Emerging African Markets > Research

IJG Namibia Quarterly

"Constructing a mining and logistics boom"

2Q14

17 April 2014

Country	Namibia
NSX Local Index	1,084.00
NSX Overall Index	339.52

% Change over Quarter	
NSX Local Index	9.36
NSX Overall Index	4.23
IJG ALBI	0.04
IJG Money Mkt Index	1.34

End-of-Quarter Rates	
N$/US$	10.58
Prime Lending Rate (%)	9.25

2Q14 Overall Index Trading Stats	
Volume (m)	30.0
Value (N$m)	2,706.8

Year-to-Date % Changes (quarter-end)	
NSX Local Index	9.36
NSX Overall Index	4.23
IJG ALBI	0.04
IJG Money Mkt Index	1.34

Research Team

Analysts
Romé Mostert, CFA rome@ijg.net
Rowland Brown rowland@ijg.net
Jan-Hendrik Conradie janhendrik@ijg.net

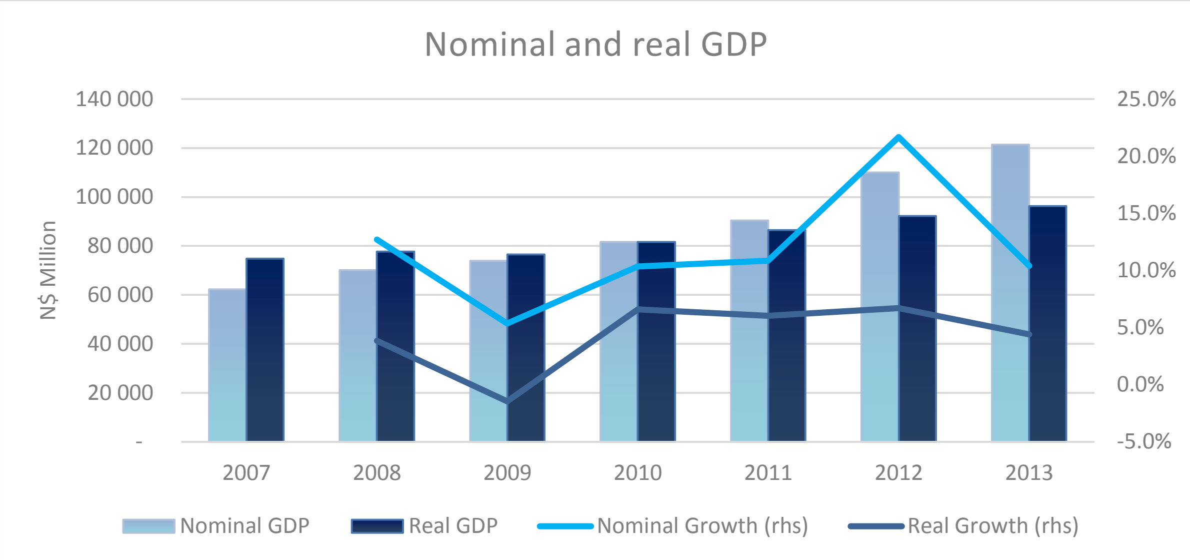
Dealers
Nigel Mubita nigel@ijg.net
Stuart Main stuart@ijg.net

Contents

Quarterly Economic Review:

National Accounts – Background

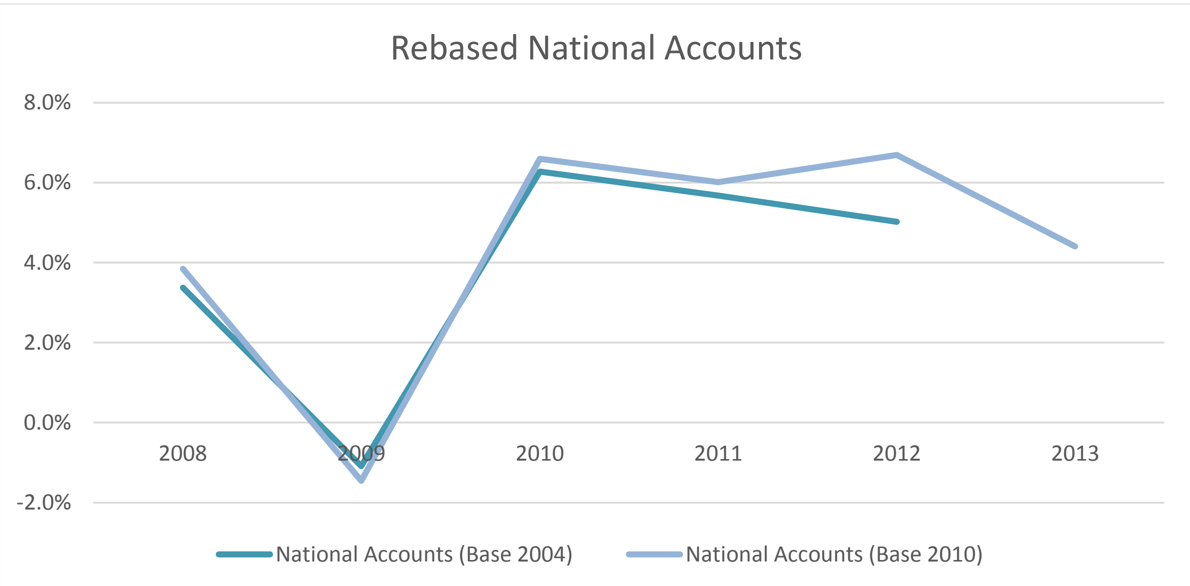
In early April, the Namibia Statistics Agency released the 2013 National Accounts, giving an indication of the performance of the economy over the past year. Additionally, the current year accounts were rebased, in-line with best practices, following the previous rebasing in 2004. While the rebasing was carried out in 2013, the constant price base is now set to 2010, when the last income and expenditure survey for the country was carried out. Following the rebasing, nominal GDP now stands at just below N$121.5bn, while real GDP stands at N$96.3bn. In 2013, nominal GDP expanded by 10.4%, and real GDP expanded by 4.4%.



Source: Namibia Statistics Agency, IJG Research

Rebasing

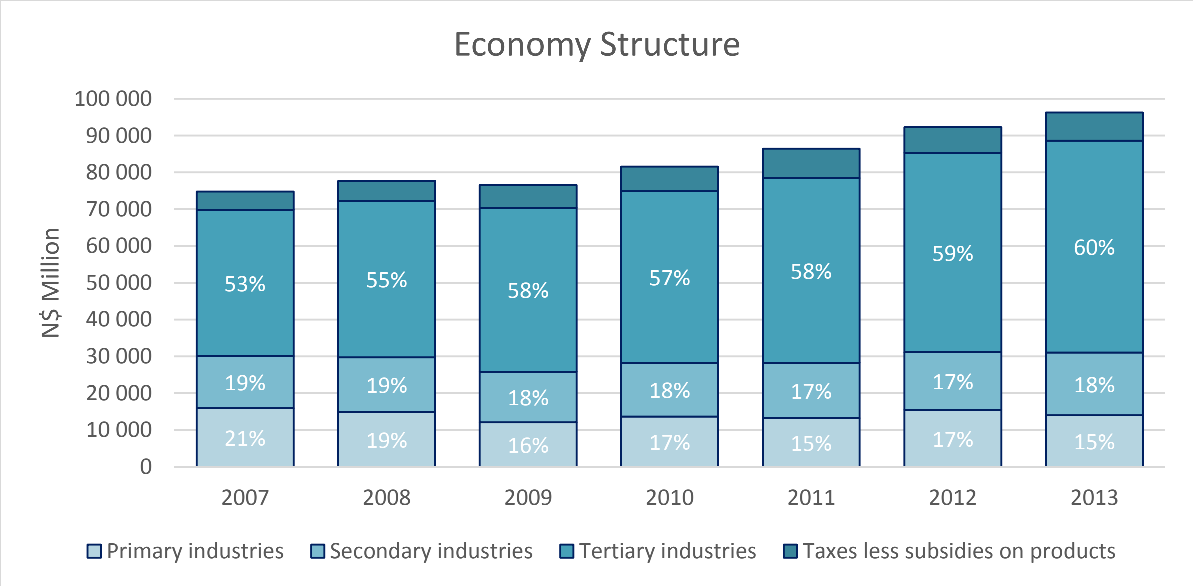
The recently rebased national accounts show a much improved growth picture for the three years leading up to 2012, with slight increases in 2010 and 2011, before a major increase in 2012. As such, these three years all registered 6 percent growth or more, before the fairly meek 4.4 percent expansion in 2013. Rather than showing weakness in the economy, however, the 2013 figure illustrates a level of resilience, as the sizable agriculture sector experienced a major contraction (26.9 percent) on account of a drought (should agriculture have experienced no growth, rather than such a contraction, overall growth could have been expected to register as high as 5.8 percent). The fact that the economy continued to grow at or around the long term mean, despite this contraction, illustrates an increasing level of diversification and resilience.



Source: Namibia Statistics Agency, IJG Research

It should be noted that the rebasing of the national accounts does not change the economy per se, and ultimately does not affect the man on the street. From a policy maker's point of view however, it allows for a more informed view of the changes in the economy, and where policy actions are working, failing, or required.

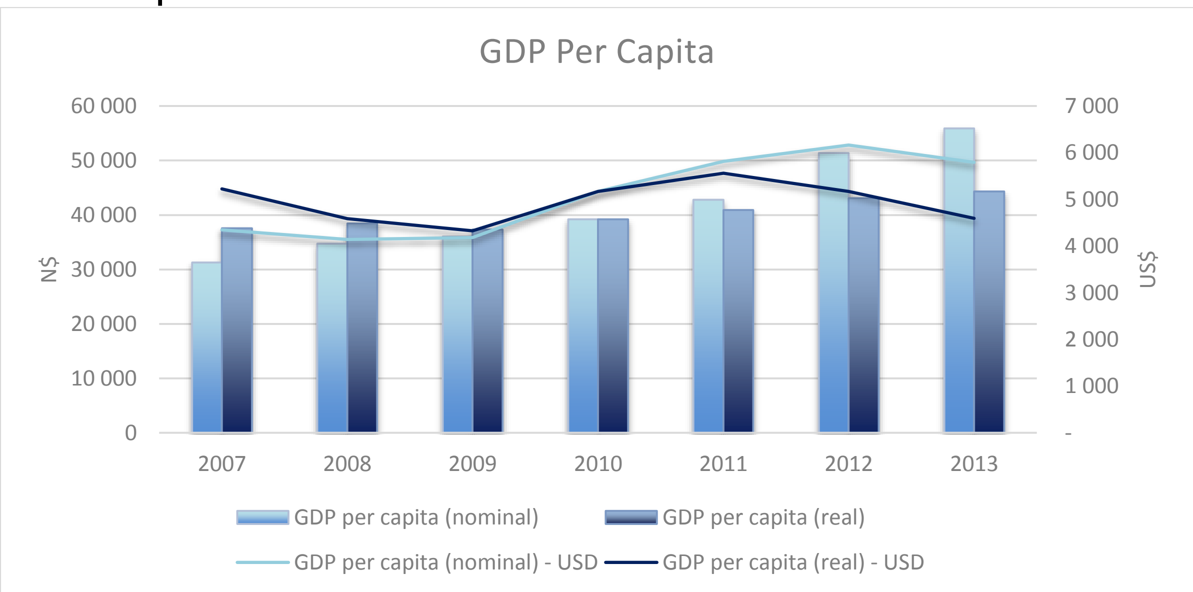
The Structure of the Economy



Source: Namibia Statistics Agency, IJG Research

Over recent years, much policy focus has been directed at a transformation of the structure of the local economy from a resource based, to a manufacturing and service based economy. While some of the change in structure witnessed in the chart above is statistical in nature (a reclassification of mineral manufacturing from mining – primary sector, to manufacturing – secondary sector), there has also been a notable structural shift towards a tertiary sector dominated economy, with a falling primary sector component, and a fairly stagnant relative contribution from the secondary industries.

GDP Per Capita



Source: Namibia Statistics Agency, IJG Research

While real GDP per capita has increased every year for the past seven years in Namibia Dollar terms, as GDP growth has outstripped population growth more than threefold, in US dollar terms, GDP per capita has been declining for the past two years. This is simply as a result of the major depreciation of the Rand versus the US dollar, with the former currency losing 73 percent over the past 32 months.

