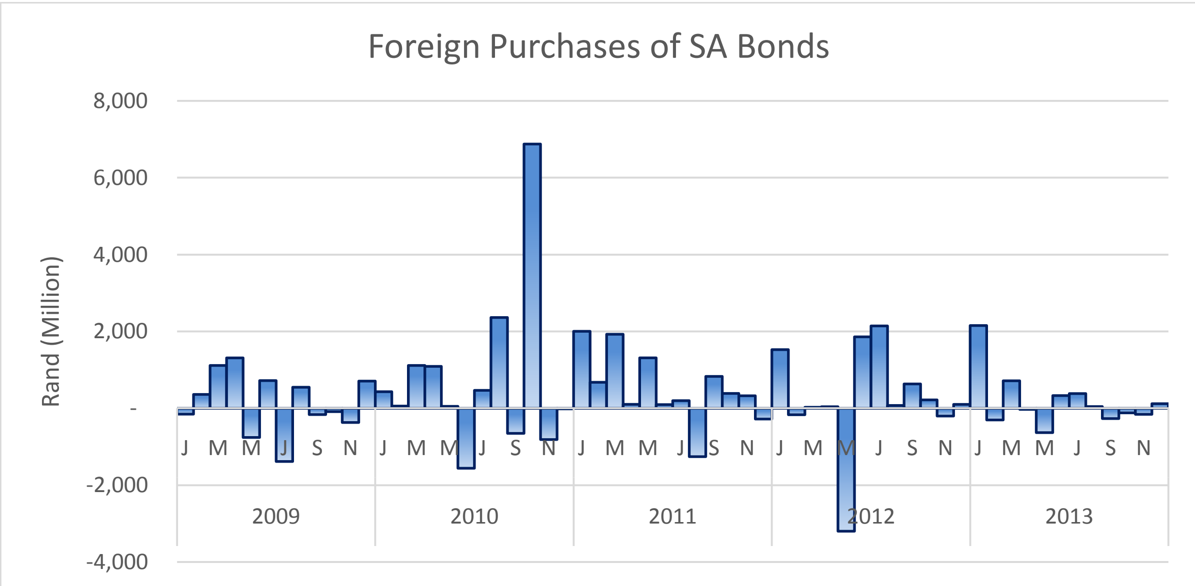
Source: Bank of Namibia, South African Reserve Bank, IJG Research

Exchange Rate

2013 marked a year of continuing Rand weakness with the exchange rate weakening by R2.02 to the US dollar or 23.8 percent, from R8.47 to R10.49, with approximately 60 percent of the de-rating in the Rand attributed to the pricing of tapering talks by the Fed. In May 2013 the Rand weakened more than 13 percent (R1.18/USD) when FOMC minutes for the first time mentioned the possibility of reducing quantitative easing. This also saw a broad based sell-off of emerging market assets.

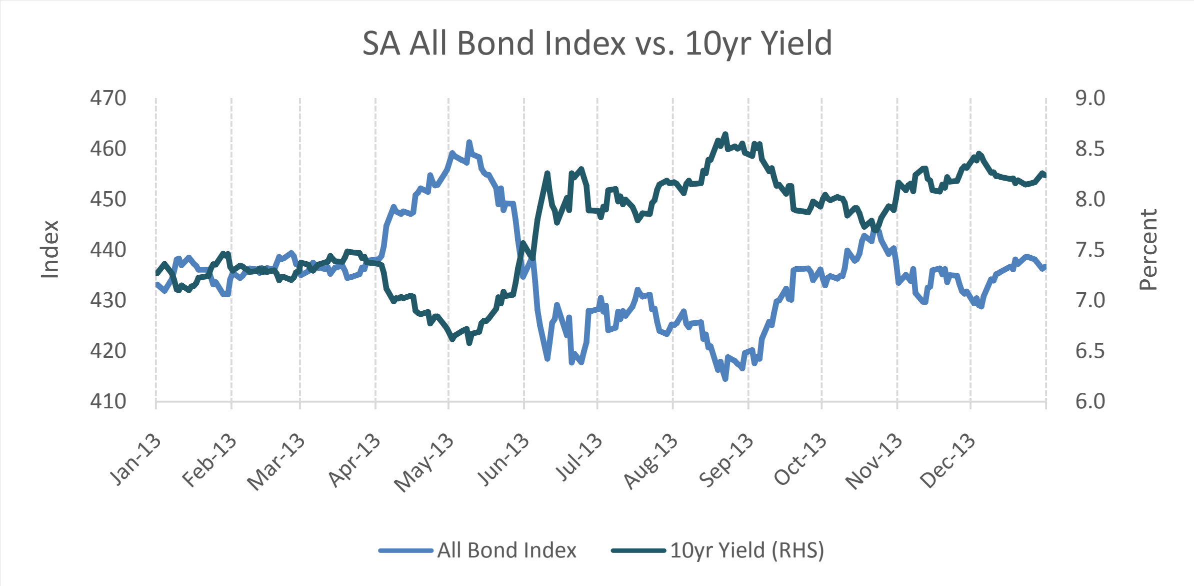
Source: Bloomberg, IJG Research

The May 2013 sell-off of South African bonds by foreigners was the 4th biggest monthly move seen since 2000. As a result bond yields spiked dramatically over the period, with the SA All Bond Index losing more than 9 percent from early May to early June.



Source: Bloomberg, IJG Research

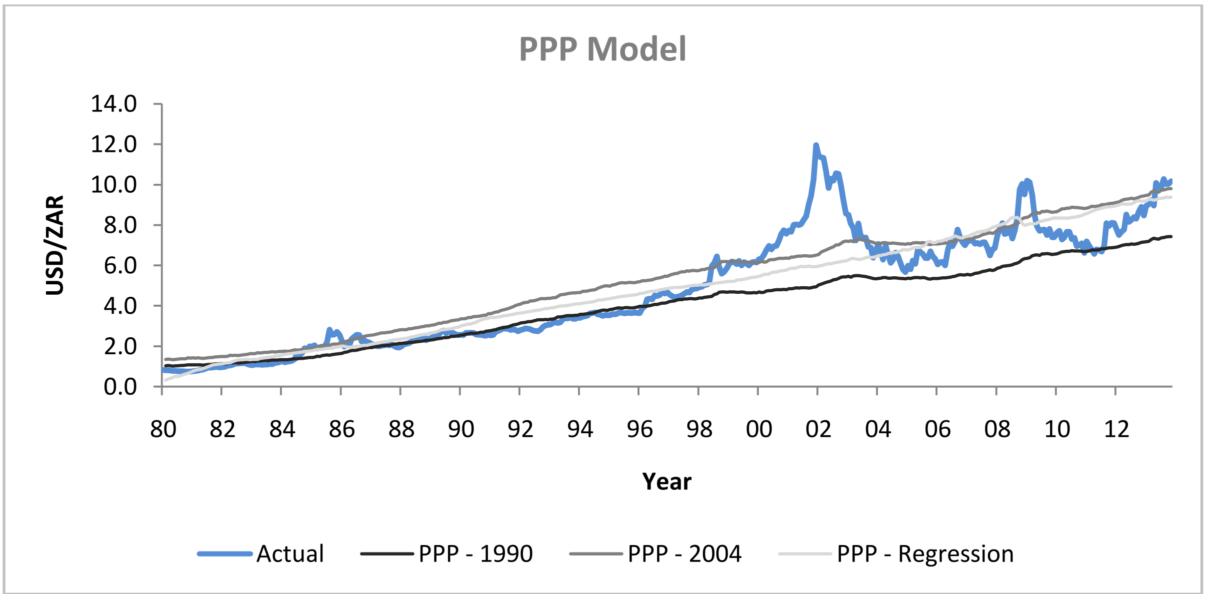
Since the big move in May, the Randhas been fairly range bound, trading between R9.60 and R10.40 to the dollar. Early January the Rand extended its losses to R10.80, trading at levels last seen in May 2009.



Source: Bloomberg, IJG Research

Looking forward, a purchasing power parity (PPP) model suggests the Rand is currently undervalued (1990 base) to slightly undervalued (2004 base and regression model). Incorporating consensus inflation forecasts the PPP model predictions are as follows:

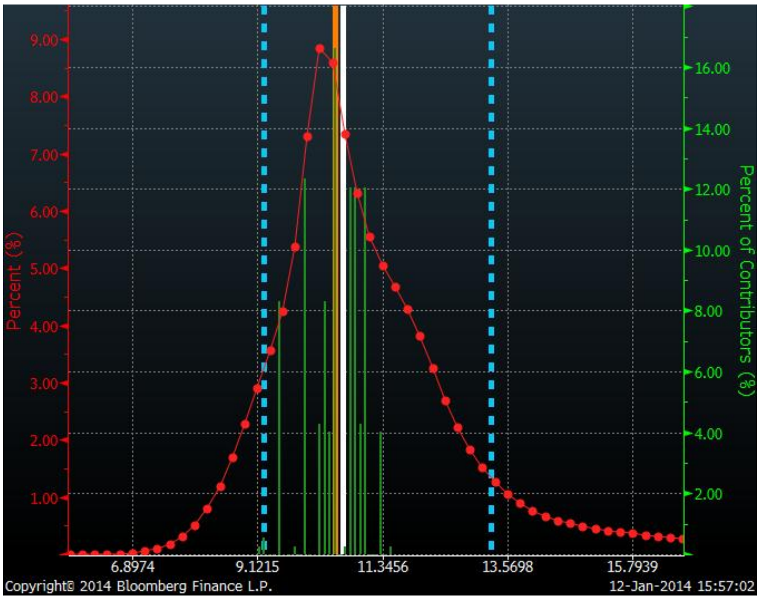
	1990	2004	Regression
2014 year end	7.72	10.2	9.64
2015 year end	7.98	10.5	9.95



Source: Bloomberg, IJG Research

Bloomberg consensus forecast predicts the USDZAR at 10.45 in 12 month's time, generally stronger than the current level of 10.87. The 1 standard deviation levels suggest a trading range of 9.24 to 13.35.

The aforementioned notwithstanding, the house view is that the Rand will continue to weaken sideways for the first four months of 2014, as the market appears to remain incomplete and the depreciating trend remains strong. The current resistance level (11.00 to the US Dollar) is expected to be broken in the first quarter as the Rand moves towards 12.00 to the US Dollar as elections approach in South Africa, meeting resistance levels at 11.15 (weak) and 11.60 (strong). Following the elections, fundamentals are expected to drive appreciation as carry traders take advantage of overselling, and positive sentiment returns. As such, by the end of the year the currency is expected to have strengthened to levels similar to those seen at the end of 2013.*Bloomberg Forecast Model Distribution with Analyst Estimates*



Source: Bloomberg

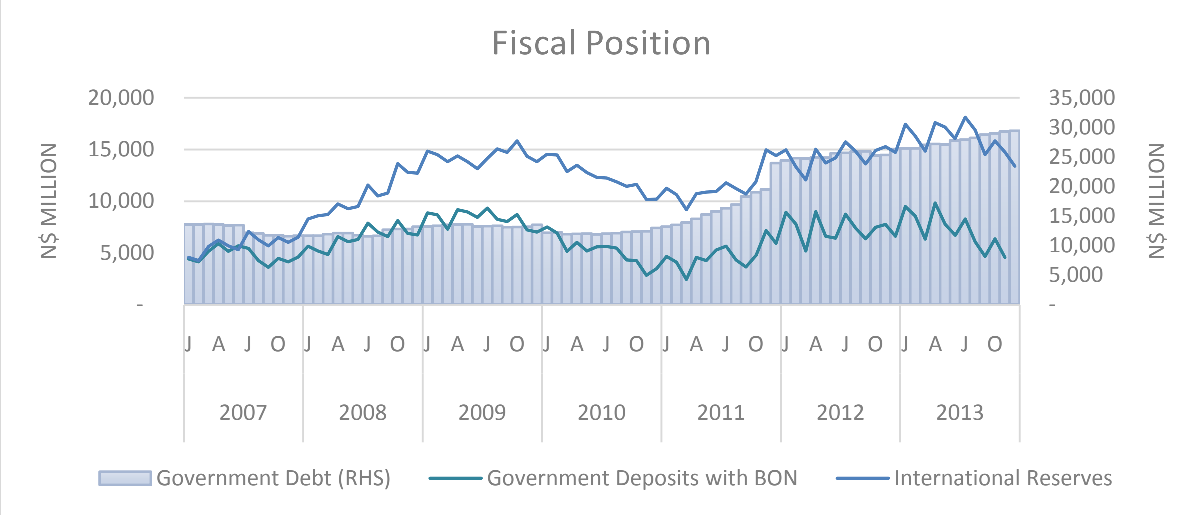
Fiscal Policy

Since the 2011/12 fiscal year, the Government has been implementing an expansionary fiscal policy with a planned duration of three years. Subsequently, however, while there has been talk of consolidation in both the 2012/13 and 2013/14 budget statements, this consolidation has not been visible in the numbers to date, with average growth in expenditure of 8 percent across the current MTEF period. That said, the somewhat erratic breakdown of expenditure has meant that the budget allowed for a 1.3 percent increase in expenditure between 2013/14 and 2014/15, while a 4.7 percent growth in expenditure was forecast for the year 2015/16.

The outturn for the 2013/14 fiscal year is expected to be better than projected in the budget, as a result of a number of factors. Firstly, revenues are expected to be above those projected in February 2013, due to higher income tax receipts, particularly from individuals, than those forecast. Additionally, under expenditure, particularly on capital projects, is likely to be experienced once again, and as such it is unlikely that the deficit will be as dramatic as previously thought, and well below the -6.4 percent projected in the MTEF for 2013/14. Additionally, the projected growth in debt is expected to be below the level of nominal GDP growth, thereby reducing the debt to GDP ratio of the country.

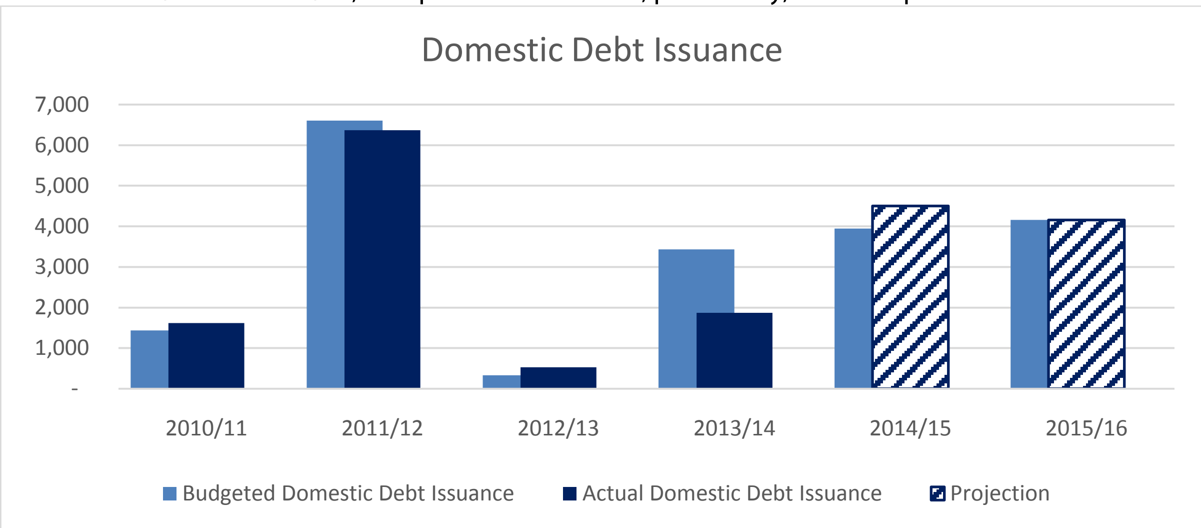
Through 2013/14, the Government has drawn down on approximately N$4 billion worth of cash balances with the Central Bank, and issued just over N$1.5 billion worth of debt, or about 4.4 percent of GDP. This figure reflects the approximate level of deficit that is expected overall in 2013/14.

Going forward, in 2014/15 and 2015/16 the expansionary fiscal policy is expected to continue, however notable consolidation is expected to be budgeted for in 2016/17. Additionally, a number of new large projects, such as the *Mass Housing Scheme* will receive funds in the 2014/15 additional budget, while the likes of NamPort's expansion and the construction of the Kudu gas-to-power plant can be expected to receive (partial) Government guarantees, increasing the contingent liabilities of the Government. As such, the budget for 2014/15 is expected to increase by 10 to 15 percent on the N$48.2 billion estimate in the 2013/14 MTEF.



Source: Bank of Namibia

From a debt point of view, lower than budgeted for debt issuance in 2013/14, coupled with tumbling cash balances and the expectation of a sizable additional budget, suggests that healthy debt issuance can be expected in 2014/15 and 2015/16. In all likelihood, the budgeted issuances of N$3.9 billion of domestic debt and N$616 million of foreign debt issuance in 2014/15 will be increased, with expectations of issuance of at least N$4.5 billion of domestic debt issuance and N$800 million of foreign issuance looking more realistic at this point in time. As a result of dramatic increases in debt issuance between 2013/14 and 2014/15, the spread on local debt, particularly, can be expected to widen.



Source: Bank of Namibia, Ministry of Finance, IJGResearch

Overall growth projections

Overall, the growth out turn for 2013 is expected to be below trend levels,ultimately registering approximately 4.0 percent. This growth was driven by construction and wholesale and retail trade, while primary sector activities, particularly agriculture, performed poorly.

Real Growth (%)				Preliminary	Estimate	Projection
Industry	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Agriculture and forestry	0.6	-3.1	15.5	11.8	-10.9	13.5
Livestock farming	4.4	-7.0	26.1	21.2	-12.1	22.9
Crop farming and forestry	-1.7	-0.5	9.1	5.1	-10.0	6.0
Fishing and fish processing on board	4.4	2.1	8.4	16.9	4.0	4.0
Mining and quarrying	-42.2	32.7	-7.9	12.0	1.3	1.1
Diamond mining	-50.8	36.6	-2.5	9.0	3.3	0.0
Other mining and quarrying	-0.6	23.2	-22.1	22.0	-4.5	4.5
Primary industries	**-24.5**	**14.2**	**1.9**	**12.8**	**-2.4**	**5.5**
Manufacturing	5.9	7.3	1.2	1.2	1.1	3.9
Meat processing	5.2	4.9	-6.4	3.1	5.3	-3.9
Fish processing on shore	33.1	0.6	16.5	-27.1	-5.0	-3.2
Other food products and beverages	8.4	-2.4	-5.4	6.5	2.3	5.6
Other manufacturing	-1.7	18.4	3.3	4.7	1.2	4.2
Electricity and water	0.6	2.5	4.8	5.8	3.3	8.2
Construction	-18.4	5.7	19.3	12.5	17.6	23.2
Secondary industries	**0.2**	**6.4**	**4.7**	**3.9**	**4.8**	**8.9**
Wholesale and retail trade, repairs	3.1	7.9	3.3	12.1	7.0	6.4
Hotels and restaurants	-2.1	0.6	2.9	-1.2	0.5	3.0
Transport, and communication	5.3	2.5	4.9	4.2	3.8	3.4
Transport and storage	7.7	4.3	6.5	3.5	3.0	5.0
Post and telecommunications	3.2	1.0	3.5	4.8	4.5	2.0
Financial intermediation	12.3	5.4	4.2	6.6	5.4	5.0
Real estate and business services	6.0	1.7	4.3	6.4	4.2	5.0
Real estate activities	4.6	3.4	2.0	6.8	4.0	4.3
Other business services	10.1	-2.9	11.1	5.5	4.6	7.1
Community, social and personal service activities	2.5	-3.2	1.3	-2.9	2.0	1.7
Public administration and defence	5.0	8.8	3.4	6.2	6.1	1.9
Education	4.1	5.5	14.0	2.4	4.0	4.0
Health	2.9	2.4	3.7	11.8	3.0	1.0
Private household with employed persons	4.4	2.2	2.7	3.3	2.7	2.5
Tertiary industries	**4.8**	**4.7**	**4.9**	**6.4**	**4.9**	**4.1**
Less: FISIM	-0.6	8.7	5.8	10.3	10.3	10.3
All industries at basic prices	**-0.9**	**6.2**	**4.4**	**6.6**	**3.7**	**5.2**
Taxes less subsidies on products	-2.7	7.2	18.5	-9.7	7.0	5.0
GDP at market prices	**-1.1**	**6.3**	**5.7**	**5.0**	**4.0**	**5.2**

Source: Namibia Statistics Agency, IJG Research

For 2014, the growth outlook is much more positive, with a rebound expected in agriculture, reasonable growth in “other mining” and continued strong growth in construction. As such, a conservative projection for overall growth in 2014 is 5.2 percent, a significant increase from the 4.0 percent estimate for 2013.

Growth breakdown

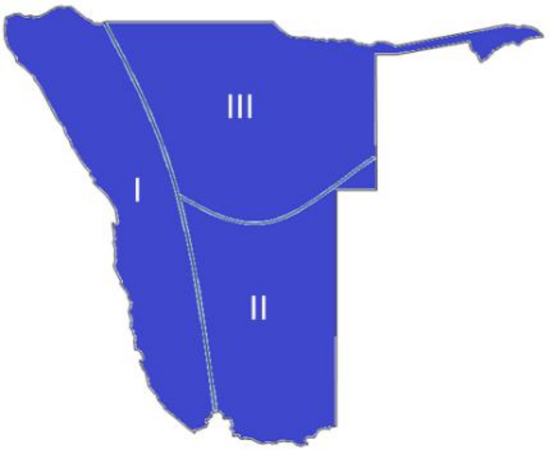
Agriculture and Forestry

Namibia experienced one of the worst droughts seen over the past 3 decades during the 2012/13 rainfall season. Most parts of the country received below average rainfall during the season, which had a major impact on the GDP growth of the agriculture sector as rain is a determining factor to the output of such, both crop harvests and livestock farming. According to the National Accounts, the agriculture sector grew 15.5 percent in 2011 and 11.8 percent in 2012 contributing N$5.1bn to the overall GDP, this growth is closely correlated to the good rainfall seasons. During 2013 however, we estimate that the agriculture sector contracted by 10 percent as a result of the drought.

Namibia experienced a predominantly drier than normal November everywhere in the country, while December 2013 was an exceptionally wet month in most parts of the country except in the southern and coastal parts. With the exception of Ondangwa that received near-normal rainfall, the remainder of the country received above-normal rainfall. Looking forward the outlook for rain remains favourable over most parts of the country for December, January and February (DJF).