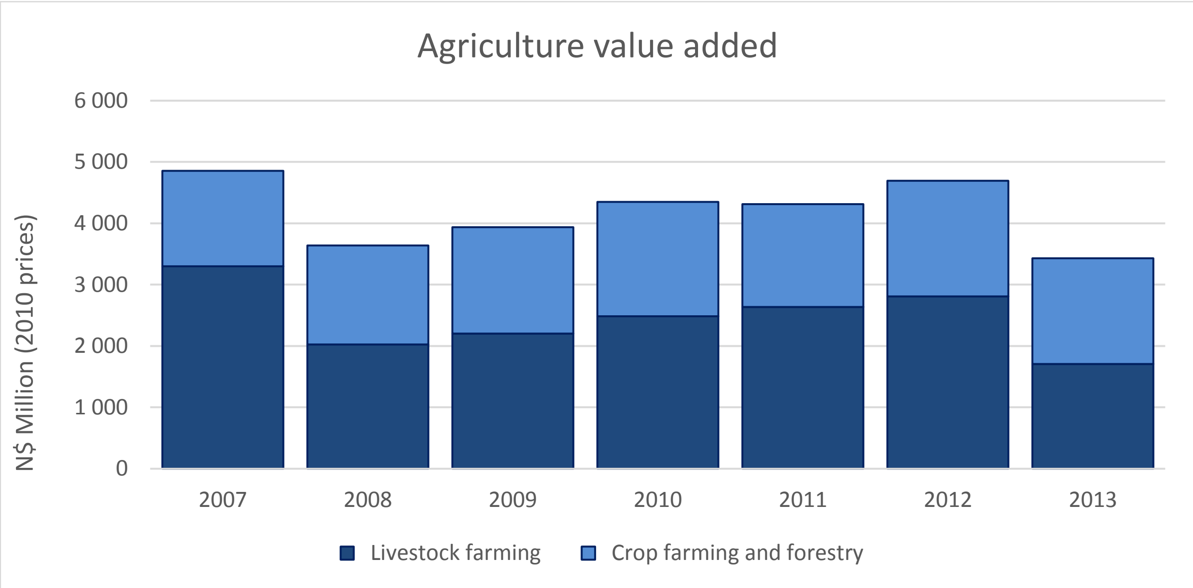
Supply Side

Growth for 2013, measuring a reasonable 4.4 percent, albeit down from the 6.7 percent outturn for 2012, was underpinned by the construction sector, which expanded by a whopping 35.2 percent. The primary sectors performed poorly on the back of a major contraction in agriculture (-26.9 percent) and minor contractions in fishing (-2.6 percent) and mining (-1.2 percent). The tertiary sector grew in-line with trend, at 6.4 percent, driven by financial intermediation (14.1 percent), and public administration and defence (8.9 percent).

Sectoral highlights

Agriculture Sector

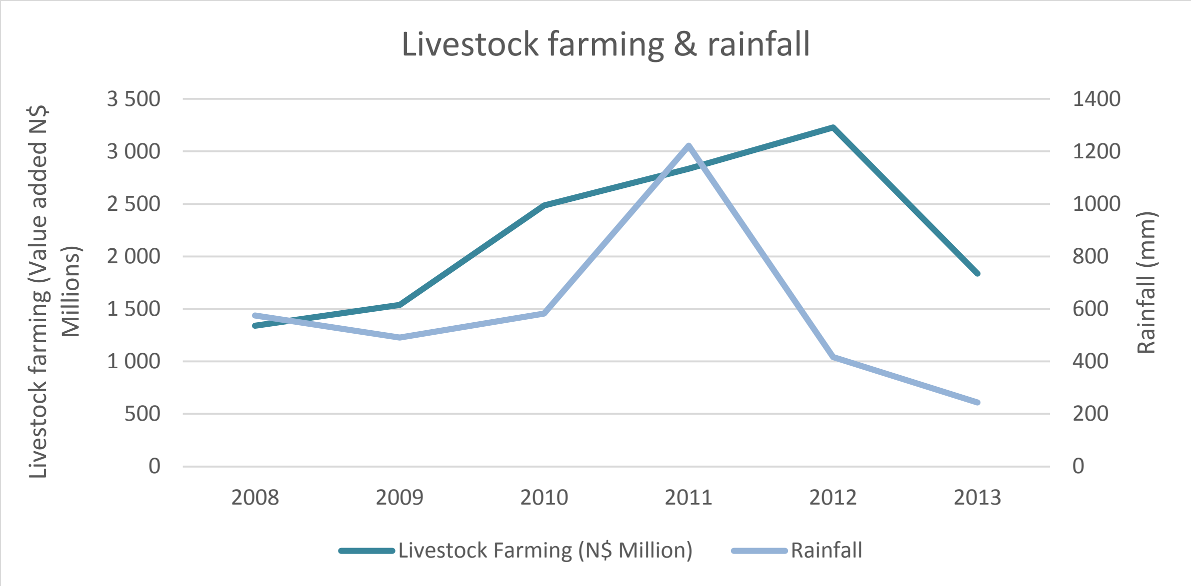
As expected, the agriculture sector saw a major contraction in 2013, on account of drought conditions in the country, and a major drawdown of cattle inventories (particularly) as measured by the sale of livestock outstripping the natural growth in livestock populations. Following confusion through much of 2013, with quarterly figures showing strong growth on the back of livestock sales, the NSA has now revised its method of computing agriculture figures, with calculations coming in-line with global best practices[1]. Thus, the sector as a whole contracted by 26.9 percent, livestock farming contracted by 39.2 percent and crop farming and forestry contracted by 8.6 percent. The relatively small contraction in crop farming was due to the fact that only a small percent of Namibia's crop production is dry land (i.e. rain dependent), with the majority being carried out under irrigation.



Source: Namibia Statistics Agency, IJG Research

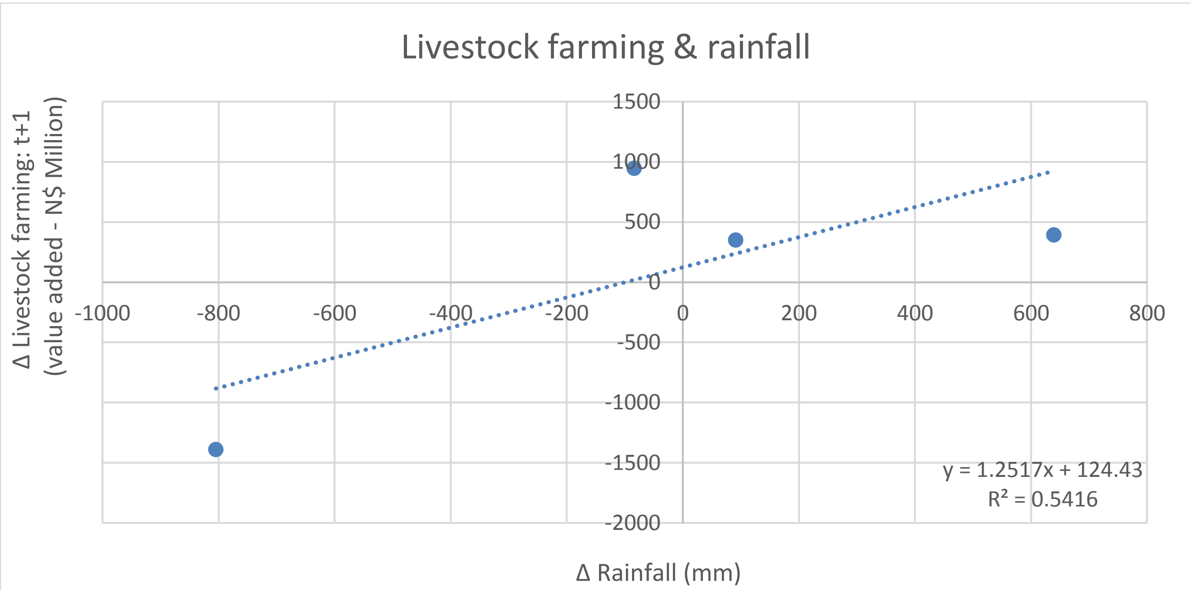
Following the methodological correction in the national accounts and the rebasing of such, there now exists a short time series in which the correct method of calculating agricultural GDP exists, and it appears that this series is relatively correlated to rainfall, particularly when it comes to livestock farming.

[1] Whereas the Central Bureau of Statistics (the predecessor of the Namibia Statistics Agency) used to measure agriculture growth at the point of sales of livestock or crops (thus implying that value was created at the point of sale only), the NSA now captures value as changes in inventories, adjusted for work in progress (i.e livestock being born and fattened or crops grown), and reflects sales as a reduction of work (thus a negative, rather than the positive previously shown). This correction sees the previously experienced, and counter-intuitive phenomenon, of drought years seeing abnormally strong growth in agriculture (due to inventory sell offs), reversed.



Source: Namibia Statistics Agency, IJG Research

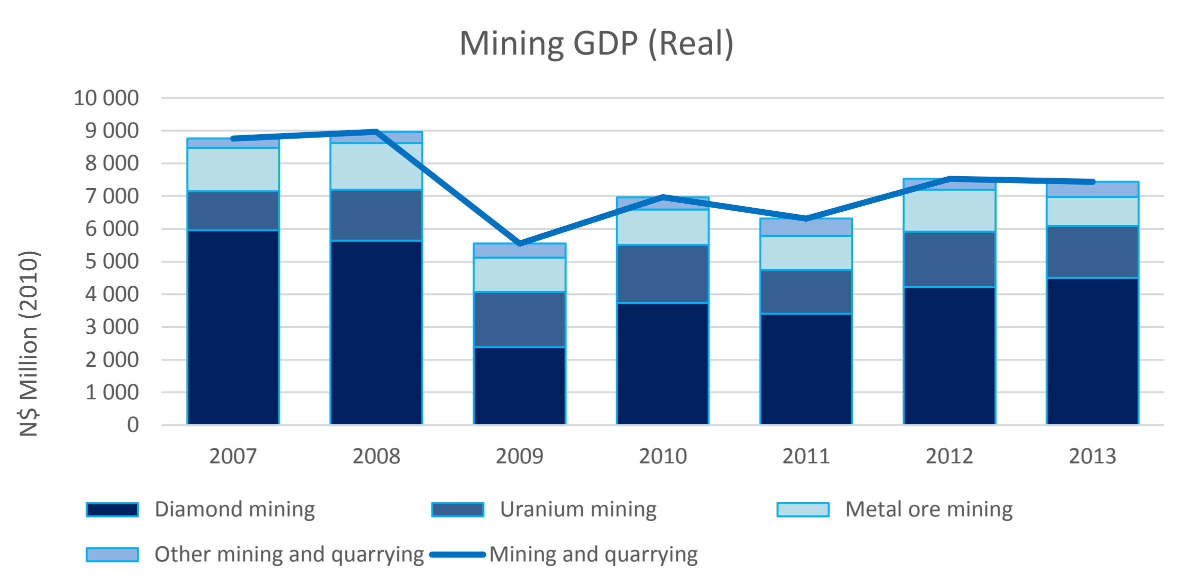
From the above graph, it appears that there is a relatively strong relationship between livestock farming value added, and rainfall, with a one year lag. A simple linear relationship, plotted on the graph below, suggests that a 10mm change in rainfall will have a N$12.5m impact on livestock farming value added the following year. However, while fairly intuitive, this estimate should be interpreted with care, due to the sparse number of data points from which it is derived.



Source: Namibia Statistics Agency, IJG Research

Mining Sector

The mining sector contracted by 1.2 percent in 2013, despite growth of 6.6 percent in diamond mining value added, and an increase of 42.5 percent in the relatively small residual component of "other mining and quarrying". The overall contraction was driven by a 6.9 percent decline in uranium output, as well as a 30.4 percent decline in metal ore output. Following the growth in diamond output, Namdeb is now operating at approximately full capacity, and further growth is unlikely in 2014. Uranium output in 2013 declined on account of a leach tank blowout at Rössing Mine in December, which effectively stopped production in the final month of 2013, however notable recovery is expected in 2014.



Source: Namibia Statistics Agency, IJG Research

Mining GDP remains dominated by diamond mining which make up approximately 60% of the value added in the sector in 2013. The remaining 40 percent is split between uranium mining (21%), metal ore mining (12%) and other mining and quarrying (7%). Over recent years, uranium mining has been capturing an ever increasing percent of total value added in the mining sector, a phenomenon that can be expected to continue as Namdeb's activities approach their "life of mine", and as the new Husab mine comes on-stream. In the same vein, metal ore mining should see strong growth in 2014 and 2015, as the new Otjikoto gold mine, and Tschudi copper mine, start production.

The mining sector often drives much of the differential between nominal and real GDP, as the sector not only represents a significant percent of the country's total GDP, but is also one of the most susceptible sectors to global commodity price changes.

Construction

Construction growth lead overall growth in 2013, as a result of what can only be described as a construction boom in the local economy. Following below trend growth of 7.2 percent in 2012, real growth in 2013 registered at 35.2 percent. This major increase was on account of extensive construction activity from both the public and the private sector. Notable for 2013 was the on-going construction of three mines, a first for the country. Between the Husab uranium mine, the Otjikoto gold mine and the Tschudi copper mine, a vast injection of capital was seen into the construction sector. When complete, construction growth will in all likelihood see a contraction or slowdown, while mining growth should take over, with these three mines more than doubling the country's output capacity of gold, copper and uranium when at full production.

Additionally, Government continues to run an expansive fiscal budget, with a reasonable percentage of such allocated to various construction activities, through the development budget and transfers to state owned enterprises. In this regard, the development budget covers the upgrading of large tracts of logistics infrastructure, notably roads, railways and airstrips, while transfers to state owned enterprises see funds allocated to the Kudu-Gas-to-Power project, NamPort Expansion and the Mass Housing Scheme, amongst others.

Going forward, a number of sizable projects remain in the pipeline, as can be seen below.

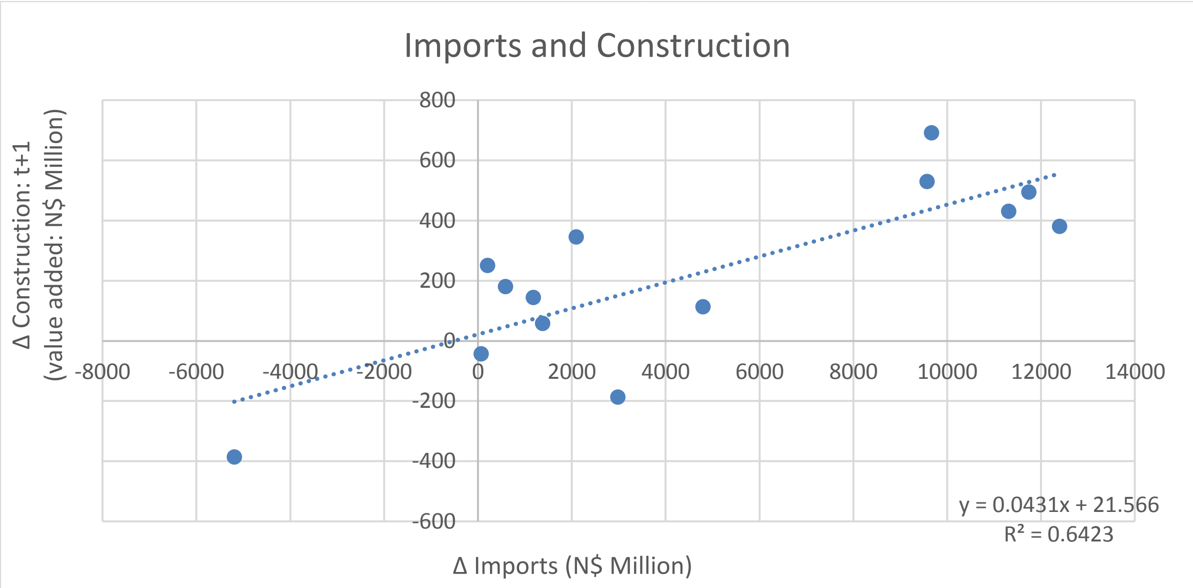
Project Name	**Region/Area**	**Estimated Cost (N$m)**	**Commencement**	**Completion**
Mass Housing development program	Nation wide	45 000	2013	2030
Husab Mine	Swakopmund	20 000	2013	2014
Luderits LPG Gas Plant	Luderitz	5 000	2013	?
New container terminal at Walvis Bay	Walvisbaai	3 380	2014	2016
Liquefied Petroleum Gas (LPG) plant	Luderitz	3 000	2014	?
Neckartal Dam	Karas Region	2 720	2014?	?
Dundee Precious Metals	Tsumeb	2 400	2012	2014
Tschudi Mine	Tsumeb	2 300	2013	2017
Otjikoto Mine	Near Otavi	1 340	2013	2014
Kudu Gas	Offshore Namib-coast	1 100	2014?	2016
The Grove Mall	Windhoek	922	2012	2014
Luderitz Water Front Development	Luderitz	700	2013	2016

Maerua shopping centre-expansion	Windhoek	430	2013	2014
FNB Plaza	Windhoek	425	2013	2014
SAB Miller Okahandja Brewery	Okahandja	420	2013	2014
Lady Pohamba private hospital	Windhoek	380	2013	2015
Walvis Bay private marina development	Walvisbaai	350	2013	?
Strand Hotel	Swakopmund	342	2013	?
Etosha Galton Gate	Kamanjab	300	2013	2014

Source: Various, IJG Research

It should be noted that this boom in construction activity has put substantial pressure on the country's trade balance and thus balance of payments as a whole, as the import component of construction is relatively large due to the nascent nature of the Namibian manufacturing industry, and thus its inability to provide the bulk of the inputs required for large scale construction.

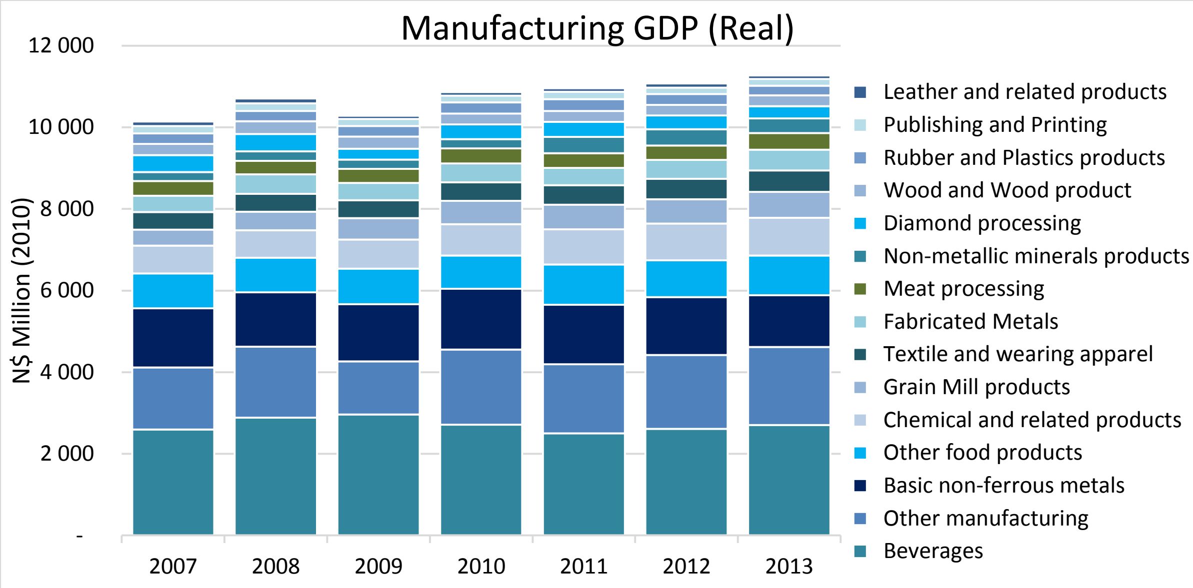
Nevertheless, as with construction activities, these imports are transitory in nature, and should result in increased exports, or import substitution, going forward. As can be seen below, there is a strong positive relationship between the change in imports, and the change in construction value added a year later. This relationship serves as a leading indicator for construction activities, and based on strong growth in imports through 2013, the construction outlook for 2014 is highly positive, in excess of 30 percent in real terms.



Source: Namibia Statistics Agency, IJG Research

Manufacturing sector

Overall, manufacturing expanded by 2.2 percent in 2013, in real terms, driven by growth in beverage production, food production and meat processing. The former two are likely to be on account of the depreciated exchange rate, improving the revenue derived for exported products, while the latter was on account of a vast increase in cattle sales on the back of a drought in the country.



Source: Namibia Statistics Agency, IJG Research

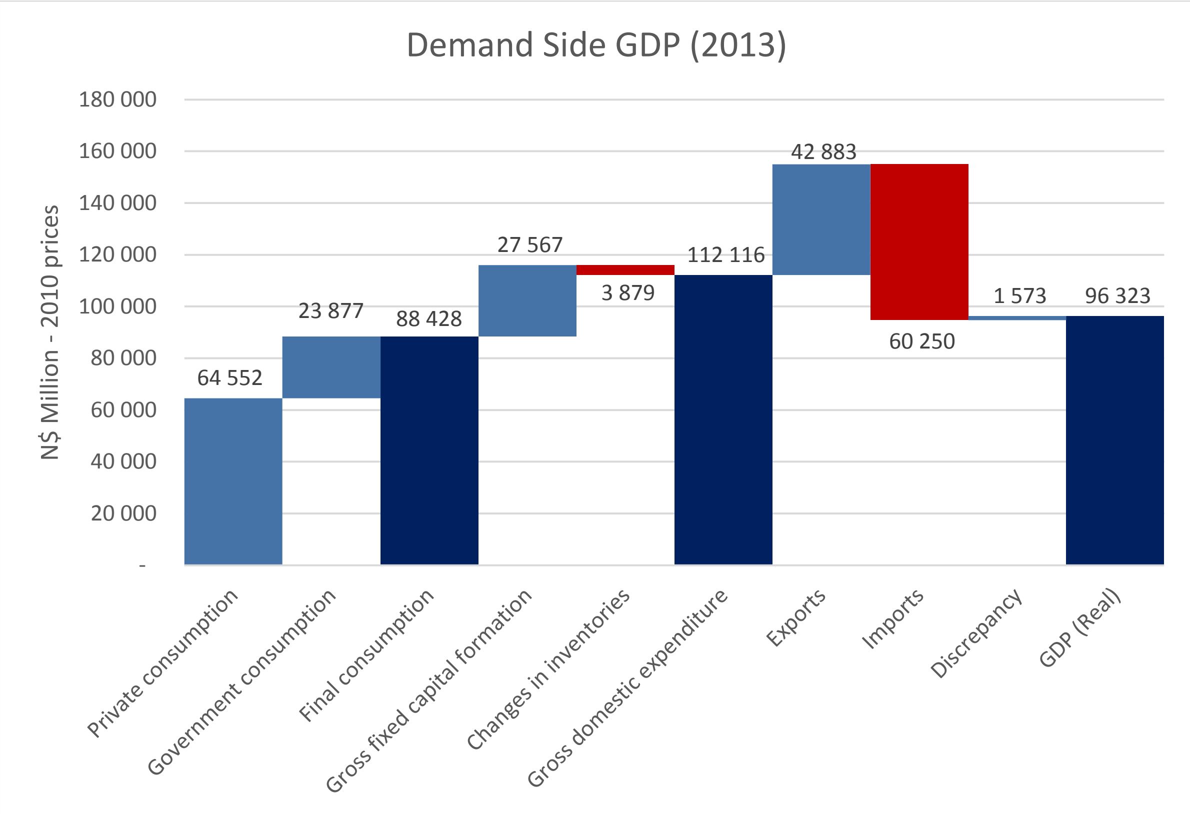
In the rebased national accounts released this year, manufacturing has, for the first time, been disaggregated into a number of sub-components, giving a more comprehensive view of the sector.

Demand Side

On the demand side, the breakdown of final consumption expenditure, between government and private sector, has changed little over the past seven years, despite Government's ever increasing expenditure relative to GDP. On the gross fixed capital formation (GFCF) front, a large expansion of 20 percent was seen in 2013, following a 9.5 percent contraction the previous year. Additionally, the current account deficit widened from a N$13.9bn deficit in 2012, to a deficit of N$17.4bn in 2013, on account of ballooning import volumes.