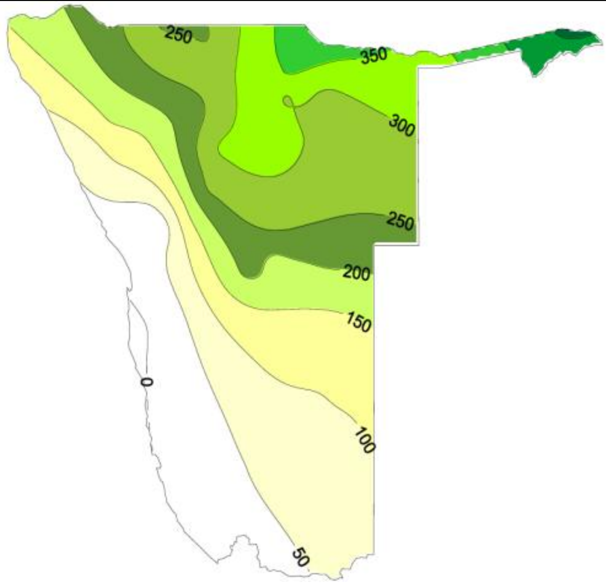
DECEMBER-JANUARY-FEBRUARY (DJF)

OUTLOOK



Probability of Rainfall			
Zone	Above Average	Average	Below Average
I	40%	35%	25%
II	40%	35%	25%
III	40%	35%	25%

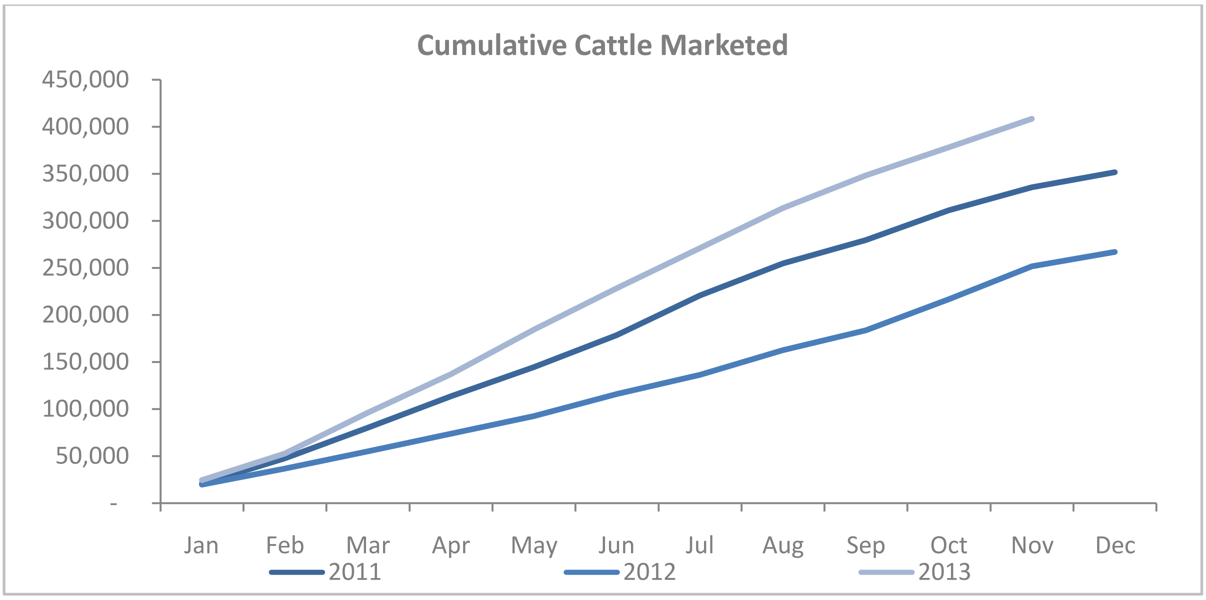
Normal



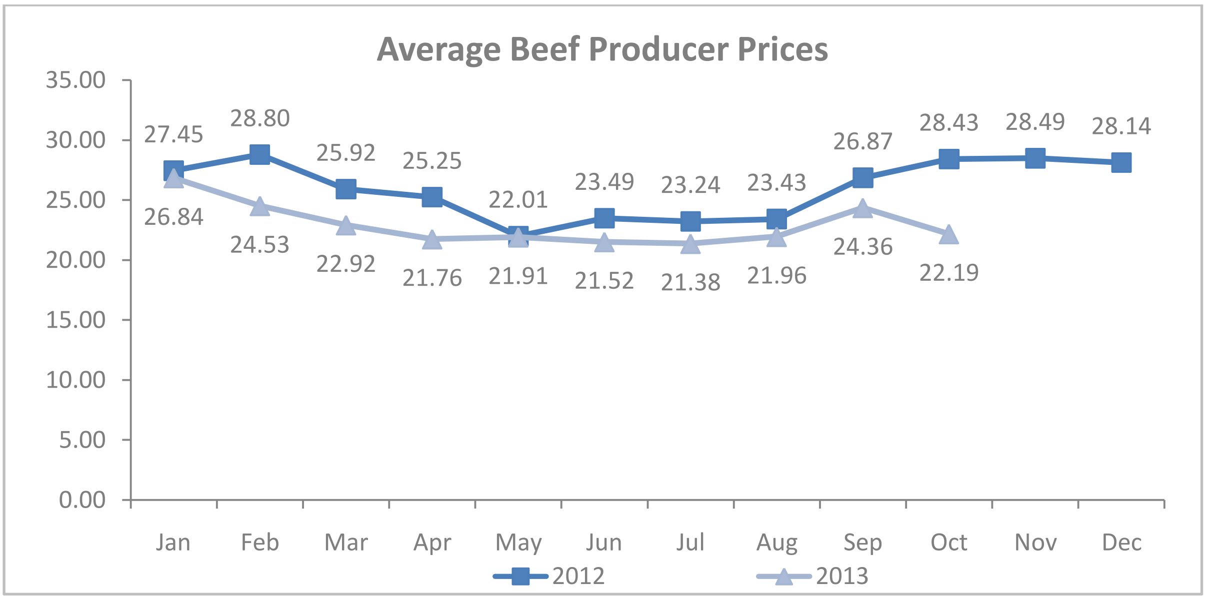
Source: Ministry of Works and Transport

Livestock

The poor veld conditions and high feeding costs as a result of the drought, resulted in farmers being forced to reduce livestock numbers through 2013, leading to live auction and producer prices falling.



Source: Meat Board of Namibia

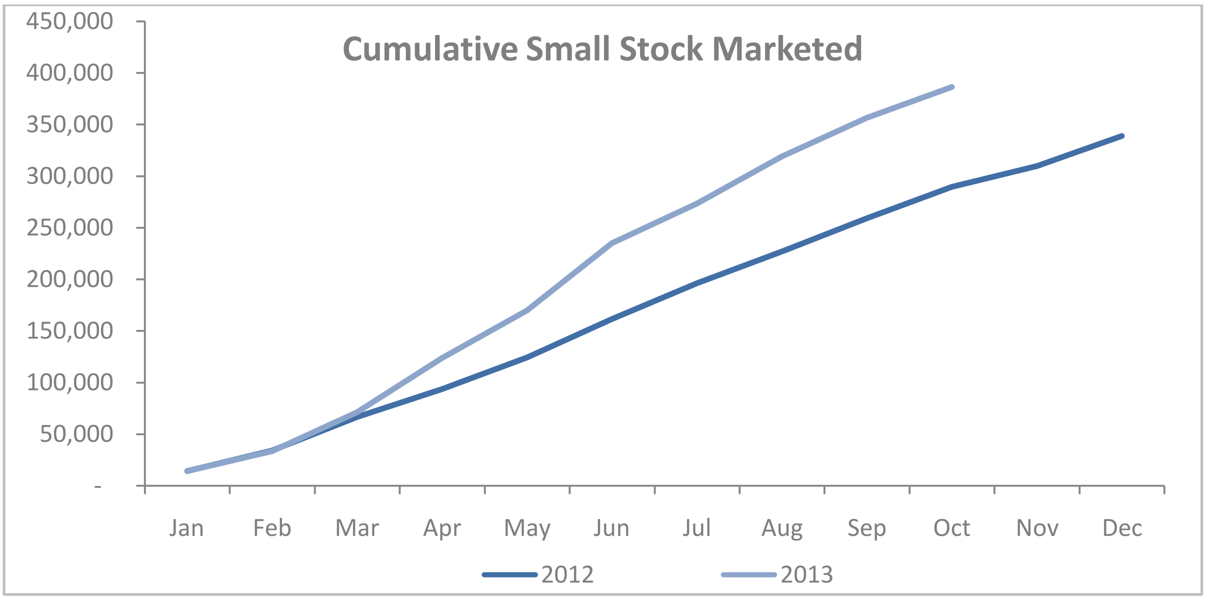


Source: Meat Board of Namibia

Almost 410,000 cattle were marketed from January to November 2013, this is 62.0 percent more than in same period for 2012. Live cattle exports increased more 100 percent from January to November, at which point, 259,943 cattle were exported to South Africa and Angola on the hoof. Additionally, Meatco slaughtered more than a 100,000 cattle during this period, while other local abattoirs and butcheries slaughtered 39,718 animals. This shows that 60 percent of all cattle marketed during 2013 were exported live, as opposed to processed domestically.

The consequences of the number of cattle that were exported will affect the entire industry for at least the next three years as it will take time for the national cattle herd to recover. Stores which would have been slaughter ready in 2014 were exported during 2013 to such an extent that there will be limited supply of animals for slaughter in 2014. Additionally,weaners exported last year would have been the stores for 2014, which would have been the slaughter oxen for 2015. This means that low numbers of slaughter stock will continue through 2015. The following year, 2016, will also be a challenge for the industry as a large number of cows that should have calved this year, have left the country on the hoof. This means that fewer calves will be born locally this year, causing a chain reaction on the supply of stock through to 2016.

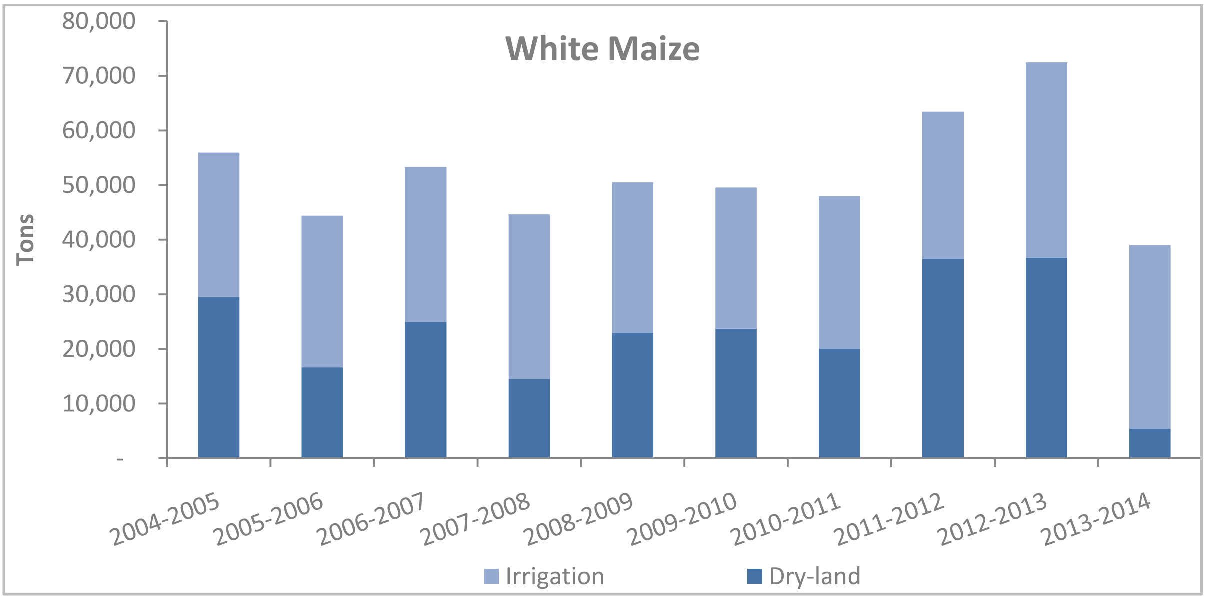
The number of goats and sheep exported live to South Africa and Angola also increased significantly through 2013. Export numbers rose 33.5 percent to 386,574 animals from January to October.



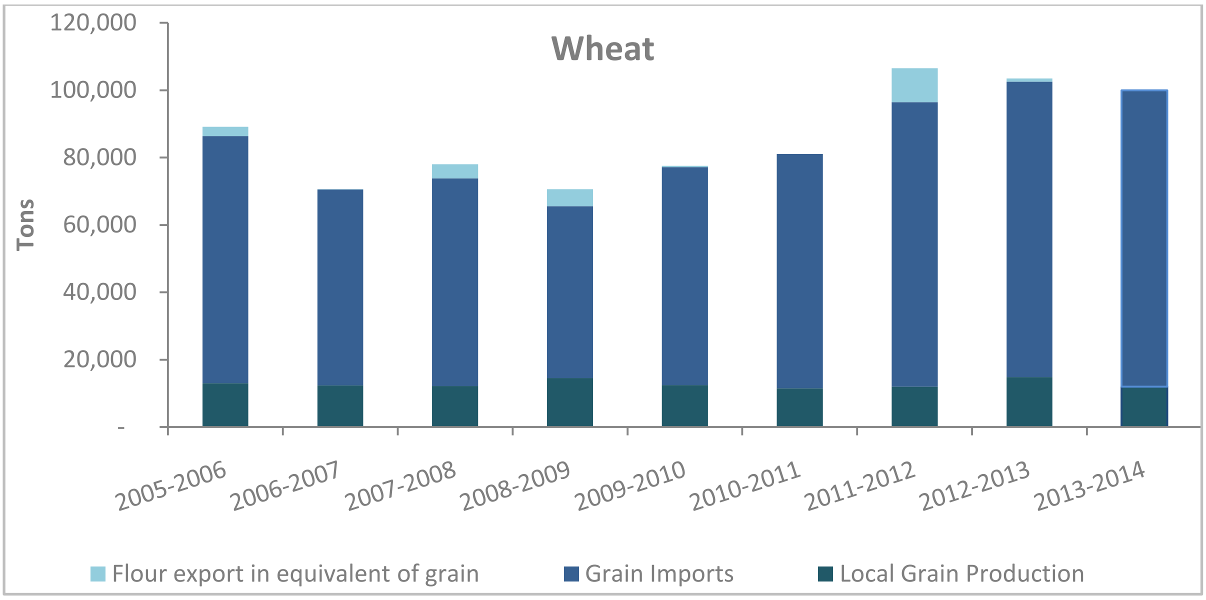
Source: Meat Board of Namibia

Crops & Forestry

According to the Agronomic Board, the reporting period witnessed one of the driest seasons due to below average rainfall experienced country-wide. These conditions led to extreme heat-waves which resulted in reduced local production of agronomic and horticultural produce.



Source: Agronomic Board of Namibia



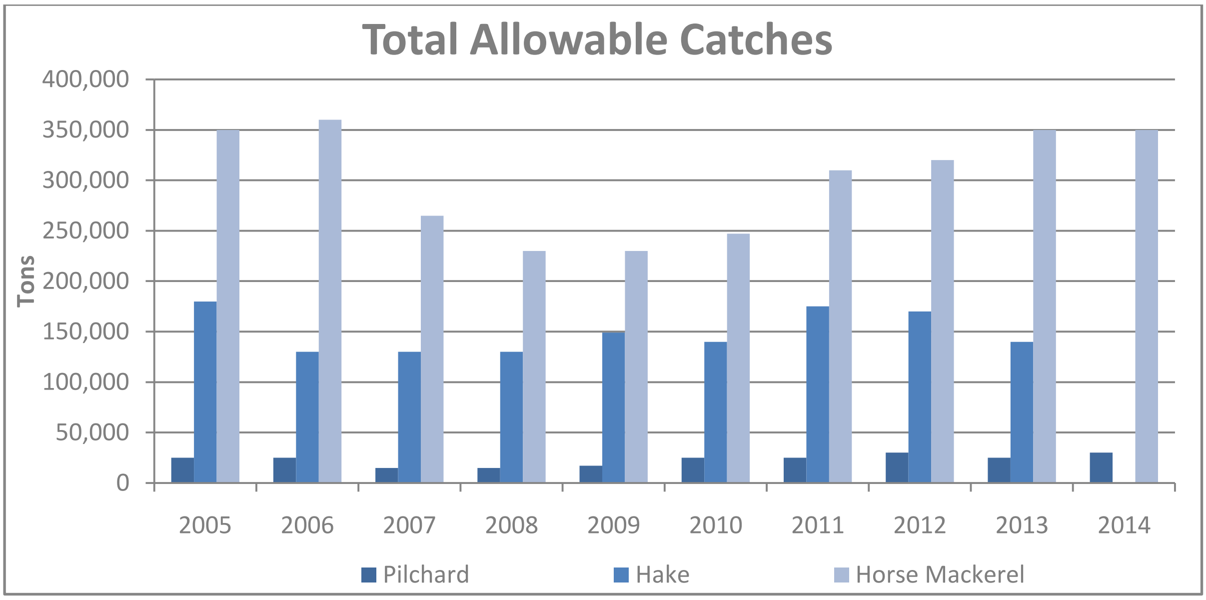
Source: Agronomic Board of Namibia

White maize is a staple grain in Namibia and is grown exclusively for human consumption. On average, dry-land harvests almost equal that grown under irrigation, and could exceed it during good rainfall seasons, as was the case in 2011 and 2012. However, due to the 2013 drought, almost 20,000 tons less wheat was harvested from dry-land than the average harvest of 25,000 tons over the previous nine years. On the other hand, the harvest of maize grown under irrigation was relatively in line with previous years. Wheat is only grown under irrigation during the winter months as Namibia is a summer rainfall country. Therefore, the harvest was not affected by the drought to the same extent as maize and mahangu. The locally produced wheat during 2013 is estimated to have declined marginally. Mahangu is also a staple food source in Namibia and according to the Agronomic board of Namibia, it is estimated that 50percent less Mahangu was harvested in 2013 than a normal year, on account of the drought. Horticulture experienced reduced local production as a result of the heat, especially potato produce, which is estimated to have fallen 3 percent last year.

Looking forward, a good year for crops is expected should the rain be favourable. The Horticulture outlook is positive, while good wheat and maize harvests are also expected during 2014. Nevertheless, the maize industry is facing a number of obstacles as insurance companies are hesitantto insure crops in Namibia following large losses experienced due to last year's drought.

Fishing and Fish Processing on Board

The Namibian fishing industry recorded real growth of 16.9 percent in 2012, with growth prospects remaining strong for the industry driven by the expected increases in Total Allowable Catches (TAC) for the 2013/2014 fishing season on the back of excellent state of the various fishing resources. International prices firmed for both horse mackerel and pilchards through the year, helping to cushion the impact of the higher oil prices, which is one of the significant costs affecting the fishing companies, while the weaker currency forecast is also beneficial to the dollar-denominated fish exports.



Source: Ministry of Fisheries and Marine Resources

The fishing sector's main products are canned pilchards, fish meal and oil, fresh and processed horse mackerel and hake. Since 1990, growth in the sector has been driven largely by growth in the production of fresh and processed hake. Due to an increase from 25,000 tons in 2013 to 30,000 tons in 2014 in the TAC, prospects for pilchard are positive. Local fishing companies noted that recent horse mackerel landings showed good results and the TAC for horse mackerel was kept at 350,000 tons by the Ministry. The TAC for hake is yet to be determined and will only be released in March when it is approved by the Ministry.

Although environmental conditions over the past couple of years appears to have been favourable for spawning, survival and growth of fish stocks, there appears to be some evidence suggesting that juvenile hake and pilchards are subject to high predation risks from seals. According to the 2011 seal-census done by The Ministry of Fisheries and Marine Resources, the seal population was at 1.2m and it is estimated that they eat 700,000 tons of fish each year, which is more than the country’s Total Allowable Catches. Key external factors likely to influence the fishing industry are exchange rate volatility, elevated international oil prices and the state of the European economies and consumers.

Mining and Quarrying

The mining sector performed moderately well in 2013, with little substantial change in terms of production, from previous years. However, a number of significant developments took place in the sector, most notably vast investment, largely in the form of construction activities. For the first time in Namibia’s history, the country saw the consecutive construction (on-going) of three new mines, while sizable reinvestment was seen from a number of existing mining and mining related companies. As such, the growth contributions of the mining sector to the local economy were predominantly seen in the construction space, rather than the mining space, an occurrence which is expected to continue into 2014. However, from 2015 onward, large growth in production output is expected as the new Husab mine starts production and Otjikoto gold mine starts to ramp up production.

An additional major development in 2013 was the discovery of oil off the Namibian coast. While not commercially viable in volumes, the discovery confirmed the presence of the hydrocarbon for the first time, and thus may prove game-changing in nature as exploration continues for exploitable resources.

Diamond mining:

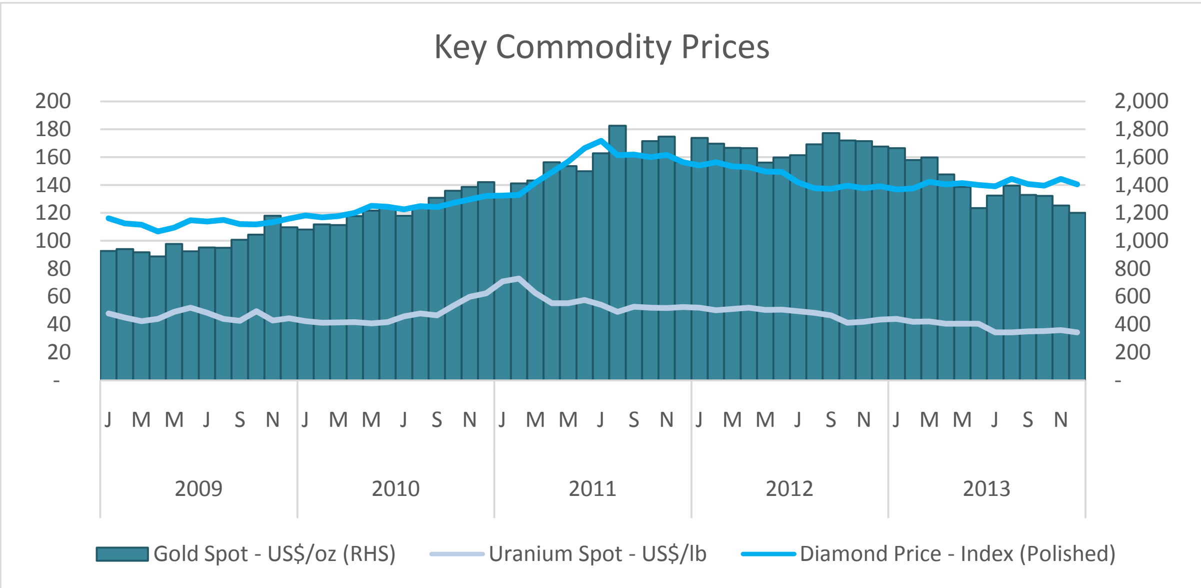
In 2013, diamond production grew, albeit marginally, as a result of increased output from both the land and sea operations of Namdeb. However, Namdeb is now operating at full capacity, and thus output is not expected to change much over the coming two to three years. Prices for diamonds, polished and rough, remain reasonable, and exchange rate depreciation through 2012 and 2013 helped to bolster the revenue received for diamond sales in Namibia Dollar terms.

Going forward, diamond mining output is expected to hover around the 1.7 million carat mark for 2014 and 2015, in line with the output levels of 2013. In the longer term, Namdeb is looking to expand the life of land based operations by opening new mines along the Orange River, while improving technology to mine the surf line of the land based operations. Additionally, efforts are underway to increase production capacity from maritime activities through increased sampling capacity of the maritime resource.Finally, prices are expected to remain favourable as the US economy recovers, and on the back of ever increasing demand for diamonds from China and India.

Other mining:

Production output from the two operating uranium mines was slightly down in 2013 when compared to 2012, however was not attributed to any major setback in operations, despite complications at Rossing towards the end of the year. At the same time, uranium prices remain at the lowest levels seen in a number of years, despite expectations of a price recovery through 2014 and beyond. Nevertheless, uranium output is expected to rebound slightly in 2014, posting real growth of around 2.5 percent in 2014.