Expenditure category	2009	2010	2011	2012	2013
Final consumption expenditure	76 547	74 783	78 630	82 681	88 428
Private	56 953	54 809	57 219	60 764	64 552
General government	19 593	19 974	21 412	21 917	23 877
Gross fixed capital formation	16 985	18 968	25 362	22 953	27 567
Changes in inventories	-2 066	-2 550	-2 523	-1 458	-3 879
Gross domestic expenditure	**91 466**	**91 201**	**101 470**	**104 176**	**112 116**
Exports of goods and services	36 455	34 786	34 696	38 303	42 883
Imports of goods and services	52 143	46 296	45 121	52 186	60 250
Net Exports	**-15 689**	**-11 510**	**-10 426**	**-13 884**	**-17 367**
Discrepancy	744	1 878	-4 571	1 966	1 573
Gross domestic product at market prices	**76 522**	**81 569**	**86 473**	**92 258**	**96 323**

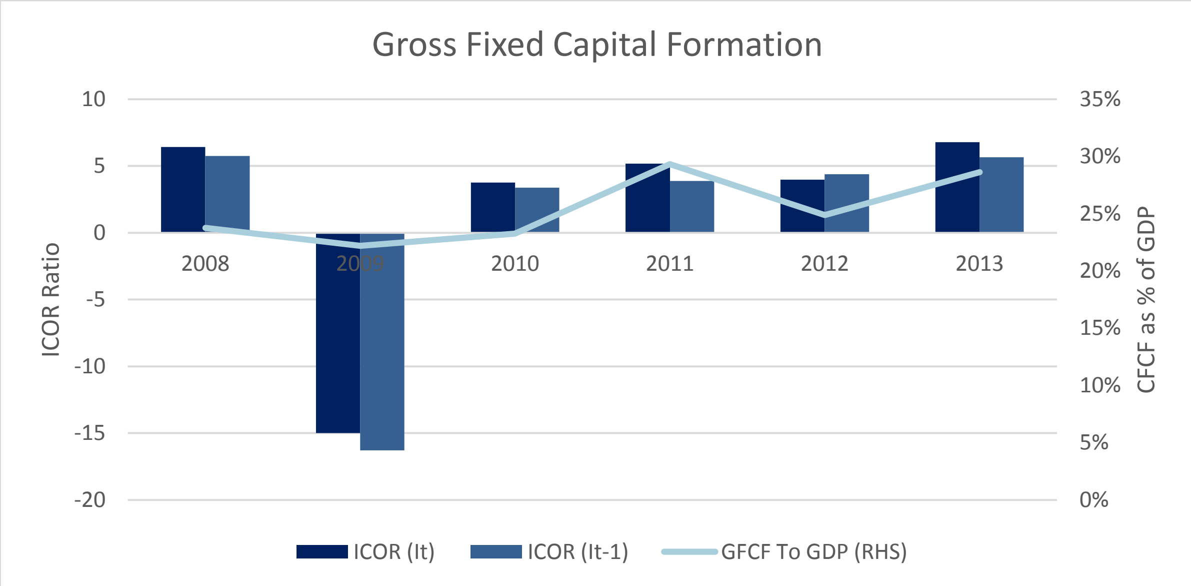
Source: Namibia Statistics Agency



Source: Namibia Statistics Agency, IJG Research

Gross fixed capital formation

The major increase in gross fixed capital formation is on account of the strong growth seen in construction activities, and the resultant major growth seen in imports of machinery and equipment.



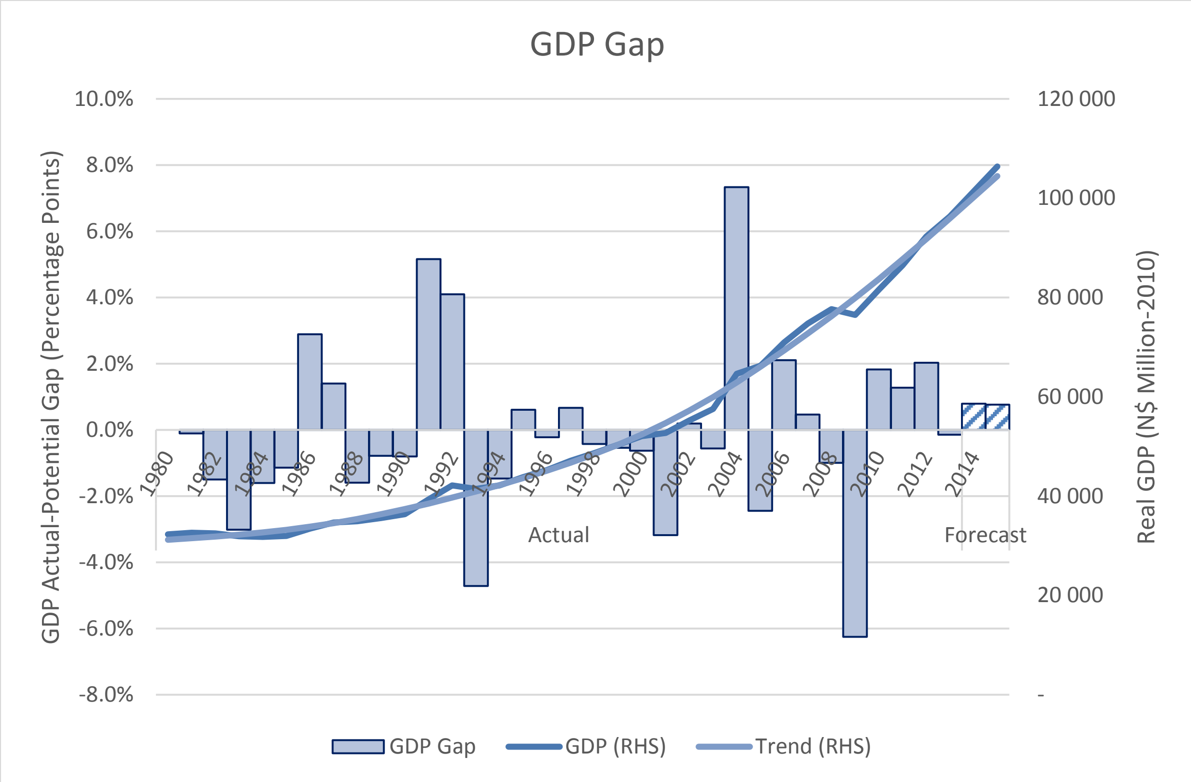
Source: Namibia Statistics Agency, IJG Research

The current level of gross fixed capital formation bodes well for growth in 2014 and beyond, as current day capital investment can be expected to deliver growth returns in the future. An adapted Incremental Capital Output Ratio (ICOR) calculation (substituting gross fixed capital formation for investment), illustrates a marked increase in ICOR, suggesting a notably lower level of productive efficiency in 2014, than in previous years. This increase is on account of strong investment in 2013, and relatively low growth, and is likely to reverse in 2014, as growth strengthens (with strong investment remaining intact).

Actual and potential growth

By dissecting growth into its trend and cyclical components, one can estimate the difference between actual GDP and the long run potential level of GDP, and in so doing, the level of output gap in the country.

The GDP gap or the output gap is the difference between actual GDP and potential GDP. If this calculation yields a positive number it is called an inflationary gap and indicates the growth of aggregate demand is outpacing the growth of aggregate supply—possibly creating inflation; if the calculation yields a negative number it is called a recessionary gap—possibly signifying deflation. In 2013, the gap was negative in Namibia on account of the contraction in agriculture, however going forward, based on IJG projections, the negative gap is expected to turn positive, as the economy's growth accelerates in 2014 and 2015. In 2014, we are expecting a positive output gap of 0.8%, which if left unabated could result in demand side inflation, as aggregate demand increases beyond aggregate supply. In some ways this is already visible in the local economy, as demand for the likes of power, water and housing, are opening ever increasing gaps over the supply thereof. The expected overheating economy should result in a macroeconomic policy response from the Bank of Namibia and Ministry of Finance, who should increase interest rates, and decrease spending, to put the brakes on the economy.



Source: Namibia Statistics Agency, IJG Research

Outlook

Going forward, the growth outlook for 2014 remains extremely positive as a rebound in agriculture is expected -coming off a low base-, coupled with strong growth in mining, moderate growth in manufacturing and extremely strong growth in construction -despite coming off a high base from 2013- all multiplied by the ongoing fiscal injection from Government. In our economic outlook (January 2014), we forecast growth of 5.2 percent in 2014, which forecasts we will reassess mid-year, however, given subsequent developments, it is highly likely that this figure will see upward revision.

Economic Data Snap Shot

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Inflation (y/y)	6.1%	6.1%	6.2%	5.8%	6.0%	5.4%	4.9%	4.4%	4.9%	4.9%	5.2%	5.2%
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$/US$	9.02	10.09	9.88	9.80	10.36	10.09	9.95	10.20	10.42	11.21	10.70	10.58
N$/AUD	9.27	9.66	9.03	8.88	9.25	9.39	9.43	9.29	9.28	9.86	9.59	9.78
N$/CAD	8.95	9.73	9.39	9.51	9.84	9.78	9.49	9.64	9.79	10.05	9.62	9.56
Vehicle Sales (y/y)	-2.4	13.8	11.7	16.7	3.9	31.6	41.2	49.3	34.2	58.1	65.7	65.2
Passenger	7.0	16.8	-0.5	21.7	-5.1	56.5	45.3	51.6	35.3	67.9	37.5	77.1
Commercial	-8.7	11.2	24.0	12.7	11.0	14.6	37.5	47.4	38.9	50.0	94.7	54.8
M2 Money Supply (y/y)	11.9	9.7	7.7	12.8	12.4	10.5	14.7	13.3	12.8	8.8	11.0	*
PSCE (y/y)	14.1	14.9	15.5	14.8	13.8	13.4	13.9	13.3	14.4	14.4	15.7	*
Business	14.5	16.3	16.6	15.4	12.6	11.4	11.9	11.1	13.2	12.6	17.1	*
Individuals	13.7	14.0	14.8	14.4	14.5	14.5	15.0	14.7	15.0	15.4	14.7	*

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

Capital Market Review: BondsCashEquities

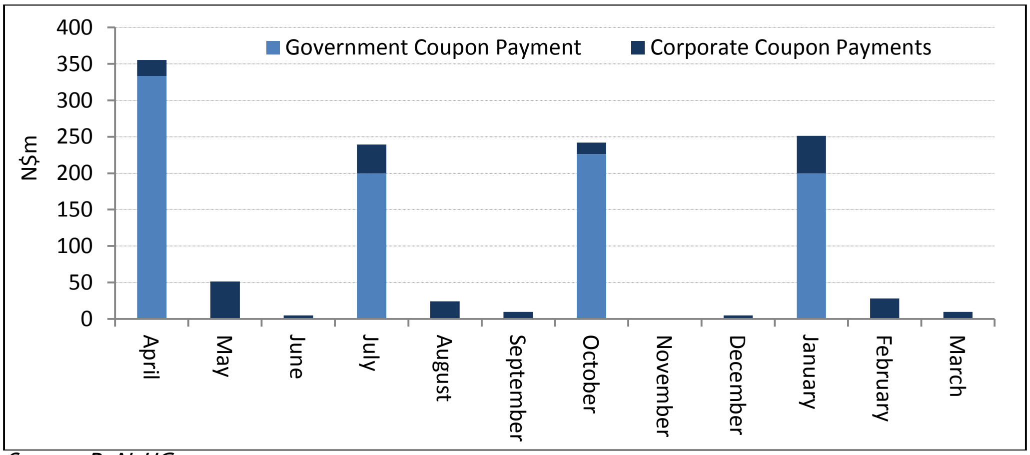
Bonds

We have started to see a change in market sentiment and demand. Despite all auctions being fully allocated we have noticed a decrease in demand across the curve. This is highlighted in the table below.

	January		February		March	
	Amount Bid	Allocated	Amount Bid	Allocated	Amount Bid	Allocated
GC17	176.6	40	95.5	40	61	40
GC18	136.55	40	145.71	40	67	40
GC21	-	-	37.7	10	-	-
GC24	85	20	44.64	20	42.3	20
GC25	84.5	30	95.2	30	47.5	30
GC27	66.2	20	58.9	20	23.5	20
GC30	36	15	29.5	10	15.9	10
GC32	16	10	17	10	10.5	10
GC35	25	10			17.7	100

Source: BoN, IJG

Reasons for the decrease in demand can be partially attributed to coupon payment, in January we saw high demand when there was a coupon payment but demand dropped off towards March. We are expecting to see high demand again in April as coupons are paid.



Source: BoN, IJG

The decline in demand also resulted in spread compression slowing although spreads did compress over the quarter, the rate was much slower than previous months. We have seen spreads compress significantly since Q1 2013 and have been expecting spread compression to slow.

This Quarter Comparison

	Previous	Current	BPS change
GC15	12	12	1
GC17	59	53	(6)
GC18	57	56	(0)
GC21	82	79	(3)
GC24	69	71	2
GC25	80	75	(5)
GC27	104	106	2
GC30	122	120	(2)
GC32	124	121	(3)
GC35	132	130	(2)

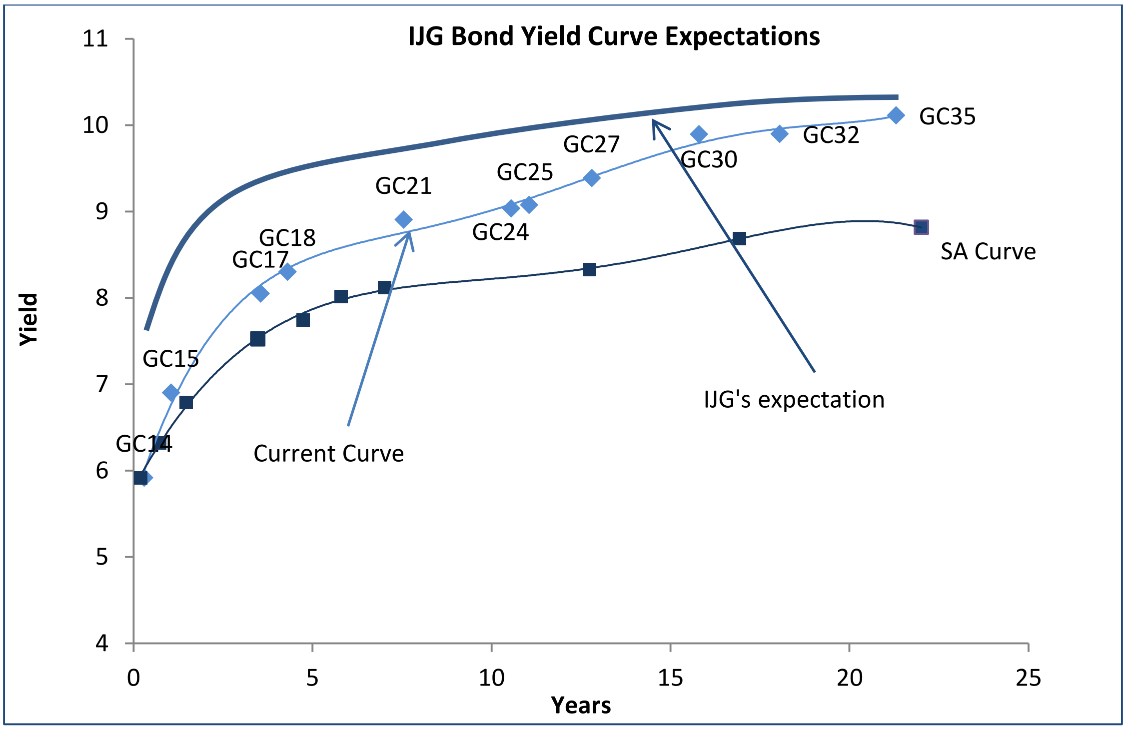
Source: IJG

	2013 Q1	Q2	Q3	Q4	2014 Q1
GC15	84	84	66	12	12
GC17	79	81	68	59	53
GC18	99	83	64	57	56
GC21	100	92	87	82	79
GC24	93	94	84	69	71
GC25	-	-	91	80	75
GC27	110	112	111	104	106
GC30	116	112	116	122	120
GC32	-	-	131	124	121
GC35	-	-	137	132	130

Source: IJG

We do not expect to see spreads continue compressing going forward on the back of the interest rate outlook, despite continued foreseeable high demand. On the short end we expect to see spreads widen and on the long end we also see spreads widen but not as aggressively.

IJG expects interest rates to increase by 150bps over the next 18 months. This is expected to cause the curve to flatten over the period, as shown below.



Source: IJG

Issuance for 2014/2015

We welcome the increase in issuance in Government bonds from N$2.1bn to N$3.13bn.

Issuance 2013/ 2014	2,100,000,000
Issuance 2014/2015	3,130,000,000
Increase	1,030,000,000
% Increase	49.0%

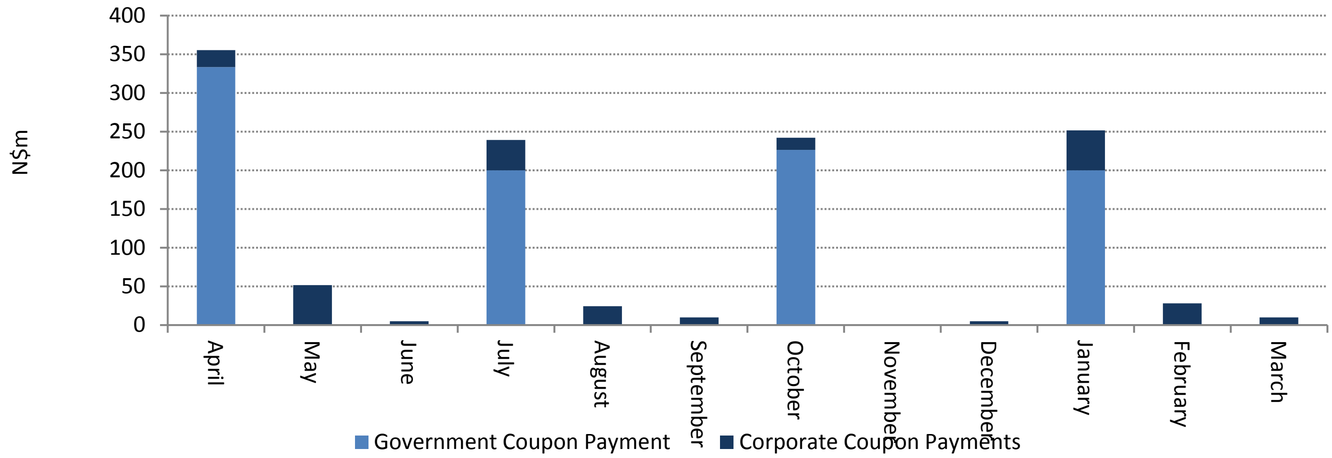
Source: BoN, IJG

We do not anticipate any issues with the market absorbing the increase in issuance on the back the GC14 maturing and on coupon payments. We expect the N$640m “surplus” to be taken up by normal monthly pension fund contributions.

GC14 Maturity	1,530,000,000
GRN Coupon Payment	959,572,550
New Money	2,489,572,550
Total Issuance	3,130,000,000
Surplus	640,427,450

Source: BoN, IJG

Total Coupon Payments

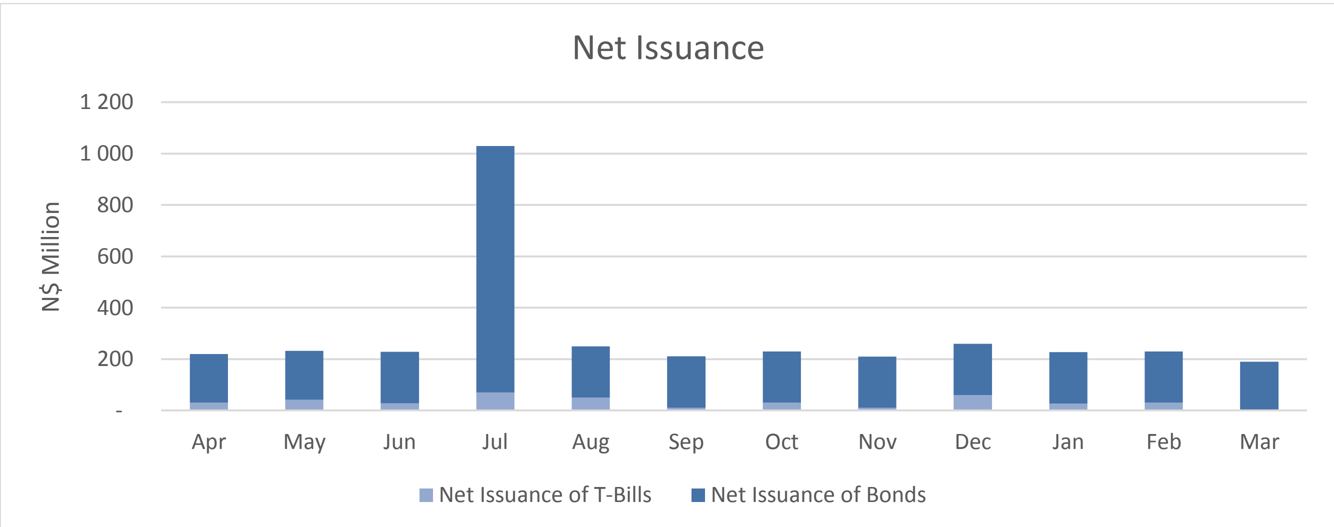


Source: NSX, BoN, IJG

Monthly Issuance

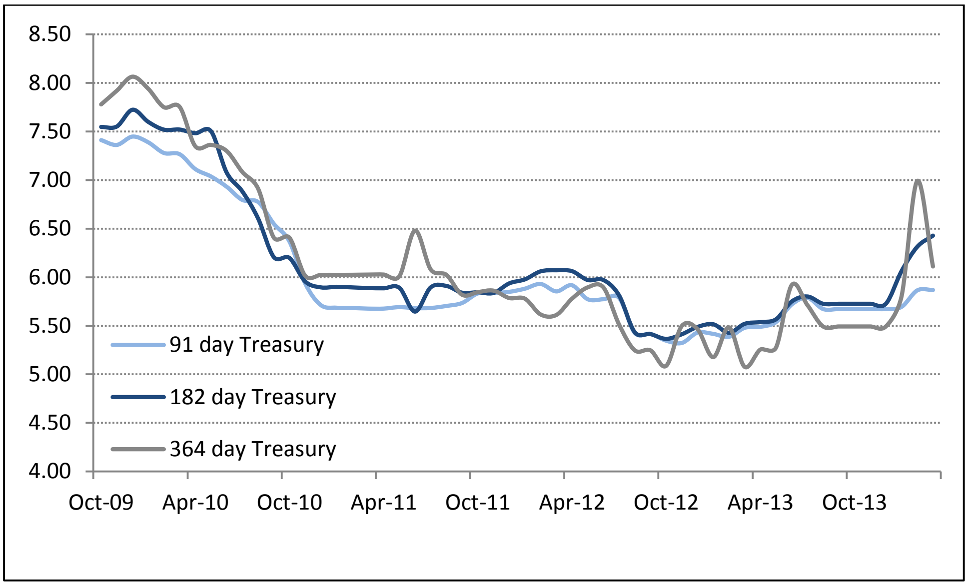
Issuance	April	May	June	July	August	September	October	November	December	January	February	March	Total
GC17	40	40	40	200	40	40	40	40	40	40	40	40	**640**
GC18	30	30	30	150	30	30	30	30	30	30	30	30	**480**
GC24	20	20	20	150	20	20	20	20	20	20	20	20	**370**
GC25	40	40	40	200	40	40	40	40	40	40	40	40	**640**
GC27	20	20	20	60	20	20	20	20	20	20	20	20	**280**
GC30	20	20	20	60	20	20	20	20	20	20	20	20	**280**
GC32	10	10	10	50	10	10	10	10	10	10	10	10	**160**
GC35	10	10	10	50	10	10	10	10	10	10	10	10	**160**
GC37	-	-	10	20	-	10	-	10	-	10	-	-	**60**
GC40	-	-	-	20	10	-	10	-	10	-	10	-	**60**
Total	**190**	**190**	**200**	**960**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**190**	**3,130**

Source: BoN, IJG



Source: BON, IJG

Treasury Bills



Source: BoN, IJG

On the back of the SARB increasing the repo rate we have seen treasury bill yields also being bid higher. We expect this trend to continue in line with our view on the interest rate cycle. By the end of the year we could possibly be seeing treasury yields higher by 100bps.

Net issue in treasury bills remains low over the 2014/2015 period at only N$387m compared to N$439m the previous year. The low net issuance in treasury bills could have a marginal impact on yields.