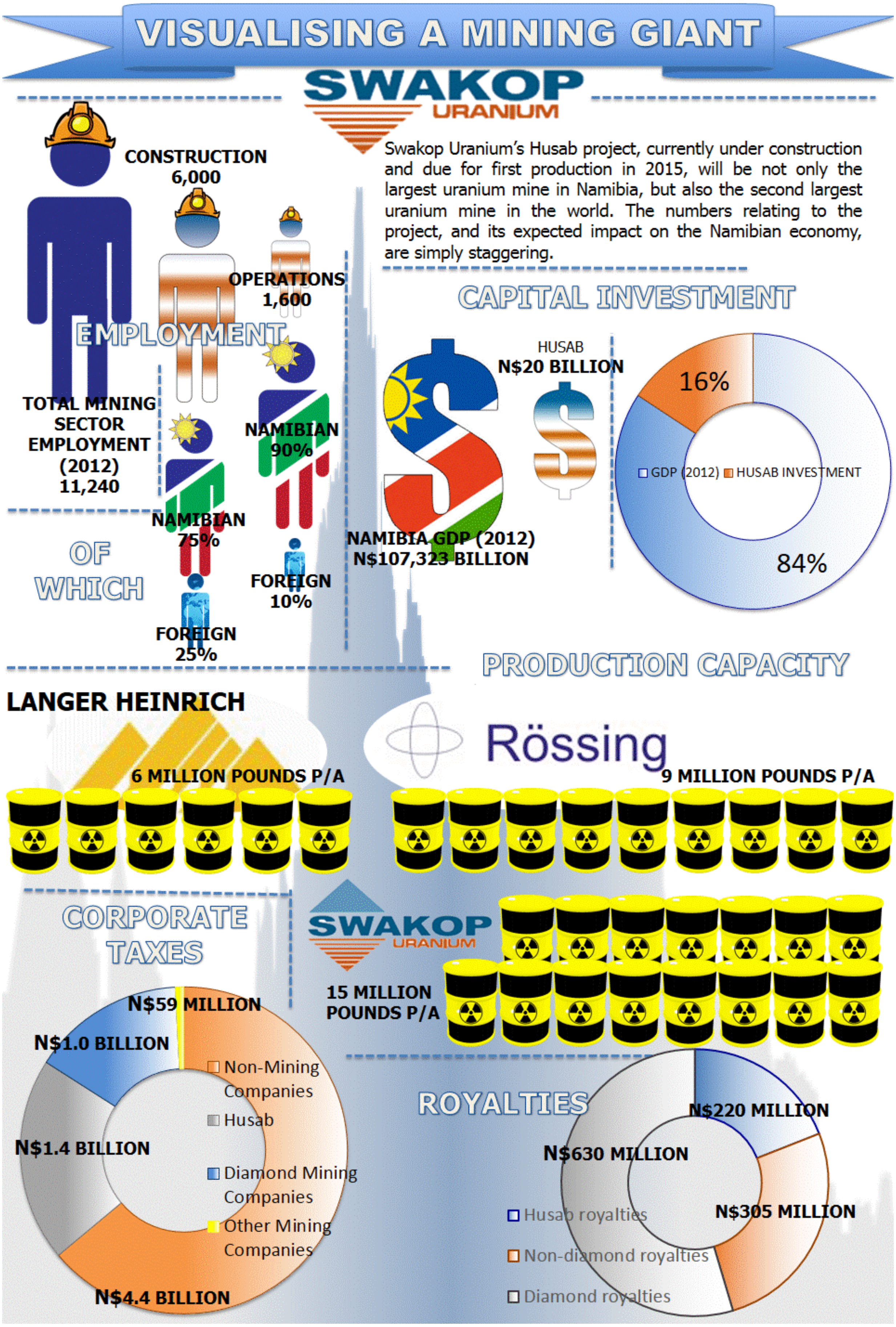
On the gold front, output remained largely unchanged in 2013, however is expected to increase in 2014 as a result of the new Otjikoto mine coming on-stream. Nevertheless, the output from the Otjikoto mine will be relatively low in 2014, and full production of 4000kg per year won't be achieved until 2015.
On the copper front, output is expected to increase in 2014 as a result of the reopening of the Old Matchless mine (not to be confused with Matchless mine), while further expansion is expected in 2015 as the new Tschudi mine goes into production for the first time. When at full production, the Tschudi mine will produce 17,000 tonnes of copper cathode per year, a first for Namibia in terms of the production of a fully refined copper product.



Source: Bloomberg

Broadly speaking, the future for Namibia's mining sector is extremely bright as the three mines under construction come on-stream over the next 24 months, however for many this is but the tip of the iceberg. With a number of known and tested resources across the country, as well as the new issuance of prospecting and mining licences, it appears that more of the same is to come. This includes, but is not limited to: Otjosondu Manganese Mine (licenced), Zhonghe (uranium) Resources (licenced), Reptile Uranium (licenced), Valencia Uranium (licenced), Trekkopje Uranium (licenced), Etango Uranium (licenced), the Dordabis Iron Ore Project (licenced), Omitiomire Copper Mine and Okanjande Graphite, to mention but a few.

Box 1: Visualising a Mining Giant



Manufacturing

The manufacturing industry performance in 2013 was fairly mixed, with certain sectors, most notably cement production, performing well, while the manufacturing of minerals saw slight declines in value addition. Additionally, the manufacturing of meat products, which started off well in early 2013 due to abnormally high livestock sales on account of the drought, lost momentum towards the end of the year as sales dwindled. Finally, food and beverage production was largely unchanged as a whole through 2013.

Looking forward, manufacturing growth will once again be mixed in 2014, with a contraction in output expected in the meat processing sub-sector as a result of expected restocking of cattle on farm land across the country following the end of the drought. Cement manufacturing is expected to continue to grow, but due to base effects, at a lower rate than was the case in 2013. Food manufacturing is also expected to see reasonable growth in 2014 as a result of the opening of the new SAB Miller brewery in Okahandja in mid-2014. In 2015 and beyond, mineral manufacturing is expected to expand considerably as a result of the completion of the Tschudi mine, and thus the manufacturing of copper cathodes, a first for Namibia.

Electricity and water

Electricity:

The drought experienced in 2013 saw electricity generation being negatively affected as the water level of the Kunene River fell to the lowest level in two decades, affecting production at the Ruacana hydro station. The drop in domestic energy generation saw an increase in imports from the Southern African Power Pool (SAPP), specifically from Eskom in South Africa, further amplifying the negative effect from an economic perspective.

With the 2013/14 rainy season looking considerably better and the Kunene's water level rising, the prospects for electricity generation seems significantly better, with a return to normal levels off a low base likely to contribute positively to the Namibian economy. Also of note is the generally warm 2013 winter which resulted in a lower peak demand than what was originally anticipated and resulted in slower growth in peak demand.

With game-changer projects like the Husab Uranium Mine (50MW for the 1ste two years and 100MW thereafter) and The Otjikoto Gold Mine (25MW, although B2Gold will construct its own generators) being constructed, Namibia's peak demand is set for a number of step loads to come through over the medium term. As a result, Namibia's power deficit is set to increase and in light declining surpluses in the SAPP, NamPower is continuously under more pressure to invest in new generation projects.

As of late the Kudu Gas Project has received considerable focus with press reports suggesting that negotiations regarding off-take agreements are progressing, with a final yea-or-nay expected by mid-2014.

Water:

Growth in demand for water is likely to be centred on the Husab mine over the short to medium term, with mine already using water in the construction phase with significant step loads budgeted for once production commences. NamWater factors in a significant step load for the pre-production phase at the Husab Mine at around May 2015.

A constant supply of water, however remains a challenge in the Erongo region where potential water extraction from the aquifers has decreased significantly (around 50%). The mines in the region are currently buying water from the Areva desalination plant via NamWater, however it is reported that the desalinated water is relatively expensive compared to historical norms. NamWater capital projects at the coast mostly entail maintaining the existing infrastructure and pipeline network.

In the Khomas region growth prospects for the water sector seem promising with the recent upgrade of the Von Bach Dam pump capacity almost doubling, the result of which is that the water flow to Windhoek can be more effectively managed. This has however came at a cost with the cost of water in Windhoek increasing about 25 percent over the past year. Nevertheless, demand in Windhoek remains strong, based on the rate of urbanization and Namibia Poultry Industries which are being fed of the same line.

The drought of 2013 created a concern in terms of water supply, with the Von Bach dam, Omatako dam and the Swakoppoort dam not receiving any inflow for the first time in their existences during the 2012/13 rain season. Although there has been rain reported for the 2013/14 season, it has not been sufficient to translate into meaningful inflows for these dams. According to NamWater, two rainy seasons with severely low inflow into these dams will be qualified as a state of emergency. As it stands the dams have enough water to last until August 2015 should there be no inflows.

NamWater has recently undergone a significant asset revaluation on its balance sheet, and as a result depreciation is forecasted to be higher which will increase pressure to hike tariffs as it constitutes a significant portion of the water tariff. It is also expected that the revaluation will rollover into higher capital expenditure over the medium term.

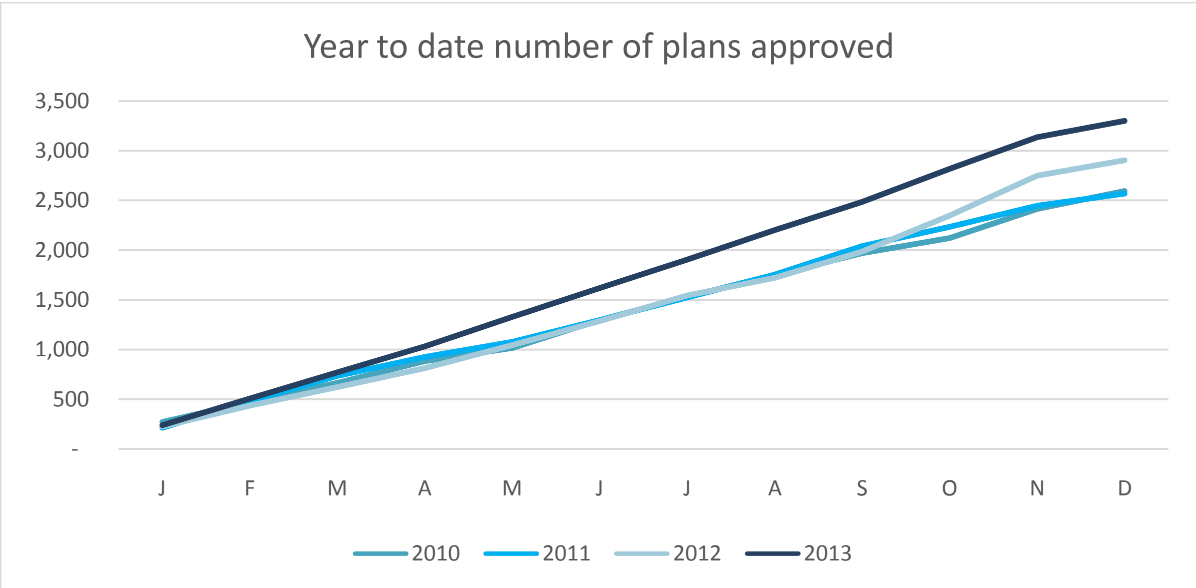
Construction

The momentum witnessed in the construction sector over the past three year is set to continue for the foreseeable future, according to leading construction firms in Namibia, with a strong pipeline of projects lined-up. Both the private and public sectors continue to contribute to the pipeline of projects. There are however a particularly strong reference to the private sector. The mining sector will be a significant contributor in 2014, with the construction of the Husab Uranium Mine, the Tschudi Copper Mine and the Otjikoto Gold Mine.

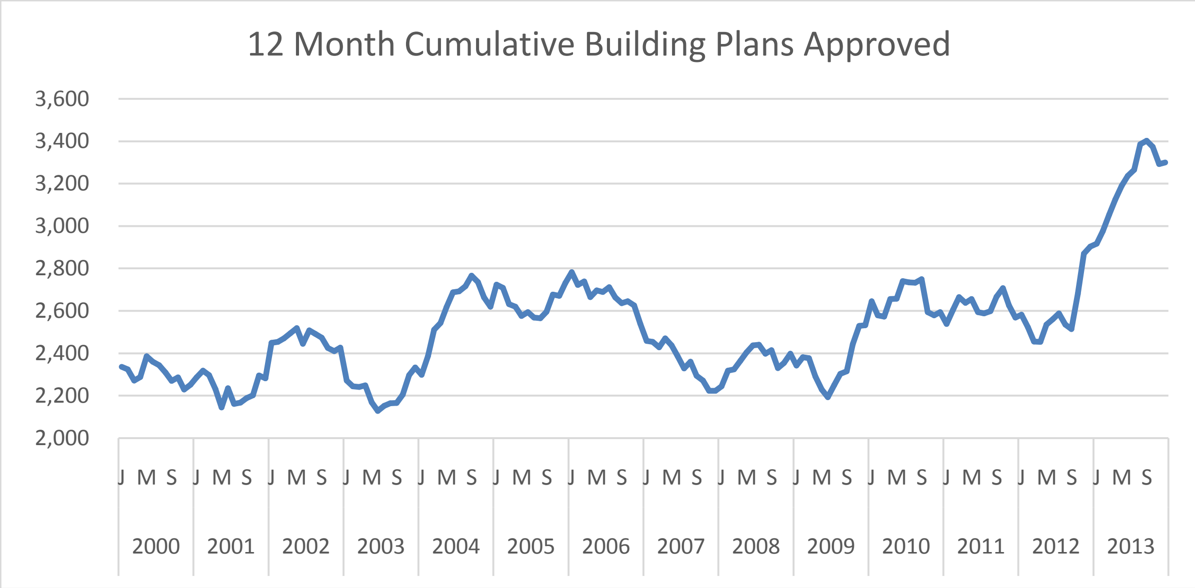
An interesting observation is that current order book levels are running at full capacity of local construction firms. 100 percent capacity utilization is also a theme when analyzing the City of Windhoek building statistics with the year to date number of plans approved straight-lining as opposed to showing normal seasonal trends.

A total of 3,300 plans valued at N$2.2bn were approved by the City of Windhoek in 2013. In terms of the numbers, 2013 saw a 13.6 percent increase compared to 2012, however from a value perspective 2013 witnessed a 3.8 percent decline after more than N$2.3bn worth of plans were approved in 2012. The reason for the decline is as a result of a number of significant projects (example the Grove Mall) given the go-ahead in the base period.

The 12m cumulative number of plans approved has started to decline with the y/y growth rate starting to moderate from the levels seen in September 2013, when it was 35.3 percent higher than a year ago.



Source: City of Windhoek



Source: City of Windhoek

Government Construction:

According to the Government's latest Development Budget, the Government has approximately 550 projects planned over the MTEF, valued at N$17.9bn. N$5.9bn is set for the current fiscal year, ending March 2014, with N$6.3bn and N$5.7bn earmarked for the 2014/15 and 2015/16 fiscal years. Thus growth for the year ahead is set to slowdown to 6.3 percent after the previous year's 24.2 percent spike.

The sectors benefitting the most from the Government's Development Budget over the MTEF is Transport at N$3.5bn (19.6 percent), Agriculture, Water & Forestry at N$3.2bn (17.9 percent), Health and Social Service at N$2.0bn (11.2 percent) and Education at N$2.0bn as well.

Development Budget – Construction per vote

VOTE NAME	Execution Rates	2012/13	2013/14	2014/15	2015/16	Total
President	91%	-	-	-	-	-
Prime Minister	67%	-	54,447	72,000	19,988	146,435
National Assembly	77%	-	500	-	-	500
Auditor General	100%	-	16,921	-	-	16,921
Home Affairs and Immigration	90%	46,627	54,500	37,139	18,165	109,804
Police	100%	212,661	394,101	488,282	386,383	1,268,766
Foreign Affairs	80%	-	-	-	-	-
Defence	97%	200,000	202,495	207,000	202,525	612,020
Finance	58%	76,523	80,000	29,251	34,736	143,987
Education	94%	321,566	639,090	697,601	657,432	1,994,123
National Council	3%	200	-	10,000	11,810	21,810
Gender Equality and Child Welfare	77%	30,312	30,984	31,050	12,545	74,579
Health and Social Services	85%	488,926	695,600	694,400	560,341	1,950,341
Labour and Social Welfare	61%	-	20,713	31,700	30,410	82,823
Mines and Energy	92%	3,550	7,800	9,000	22,750	39,550
Justice	93%	45,707	56,700	75,000	128,375	260,075
Regional and Local Government, Hou	97%	403,872	661,264	566,278	716,965	1,944,507
Environments and Tourism	92%	139,924	145,000	107,000	68,500	320,500
Trade and Industry	99%	392,915	315,378	380,058	384,685	1,080,121
Agriculture, Water and Forestry	91%	790,623	1,118,582	1,244,106	833,365	3,196,053
Namibia Correctional Services	92%	83,897	118,000	160,000	150,602	428,602
Fisheries and Marine Resources	65%	47,000	42,000	52,500	29,250	123,750
Works	77%	2,000	26,486	27,160	16,243	69,889
Transport	91%	1,361,118	1,087,058	1,230,625	1,206,253	3,523,936
Lands and Resettlement	92%	29,900	25,050	9,500	12,013	46,563
National Planning Commission	90%	-	-	-	-	-
Youth, National Services sport and c	62%	54,283	81,000	79,000	91,671	251,671
Electoral Commission of Namibia	87%	500	5,000	5,500	14,560	25,060
Information and Communication Tec	95%	14,000	34,000	50,000	22,821	106,821
Ant-Corruption Commission	26%	22,201	12,000	2,000	-	14,000
Veterans Affairs	71%	5,907	5,800	9,000	22,633	37,433
Total		4,774,212	5,930,469	6,305,150	5,655,021	17,890,640
			24.2%	6.3%	-10.3%	

Source: Ministry of Finance

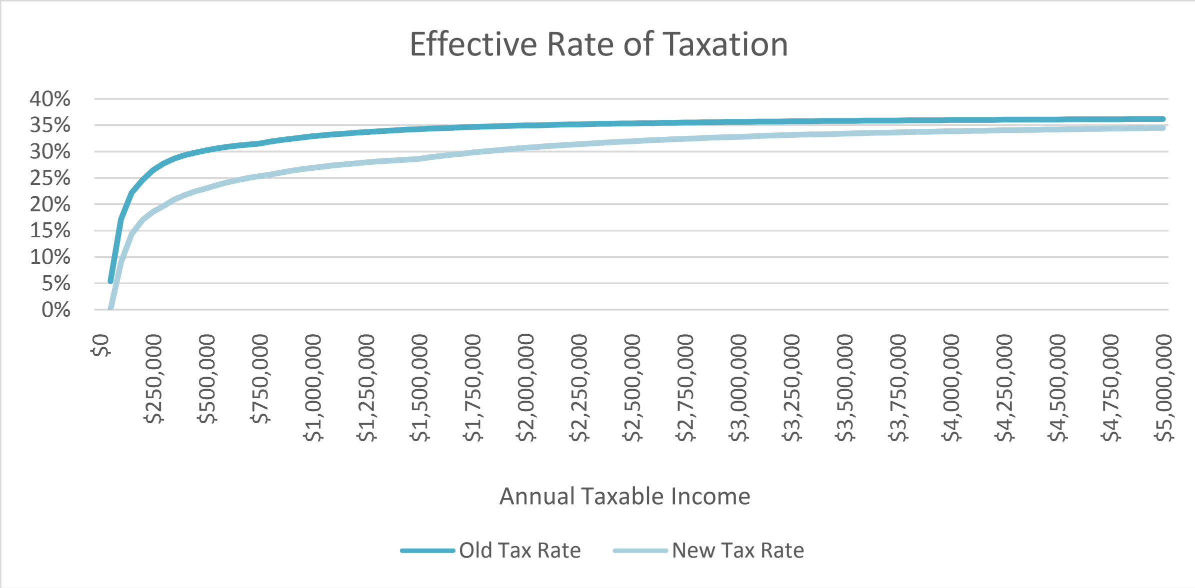
Development Budget – Government Projects larger than N$40m

PROJECTS	2012/2013	2013/2014	2014/2015	2015/2016
Construction of large dams, desalination and provision of water to larger settlements	260,010	708,346	531,324	162,500
TR 14/2 Gobabis Otjinene road upgrading to Bitumen	3,800	78,030	221,888	113,750
green scheme	215,932	166,469	217,357	130,000
Rural water supply coverage, pipeline construction	100,025	66,874	143,215	97,500
Omakange-Ruacana upgrading to Bitumen Standard	-	90,000	140,000	105,000
Liselo-Linyanta-kongola Road upgrading	184,000	18,486	130,000	102,693
Upgrading of Gobabis-Aminius-Aranos	-	7,500	90,695	180,431
Nationwide Primary Health Care Clinic Construction/Upgrading	65,000	91,800	89,500	80,900
Construction of Teachers houses-Primary	10,000	86,045	84,200	92,950
Construction of Police Accomodation	56,615	99,979	80,456	52,170
Consruction of head office for civil aviation	42,000	87,832	80,098	8,147
Upgrading of civil aviation	42,000	87,832	80,098	8,147
Upgarding and rehabilitation of Aus-Luderits railway line	75,350	165,000	78,000	51,188
Informal Settlement Upgrading & Low Income Township Development	100,000	109,936	77,890	-
Police Stations Upgrading	50,308	79,942	74,479	51,463
Northern railway line extension	35,000	10,000	72,000	63,700
Oshakati Intermediate Hospital Extension	61,000	65,000	70,000	45,045
Nationwide Primary Health Care Centre Construction/Upgrading	70,000	83,000	70,000	105,874
Construction of the 2nd Office of the PM		4,643	68,022	19,500
Construction of MAFW regional offfices	104,500	17,505	65,474	48,750
Construction of veterinary clinics	25,612	42,515	62,040	58,500
Maintanace of roads: flood damaged infrastructure	30,000	-	55,055	
Windhoek Central Hospital Renovation (Phase 6)	40,000	30,000	54,000	58,500
Development of animal and plant health inspection centres at border entry points	8,000	5,644	51,305	45,500
Katutura Hospital Renovation (Phase 7&8)	40,000	49,000	50,000	40,950
Construction of MICT Office Complex in the region	-	34,000	50,000	22,821
Construction of Additional Offices wihtin the National Police Headquarters	5,142	25,000	40,000	29,250
Fencing of conservation areas	35,000	40,000	40,000	40,000

Source: Ministry of Finance

Wholesale and retail trade

Wholesale and retail trade saw marked increases through 2013 due to expansionary fiscal policy and the resultant income tax cuts experienced in 2013. Additionally, on-going accommodative monetary policy continues to incentivise the use of credit for the purchase of consumer goods, also adding to the continued growth in wholesale and retail trade. Further, an ever growing middle class with ever-greater access to banking services and credit too has been seen to increase consumer demand, which when coupled with increases in “retail tourism”, particularly from Angola, have culminated to show strong growth in the sector through the year. A similar trend is expected through 2014, as expansionary monetary and fiscal policies are expected to persist through the majority of the year. Additionally, a weak Namibia Dollar against the US dollar is expected to incentivise increased numbers of “retail tourists” from the region.



Source: IJG Research

Tourism

The tourism sector performed relatively poorly in the first half of 2013, however saw marked improvement towards the end of the year. This improvement was largely on account of last minute bookings from local, regional and international clients.

The primary reason for the recovery in booking numbers in the latter part of 2013 was the on-going depreciation of the Rand vis-à-vis the Euro, Pound and US dollar. This depreciation effectively reduced the hard-currency cost for tourists visiting Namibia, while increasing the cost of holidays for Namibians looking to go abroad, resulting in a substitution effect away from such international travel in favour of domestic holidays.

Current booking information for 2014 and 2015, coupled with the in-house exchange rate view as well as the gradual, albeit lethargic, recovery in the Euro Area and global economy as a whole, suggest that the tourism sector in Namibia should see steady recovery and growth in 2014 and 2015, and should the Rand remain weak, particularly against the Euro, thereafter. Additionally, the local tourism industry is expected to continue to see strong demand for services from regional tourists, particularly "retail tourism" from Angola.