Equities

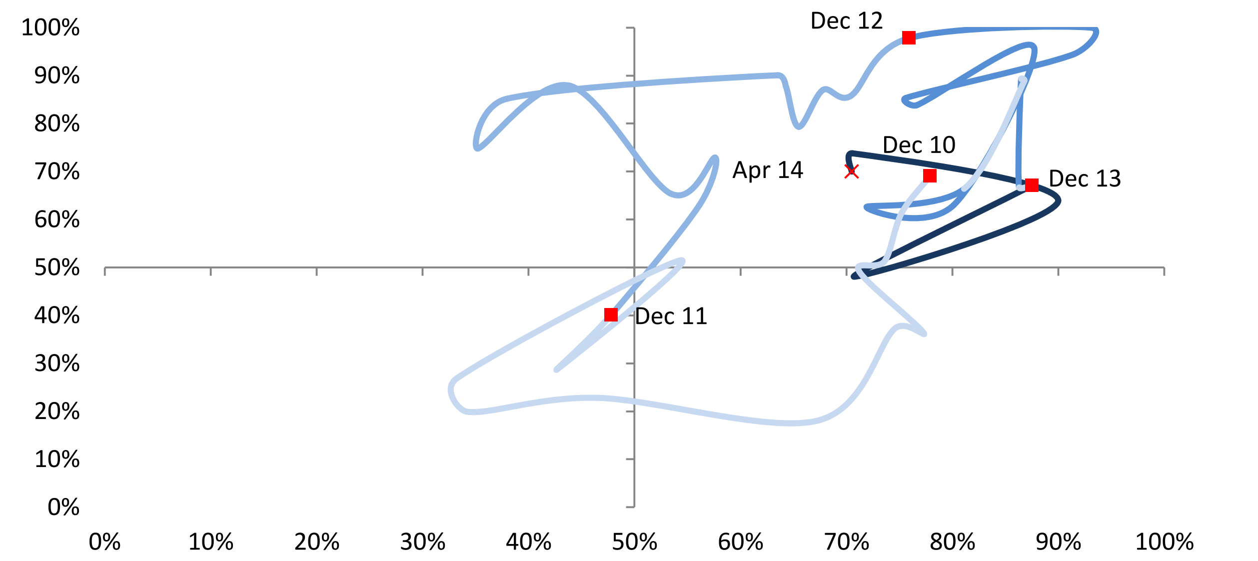
Timing Tool

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.

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. Despite seemingly stretched valuations we indicated before that we are not concerned over market levels as long as earnings meet up to expectations.

In our view the past earnings season saw valuations trending back into more reasonable levels (as expected per our previous quarterly). Current valuations in conjunction with current sentiment levels lead us to be very bullish, looking to buy into any near term weakness. Our timing model predicts an 86% probability that the market will be higher in three months' time with earnings momentum and revisions likely to lead the market higher.

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

Recommendation

In our view the global business cycle is continuing the transition from its early expansion phase into the late expansion phase as we have highlighted in our 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). Within the bond asset allocation we do however prefer longer duration over shorter duration, based on the view that the yield curve has factored in the interest rate hiking cycle, with the shorter end to react and be more sensitive to the actual increases.

We take a **neutral view on cash**. 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
Bidvest Namibia	Namibia Breweries
Bank Windhoek	
NSX Overall Index	
Investec Ltd	Vukile Properties
Barloworld Ltd	African Oxygen Ltd
Old Mutual Plc	Shoprite Holdings
Sanlam Ltd	Truworths International Ltd
JSE Top40 Index	
Steinhoff International	Mediclinic International
Naspers Ltd	Barclays Africa
AngloGold Ashanti Ltd	Exxaro Resources
Anglo American Platinum Ltd	Discovery Ltd
Capital & Counties Properties Plc	Woolworths Holdings
Sasol Ltd	Growthpoint Properties
Mondi Ltd/Mondi Plc	Kumba Iron Ore Ltd
Investec Ltd/Investec Plc	Tiger Brands Ltd
African Rainbow Minerals Ltd	Shoprite Holdings
Reinet Investments SA-DR	Imperial Holdings

Source: IJG

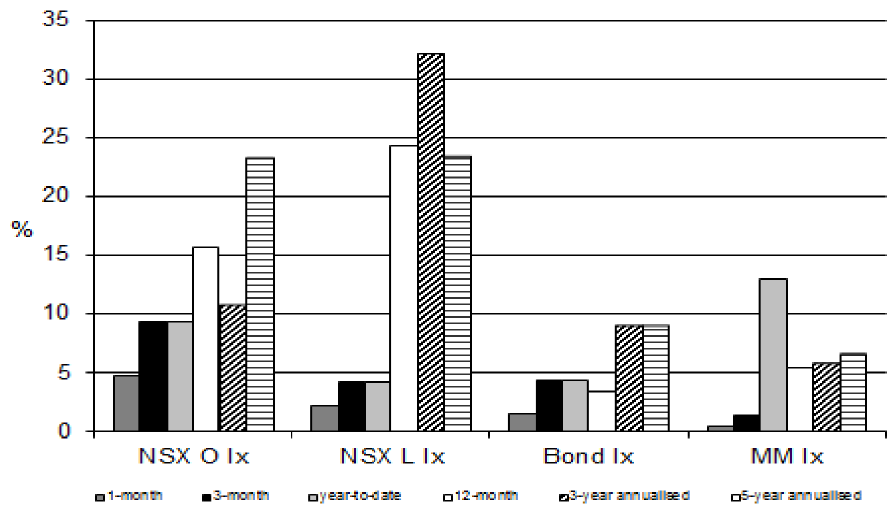
Namibian Asset Performance

The **NSX Overall Index**closed at 1,084.00 points in March, up from 1,039.76 points in February, gaining 4.78% on a total return basis in March compared to a 6.28% m/m increase in February. The NSX Local Index increased 2.22% m/m compared to a 4.23% m/m increase in February. Over the past 12 months the NSX Overall Index returned +15.66% against +24.36% for the Local Index. The best performing share on the Overall Index in January was Namibia Asset Management at +29.64%, while B2Gold was the worst performer at -3.60%.

The IJG All Bond Index (including Corporate Bonds) rose 1.56% m/m in March after losing 2.07% m/m in February. Namibian bond premiums relative to SA yields in March generally strengthened, with the GC17 premium strengthening 3bp to 53bp; the GC18 premium strengthening 2bp to 56bp; the GC24 strengthening 1bp to 71bp; the GC25 premium strengthening 2bp to 75bp; the GC27 weakening 2bp to 106bp; the GC32 strengthening 1bp to 121bp; and the GC35 weakening 1bp to 130bp.

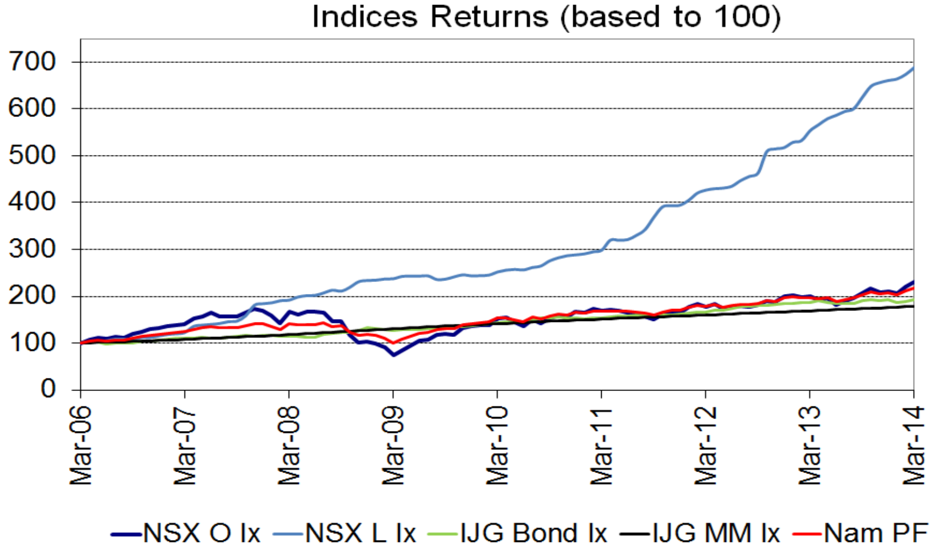
The IJG Money Market Index (including NCD's) increased by 0.47% m/m in March after rising 0.42% m/m in February.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

Namibian Returns by Asset Class [N$,%] – March 2014

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	4.78	9.36	11.30	15.66	9.36	10.64	20.95
NSX Local Index	2.22	4.23	10.27	24.36	4.23	32.15	23.32
IJG ALBI	1.56	0.04	1.20	3.47	0.04	8.95	9.46
IJG GOVI	1.58	0.26	1.41	3.90	0.26	9.01	9.53
IJG OTHI	1.46	-1.09	0.10	1.32	-1.09	8.69	9.35
IJG Money Market Index	0.47	1.34	2.71	5.44	1.34	5.66	6.36

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] – March 2014

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	1.61	-0.38	-4.18	-12.54	-0.38	-13.67	-1.88
NSX Overall Index	6.47	8.94	6.65	1.16	8.94	-4.48	18.67
NSX Local Index	3.87	3.83	5.66	8.77	3.83	14.08	21.00
IJG ALBI	3.20	-0.34	-3.02	-9.50	-0.34	-5.95	7.39
IJG GOVI	3.22	-0.12	-2.82	-9.12	-0.12	-5.89	7.46
IJG OTHI	3.10	-1.46	-4.09	-11.38	-1.46	-6.18	7.29
IJG Money Market Index	-1.38	-4.23	-8.60	-18.17	-30.91	-12.35	1.89

** 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	0.47	1.34	2.71	5.44	1.34	5.66	6.36
Call Index	0.38	1.11	2.25	4.56	1.11	4.72	5.26
3-month NCD Index	0.44	1.26	2.54	5.11	1.26	3.00	5.70
6-month NCD Index	0.47	1.34	2.68	5.38	1.34	3.30	5.95
12-month NCD Index	0.49	1.41	2.84	5.71	1.41	3.55	6.37
NCD Index incl. call	0.47	1.36	2.73	5.49	1.36	3.03	6.05
3-month TB Index	0.48	1.38	2.80	5.64	1.38	5.65	6.31
6-month TB Index	0.49	1.41	2.84	5.66	1.41	5.76	6.48
12-month TB Index	0.46	1.33	2.68	5.42	1.33	5.76	6.70
TB Index incl. call	0.46	1.32	2.67	5.37	1.32	5.60	6.40