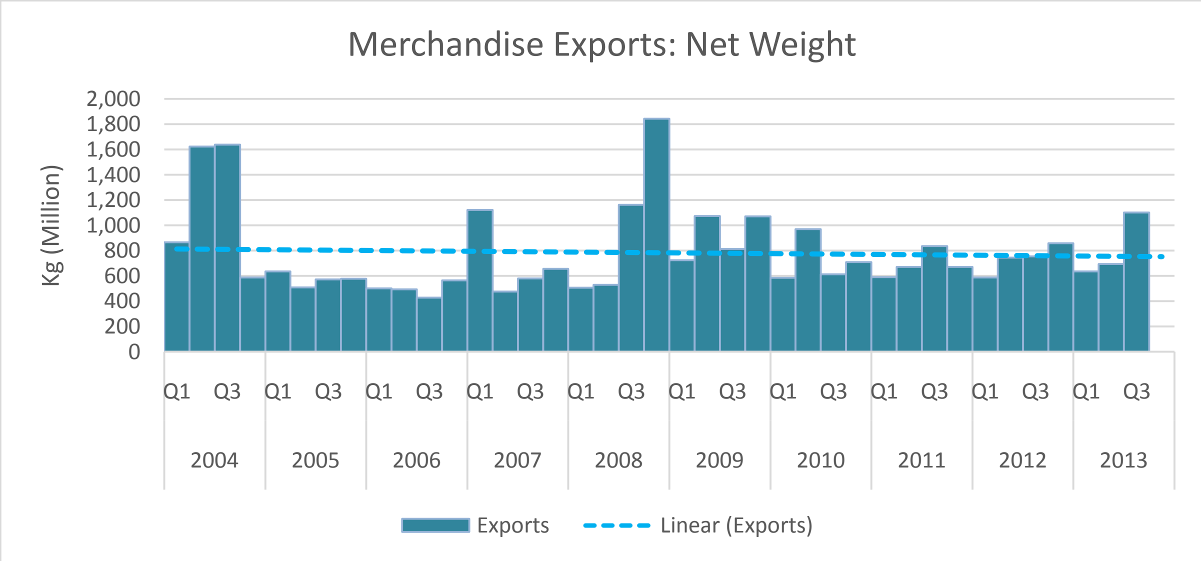
Moreover, a growing middle class coupled with wealth effects in Namibia as a result of expansionary fiscal and monetary policy, has resulted in increased domestic demand for leisure activities (as can be seen in the reweighted Namibia Consumer Price Index, with the Recreation And Culture component increasing from 2.5 to 3.6 percent). As such, an increasing trend in local tourists has been seen in the industry, particularly over the last three to five years, helping to support and grow the sector principally through the low season.

Thus, for 2014 we are expecting to see real growth of approximately 3.5 percent, based on forward booking numbers for the year.

Trade and balance of payment

2014 looks set to be a challenging year for Namibia's balance of payments, particularly from the point of view of the current account balance due to expected sizable merchandise trade deficit.The reasons for these imbalances are manifold, however have coalesced at a single point in time to form a "perfect storm" for the country's balance of payments.

Over the past 30 months the Namibia Dollar (Rand) has depreciated by over 60 percent against the US Dollar (and similar against other major currencies), which has significantly increased the costs of imports, without reducing the volume of such, particularly in the short term. On the other hand, export receipts will have increased for goods sold in hard currencies (the majority of Namibia's exports), however the volume of exports has not increased substantially. This is as a result of a number of factors. Firstly, for minerals, production volumes are largely fixed in the short term, based on supply constraints and forward contracts. Additionally, many major mineral producers in Namibia are operating at full capacity already, and thus cannot increase output to take advantage of the exchange rate changes. Secondly, livestock/meat exports increased in 2013 due to the drought that was experienced in the year, however going forward, a restocking/rebuilding of inventories is expected, and thus these exports are expected to contract in 2014. Thirdly, fish exports are limited by the total allowable catches, which in turn are determined by the available resource, and thus cannot increase to take advantage of currency depreciation. Thus, of Namibia's major (merchandise) exports (and excluding goods imported for re-export), it is only manufactured goods, particularly beer, that can truly make the most of the currency depreciation in the short term.

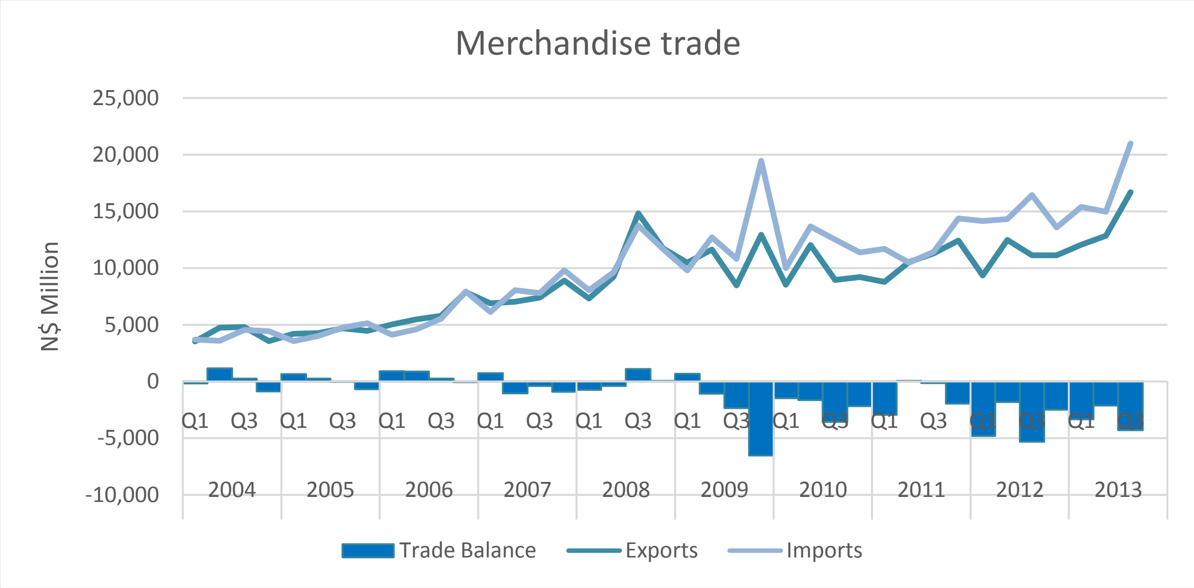


Source: Bank of Namibia

Additionally, commodity price weaknesses, particularly for minerals such as gold, uranium and copper, will further reduce export earnings, thus further increasing the current account deficit. This will be particularly apparent when current supply and price contracts are renegotiated, and will partially offset revenue gains that would have been realised as a result of currency depreciation.

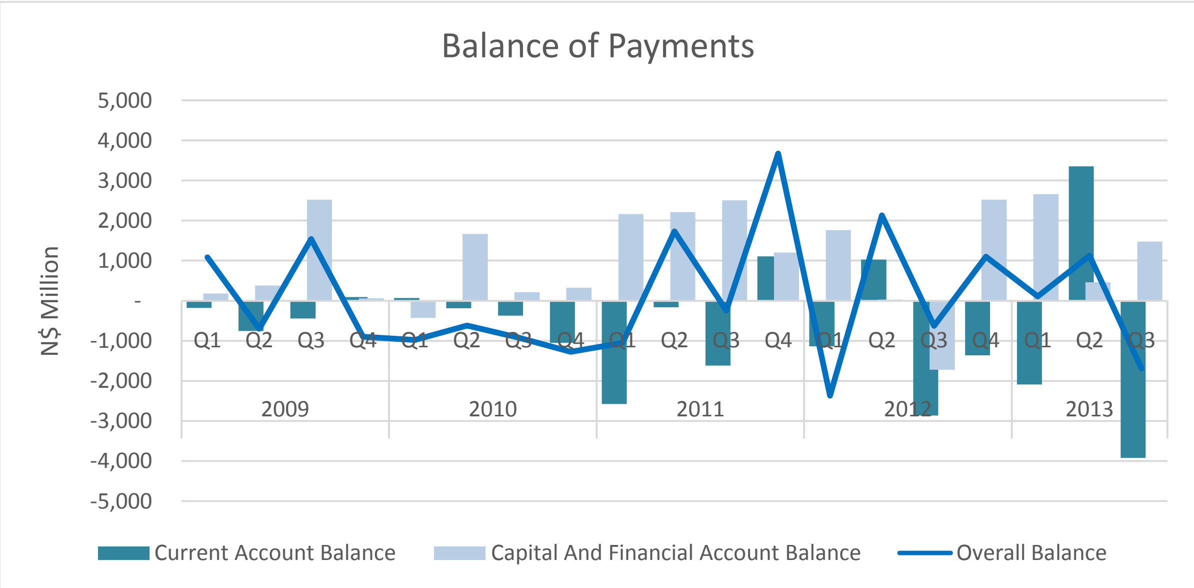
On the other side of the coin, imports are expected to increase dramatically through 2014 as a result of large construction projects in the mining space particularly. Included amongst these is the construction of the Husab uranium mine, the second largest uranium mine in the world. The size and scale of this mine is such that the merchandise import requirement will be simply staggering, and with a total capital investment of approximately N$20 billion, the effect on the capital account will be highly visible. However, these imports should be funded through FDI, and thus a counter-entry for merchandise imports should appear on the capital account.

An additional factor driving imports is the on-going monetary and fiscal stimulus pursued by the Bank or Namibia and Government of Namibia. From the point of view of the individual, these stimuli put money back into the pockets of the middle class, particularly, effectively increasing demand for merchandise imports such as vehicles and electronics (as well as petrol and diesel), as the marginal propensity to save in Namibia is relatively low. On the other hand, large public works programmes tend to have a large import component, not only resulting in large leakages from the economy, but also having a dramatic impact on the balance of payments.Assuch, the capital account is expected to be highly negative through 2014 and into 2015.



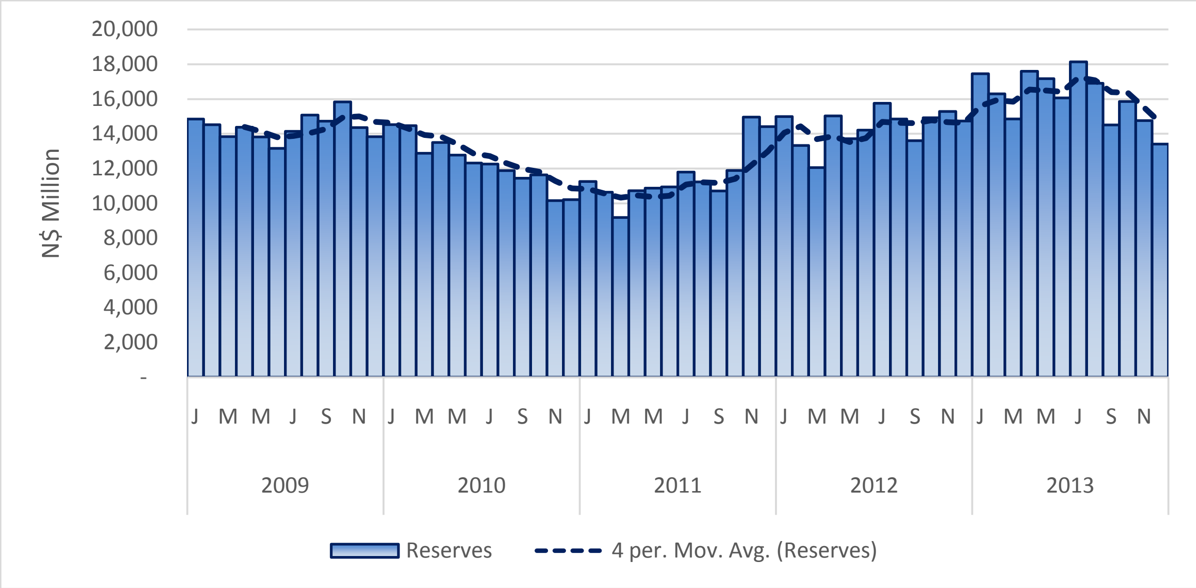
Source: Bank of Namibia

From the point of view of the capital and financial account (CFA), 2014 should see a strong positive balance, as strong foreign direct investment (FDI) is expected to more than offset the net outflow of portfolio and other short and long term investments to the Common Monetary Area (CMA). Additionally, the expectation of increased foreign debt issuance will further support the CFA, as will on going SACU receipts.



Source: Bank of Namibia

Despite a positive CFA, the expectation remains that the CA balance will be heavily in the red in 2014. Thus, the overall balance of payments will remain in the negative for the year, putting substantial pressure on the country's reserve position, and on BON to increase interest rates, or take additional measures to curb imports, or the outflow of capital. While many options exist for the Bank, it is believed that the following methods are most likely to be pursued: firstly, continue to issue the BON Bill offering shorter duration (than the current 56 day) and better interest rates so as to encourage financial institutions to invest funds in Namibia rather than the CMA; secondly, work with the Ministry of Trade and Industry to amend the Credit Agreement Act and Usury Act so as to discourage the uptake of instalment sales credit (through shorter repayment periods and/or larger deposits); and thirdly, work with the Ministry of Finance to increase debt issuance, both domestically and internationally (JSE Bond) so as to bolster reserves. Finally, should all of the above fail, the Bank could be expected to start an interest rate hiking cycle towards the end of 2014.



Source: Bank of Namibia

Appendix

Real Growth (N$ Million)

Industry	2 010	2 011	Preliminary 2 012	Estimate 2 013	Projection 2 014
Agriculture and forestry	2 048	2 366	2 645	2 356	2 674
Livestock farming	779	982	1 190	1 046	1 286
Crop farming and forestry	1 269	1 384	1 455	1 310	1 388
Fishing and fish processing on board	1 069	1 159	1 355	1 409	1 466
Mining and quarrying	3 533	3 253	3 643	3 692	3 731
Diamond mining	2 564	2 499	2 723	2 813	2 813
Other mining and quarrying	968	754	920	879	918
Primary industries	**6 650**	**6 778**	**7 643**	**7 457**	**7 870**
Manufacturing	7 427	7 519	7 610	7 697	7 997
Meat processing	171	160	165	174	167
Fish processing on shore	826	962	701	666	645
Other food products and beverages	2 809	2 658	2 830	2 895	3 057
Other manufacturing	3 621	3 739	3 915	3 962	4 128
Electricity and water	1 251	1 311	1 387	1 433	1 550
Construction	1 737	2 072	2 331	2 742	3 379
Secondary industries	**10 416**	**10 902**	**11 328**	**11 872**	**12 927**
Wholesale and retail trade, repairs	6 754	6 977	7 821	8 368	8 904
Hotels and restaurants	947	974	962	967	996
Transport, and communication	3 502	3 674	3 827	3 971	4 108
Transport and storage	1 682	1 791	1 854	1 910	2 005
Post and telecommunications	1 820	1 883	1 973	2 062	2 103
Financial intermediation	2 943	3 067	3 269	3 445	3 617
Real estate and business services	5 254	5 482	5 835	6 078	6 384
Real estate activities	3 907	3 985	4 255	4 427	4 616
Other business services	1 347	1 497	1 579	1 651	1 768
Community, social and personal service activities	1 714	1 736	1 685	1 719	1 748
Public administration and defence	5 331	5 510	5 852	6 210	6 328
Education	3 907	4 454	4 562	4 744	4 934
Health	1 820	1 888	2 111	2 175	2 196
Private household with employed persons	415	426	440	452	463
Tertiary industries	**32 587**	**34 188**	**36 362**	**38 129**	**39 679**
Less: FISIM	724	766	845	932	1 028
All industries at basic prices	**48 929**	**51 102**	**54 488**	**56 526**	**59 448**
Taxes less subsidies on products	4 720	5 592	5 050	5 404	5 674
GDP at market prices	**53 649**	**56 694**	**59 538**	**61 929**	**65 121**

Source: Namibia Statistics Agency, IJG Research

Investment Strategy 1 Q14

Economic Data Snap Shot

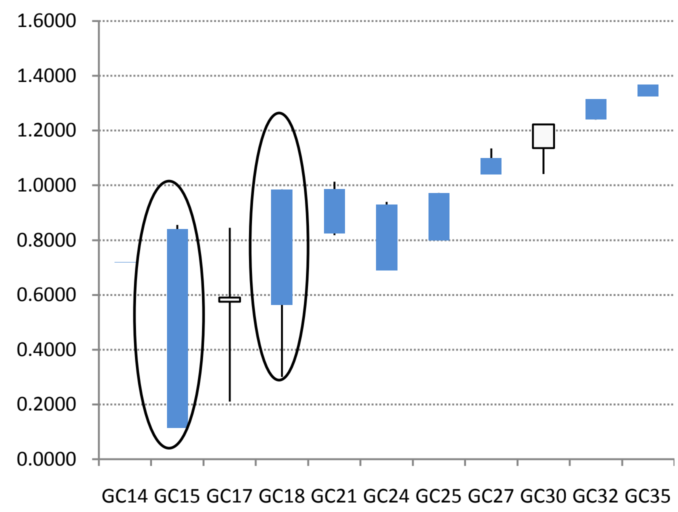
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Inflation (y/y)	6.6%	6.2%	6.3%	6.1%	6.1%	6.2%	5.8%	6.0%	5.4%	4.9%	4.4%	4.9%
Repo Rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Prime Rate	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
N$/US$	8.96	9.02	9.21	9.02	10.09	9.88	9.80	10.36	10.09	9.95	10.20	10.42
N$/AUD	9.34	9.22	9.59	9.27	9.66	9.03	8.88	9.25	9.39	9.43	9.29	9.28
N$/CAD	8.98	8.76	9.06	8.95	9.73	9.39	9.51	9.84	9.78	9.49	9.64	9.79
Vehicle Sales (y/y)	-8.4	-17.2	-16.5	-2.4	13.8	11.7	16.7	3.9	31.6	41.2	49.3	34.2
Passenger	-12.2	-5.5	16.4	7.0	16.8	-0.5	21.7	-5.1	56.5	45.3	51.6	35.3
Commercial	-5.1	-26.5	-16.6	-8.7	11.2	24.0	12.7	11.0	14.6	37.5	47.4	38.9
M2 Money Supply (y/y)	13.5	9.8	6.6	11.9	9.7	7.7	12.8	12.4	10.5	14.7	13.3	*
PSCE (y/y)	17.3	17.0	15.5	14.1	14.9	15.5	14.8	13.8	13.4	13.9	13.3	*
Business	22.1	19.0	17.3	14.5	16.3	16.6	15.4	12.6	11.4	11.9	11.1	*
Individuals	14.5	15.8	14.5	13.7	14.0	14.8	14.4	14.5	14.5	15.0	14.7	*

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

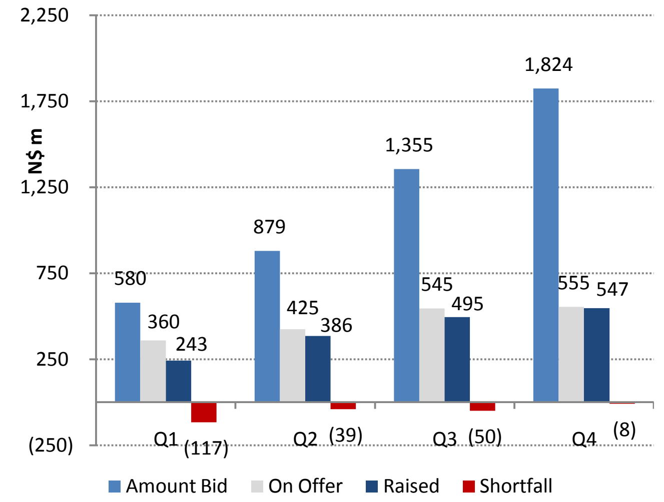
Capital Market Review: Bonds Cash Equities

2013 Year in Pictures

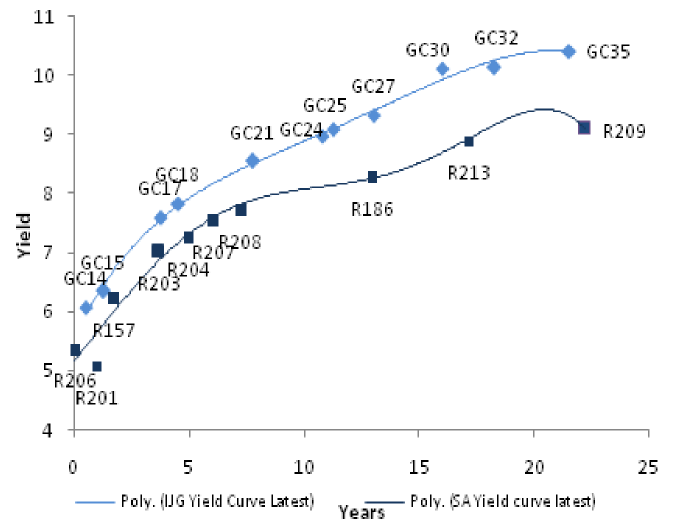
Spread Variance from January to December



Demand at Auction



Yield Curve



	Beg. of Year	End of Year	Difference
GC14	0.720	0.720	0.00
GC15	0.840	0.115	-0.73
GC17	0.575	0.590	0.02
GC18	0.985	0.565	-0.42
GC21	0.986	0.823	-0.16
GC24	0.930	0.690	-0.24
GC25	0.972	0.799	-0.17
GC27	1.100	1.040	-0.06
GC30	1.135	1.222	0.09
GC32	1.314	1.240	-0.07
GC35	1.367	1.3248	-0.04

Comments

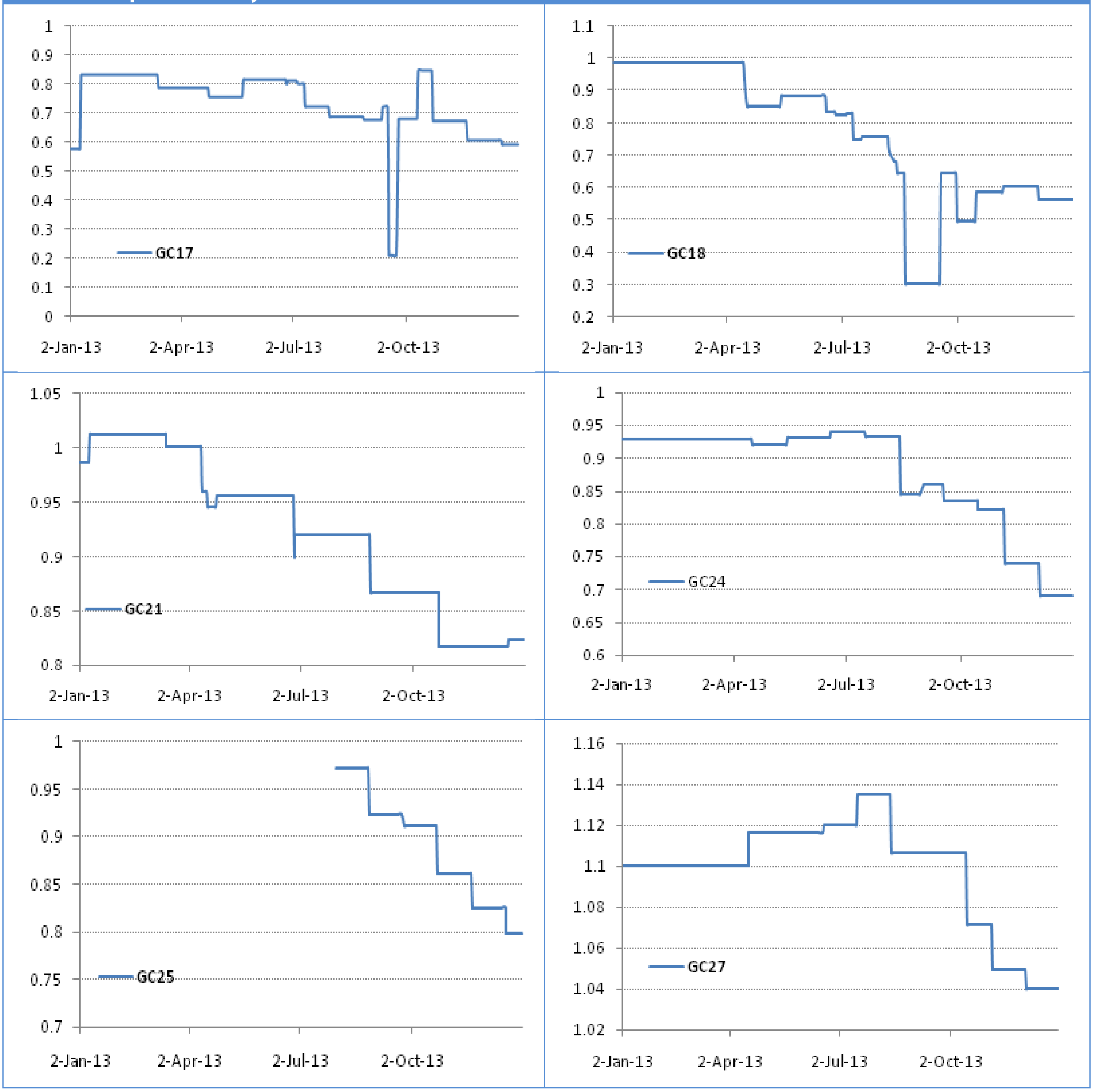
The general themes for the year was the Government shortfal which subsided as the year went on and the aggressive spread compression specifically on the short end.

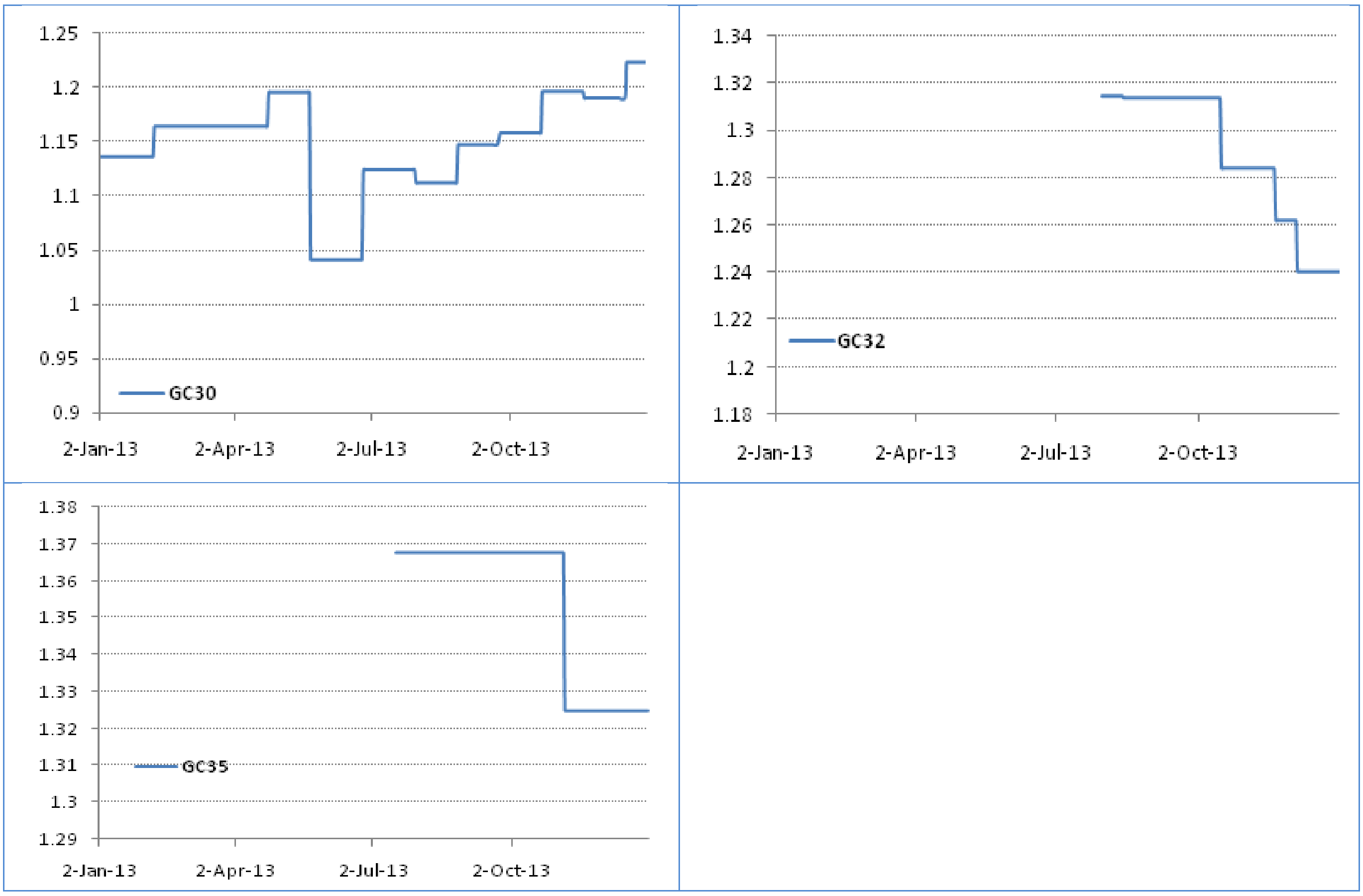
The majority of the short fall was due to under allocation on the GC27 (N$79.75m) and GC30 (N$83.32m) in Q1 and Q2. As demand picked up from Q3 the increase in the shortfall decreased. The shortfall currently stands at N$214m.

Aggressive bidding only really started in Q3 and has continues up until the most recent auction.

Since Q1 we have seen increased demand on the short end of the curve with little interest past the GC24. However in the last quarter demand for the longer bonds like GC27, GC30 and GC32 picked up significantly. We attribute this to spread compression on the short end and the serach for yield pick up.

Individual Spread History

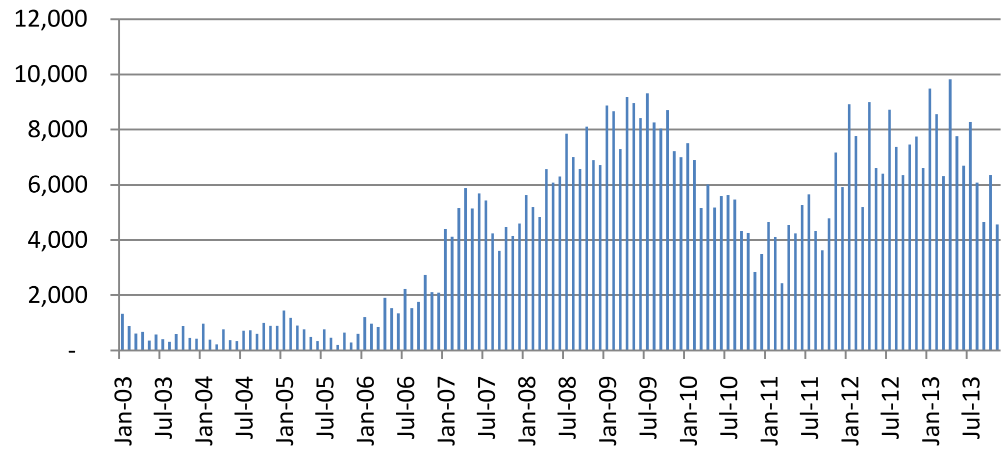




2014 Expectations

We expect 2014 to be an interesting year with regards to fixed income. The theme that we foresee emerging this year will revolve around Government cash balances and the possible effect on spreads and issuance. During 2013 the Government drew down on its cash balances for funding purposes.

Government Cash Balances



Given current cash balances, the shortfall from 2013 and the redemption of the GC14 in July we expect to see an increase in issuance this year. This is then expected to cause a widening of the spreads, depending on where the increase in issuance occurs. Due to the high demand for Government paper we feel the market will be more than willing to buy up the potential increase in issuance.

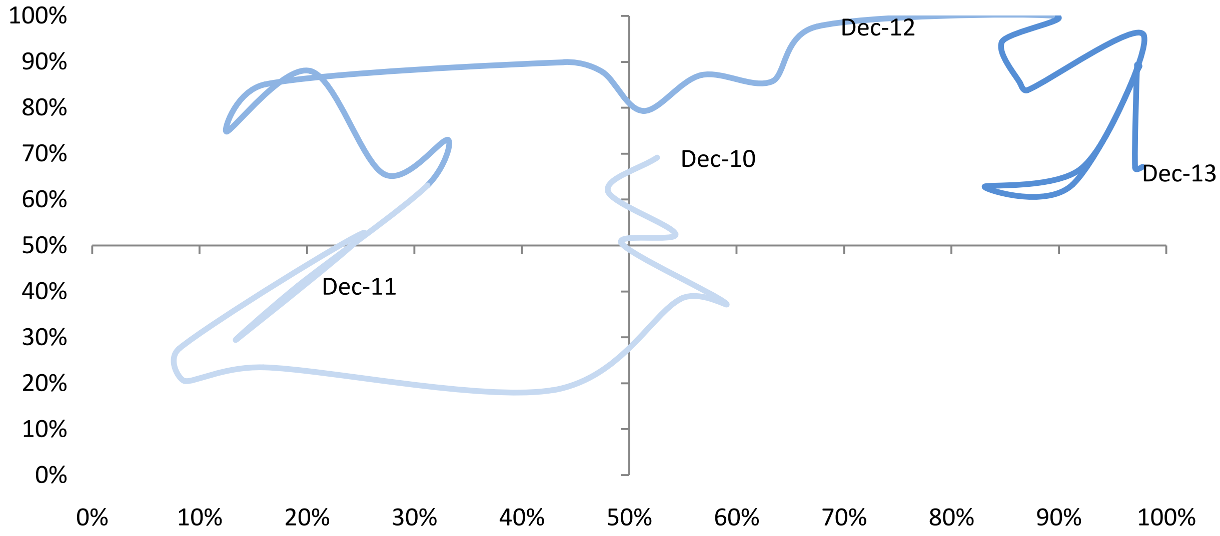
Equities

Timing Tool

Our timing tool considers the market's sentiment and valuation in order to estimate a probability that the market would be up over the next three months. The timing tool tends to form cycles within the usual business cycle discussed above.

What we witnessed since early 2012 is that market sentiment was fairly upbeat with more stocks trending higher than on average. At the same time we saw valuations moving into expensive territory and remaining very expensive for most of 2013. We are however not too concerned over the stretched PE multiples, as consensus forecasts are predicting strong growth in earnings which will translate into much more reasonable multiple (see the next page).

Timing Tool: Sentiment versus Valuation



Average Returns		PE Valuations: 12x and less	12x to 13x	13x to 14x	14x to 16x	16x and higher
Sentiment	80% to 100%	5.2%	5.5%	6.4%	4.3%	-1.0%
	60% to 80%	8.7%	5.6%	5.6%	5.5%	0.1%
	40% to 60%	10.0%	3.4%	4.2%	7.3%	3.4%
	20% to 40%	7.0%	2.9%	7.2%	4.5%	-3.7%
	0% to 20%	4.2%	-9.2%	-4.1%	-9.3%	-15.9%

Probability for up market		PE Valuations: 12x and less	12x to 13x	13x to 14x	14x to 16x	16x and higher
Sentiment	80% to 100%	86.7%	89.3%	84.2%	80.8%	43.8%
	60% to 80%	94.1%	75.9%	75.0%	85.7%	52.2%
	40% to 60%	100.0%	66.7%	73.7%	91.3%	75.0%
	20% to 40%	88.0%	57.1%	73.1%	75.0%	50.0%
	0% to 20%	65.8%	41.2%	38.5%	0.0%	0.0%

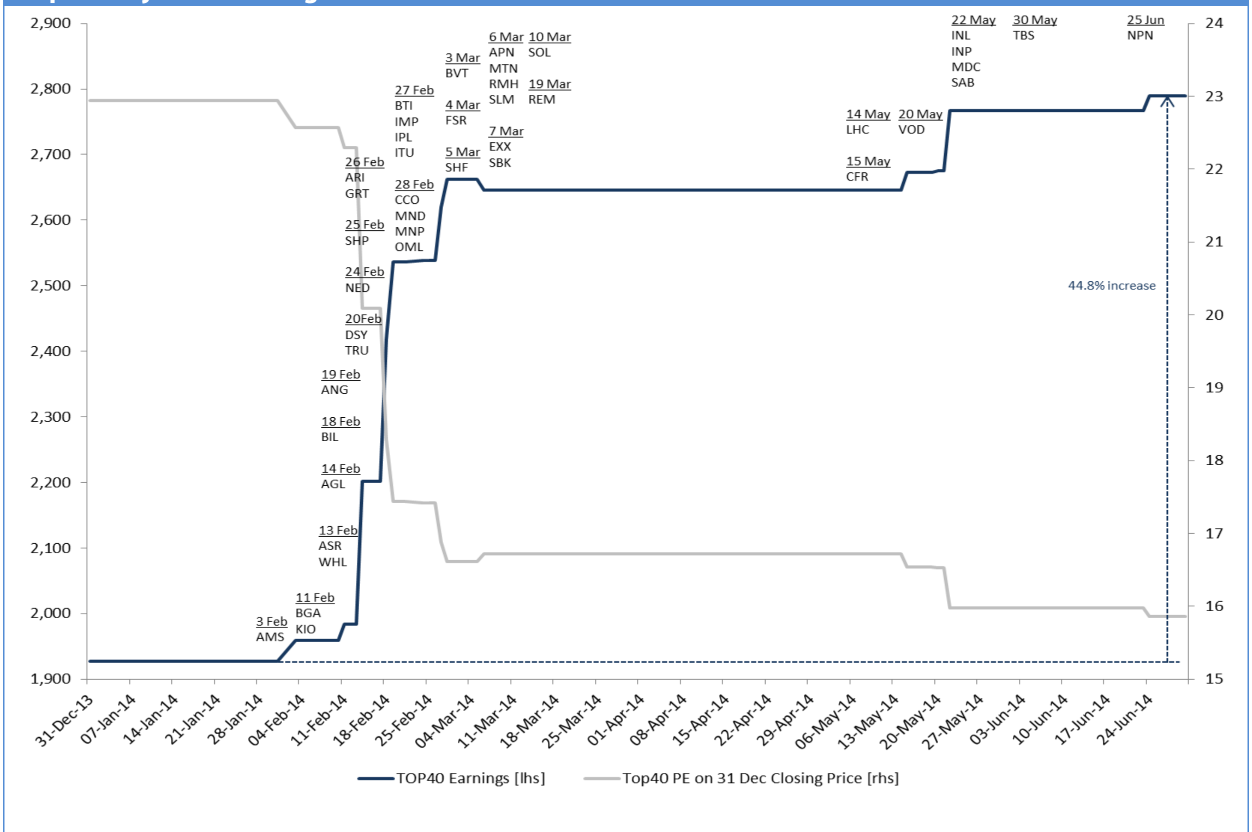
Source: IJG

Based on the current Bloomberg consensus forecast the earnings of the Top40 Index is set to increase by an approximate 44.6% over the next see months to 2,789, which will saw the markets PE ratio coming down significantly (assuming constant price) to 15.9x from the current level which is in excess of the 22x level.

Should the earnings season meet or beat these expectations, the reasonably more attractive multiple together with upbeat sentiment will bode well for stocks according to our timing model. As a result we are fairly optimistic for equities as an asset class.

The main risk to our optimistic view for equities is a probable negative surprise in earnings, which will be followed by a re-rating in the valuation multiples while sentiment starts turning sour. We do however view the chances of this happening as fairly slim, with the economic recovery in the developed world only starting to gain momentum. Although the South African economy is showing sluggish growth at present we find comfort in the fact that that South Africa accounts for a mere 36.2% of Top40 revenue.

Top40 Projected Earnings Growth over the next 6 months



According to the Macquarie Earnings Surprise Model, the following shares are likely to surprise on the up- and the downside:

Predicted Positive Surprise	Probability for + surprise	Predicted Negative Surprise	Probability for + surprise
Sasol Ltd	60%	TongaatHulett Ltd	45%
Anglo American Plc	60%	AngloGold Ashanti Ltd	45%
Standard Bank Group Ltd	58%	Woolworths Holdings Ltd	44%
Sappi Ltd	58%	AVI Ltd	44%
FirstRand Ltd	58%	The Foshini Group Ltd	44%
Old Mutual Plc	57%	KAP Industrial Holdings Ltd	43%
MTN Group Ltd	57%	Oceana Group Ltd	43%
Investec Plc	56%	Pan African Resource Ltd	43%
Sanlam Ltd	56%	Tiger Brands Ltd	42%
		Illovo Sugar Ltd	42%
		African Bank Investments Ltd	41%
		Assore Ltd	41%
		Aquarius Platinum Ltd	40%
		Exxaro Resources Ltd	40%
		Truworths International Ltd	39%
		Gold Fields Ltd	38%
		Massmart Holdings Ltd	37%
		Harmony Gold Mining Co Ltd	37%

Source: Macquarie First South

Recommendation

In our view the global business cycle has initiated the transition from its early expansion phase into the late expansion phaseas we have highlighted in our two previous Elephant Books. As a result we foresee that growth and inflation forecasts will start to see some upward revisions coming through (as opposed to a long streak of downward revisions) as the global economic momentum starts gaining traction.

Based on this view we anticipate that bond yields will move gradually higher over the medium term as the market starts pricing in the probability of central banks limiting money supply. However, we do not foresee a significant spike/overshoot in bond yields as it is important for central banks to keep managing the trend in order to avoid the detrimental impact of higher finance charges to the global economy. South African bonds, however are expected to show increased volatility on account of the bearish rand sentiment. We recommend an **underweight in bonds** and income yielding instruments (with a limited growth profile). With the expected further steepening in the yield curve, we prefer shorter duration over longer duration.

We take a **neutral view on cash**, taking note of the asset class' negative real yield. We do, however, prefer it over bonds, but prefer equities over cash. We recommend tying a combination of floating rate notes and inflation linkers with the cash position to achieve some yield pickup.

Given our view that the late expansion is only commencing, we expect to see momentum in corporate earnings growth over the next 18 months, which in turn bodes well for equities. We recommend an **overweight in equities**with the view that the second half of the bull rally has only started and is likely to persist for at least another 12 to 24 months. We do, however, expect investor nervousness on the back of increasing bond yields to result in an increase in market volatility.

Our most and least preferred stocks are as follows:

Most Preferred	Least Preferred
NSX Local Index	
FNB Namibia	Oryx Properties
NSX Overall Index	
Old Mutual Plc	Shoprite Holdings
Sanlam Ltd	Vukile Properties
FirstRand Ltd	Anglo American Plc
Investec Ltd	Truworths International Ltd
JSE Top40 Index	
Steinhoff International	AngloGold Ashanti Ltd
Naspers Ltd	Kumba Iron Ore Ltd
Mondi Ltd/Mondi Plc	Growthpoint Properties
Aspen Pharmacare Holdings Ltd	Barclays Africa
Capital & Counties Properties Plc	Tiger Brands Ltd
CompagnieFinanciereRichemont SA	Truworths International Ltd
Sasol Ltd	Exxaro Resources
RMB Holdings Ltd	Shoprite Holdings
MTN Group Ltd	Imperial Holdings
Life Healthcare Group Holdings Ltd	Discovery Ltd

Source: IJG

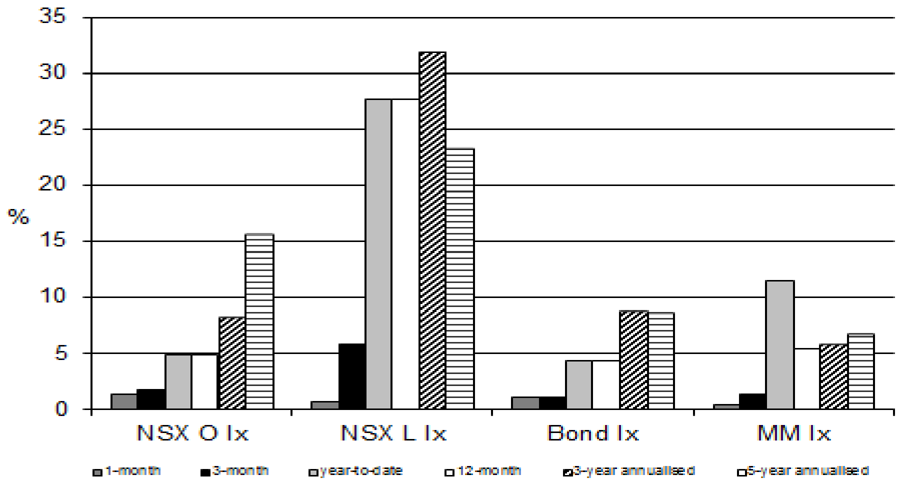
Namibian Asset Performance

The **NSX Overall Index** closed at 996.73 points in December, up from 982.83 points in November, gaining 1.47% on a total return basis in December compared to a 3.75% m/m decrease in November. The NSX Local Index increased 0.72% m/m compared to a 1.18% m/m increase in November. In 2013 the NSX Overall Index returned +5.0% against +27.7% for the Local Index. The best performing share on the Overall Index in December was Paladin Energy at +14.5%, while Oceana was the worst performer at -5.4%.

The IJG All Bond Index (including Corporate Bonds) gained 1.19% m/m in December after losing 0.99% m/m in November. In 2013 the IJG All Bond Index is delivered 4.32%. Namibian bond premiums relative to SA yields in December generally strengthened, with the GC17 premium strengthening 2bp to 59bp; the GC18 premium strengthening 4bp to 57bp; the GC21 weakening 1bp to 82bp; the GC24 premium strengthening 5bp to 69bp; the GC25 strengthening 3bp to 80bp; the GC27 strengthening 1bp to 104bp, the GC30 weakening 3bp to 122; the GC32 strengthening 2bp to 124.