**annualised*

Source: IJG

Individual Equity Total Returns [N$,%] March 2014

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			**7.50**	**6.90**	**16.87**	**22.44**	**6.90**
banks			**9.62**	**5.82**	**14.60**	**19.79**	**5.82**
BWH	1,062	0.08%	1.34	0.59	7.76	n/a	21.69
FST	3,610	11.26%	6.02	1.61	9.86	15.66	1.61
FNB*	2,256	0.18%	2.29	5.14	16.53	38.22	5.14
NBK	22,404	4.21%	6.53	7.73	12.16	22.06	7.73
SNB	13,880	16.45%	13.01	8.26	18.51	21.93	8.26
insurance			**10.84**	**5.22**	**6.03**	**4.55**	**5.22**
SNM	19,431	0.68%	10.84	5.22	6.03	4.55	5.22
life assurance			**4.55**	**7.95**	**19.45**	**26.18**	**7.95**
MMI	2,460	2.14%	7.96	-1.50	4.09	12.78	-1.50
OLM	3,541	12.72%	0.82	8.82	18.18	28.69	8.82
SLA	5,754	8.91%	9.07	8.97	24.94	25.80	8.97
investment companies			**29.64**	**44.28**	**58.00**	**181.75**	**44.28**
NAM*	45	0.00%	29.64	44.28	58.00	181.75	44.28
real estate			**4.47**	**0.53**	**4.29**	**-4.39**	**0.53**
ORY*	1,740	0.05%	0.77	2.90	16.91	31.21	2.90
VKN	1,673	0.53%	4.84	0.30	3.04	-7.93	0.30
specialist finance			**7.62**	**14.91**	**31.10**	**35.18**	**14.91**
IVD	8,484	1.75%	7.42	14.86	30.87	35.53	14.86
TUC	119	0.02%	25.46	19.54	52.12	3.46	19.54
RESOURCES			**-2.49**	**36.07**	**21.45**	**27.28**	**36.07**
mining			**-2.53**	**36.45**	**21.70**	**27.60**	**36.45**
ANM	26,861	27.85%	-1.16	18.29	11.04	14.81	18.29
PDN	459	0.25%	-11.73	3.85	-3.16	-51.74	3.85
FSY	497	0.04%	-4.42	26.46	47.48	-18.12	26.46
DYL	28	0.02%	-3.45	64.71	47.37	-39.13	64.71
BMN	98	0.01%	20.99	113.04	96.00	25.64	113.04
MEY	4	0.00%	0.00	0.00	0.00	-51.67	0.00
XEM	57	0.00%	-14.93	16.33	29.55	78.13	16.33
B2G	2,944	0.84%	-3.60	40.12	14.42	3.15	40.12
EOG	249	0.01%	12.16	-9.45	57.22	-40.86	-9.45
chemicals			**2.79**	**-9.50**	**-9.13**	**-11.22**	**-9.50**
AOX	1,980	0.25%	2.79	-9.50	-9.13	-11.22	-9.50
INDUSTRIAL			**11.18**	**0.04**	**-1.00**	**-4.82**	**1.09**
GENERAL INDUSTRIALS							
diversified industrials			**2.59**	**4.13**	**16.57**	**16.88**	**10.71**
BWL	11,027	1.88%	2.59	10.71	16.57	16.88	10.71
Suppport Services			0.77	2.18	5.12	6.96	2.18
BVN*	1,270	0.08%	0.77	2.18	5.12	6.96	2.18
NON-CYCLICAL CONSUMER GOODS							
beverages			**0.40**	**1.78**	**11.03**	**29.04**	**1.78**
NBS*	1,631	0.12%	0.40	1.78	11.03	29.04	1.78
food producers & processors			**9.42**	**11.46**	**9.48**	**20.34**	**11.46**
OCG	9,055	0.32%	9.42	11.46	9.48	20.34	11.46
CYCLICAL SERVICES							
general retailers			**13.04**	**1.83**	**-11.87**	**-9.71**	**1.83**
NCT	70	0.00%	16.67	-26.32	-44.00	-48.52	-26.32
NHL*	240	0.00%	12.50	12.50	n/a	n/a	12.50
TRW	7,725	2.64%	13.06	1.84	-11.88	-9.70	1.84
NON-CYCLICAL SERVICES							
food & drug retailers			**13.26**	**-2.41**	**-2.45**	**-10.94**	**-2.41**
SRH	15,920	6.70%	13.26	-2.41	-2.45	-10.94	-2.41

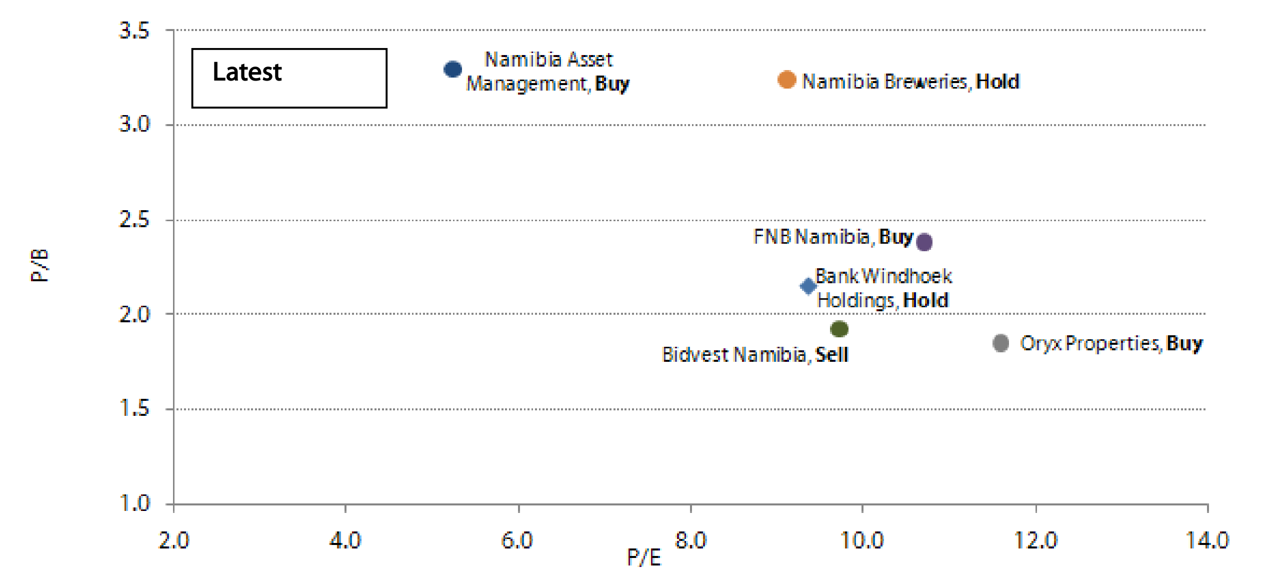
Source: IJG, NSX, JSE, Bloomberg

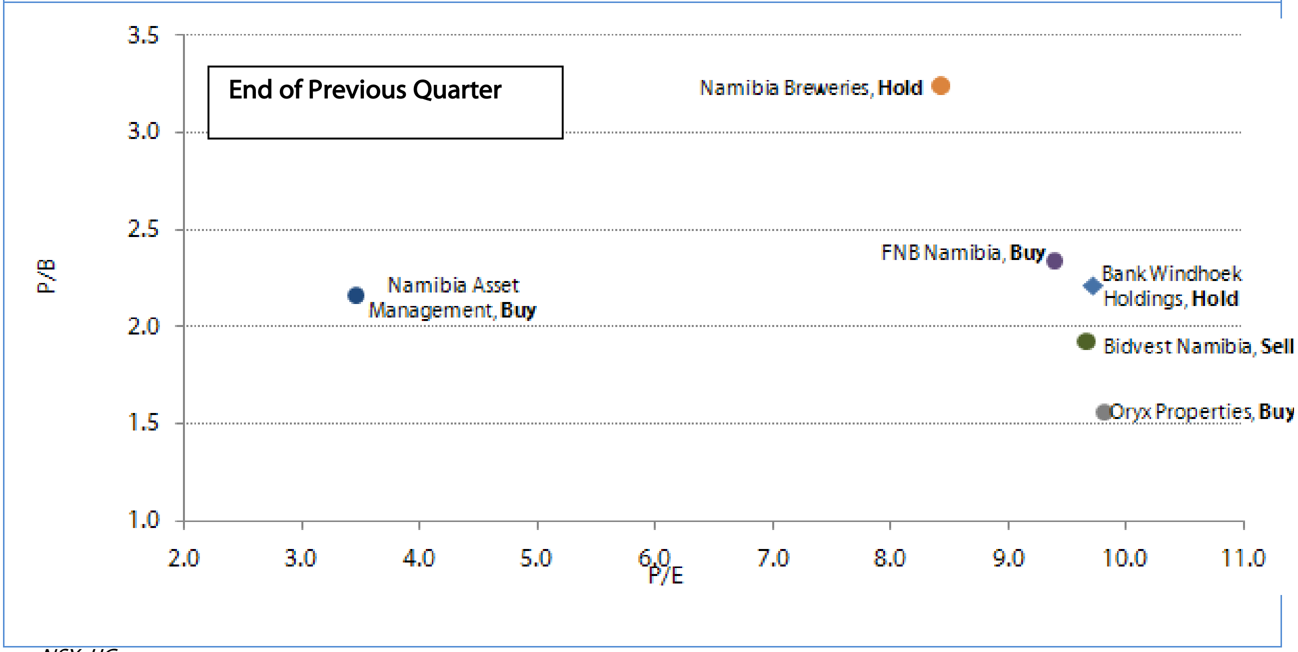
NSX Company Round-Up

Company	Code	Mkt Cap (N$m)	Share price (c)	P/E (A)	P/E (F)	HEPS (A)	HEPS (F)	Rec
Bank Windhoek Holdings	BWH	5,366	1,062	9.8	9.2	108.0	116.0	BUY
FNB Namibia	FNB	6,037	2,256	9.8	8.7	229.6	259.8	HOLD
Namibia Asset Management	NAM	90	45	9.7	8.2	4.6	5.5	BUY
Oryx	ORY	1,149	1,740	11.7	12.1	149.0	144.0	HOLD
Namibia Breweries	NBS	3,368	1,631	9.2	8.0	177.8	202.7	HOLD
Bidvest Namibia	BVN	2,692	1,270	9.8	9.0	129.5	141.5	BUY

**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	1145	BUY	HOLD
FNB Namibia	2700	BUY	
Namibia Asset Management	55	BUY	
Oryx Properties	1632	HOLD	
Namibia Breweries	1715	HOLD	
Bidvest Namibia	1400	BUY	HOLD

Source: IJG

Coverage of Companies on NSX

NSX

Equity Listings

Overall Index Listings
Bank Windhoek Holdings
FNB Namibia
Namibia Asset Management
Oryx Properties
Namibia Breweries
Bidvest Namibia

Bond Listings

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

Financials: Banks

Bank Windhoek Holdings

Recommendation: BUY, TP: 1145c, 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 (62.8%) Nammic Financial Services (10.5%)

Net interest income

BWH increased net interest income after impairments by 17.1% in 1H14 compared to the comparable 1H13. This performance was bolstered by strong growth of 13.4% or N$2.2bn in loans and advances (L&A) over the 12 month period while the bank also managed to further increase its net interest margin.

The quality of the book showed further improvement on top of already high base with impairments remaining at very low levels of N$9.0m on a L&A book of N$18.7bn, translating to a loan loss ratio of 0.1%, while nonperforming loans improved further from 0.90% to 0.76%.

BWH successfully issued two tranches of floating rate notes on the JSE, the first R600m at 3m jibar plus 180bps and more recently R300m at 155bps spread above the 3m jibar.

Non-interest income

Non-interest income increased a significant 30.5% on the comparable period with the CUTM transaction contributing to the gain. On a like-for-like basis non-interest income increased 19.5% on the back of increased business volumes through transactional accounts and electronic banking channels.

Acquisition of Capricorn Asset Management

BWH recently announced the acquisition of Capricorn Asset Management subject to regulatory approval from the Bank of Namibian and Namfisa. BWH will purchase CAM for a cash consideration of N$128m, an implied PE multiple of 7.4x which is reasonable in our view and set to result in a positive bootstrapping effect.

Earnings forecast and outlook

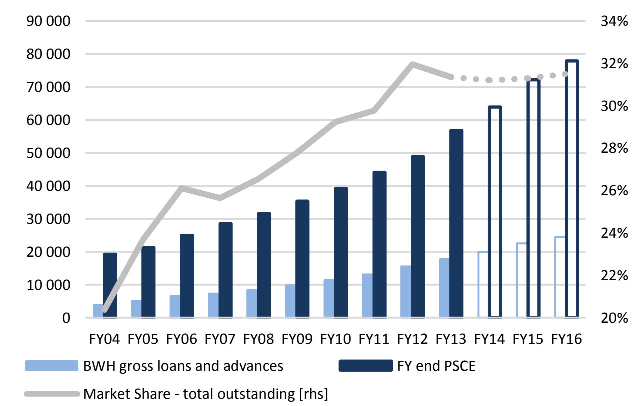
We forecast earnings 116cps and 131cps for FY14 and FY15, respectively with the FY14 numbers marginally ahead of the prospectus forecast. The upbeat forecast and positive outlook is a result of our anticipation of continuing strong growth in domestic demand while BWH is set to benefit from the start of an interest rate hiking cycle throughout FY15.

Target price and recommendation: Based on a justified PE multiple of 8.75x, which is in our view conservative when compared to the current rating of 9.0x and considering the long term re-rating that is playing out amongst NSX Locals, and our FY15 earnings per share forecast of 131cps, we derive a **target price of 1145cps**. Based on our expected 12 month total return of 13.2%, we recommend a **BUY** on BWH.