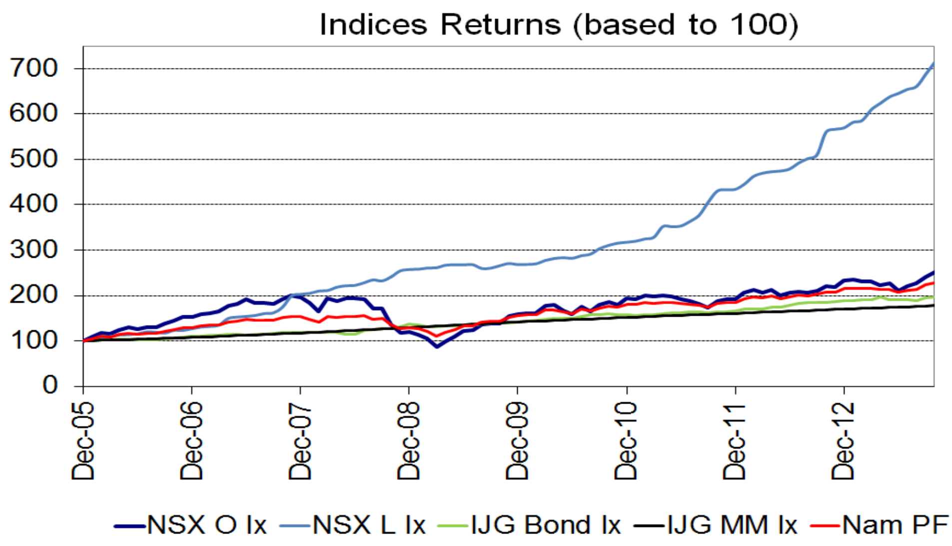
The IJG Money Market Index (including NCD's) increased by 0.45% m/m in December after rising 0.44% m/m in November. In 2013 the IJG Money Market Index increased by 5.43%

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

Namibian Returns by Asset Class [N$,%] –December 2013

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	1.47	1.78	15.94	4.94	4.94	8.13	15.54
NSX Local Index	0.72	5.80	12.67	27.69	27.69	31.83	23.14
IJG ALBI	1.19	1.16	3.93	4.32	4.32	8.69	8.57
IJG GOVI	1.25	1.15	3.98	4.70	4.70	8.67	8.48
IJG OTHI	0.92	1.20	3.74	2.54	2.54	9.07	9.05
IJG Money Market Index	0.45	1.35	2.70	5.43	5.43	5.72	6.59

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] –December 2013

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	-3.05	-3.81	-5.82	-19.16	-19.16	-14.22	-2.03
NSX Overall Index	-1.63	-2.10	9.20	-15.17	-15.17	-7.25	13.20
NSX Local Index	-2.36	1.76	6.11	3.22	3.22	13.08	20.64
IJG ALBI	-1.89	-2.70	-2.11	-15.67	-15.67	-6.77	6.37
IJG GOVI	-1.84	-2.70	-2.07	-15.36	-15.36	-6.78	6.29
IJG OTHI	-2.16	-2.66	-2.30	-17.11	-17.11	-6.44	6.84
IJG Money Market Index	-1.50	-4.55	-9.52	-20.27	-23.94	-11.31	3.05

** annualised*

Source: IJG

IJG Money Market Index Performance [average returns, %] -as at December 2013

	this month	3 months	6 months	12 months	YTD	3* years	5* years
Money Market Index	0.45	1.35	2.70	5.43	5.43	5.75	6.68
Call Index	0.38	1.13	2.27	4.55	4.55	4.76	5.60
3-month NCD Index	0.43	1.27	2.54	5.08	5.08	3.16	6.20
6-month NCD Index	0.45	1.33	2.66	5.31	5.31	3.46	6.51
12-month NCD Index	0.48	1.42	2.82	5.71	5.71	3.73	6.92
NCD Index incl. call	0.46	1.36	2.71	5.48	5.48	3.24	6.55
3-month TB Index	0.47	1.40	2.82	5.56	5.56	5.67	6.66
6-month TB Index	0.48	1.41	2.82	5.56	5.56	5.80	6.82
12-month TB Index	0.45	1.33	2.68	5.44	5.44	5.92	7.06
TB Index incl. call	0.45	1.33	2.67	5.35	5.35	5.69	6.75

**annualised*

Source: IJG

Individual Equity Total Returns [N$,%] December 2013

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			3.80	9.11	20.67	21.67	21.67
banks			6.19	8.10	22.26	15.78	15.78
BWH	1,020	0.08%	0.38	n/a	n/a	n/a	26.21
FST	3,589	12.12%	6.57	8.10	27.02	19.85	19.85
FNB*	2,171	0.19%	0.34	9.77	17.83	42.61	42.61
NBK	21,000	4.28%	-0.02	3.89	22.05	15.80	15.80
SNB	12,942	16.60%	7.61	9.22	19.01	12.58	12.58
insurance			-0.23	0.64	-1.78	1.75	1.75
SNM	18,628	0.71%	-0.23	0.64	-1.78	1.75	1.75
life assurance			0.57	10.51	19.45	30.18	30.18
MMI	2,530	2.38%	-2.18	5.32	17.87	20.78	20.78
OLM	3,279	12.75%	-0.97	8.65	21.00	38.26	38.26
SLA	5,324	8.93%	3.51	14.55	17.66	21.13	21.13
investment companies			7.81	10.11	63.88	106.22	106.22
NAM*	32	0.00%	7.81	10.11	63.88	106.22	106.22
real estate			1.49	3.37	9.80	5.38	5.38
ORY*	1,725	0.06%	5.27	13.04	19.87	35.77	35.77
VKN	1,690	0.58%	1.12	2.42	8.81	2.41	2.41
specialist finance			5.00	14.14	18.96	29.92	29.92
IVD	7,450	1.66%	5.03	14.00	18.56	30.26	30.26
TUC	100	0.02%	2.29	27.27	56.71	-1.97	-1.97
RESOURCES			3.15	-12.37	40.59	-20.27	-20.27
mining			3.08	-12.51	40.96	-20.44	-20.44
ANM	22,900	25.69%	1.43	-6.20	21.52	-9.69	-9.69
PDN	442	0.26%	14.51	-6.75	-41.99	-50.78	-50.78
FSY	393	0.03%	4.24	16.62	-27.62	-45.94	-45.94
DYL	17	0.01%	-10.53	-10.53	-43.33	-67.92	-67.92
BMN	46	0.01%	-2.13	-8.00	-17.86	-43.21	-43.21
MEY	4	0.00%	0.00	0.00	28.89	-44.76	-44.76
XEM	49	0.00%	2.08	11.36	48.48	63.33	63.33
B2G	2,101	0.65%	1.16	-18.34	13.20	-28.78	-28.78
EOG	275	0.01%	13.64	2.23	45.72	7.00	7.00
chemicals			9.87	0.37	5.86	-4.39	-4.39
AOX	2,200	0.30%	9.87	0.37	5.86	-4.39	-4.39
INDUSTRIAL			-5.17	-2.94	-4.79	-13.48	-13.48
GENERAL INDUSTRIALS							
diversified industrials			5.74	0.96	24.37	17.30	17.30
BWL	10,001	1.84%	5.74	5.51	24.37	17.30	17.30
Suppport Services			0.78	2.50	3.37	6.01	6.01
BVN*	1,260	0.09%	0.78	2.50	3.37	6.01	6.01
NON-CYCLICAL CONSUMER GOODS							
beverages			0.32	8.81	18.07	33.48	33.48
NBS*	1,622	0.13%	0.32	8.81	18.07	33.48	33.48
food producers & processors			-5.44	-1.66	-0.86	19.96	19.96
OCG	8,200	0.31%	-5.44	-1.66	-0.86	19.96	19.96
CYCLICAL SERVICES							
general retailers			-4.88	-13.58	-9.76	-27.01	-27.01
NCT	95	0.00%	-4.04	-24.00	-10.63	-32.98	-32.98
NHL*	240	0.00%	0.00	0.00	n/a	n/a	0.00
TRW	7,676	2.84%	-4.88	-13.58	-9.77	-27.04	-27.04
NON-CYCLICAL SERVICES							
food & drug retailers			-8.14	-0.19	-10.76	-18.40	-18.40
SRH	16,400	7.47%	-8.14	-0.19	-10.76	-18.40	-18.40

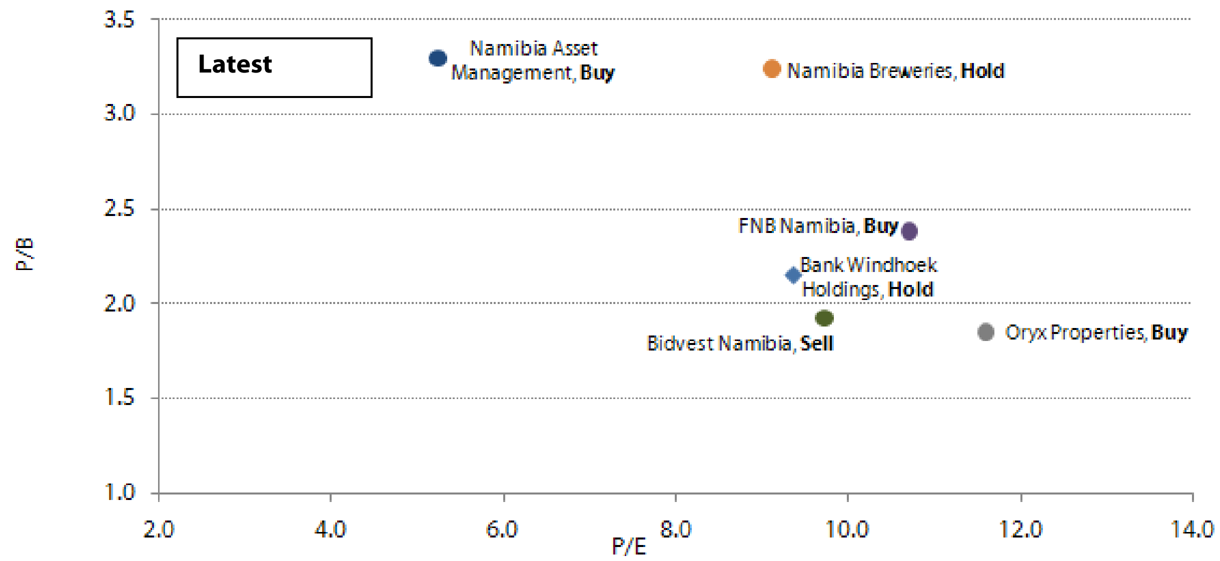
Source: IJG, NSX, JSE, Bloomberg

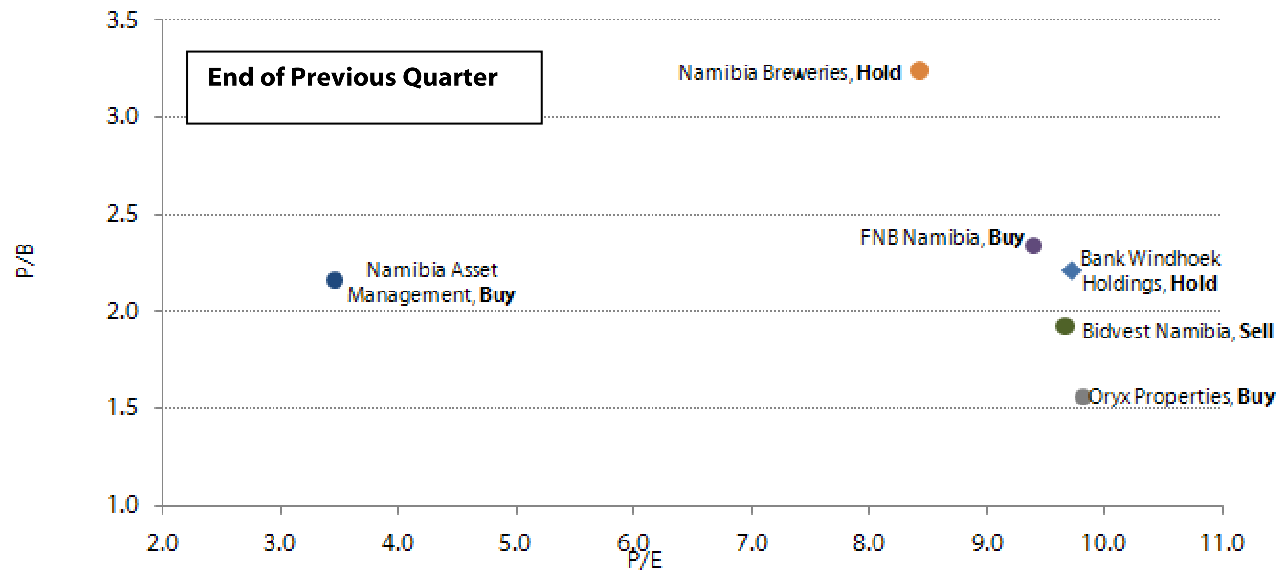
NSX Company Round-Up

Company	Code	Price (c)	Mkt Cap (N$m)	P/E* (A)	P/E (F)	HEPS (A)	HEPS (F)	Recommendation
Overall Index								
Bank Windhoek Holdings	BWH	1,020	5,154	9.4	9.4	109.0	108.0	HOLD
FNB Namibia	FNB	2,171	5,809	10.7	9.5	203.1	228.1	BUY
Namibia Asset Management	NAM	32	64	6.9	5.8	4.6	5.5	BUY
Oryx Properties	ORY	1,725	1,139	11.6	12.1	148.9	143.0	HOLD
Namibia Breweries	NBS	1,622	3,350	9.1	8.0	177.8	202.7	HOLD
Bidvest Namibia	BVN	1,260	2,671	9.7	8.5	129.5	148.0	HOLD

Based on the last year-end earnings and quarter-end share price

P/B vs P/E





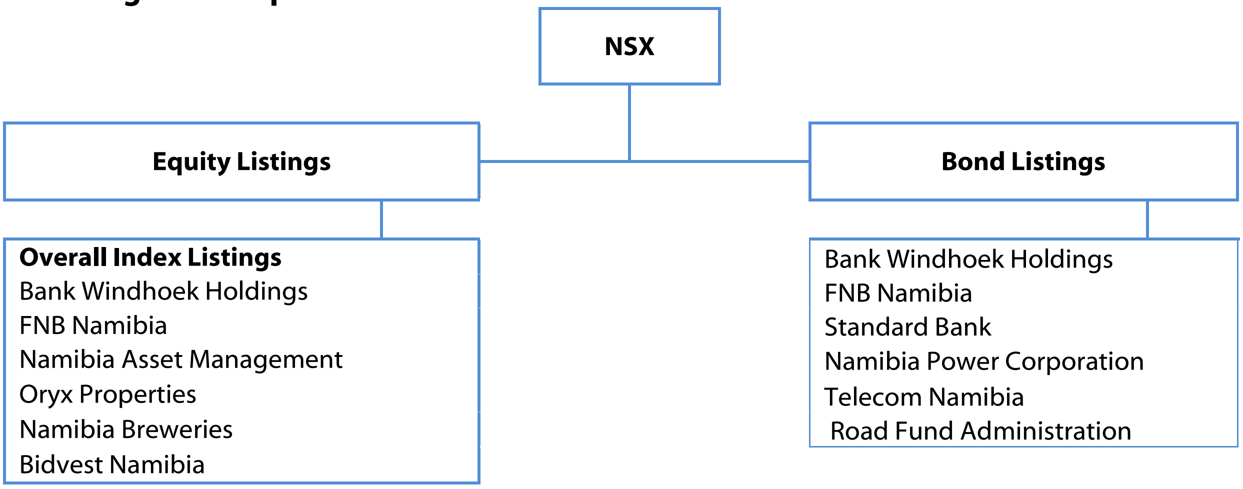
Source: NSX, IJG

Quarterly Recommendations Changes

Overall Index	Target Price (c)	Recommendation	Change from
Bank Windhoek Holdings	1020	HOLD	
FNB Namibia	2350	BUY	
Namibia Asset Management	40	BUY	
Oryx Properties	1555	HOLD	BUY
Namibia Breweries	1450	HOLD	
Bidvest Namibia	1315	HOLD	SELL

Source: IJG

Coverage of Companies on NSX



Financials: Banks

Bank Windhoek Holdings

*Recommendation: **HOLD**, TP: **1020c**, Code: **BWH***

Nature of Business: Bank Windhoek Holdings (BWH) was created in 1982 from Volkskas' Namibian branches. BWH is a Namibian bank assurance business offering a wide spectrum of financial services via its subsidiaries and associates. The bank listed on the NSX on 20 June 2013.

Top Shareholders: Capricorn Investment Holdings Limited (57.6%), Nammic Financial Services (9.6%)

FY13Highlights:BWH opened the Namibian earnings season today with an all round good performance and a solid delivery on prospectus forecast. Total comprehensive income increased 23.8% on FY12 to N$516m, coming in 1.6% ahead of the forecast. The overshoot is mainly a slower than expected increase in operating expenses which was partly offset by marginal undershoots in net interest income and non-interest income.

Net interest income increased by 16.8% to N$914m on account of strong growth in loans and advances. Non-interest income increased by 14.9% to N$523m.The stellar top line performance was further enhanced by an improvement in the company's impairment ratio from 0.18% to 0.16% and a slowdown in the rate of increase in operating expenses from 10% to 8%, opening up the operating profit margin and driving growth in operating profits.With operating expenses at N$763m BWH has managed to improve the cost-to-income ratio from 57.9% in FY12 to 54.1% in FY13. According to the results presentation this was a result of increased efficiencies, focused effort to contain costs and an under spend in IT related projects.Share of profits from JV's and associates increased by 11.4% to N$61.2m, but missed the forecast which was N$66.8m.EPS increased 22.4% to 108cps, as the 23.8% increase in comprehensive income was slightly offset by the dilution effect of the IPO. Normalised RoAE increased to 23.7% from 23.3% in FY12.

BWH managed to grow its asset base by 10.7% to N$20.9bn and loans and advances by 14.0% to N$17.7bn. This indicates that loans and advances increased N$2.2bn in FY13 and N$1.2bn in 2H13. PSCE grew N$7.4bn over the 12 months and N$3.1bn over the 6 months, implying market share for BWH of 29.3% and 38.6%, respectively.BWH continues to run a high quality loan book with NPLs decreasing to 0.86% from 0.90%. On the back of the IPO funding the bank also managed to improve its capital adequacy ratios, with Tier 1 at 13.2%, Tier 2 at 3.4% and total capital adequacy at 16.6%.

Outlook: Current economic trends are expected to bode well for BWH. The combination of PSCE figures depicting strong growth in credit and the tax relief that came into effect this year is expected to support future earnings growth potential and make the BWH forecasted future earnings well attainable.

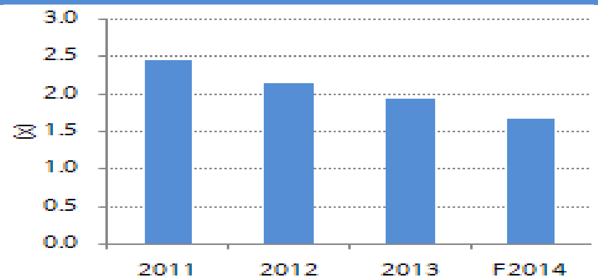
Valuation: We are currently reviewing our BWH valuation model; and as such have left our forecasts and target price unchanged and retain our HOLD recommendation in light of the stocks relative expensiveness as is illustrated above. We will release a detailed report following the results presentation and discussions with management.

Bonds: Bank Windhoek currently has N$770m nominal bonds in issue, N$100m in each of the BWJh14, BWJb15; BWJd14; BWFd16 and BW19, N$70 in the BWJj16 and N$200m in the BW20. The BWJh14, BWJd14, BWJb15 and BWJj16 are benchmarked against the 3-month JIBAR at premiums of 100bp; 102bp; 115bp and 110bp, respectively. The BWFd16 trades at a premium of 140bp to the R157 and the BW19 is trading at a premium of 195bp to the R201 as at quarter end. The BWFd16 and BW20 are currently trading at 140bp and 169bp to the R157.

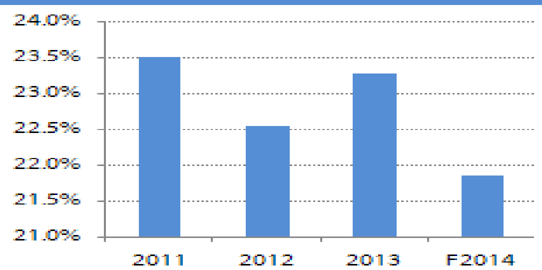
Bull Points:
- Controlled credit growth
- Diversification of income streams
- Improved efficiencies

Bear Points:
- Increasing cost base
- Margin pressure
- Government pressure to reduce banking fees

Price to Book



RoE



Fiscal Year End: June	2010	2011	2012	2013	F2014
Income Statement Extract (N$m)					
Net interest income	567.7	671.3	783.1	914.5	1,039.4
Fee and Commission Income	262.7	301.2	355.2	523.2	670.2
Operating expenses	(578.0)	(643.3)	(706.5)	(762.8)	(911.6)
Operating profit	340.6	403.8	514.6	648.1	767.3
Share of profit from jointly controlled assets	34.3	54.8	53.3	60.4	68.0
Profit before tax	380.1	462.6	570.0	709.7	835.3
Income tax (expense)\ credit	(98.6)	(134.0)	(167.4)	(216.4)	(256.6)
Net gains on available for sale financial assets	1.0	0.9	14.0	22.4	7.7
Total Comprehensive Income	282.5	329.4	416.6	515.6	586.4
Balance Sheet (N$m)					
Governemnt and other debt securities	1,069.0	1,194.8	1,393.5	-	18,950.2
Loans and advances	11,320.3	13,004.4	15,484.9	17,652.0	10,256.9
Due from other banks	403.7	362.2	211.0	-	112.7
Total Assets	14,451.1	15,984.8	18,921.1	20,938.6	12,523.7
Due to customers	8,419.8	9,852.7	12,126.6	13,023.0	7,929.4
Deposits from banks and others	3,970.8	3,435.9	3,636.3	3,678.8	2,324.5
Debt securities in issue	352.1	767.3	917.3	1,324.0	608.3
Total Liabilities	13,109.1	14,412.0	17,034.0	18,314.5	9,508.8
Total shareholders' equity	1,342.0	1,572.9	1,887.1	2,624.1	3,015.0
Growth Rates (%)					
Net interest income		18.2%	16.6%	16.8%	13.7%
Loans and advances		14.9%	19.1%	14.0%	-41.9%
Due to customers		17.0%	23.1%	7.4%	-39.1%
Total Assets		10.6%	18.4%	10.7%	-40.2%
Financial Summary					
HEPS (c)		74.0	87.0	108.0	115.0
DPS (c)		23.0	25.0	33.0	39.0
NAV (c)		417.0	474.0	527.0	612.0
Weighted Average shares (m)		451.4	454.0	456.7	459.3
Key Statistics					
RoAA (%)		2.1%	2.2%	2.3%	2.5%
RoAE (%)		23.5%	22.5%	23.3%	21.9%
Valuation Metrics					
P/E (x)		13.8	11.7	9.4	8.9
P/BV (x)		2.4	2.2	1.9	1.7
Dividend Yield (%)		2.3%	2.5%	3.2%	3.8%
Earning Yield (%)		7.3%	8.5%	10.6%	11.3%

Source: BWH, IJG
**BWH Forecasts*

Financials: Banks

FNB Namibia Holdings

Recommendation: ***BUY****, TP:* ***2010c****, Code:* ***FNB***

Nature of Business: FNB Namibia Holdings (FNB) is one of the largest financial services groups in Namibia with a total asset base of N$20.2bn and offers a wide product range spanning from banking to insurance products. In FY03 FNB merged with Swabou Holdings Limited and in FY12, FNB disposed of its interest in Momentum.

Top Shareholders: FirstRand (59.8%), GIPF (14.5%)

FY13 Highlights: FNB released solid results for the year ended 30 June 2013. Although basic EPS decreased 21.4%, the decline was a function of the high base which included a profit from the sale of Momentum Namibia and the company's contribution to profit. The final DPS was 54cps.

On a headline basis, earnings grew 13.5% to N$597m (+13.4% to 230.4cps), closely resembling our forecast Net interest income grew 10.6% to N$985m (compared to our forecast of N$988m), with growth being underpin by the 20.5% increase in advances whilst the net interest margin compressed 0.4ppt to 6.3%.

After two years of reporting the unconventional "reversal of impairments", the bank has returned to reporting an impairment loss of N$23m; however the loss remains exceptionally low in the context of the advances book with a credit loss ratio of 10bps.FNB did an exceptional job at containing their costs, with operating expense increasing by a mere 6.3%, broadly in line with inflation, to N$940m. In light of the strong top-line performance and the controlled increase in costs, the bank managed to dip its cost-to-income ratio below the 50% level to 49.4%.

FNB recorded strong growth in advances, up by 20.5% to N$17.0bn. Over a 12-month period it is up by an absolute amount of N$2.9bn and on a 6-month basis it increased by N$1.3bn. This implies a market share for FNB of 39% and 42% over these 2 periods, highlighting the bank's dominance in the market. Although FNB showed the strongest growth in advances, Bank Windhoek is still the largest in terms of an advances book at N$17.7bn.Despite the strong growth FNB continues to run a high quality book with the NPL ratio decreasing from 1.30% in FY12 to the current levels of 1.05%.

Outlook: In relation to its competitors, FNB has managed to be a top and consistent performer over the years and has certainly been admirable in exhibiting innovation and in re-engineering conventional banking channels so as to provide for a more cost effective and time efficient means of service delivery. Taking this all into consideration, we expect FNB to continue delivering good results in the foreseeable future.

Valuation: We have not incorporated these results into our earnings and valuation model, as a result we have left our forecasts and target price unchanged. The share has delivered a handsome 47.5% return over the past 12 months, however we continue to standby our **BUY** recommendation on the stock, taking into consideration its blue chip qualities and relative valuation. The bank is well capitalised and perfectly positioned to leverage off increased consumer demand, stemming off the favourable macroeconomic climate. FNB is attractively priced on a trailing PE of 8.5x, a trailing DY of 5.1% and a PB of 2.2x, which is adequately justified by a normalised ROE of 25.9%.

Bonds: FNB currently has N$390m nominal bonds in issue, N$280m in the FNBJ22 and N$110m in the FNBX22. The FNBJ22 is benchmarked against the 3-month JIBAR at a premium of 165bp and the FNBX22 trades at a premium of 50bp to the GC17.

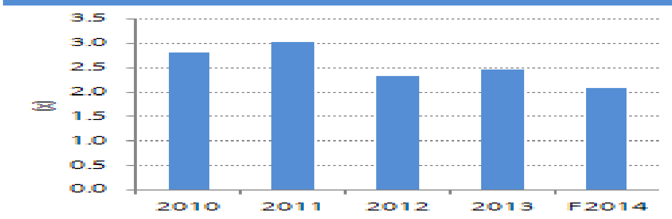
Bull Points:

- Solid strategy and management
- Stable advances growth
- Excess capital available for investments into new products
- Wider investment and life product range

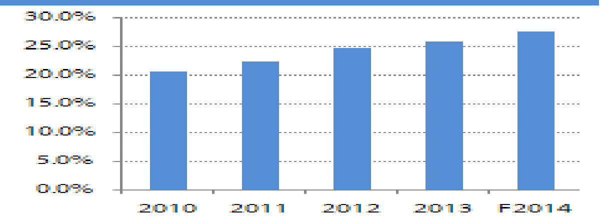
Bear Points:

- Competitive Namibian banking market

Price to Book



RoE



Cash and short-term funds	2010	2011	2012	2013	F2014
Income Statement (N$m)					
Net interest income after impairments	744.7	851.8	931.8	988.5	1,125.7
Non-interest income	574.3	604.9	739.6	865.3	934.5
Net insurance premium income	56.2	71.9	84.5	91.2	98.5
Net claims and benefits paid	(38.3)	(41.4)	(41.0)	(44.2)	(47.8)
INCOME FROM OPERATIONS	1,334.6	1,486.5	1,719.3	1,900.8	2,111.0
Operating expenses	(718.7)	(768.9)	(884.1)	(972.5)	(1,069.8)
Income from associates	5.2	5.0	3.0	-	-
Profit before tax	621.1	722.5	838.2	928.3	1,041.2
Income tax (expense)\ credit	(218.0)	(258.3)	(299.6)	(329.7)	(359.6)
Minorites	29.6	42.7	9.9	7.7	8.8
Net Profit	458.9	539.0	772.0	598.6	681.6
Balance Sheet (N$m)					
Cash and short-term funds	455.2	428.1	1,002.1	673.8	746.5
Loans and advances	11,226.7	12,464.3	14,076.8	16,188.3	18,454.6
Due from other banks	851.2	763.1	1,925.7	2,133.7	2,364.2
Investment Securities	2,799.7	1,643.5	2,144.4	2,376.0	2,632.6
Total Assets	15,937.1	17,163.9	19,697.6	21,824.9	24,182.0
Deposits and current accounts	12,045.9	13,305.6	16,238.5	17,212.8	18,761.9
Due to banks and other fin institutions	54.3	43.9	48.4	53.4	58.9
Policyholder liabilities	1,043.0	41.7	45.1	50.0	55.4
Debt	269.6	270.6	392.6	569.6	826.5
Total Liabilities	13,786.0	15,178.1	17,313.9	20,634.5	22,578.7
Shareholders' equity	1,951.6	1,820.1	2,362.0	2,242.9	2,655.8
Minorities	199.5	165.7	21.6	21.6	21.6
Total shareholders' equity	2,151.1	1,985.8	2,383.6	2,264.5	2,677.4
Growth Rates (%)					
Income from operations	6.3%	11.4%	15.7%	10.6%	11.1%
Loans and advances	7.1%	11.0%	12.9%	15.0%	14.0%
Deposits	13.6%	10.5%	22.0%	6.0%	9.0%
Assets	13.0%	7.7%	14.8%	10.8%	10.8%
Financial Summary					
EPS (c)	166.1	191.8	294.3	228.1	259.8
HEPS (c)	165.7	191.6	203.1	228.1	259.8
DPS (c)	67.0	247.0	262.0	93.1	106.0
NAV (c)	755.1	703.6	912.0	865.9	1,025.3
Weighted Average shares (m)	267.6	267.6	267.6	267.6	267.6
Key Statistics					
Net interest margin (%)	5.2%	5.6%	5.4%	4.9%	4.9%
RoA (%)	2.7%	2.8%	2.9%	2.9%	3.0%
RoE (%)	20.6%	22.4%	24.7%	25.8%	27.6%
Valuation Metrics					
P/E (x)	13.1	11.3	10.7	9.5	8.4
P/BV (x)	2.9	3.1	2.4	2.5	2.1
Dividend Yield (%)	3.1	11.4	12.1	4.3	4.9
Earning Yield (%)	7.6	8.8	9.4	10.5	12.0

Source: FNB, IJG

Financials: Investment Companies

Namibia Asset Management

*Recommendation: **BUY**, TP: **40c**, Code: **NAM***

Nature of Business: Namibia Asset Management Ltd's (NAM) focus is on asset and unit trust management.

Top Shareholders: Coronation Investment Management (Pty) Ltd (48.0%), Heike 39 Investments (Pty) Ltd (14.0%), AE Gams Investments (Pty) Ltd (8.6%).

FY13Highlights: Namibia Asset Management (NAM) released its results for the financial year ended 30 September 2013. The company reported increased profitability with Basic and Diluted EPS both rising by 28.9%% y/y and 30.0% y/y, respectively. NAM declared a dividend 4cps, with last day to trade 15 Nov 2013. We highlight the salient points.

- Total comprehensive income rose by 32.3% to N$10.5m from N$8.0m reported for FY12.
- Revenue increased by 53.3% in FY13 to N$63.8m from N$41.6m before. This growth stemmed off strong assets under management which increased 25.4% or N$3.1bn to N$15.3bn.
- Institutional AUM has increased by 21.8% from N$11.0bn in FY12 to N$13.4bn at the end of FY13. This performance was on the back excellent investment performance across all portfolios and good inflows during the period.
- Retail AUM increased 58.3% to N$1.9bn again on excellent performance and flows.
- The company managed to increase return on equity from 53.9% to 59.9%.
- NAM sits on strong balance sheet with cash and equivalents amounting to N$9.7m, representing approximately 34% of the company's total assets and in our view increasing the probability for a special dividend in the near future.

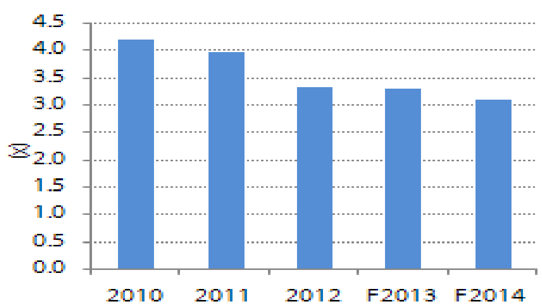
Outlook: In the results statement, NAM highlighted the current macroeconomic environment which entails the possible tapering by the US FOMC in the near future while South African equities are also fully valued with muted expected returns. The company also cautioned with regards to the recent promulgation of Regulation 15 and 28, and the probable negative impact it may have on business.

Valuation: In our view the share is attractively priced at 2.7x book and 5.0x earnings with a dividend yield of 13.3%. We value NAM relative to the JSE General Finance sector, applying a 35% discount for NAM to account for lower liquidity in the Namibian market. This implies a target P/E of 6.88x and a target price of 55c. Coronation Fund Managers is currently trading at a P/E of 28.12x. We thus maintain our **Buy** recommendation with an expected total return of 97%.

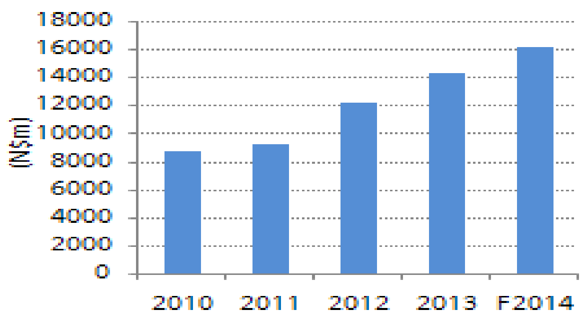
Bull Points:
- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

Bear Points:
- Risk of challenging market conditions continuing
- Uncertainties regarding Regulation 28

Price to Book



Assets Under Management



Fiscal Year End: June	2010	2011	2012	2013	F2014
Income Statement (N$m)					
Revenue	28.8	45.5	41.6	63.8	62.5
Other income	0.0	0.1	0.0	0.0	0.1
Net finance income	0.9	0.5	0.7	1.2	1.0
Operating expenditure	22.9	38.9	31.0	50.3	46.8
Profit before tax	6.9	7.2	11.4	14.8	16.8
Income tax (expense)\ credit	(1.2)	(2.4)	(3.8)	(4.7)	(5.2)
Net Profit	5.7	4.8	7.7	10.1	11.6
Balance Sheet (N$m)					
Assets under management	8,800.0	9,300.0	12,200.0	14,320.3	16,198.4
Cash and short-term funds	6.8	8.1	8.8	9.3	10.2
Total Assets	22.2	21.5	26.2	26.5	27.7
Debt	-	-	-	-	-
Total Liabilities	6.9	8.1	10.1	10.3	10.5
Total shareholders' equity	15.3	13.5	16.1	16.1	17.2
Growth Rates (%)					
Revenue	22%	58%	-8%	53%	-2%
Assets under Management	9%	6%	31%	17%	13%
Assets	21%	-3%	22%	1%	5%
Financial Summary					
EPS (c)	2.9	2.9	4.6	6.1	7.0
HEPS (c)	2.9	2.9	4.6	6.1	7.0
DPS (c)	2.5	3.0	4.0	5.1	5.8
NAV (c)	7.6	8.1	9.7	9.7	10.4
Weighted Average shares (m)	200	166	166	166	166
Valuation Metrics					
P/E (x)	11.2	11.1	6.9	5.3	4.6
P/BV (x)	4.2	3.9	3.3	3.3	3.1
Dividend Yield (%)	7.8	9.4	12.5	15.8	18.2
Earning Yield (%)	8.9	9.0	14.5	19.0	21.8

Source: NAM, IJG

Financials: Real Estate

Oryx Properties

Recommendation: ***HOLD****, TP:* ***1555c****,Code:* ***ORY***

Nature of Business: Oryx Properties (Oryx) is a property loan stock company listed in the Real Estate sector on the NSX. Retail makes up 56% of the portfolio (mainly from Maerua Mall shopping centre in Windhoek) while Industrial contributes 36% to the portfolio and Offices contribute 8%.

Top Shareholders: Standard Bank Namibia Nominees (38.6%), TLP Investments One Three Seven (Pty) Ltd (25.5%), CBN Nominees (Pty) Ltd (6.1%)

FY13Highlights: Oryx Properties Limited (Oryx) released its results for the financial year ended 30 June 2013, reporting 9.0% distribution growth to 139.5cpu from 128.0cpu reported for FY12, 2.3% lower than our estimate of 142.8cpu. Over the same period EPU fell by 15.2% to 166.66c on the back of a lower change in fair value of investment property reported at N$12.5m (FY12: N$44.2m).

The company displayed another period of good operational performance, with net rental income increasing by 20.6% y/y to N$131.7m – in line with our estimate of N$129.8m, supported once again by above average occupancy levels (reported at 99.6%), rental streams on the property acquired in South Africa being included for a full 12 months, as well as from strong renewals characteristic of the period under review – specifically in the office and retail arenas. Oryx reported a profit of N$14.9m (down 60.4% y/y), mainly as a result of the 86.6% lower change in the fair value of investment property.

Vacancies (as a % of lettable area) decreased from 0.6% as at June 2012 to total 0.4% at financial year-end. We expect to see a deterioration in the vacancy rate over the next year, as it reverts to mean from the exceptionally low levels and as the additional GLA comes on board.

Oryx Properties had a 1 to 5 rights issue at a subscription price of N$15.50 per right, payable in full on acceptance. The rights issue entailed the new issuance of 11m units which amounted to N$171m before costs. The rights issue followed Oryx strong investment over the past two years through which the company grew its portfolio by 39% from N$1.067bn as at end FY11 to N$1.483bn as at end FY13. Most of this growth was financed through debt in a declining interest rate environment.Before the rights issue Oryx's capital projects (Maerua Mall expansion and the acquisition of Tuineweg) were expected to take the company's gearing ratio to 50%. In light of this and the probable bottoming of interest rates the Board approved the rights issue in order to strengthen the balance sheet, facilitate future growth and negotiate better funding terms.

Outlook: We forecast FY14 distribution to be 143c per linked unit, this is after incorporating for the repayment of debt and the dilution effect. Based on our target price of N$15.55 per unit, the forecasted total return is -1.6%. At N$17.26 per linked unit, ORY is trading at a forward DY of 9.20%. This compares to the current GC24 YTM of 9.05%.

Valuation: Oryx continues to offer an attractive growth profile, however the steepening yield curve will likely offset the positive growth impact over the medium term. Despite our HOLD recommendation on the stock, we recommend existing unitholders to exercise their rights to further increase exposure to the tightly held Namibian Local shares.

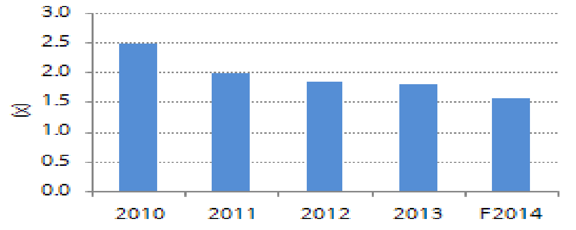
Bull Points:

- Very low vacancy levels
- Location of properties
- Quality tenants profile
- Value adding acquisitions and future developments
- Expansion into other markets
- Strategic positioning of Gustav Voigts Centre

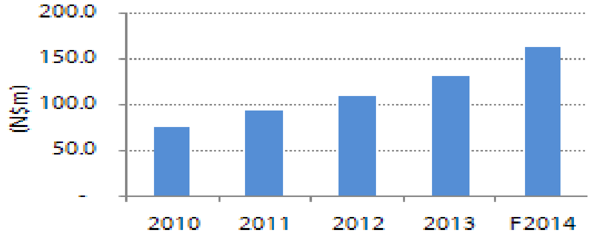
Bear Points:

- Unexpected interest rate increases
- Lack of good expansion opportunities (especially in the Namibian market)
- Low liquidity
- High exposure to a single property (Maerua Mall)

Price to Book



Net Rental Income



Fiscal Year End	2010	2011	2012	2013	F2014	F2015
Income Statement (N$m)						
Revenue	96.7	115.3	132.8	160.6	203.3	238.1
Rental expense	20.1	21.7	23.6	28.9	39.7	45.6
Net rental income	76.5	93.6	109.2	131.7	163.6	192.4
Investment income	6.0	0.4	1.2	0.8	0.8	0.9
Amortisation of debenture premium	2.8	2.8	2.8	2.8	3.1	3.3
Fair value changes	92.2	90.9	41.1	5.5	30.0	30.0
Other expenses	(5.7)	(6.6)	(8.6)	(10.4)	(11.7)	(13.2)
Finance cost	(17.4)	(21.5)	(28.3)	(37.9)	(58.2)	(64.8)
Debenture interest	(60.1)	(64.7)	(70.5)	(76.8)	(94.5)	(115.4)
Profit before tax	95.8	95.0	36.4	19.5	33.1	33.3
Income tax expense	15.3	0.2	(1.3)	4.6	0.8	0.8
Net Profit	80.5	94.9	37.7	14.9	32.2	32.5
Balance Sheet (N$m)						
Cash and other liquid assets	2.2	4.9	3.0	3.6	4.0	4.0
Investment properties	883.1	1,041.5	1,239.7	1,447.3	1,685.1	1,705.8
Trade and other receivables	11.2	10.8	11.7	18.7	12.0	12.0
Total Assets	918.3	1,084.1	1,284.2	1,507.3	1,730.1	1,750.9
Linked unitholders for distribution	30.1	33.6	36.5	39.8	43.8	48.1
Debentures	247.1	247.1	247.1	247.1	247.1	247.1
Long-term borrowings	187.3	256.2	395.7	590.4	607.3	591.2
Total Liabilities	536.8	607.7	770.1	978.2	998.2	986.4
Total shareholders' equity	381.5	476.4	514.2	529.1	732.0	764.5
Growth Rates (%)						
Revenue	7.0%	19.2%	15.2%	20.9%	26.6%	17.1%
Rental expense	14.3%	7.7%	8.7%	22.6%	37.3%	15.0%
Net rental revenue	5.2%	22.3%	16.7%	20.6%	24.2%	17.6%
Investment properties	252.7%	-93.4%	211.3%	-38.7%	10.0%	10.0%
Assets	18.6%	18.1%	18.5%	17.4%	14.8%	1.2%
Liabilities	-2.4%	13.2%	26.7%	27.0%	2.0%	-1.2%
Financial Summary						
HEPU (c)	107.1	118.1	131.7	148.9	143.0	174.7
DPU (c)	109.3	117.5	128.0	139.5	143.0	174.7
NAV (c)*	693.2	865.6	934.1	961.3	1,108.2	1,157.4
Weighted Average shares (m)	55.0	55.0	55.0	55.0	66.1	66.1
**realisable NAV*						
Key Statistics						
Vacancies (as % of GLA)	0.8%	2.6%	0.6%	0.5%	1.5%	1.5%
Property expenditure/revenue	20.8%	18.8%	17.8%	18.0%	19.5%	19.2%
Debt/Equity	0.5	0.5	0.8	1.1	0.8	0.8
Valuation Metrics						
P/E (x)	16.1	14.6	13.1	11.6	12.1	9.9
P/BV (x)	2.5	2.0	1.8	1.8	1.6	1.5
Distribution Yield (%)	6.3	6.8	7.4	8.1	8.3	10.1
Earning Yield (%)	6.2	6.8	7.6	8.6	8.3	10.1

Source: Oryx, IJG

Non-Cyclical Consumer Goods: Beverages

Namibia Breweries Limited

*Recommendation: **HOLD**, TP: **1450c**, Code: **NBS***

Nature of Business: Namibia Breweries Limited (NBS) operated as a family business for many years and listed on the Namibian Stock Exchange in 1996. NBS produces its beer in accordance with the Reinheitsgebot, a purity standard which guarantees that only natural products are used in the production process. Other products produced are soft drinks that fall under the McKane range and the newly launched Vigo. Its preferred brands are Tafel Lager and the Windhoek range.

Top Shareholders: NBL Investment Holdings (NBLIH, 50.1%), Standard Bank (Namibia) Nominees (37.7%), FNB Namibia Nominees (6.7%), CBN Nominees (2.5%) & Namibia Breweries Share Purchase Trust (2.3%). Heineken and Diageo's stake of 28.9% in Nambrew consists of a 44% stake in the 50.1% shareholding of NBLIH, as well as a 6.8% direct stake in Nambrew. The remaining 56% of NBLIH is held by Olfitra in the Ohlthaver& List Group.

FY13 Highlights: NBS released results for the financial year ended 30 June 2013. The full year results reflect a strong operational performance with operating profit up 16.6% y/y; however this growth is more than offset by an impairment of the deferred tax asset related to DHN Drinks and by an 18.3% y/y increase in the JV equity loss. As a result, basic EPS fell 67.1% y/y to 35.3c. HEPS were up 19.8% from a restated 149.5c to 177.8c. The board declared a final dividend of 31cps increasing its total dividend for FY13 by 14.8% to 62cps.

NBS managed to grow revenue by 10.3% y/y to N$2.38bn, with growth stemming from sales of goods up 10.1% y/y and royalty income rising 19.4%. Locally, sales grew by double digits with beer sales volumes up 12% (lead by Tafel Lager, followed by Windhoek Draught), while RTD sales declined slightly. Vigo, launched in 2012, has had a solid start and continues to outperform expectations. Although local volumes growth was strong, the outperformance of Tafel Lager implies a lower average price and a resultant slower increase in local revenue. In South Africa, the DHN Drinks JV continued to grow volumes at single digit levels despite the very competitive environment. Total volumes produced by NBS and sold to the JV rose 1% compared to FY12.

NBS operating profit increased 25.9% as a 10.3% growth in revenue was coupled with improved operating margins. The operating margin increased 2.3pps to 21.0% and is in our view a function of increased sales to the Namibian market, as is evident in the drop in export revenue as a percentage of total revenue to 59.3%.

At this stage we cannot form a clear cut investment opinion about the proposed transaction due to the limited information available. At the right price the deal can unlock significant value, but this could be to the detriment of free cash flows and ultimately lead to shareholder dilution.

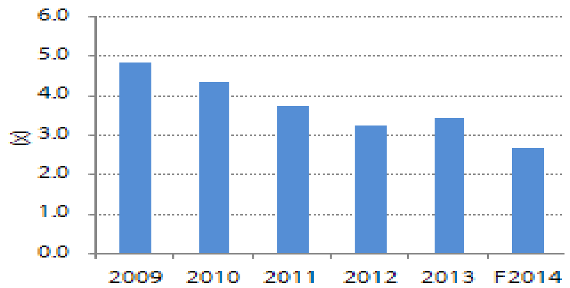
Outlook: Management advised that the major capital investment is part of a five-year development program to boost exports. The uncertainty pertaining to the DHN Drinks acquisition makes forecasting the future performance of the company difficult.

Valuation: We have not incorporated these results into our earnings and valuation model, as a result we have left our forecasts and target price unchanged. We currently have a HOLD recommendation on NBS in light of the uncertainty that entails the DHN Drinks acquisition of Sedibeng Brewery. Although this transaction could potentially unlock a great deal of value for NBS, we feel that the company has limited bargaining power in the deal and could potentially be exposed to unwanted risks.

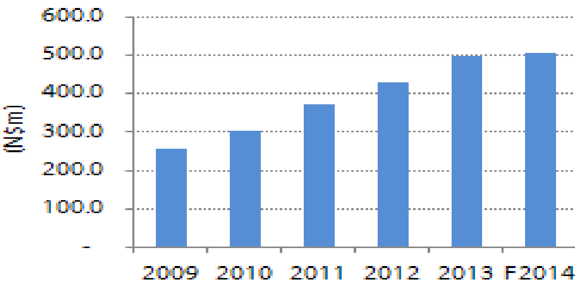
Bull Points:
- Migration from mainstream to premium brands
- Improved access to international customer base
- Maintaining local market share

Bear Points:
- Increased competitive pressures in key export markets
- New SABMiller plant

Price to Book



Operating Profit



Fiscal Year End	2009	2010	2011	2012	2013	F2014	F2015
Income Statement (N$m)							
Sales Revenue	1,566.5	1,731.1	1,797.1	2,160.1	2,383.4	2,631.9	2,660.0
Operating Profit	256.6	303.0	375.3	429.0	500.1	547.0	527.7
Net interest income(expense)	8.3	6.3	6.9	(0.9)	(3.3)	16.8	24.8
Profit before tax	229.3	230.9	307.3	336.0	199.7	453.8	452.5
Income tax expense	(70.9)	(71.1)	(96.0)	(114.0)	(126.8)	(145.2)	(144.8)
Net Profit	158.4	159.8	211.3	222.0	72.9	308.6	307.7
Balance Sheet (N$m)							
Cash and other liquid assets	66.7	177.0	91.7	91.9	267.8	358.0	754.9
PPE	431.7	474.1	668.6	799.8	827.7	940.6	934.6
Intangible assets	0.6	2.7	4.6	6.4	12.2	2.7	0.9
Investment in JV	469.4	553.4	121.4	118.1	13.6	118.1	118.1
Inventories	185.8	124.5	151.1	203.2	285.9	240.5	337.2
Total Assets	1,513.0	1,609.7	1,406.7	1,672.5	1,714.2	2,090.9	2,453.6
Interest bearing debt	7.5	159.1	189.4	270.2	275.4	200.9	200.0
Current liabilities	330.6	380.8	304.9	356.1	672.8	462.4	553.2
Non-current liabilities	562.9	529.7	310.1	409.2	180.9	393.2	411.7
Total Liabilities	893.4	910.5	615.0	765.2	853.7	855.7	964.9
Total shareholders' equity	608.8	677.5	791.7	907.3	860.5	1,099.1	1,336.4
Growth Rates (%)							
Sales	17.7%	10.5%	3.8%	20.2%	10.3%	10.4%	1.1%
Opertaing Profit	41.3%	18.1%	23.9%	14.3%	16.6%	9.4%	-3.5%
Cash and other assets	-56.4%	165.3%	-48.2%	0.3%	191.4%	33.7%	110.9%
Interest Bearing debt	-67.9%	2020.4%	19.1%	42.6%	2.0%	-27.1%	-0.4%
Inventories	56.6%	-33.0%	21.4%	34.4%	40.7%	-15.9%	40.2%
Assets	11.5%	6.4%	-12.6%	18.9%	2.5%	22.0%	17.3%
Financial Summary							
EPS (c)	76.7	77.4	102.3	107.5	35.3	149.4	149.0
DPS (c)	43.1	45.1	49.0	54.0	62.0	68.2	71.6
NAV (c)	2.95	3.28	3.83	4.39	4.17	5.32	6.47
Valuation Metrics							
P/E (x)	21.1	21.0	15.9	15.1	9.1	10.9	10.9
P/BV (x)	4.8	4.3	3.7	3.2	3.4	2.7	2.2
Dividend Yield (%)	2.7	2.8	3.0	3.3	3.8	4.2	4.4
Earning Yield (%)	4.7	4.8	6.3	6.6	11.0	9.2	9.2

Source: NBS, IJG

Industrials: Support Services

Bidvest Namibia

*Recommendation: **HOLD**, TP: **1315c**, Code: **BVN***

Nature of Business: Bidvest Namibia (BVN) is part of The Bidvest Group Limited, which is listed on the JSE and operates on 4 continents. Similar to the Bidvest Group in SA, BIDNam is a diversified industrial conglomerate. BIDNam's business activities span across the fishing (47.4% of revenue, 87.9% of trading profit), freight services, distribution, business support and tourism industries. The group operates through two holding companies, Bidfish and Bidcom. Bidcom operates through the Bidfreight, Bidserv, Bidfood and Bid Industrial and Commercial Products operating divisions.

Top Shareholders: The Bidvest Group (51%), Ovanhu Investments (14%), Government Institutions Pension Fund (11%)

FY13 Highlights: BVN released its results for the year ended 30 June 2013. The firm performed weaker than in FY12, but earnings came in ahead of our forecasts. The weaker performance came on the back of severe margin pressure, contributing towards a 9.1% y/y fall in EPS and a 7.7% fall in HEPS to 129.6cps and 129.5 cps, respectively. The earnings beat was a combination of better than expected revenues and margin in Fishing and stronger revenue in Freight.

BVN managed to grow revenues by 22.9% y/y to N$3.4bn, mainly attributed to the T&C business which was included in the financials for the full year instead of 7 months as in FY12. Cost of sales grew at 31.7% and operating costs by an even larger 34.4% to N$2.5bn from the N$1.9bn reported for FY12. The additional costs are partially attributed to the high volume low margin business profile inherent to T&C. An additional cost booster, however, came in the form of the quota rentals fees BVN had to pay up in order to counter the impact of their lower direct quota allocation.

Trading profit shrunk by a slower pace than expected, contracting by 7.0% y/y to total N$601.5m. As usual, the fishing division supplied the largest chunk of trading profit, coming in at N$528.5m or 87.9%. This figure is 8.0% lower than the N$574.1m seen in FY12, despite the division's individual revenue increasing by 6.8% y/y, reflecting depressed margins resulting from the quota rental fees – FY13 trading profit margin fell to 16.7% from 24.0% reported in FY12. Despite the fact that volumes harvested fell, international prices firmed for both horse mackerel and pilchards, helping to cushion the impact of the Ministry's lower direct quota allocated to BVN, while the weaker currency was also beneficial to the dollar-denominated fish catches. The Freight and Logistics division performed handsomely, benefiting from the positive spin-offs resulting from the oil and gas exploration. Revenue rose by 35.1% to N$325.2m and trading profit by 23.4% to N$36.7m. However,FY13 trading profit margin fell to 2.8% from 3.9% reported in FY12.

A total cash dividend of 69cps was declared, up 9.5% on FY12, increasing the company's payout ratio to 53.2% from 42.0% before, in order to service the increase in dividends while earnings contracted.

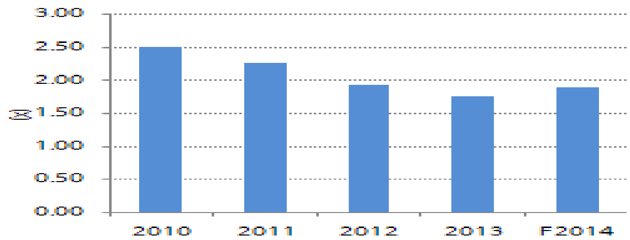
Outlook: We have adjusted our earnings forecast and target price in order to reflect the earnings surprise on the back of better than expected second half results, following a detailed analysis. We forecast FY14 earnings of N$1.48 per share and calculate a target price of N$13.15 per share based on a justified PE ratio of 8.9 times.

Valuation: The stock is currently trading on a forward dividend yield 5.9% based on full year dividends of 75cps at an assumed 50% payout ratio. This compares favourably to its average of 4.8% since listing and relative to current money market yields in light of the embedded risk and uncertainty.Given the expected total return of 11.0% we maintain a HOLD recommendation.

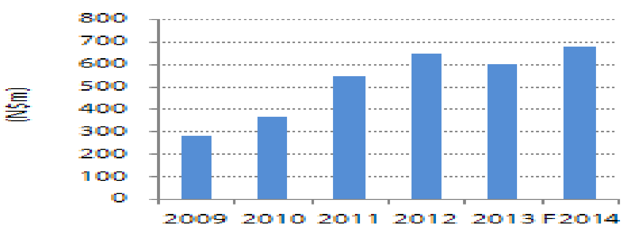
Bull Points:
- Exchange rates
- Strong brands in the industries in which BIDNam operates

Bear Points:
- Fishing industry conditions and regulation
- Oil price
- Margin contraction
- Low economic growth
- Quota allocation uncertainty

Price to Book



Trading Profit



Fiscal Year End	2009	2010	2011	2012	2013	F2014
Income Statement (N$m)						
Sales Revenue	1388	1608	1919	2731	3355	3737
Cost of sales	(951)	(1102)	(1207)	(1890)	(2488)	*
Gross Profit	436	506	712	841	867	*
Operating expenses	(156)	(159)	(186)	(209)	(281)	*
Trading Profit	284	369	545	647	601	678
Net interest income(expense)	3.4	1.3	6.1	17.6	13.0	8
Income from associates	0.0	0.0	0.0	0.0	0.0	0
Profit before tax	289	353	568	672	615	686
Income tax expense	(105)	(116)	(184)	(211)	(188)	(211)
Minorites	53	72	126	162	152	161
Net Profit	183	237	384	469	444	475
Balance Sheet (N$m)						
Cash and other liquid assets	228	591	780	785	853	600
Propert, Plant and Equipment	307	549	569	764	830	*
Intangible assets	49	39	31	31	35	*
Goodwill	69	69	69	102	120	*
Inventories	179	217	230	324	376	*
Total Assets	1073	1725	1940	2469	2779	600
Interest bearing debt	9.5	58.8	2.3	1.2	11.5	*
Current liabilities	345	417	390	517	586	*
Non-current liabilities	72	151	149	239	233	*
Total Liabilities	417	569	539	757	820	*
Shareholders' equity	0.7	1.2	1.4	1.7	2.0	*
Minorities	146	200	267	354	452	*
Total shareholders' equity	656	1156	1402	1712	1959	1515
Growth Rates (%)						
Sales	33%	16%	19%	42%	23%	11%
Trading Profit	84%	30%	48%	19%	-7%	13%
Cash and other assets	20%	159%	4%	34%	9%	
Inventories	77%	21%	6%	41%	16%	
Assets	27%	61%	13%	27%	13%	
Financial Summary						
EPS (c)	86	125	143	130	148	169
HEPS (c)	79	87	120	140	129	148
DPS (c)	15	36	54	63	69	74
NAV (c)	*	*	*	*	*	*
Weighted Average shares (m)	163	192	207	210	212	212
Key Statistics						
Operating margin (%)	21%	22%	29%	24%	18%	18%
Current ratio (x)	1.8	2.5	3.2	3.0	3.0	*
Debt/Equity	1%	6%	0%	0%	0%	0%
RoE (%)	40.2%	32.4%	36.7%	37.0%	29.8%	33.2%
Valuation Metrics						
P/E (x)	15.69	14.62	10.03	8.78	9.66	8.45
P/BV (x)	4.04	2.54	2.30	1.95	1.77	1.90
Dividend Yield (%)	1.2%	2.9%	4.3%	5.0%	5.5%	5.9%
Earning Yield (%)	1.2%	2.9%	6.7%	1.8%	1.8%	0.0%

Source: BVN, IJG

Maintenance Coverage

Financials: Investment Companies

Stimulus Investments

Nature of Business: Stimulus Investments provides expansion capital and funding of management buy-outs or empowerment buy-ins. The company focuses on acquiring interests in established, high cash yielding businesses in Namibia which require empowerment credentials. Stimulus is also actively involved in the management of its investments.

Top Shareholders: AllanGray (68.3%), Sanlam Life (16%), Namibia Asset Management (10.1%), Metropolitan Life 1.9%.

FY13 Highlights:

During the year ended 29 February 2013, group revenue increased by 5.4% from a restated amount for FY12 of N$13.8m to N$14.6m. Operating expenses added a significant 82.3% to N$8.2m from a value of N$4.5m recorded for FY12. The gain on fair value adjustments countered the effect of the additional costs, adding 74.1% y/y to come in at N$34.1m. While finance costs added N$3.1m y/y, the cumulative effect on the bottom line was positive, with profits coming in at N$9.8m, above the N$1.2m reported for FY12.

The firm advised that the size of the investment portfolio (excluding cash) grew by 58% y/y, stemming from a combination of corporate action and growth in the fail value of its investments. The firm declared a preference dividend of N$4.09m, down from N$4.10m, for FY12, and translating to a dividend to 109c per preference share based on 3.750m preference shares in issue (FY12: 164c, based on 2.50m preference shares in issue).

During FY13, Stimulus acquired Desert Trade Investments, holding 50% of the shares in Democratic Medial Holdings. Democratic Media Holdings publishes the Afrikaans daily newspaper Republikein, the German daily newspaper AllgemeineZeitung, and the English daily newspaper Namibian Sun. It owns Newsprint Namibia, a state of the art newspaper printing operation which currently prints all Namibian newspapers as well as commercial publications.

Stimulus Investments currently has the following investments:

- Democratic Media Holdings
- Cymot
- Nashua Namibia
- Plastic Packaging
- Walvis Bay Stevedoring
- Joe's Beerhouse Properties

Outlook: Stimulus will keep reviewing and updating risk management processes so as to aid in achieving success with its portfolio.

Bull Points:

- Sufficiently available capital
- Little to no competition
- Well balanced portfolio with strong underlying investments

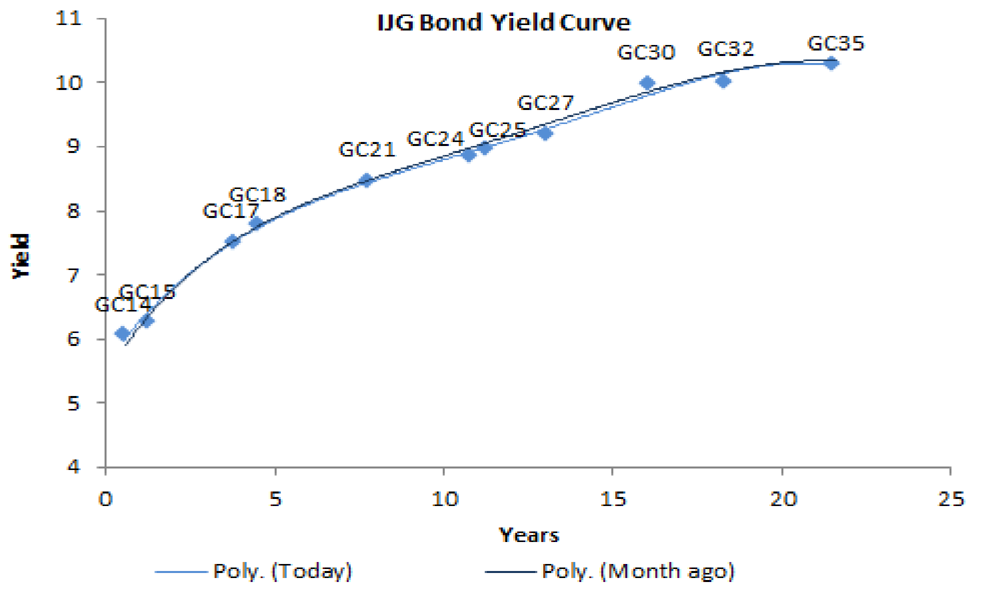
Bear Points:

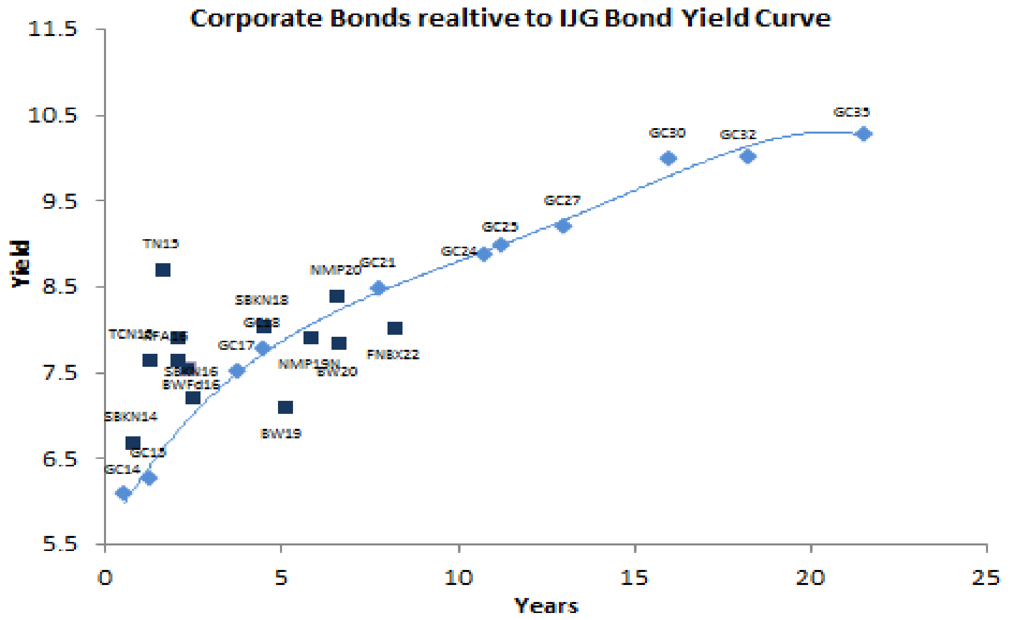
- Financial skills shortage

Bond Listings

- Bank Windhoek Holdings
- FNB Namibia
- Standard Bank Namibia
- Namibia Power Corporation
- Telecom Namibia
- Road Fund Administration

<u>30 December 2013:</u>





Financials: Banks

Standard Bank Namibia

Nature of Business: Standard Bank Namibia is one of the largest financial services groups in Namibia with a total asset base of N$18bn as at FY12. Standard Bank offers a full range of banking services as well as insurance broking, asset management, unit trusts and safe custodianship services.

Top Shareholders: Standard Bank Group (100%)

FY12 Highlights:
Standard Bank Namibia reported that profit for 2012fell 8% to N$276m. Revenue increased 11.8% to N$1.2bn while total assets grew by 12.3% to just over N$18bn. During the period, Standard Bank's loans and advances increased by 20.8% to N$12.3bn, while the funds in its current and deposit accounts grew by 6.9% to N$14.8bn

Standard Bank issued senior and unsecured notes, the SBKN15 and SBKN18, amounting to N$307m and 26m respectively. SBKN15 is a 3 year floating bond while the SBKN18 is a six year fixed paper. The SBKN 18 is benchmarked against the GC18, while the SBKN 15 is benchmarked against the 3-months Jibar rates.

Outlook: Despite the outlook for lower interest rates, the bank expected credit growth to be moderate over 2013.

Bonds: Standard Bank currently has four bonds in issue, namely the SBKN14, SBKN15, SBKN16 andSBKN18, amounting to N$643m listed on the NSX. SBKN14, SBKN15, SBKN16 and SBKN18are currently trading at premiums over their respective benchmark notes of 41bp, 105bp, 94bp and25bp, respectively. We view these bonds as being fairly priced at current rates.

Maturity dates for the bonds are as follows:

SBKN14:	23 October 2014
SBKN15:	11 July 2015
SBKN16:	7 July 2016
SBKN18:	7 July 2018

Bull Points:

- Large asset base
- Largest banking face to face customer footprint in Namibia

Bear Points:

- Government pressure to decrease banking fees
- Margin pressure
- Increasing interest rates on non-performing loans

Industrial: PARASTATAL

Namibia Power Corporation

Nature of Business: Namibian Power Corporation (NamPower) is Namibia's power utility which specialises in the generation and transmission of electricity. NamPower is the sole energy generator, trader and transmitter in Namibia. Electricity is generated by the 4 power stations; Van Eck, Ruacana Hydro, Paratus and Anixas.

Top Shareholders: Namibian Government (100%)

FY12 Highlights

NamPower'stotal revenue increased by 10.7% for the FY12, coming in at N$2.6bn. Profit before tax rose by 84.1% y/y, albeit coming off a low base after a fall of 66.9% in the previous financial year. The company has a negative taxation charge (as opposed to a tax break in FY11), and resultantly, profit after tax dropped by 14.8% y/y. Capital expenditure has been on the decline, where the FY 12 figure came 61.9% below that of FY11 and 80.4% below the FY10 figure.Units sold has been on the rise, and came in at 3,726GWh for the financial year.

Nampower reported that during the yearunder review, the Ministry of Mines and Energy introduced a National Energy Fund levy as part of the tariff increase,equivalent to 4.4%. This was included in the total tariff increase of 18.3% announced by the Electricity Control Board. The effective tariff increase awarded to NamPowerexcludingthe levy was thus 13.9%. As a result of the delays experienced in announcing the tariff increase, the new tariffs came into effect only on 1 September 2011, impacting negatively on Group revenue.

The commissioning of the ANIXAS Power Station in December2011 and Ruacana Fourth Unit that came into operation in March 2012 provided additional local generation capacity during the second half of the year. We expect to see this filter through to additional energy generation in FY13.

The power utility is soliciting a bid for the construction of the much-delayed 800MW Kudu gas-to-power plant, according to the Namibian, citing Business Day. The Kudu project near Oranjemund involves pumping gas from the Kudu filed about 170km offshore to a combined cycle gas power plant.

Fitch Ratings affirmed NamPower'slong-term foreign currency Issuer Default Rating (IDR) in April 2012 at 'BBB-' and Short-term IDR at 'F3'. Fitch has also affirmed NamPower's National Long-Term rating at 'AA-(zaf)' and its Short-Term rating at 'F1+(zaf)'. Both Long-term ratings have Stable Outlooks. The affirmation continues to reflect the alignment of NamPower's ratings with those of the Namibian sovereign ('BBB'/Stable).

Bonds: NamPower currently has two bonds, NMP19N and NMP20N, to the amounts of N$500m and N$250m respectively, listed on the NSX. The NMP20 bond has a coupon rate of 9.35% and is trading at a 90bp premium to its benchmark (R207), while the NMP19N has a 10.00% coupon and trades 13bps over the GC18.

Bull Points:

- Financial support from Government
- Electricity generation and transmission monopoly in Namibia

Bear Points:

- Expensive electricity generative fuels (diesel & coal)
- High electricity demand from mining sector
- High reliance on imported electricity

Industrial: PARASTATAL

Telecom Namibia

Nature of Business: Telecom Namibia Limited (Telecom) is the national telecommunications operator and sole fixed line service provider in Namibia. Telecom provides mobile telephony (Switch) and broadband – data network in addition to fixed line telephony.

Top Shareholders: Namibia Post and Telecommunication Holdings (100%).

FY12 Highlights:
Telecom's FY12 saw a 7% increase in revenue to N$1.22bn from N$1.14bn previously. Operating profit was reported at N$123.1m for the financial period, which represents an increase of 65.9% from the FY11 figure of N$74.2m. Company profit after tax rose to N$60.8m from N$50.6m in FY11. The group posted a profit of N$56.3m from the loss after tax of N$87.4m in FY11, and the even larger loss of N$122.2m reported in FY10.This growth is mainly attributable to the increased uptake of the broadband offerings (up 500% from 2009 to 2012) following the capital investment amounting to N$746m since 2009.

A deal to divestment in the 44% held associate MundoStartelwas concluded during the financial period, and will result in cash payments of N$2m and the issuance of N$12m in preference shares, to be redeemed over 10 years, Telecom advises.

Telecom Namibia announced on 28 November that the Communication Regulatory Authority of Namibia (CRAN) has formally cleared the Company's completed acquisition of Powercom (Pty) Ltd, trade name Leo, the country's second mobile operator. The transaction was already approved by the Namibia Competition Commission (NaCC) on 27 April 2012. CRAN's approval marks the final approval required for Telecom Namibia's overall transaction with Guinea Fowl Investments Two (Pty) Ltd to acquire 100% equity stake in Powercom (Pty) Ltd T/A Leo; effectively placing the Company under the full control of Telecom Namibia; and is described by the group as "imminent".

Following the acquisition of the mobile operator, Leo, Telecom Namibia announced that Chinese firm ZTE Corporation will upgrade the Telecom and Leo network at a cost of N$46m, according to the Namibian. The agreement with ZTE is reportedly expected to lead to the building of a unified mobile network that will provide Telecom and Leo with a fully transformed 2G/3G/4G networks.

Bonds: Telecom currently has five bonds in issue, the TCN15, TCN16, TCNF01, TN15 and TCNF02, with a total nominal amount of N$347m. The TCN15, TCN16, TCNF01, TN15 and TCNF02 are trading at premiums of 149bps, 175bps, 151bps, 255bps and 149bps relative to their respective benchmarks**.**

Bull Points:

- Fixed line monopoly
- Transition into an IP based company
- Completion of network infrastructure investment programme
- Increased market share in mobile telecommunication through Leo acquisition

Bear Points:

- Uncertainties presented by the market liberalisation process
- No experience in mobile network systems
- Competition from mobile operators

Industrial: PARASTATAL

Road Fund Administration

Nature of Business: The Road Fund Administration (RFA) was established on1April 2000 by the Road Fund Administration Act, Act No.18 of 1999. The objective of the RFA is to manage the road user charging system, to secure and allocate sufficient funding for a safe and efficient road sector in Namibia. Funding is primarily made available to the Roads Authority and Local Authorities for the construction, rehabilitation and maintenance of the national road network.

Top Shareholders: Namibian Government (100%)

Operational Highlights: The most recent financial results in our possession for the RFA are for the year ended 31 March 2010. The RFA reported a net surplus of N$1.0bn, down from N$1.1bn as at March 2009. Revenue increased by 12.9% y/y to N$1.2bn and operating expenses increased by 5.5%, primarily due to the increase in fuel levy refunds. At the end of the period under review, cash and cash equivalents stood at N$226.9m, up from N$59.3m reported as at the end of FY09.

Bonds: The RFA has N$330m nominal in RFA16 bonds in issue. The RFA16 has a coupon of 9.5% and is currently trading at a 150bp premium to the R157.

Bull Points:

- Powers to levy road user charges
- Government Guarantee on loan stocks
- Monopoly in collecting road user charges
- Good country rating by Fitch Ratings
- Well developed road network

Bear Points:

- High debt ratio
- Declining profit margins

Important Company Dates

Company	Share code	Fin year	Interims	Finals
Bank Windhoek Holdings	BWH	30-Jun	28-Feb	30-Sep
FNB Namibia	FNB	30-Jun	28-Feb	30-Sep
Namibia Asset Management	NAM	30-Sep	30-Jun	30-Nov
Trustco Group Holdings	TUC	31-Mar	31-Dec	30-Jun
Oryx Properties	ORY	30-Jun	28-Feb	29-Aug
Bidvest Namibia	BVN	30-Jun	31-Mar	30-Sep
Namibia Breweries	NBS	30-Jun	31-Mar	30-Sep
Truworths	TRU	30-Jun	30-Dec	30-Sep
Paladin Energy	PDN	30-Jun	31-Dec	30-Sep
B2Gold	B2G	30-Dec	30-Jun	31-Mar
Deep Yellow	DYL	30-Jun	31-Dec	30-Sep
Bannerman	BMN	30-Jun	31-Dec	30-Sep
Forsys Metal Corporation	FSY	31-Jan	31-Oct	30-Apr
Xemplar Energy Corporation	XEM	31-Dec	30-Sep	30-Mar
Marenica	MEY	30-Jun	31-Mar	30-Sep
Eco (Atlantic) Oil & Gas	EOG	30-Jun	31-Dec	31-Aug

Source: NSX, IJG

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