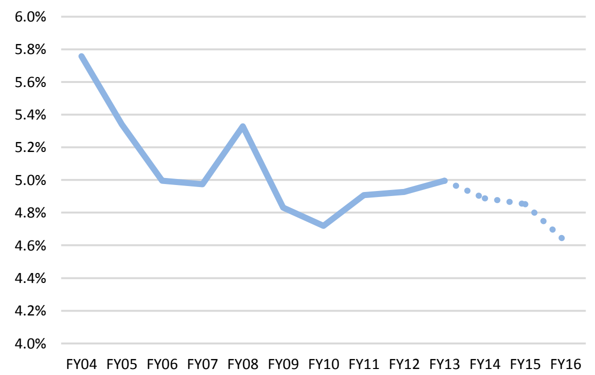
Bull Points:
- Controlled credit growth
- Diversification of income streams
- Improved efficiencies

Bear Points:
- Lucrative returns attracting new entrants
- Regulatory focus on non-interest income
- Bank of Namibia divergence from SARB

Loans and advances vs PSCE



Net interest margin



Fiscal Year End: June	2010	2011	2012	2013	F2014
Income Statement Extract (N$m)					
Net interest income	568	671	783	914	1,009.7
Fee and Commission Income	263	301	355	416	497
Operating expenses	578	643	707	763	911
Operating profit	341	404	515	648	756
Share of profit from jointly controlled assets	34.3	54.8	53.3	60.4	95
Profit before tax	380.1	462.6	570.0	709.7	853
Income tax (expense)\ credit	(98.6)	(134.0)	(167.4)	(216.4)	(273)
Net gains on available for sale financial assets	1.0	0.9	14.0	22.4	-
Total Comprehensive Income	282.5	329.4	416.6	515.6	580.1
Balance Sheet (N$m)					
Governemnt and other debt securities	1,069.0	1,194.8	1,523.8	1,493.2	1,792.8
Loans and advances	11,320.3	13,004.4	15,484.9	17,652.0	19,920.3
Due from other banks	403.7	362.2	211.0	251.4	210.0
Total Assets	14,451.1	15,984.8	18,921.1	20,938.6	24,146.7
Due to customers	8,419.8	9,852.7	12,126.6	13,023.0	12,892.4
Deposits from banks and others	-	247.0	237.6	167.0	200.0
Debt securities in issue	352.1	767.3	917.3	1,324.0	1,451.3
Total Liabilities	13,109.1	14,412.0	17,034.0	18,314.6	21,244.4
Total shareholders' equity	1,342.0	1,572.9	1,887.1	2,624.1	2,902.4
Growth Rates (%)					
Net interest income	13.9%	18.2%	16.6%	16.8%	10.4%
Loans and advances	15.3%	14.9%	19.1%	14.0%	12.9%
Due to customers	-1.9%	17.0%	23.1%	7.4%	-1.0%
Total Assets	18.0%	10.6%	18.4%	10.7%	15.3%
Financial Summary					
HEPS (c)	63.0	74.0	87.0	109.0	115.7
DPS (c)	32.8	32.8	32.8	32.8	32.8
NAV (c)	3.00	3.51	4.17	5.32	5.79
Weighted Average shares (m)	447.15	447.90	451.39	455.15	501.42
Key Statistics					
RoAA (%)	2.1%	2.2%	2.3%	2.5%	2.6%
RoAE (%)	22.2%	22.5%	23.3%	23.7%	21.0%
Valuation Metrics					
P/E (x)	16.9	14.4	12.2	9.8	9.2
P/BV (x)			255.4	200.1	184.0
Dividend Yield (%)		3.1%	3.1%	3.1%	3.1%
Earning Yield (%)		6.9%	8.2%	10.2%	10.9%

Source: BWH, IJG
**BWH Forecasts*

Financials: Banks

FNB Namibia Holdings

Recommendation: BUY, TP: 2700, 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$24.8bn 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%)

Net interest income

In our view the latest decrease in FNB's net interest margin is more a function of a lower yield on advances (on the back of competitive pricing) as opposed to an increase in the cost of funding. Going forward we continue to see FNB being competitive in pricing of new business, while increasing deposit rates in anticipation of an interest rate hike will see continuing compression in FNB net interest margin in the immediate future. We do however expect to see a rebound in the net interest margin in FY15 when assets re-price faster once the Bank of Namibia commences its interest rate cycle.

Non-interest income

FNB's non-interest income continued to show significant growth, increasing 22.9% on top of an already high base, underpin by elevated volume, increase in the value of transactions and further expansion of the banking network. The strong growth has led to the increased significance of non-interest income within FNB, making it one of the bank's strongest attributes. In FY13 non-interest income and insurance income jointly contributed 48.8% to total revenue, the most significant contribution yet.

Outlook: We revised our earnings forecasts upward on the back of stronger than previously anticipated macro backdrop leading to increased demand and faster growth in PSCE. This coupled with the bank's dominance in the sector leads to a rosy outlook. We forecast earnings of 285cps in FY14, and 331cps in FY15, which implies strong earnings momentum.

Valuation: Based on a justified PE multiple of 8.79x, relative to the current rating of 8.9x and our FY14 and FY15 earnings per share forecasts of 285cps and 331cps respectively, we derive a **target price of 2700cps**. Based on our expected **12 month total return of 24.6%**, we recommend a **BUY** on FNB.

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.

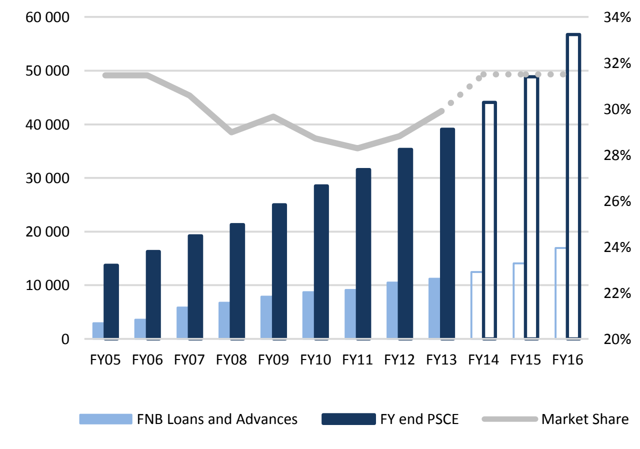
Bull Points:

- Solid strategy and management
- Stable advances growth
- Compelling e-bank/technology offering
- Strong macroeconomic environment
- High barriers to entry

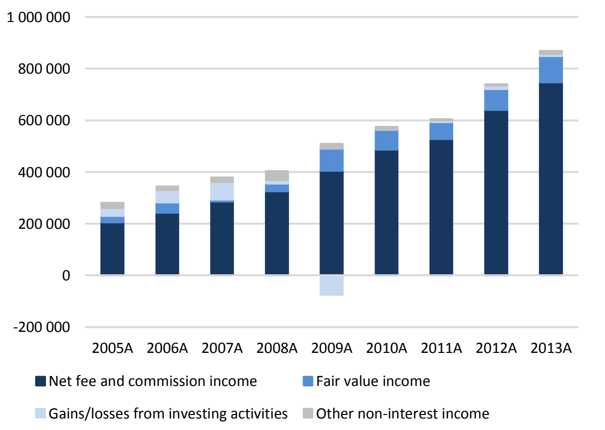
Bear Points:

- Lucrative returns attracting new entrants
- Regulatory focus on non-interest income
- Bank of Namibia divergence from SARB

Loans and advances vs PSCE



Non-interest income



Fiscal Year End: June	2010	2011	2012	2013	F2014	F2015
Income Statement (N$m)						
Net interest income after impairments	745	852	932	962	1,089	1,285
Non-interest income	574	605	740	869	1,025	1,107
Net insurance premium income	56	72	84	100	118	129
Net claims and benefits paid	(38)	(41)	(41)	(51)	(64)	(70)
INCOME FROM OPERATIONS	1,335	1,486	1,719	1,879	2,168	2,452
Operating expenses	(719)	(769)	(884)	(940)	(1,025)	(1,148)
Income from associates	5	5	3	2	-	-
Profit before tax	621	723	838	941	1,143	1,303
Income tax (expense)\ credit- direct & indirec	(218)	(258)	(300)	(330)	(395)	(435)
Minorites	30	43	10	11	10	11
Net Profit	459	539	772	610	748	868
Balance Sheet (N$m)						
Cash and short-term funds	455	428	1,002	690	770	853
Loans and advances	11,227	12,464	14,077	16,965	20,113	22,727
Due from other banks	851	763	1,926	1,889	2,437	2,700
Investment Securities	2,800	1,644	2,144	2,273	2,714	3,007
Total Assets	**15,937**	**17,164**	**19,698**	**22,499**	**24,929**	**27,622**
Deposits and current accounts	12,046	13,306	16,238	18,836	21,661	23,827
Due to banks and other fin institutions	54	44	48	319	352	388
Policyholder liabilities	1,043	42	45	50	57	63
Debt	270	271	393	393	570	826
Total Liabilities	**13,786**	**15,178**	**17,314**	**20,210**	**22,186**	**24,353**
Shareholders' equity	1,952	1,820	2,362	2,262	2,715	3,241
Minorities	199	166	22	28	28	28
Total shareholders' equity	**2,151**	**1,986**	**2,384**	**2,290**	**2,743**	**3,269**
Growth Rates (%)						
Income from operations	6%	11%	16%	9%	15%	13%
Loans and advances	7%	11%	13%	21%	19%	13%
Deposits	14%	10%	22%	16%	15%	10%
Assets	13%	8%	15%	14%	11%	11%
Financial Summary						
EPS (c)	166.1	191.8	294.3	231.2	285.0	330.5
HEPS (c)	165.7	191.6	203.1	231.2	285.0	330.5
DPS (c)	67	247	262	100	110	122
NAV (c)	755	704	912	873	1,047	1,250
Weighted Average shares (m)	268	268	268	268	268	268
Key Statistics						
Net interest margin (%)	5.2%	5.6%	5.4%	4.7%	4.6%	4.6%
RoA (%)	2.7%	2.8%	2.9%	2.9%	3.2%	3.3%
RoE (%)	20.6%	22.4%	24.7%	26.1%	29.7%	28.9%
Valuation Metrics						
P/E (x)	13.6	11.8	11.1	9.8	7.9	6.8
P/BV (x)	3.0	3.2	2.5	2.6	2.2	1.8
Dividend Yield (%)	3.0	10.9	11.6	4.4	4.8	5.4
Earning Yield (%)	7.3	8.5	9.0	10.2	12.6	14.6

Source: FNB, IJG

Financials: Investment Companies

Namibia Asset Management

Recommendation: BUY, TP: 55c, 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%.

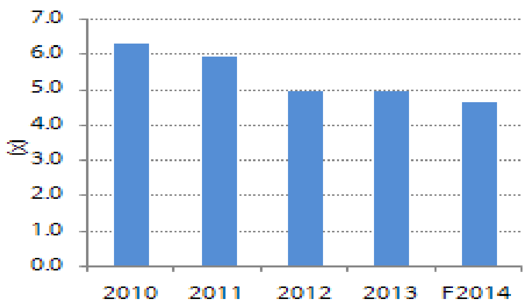
Bull Points:

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

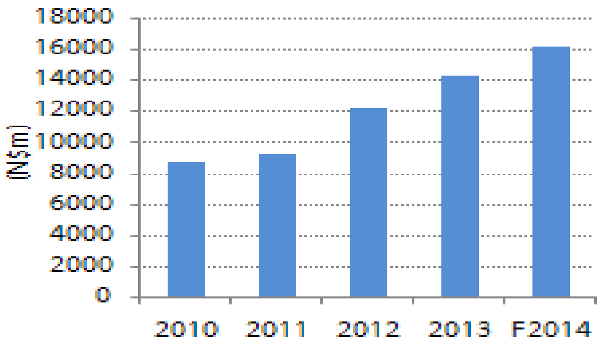
Bear Points:

- 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$m)					
Revenue	28.8	45.5	41.6	55.2	72.9
Other income	0.0	0.1	0.0	0.0	0.1
Net finance income	0.9	0.5	0.7	0.9	1.0
Operating expenditure	22.9	38.9	31.0	41.4	54.6
Profit before tax	6.9	7.2	11.4	14.8	19.4
Income tax (expense)\ credit	(1.2)	(2.4)	(3.8)	(4.7)	(6.0)
Net Profit	5.7	4.8	7.7	10.1	13.4
Balance Sheet (N$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	16.2	17.2
Growth Rates (%)					
Revenue	22%	58%	-8%	33%	32%
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	8.1
HEPS (c)	2.9	2.9	4.6	6.1	8.1
DPS (c)	2.5	3.0	4.0	5.1	6.7
NAV (c)	7.6	8.1	9.7	9.8	10.4
Weighted Average shares (m)	200	166	166	166	166
Valuation Metrics					
P/E (x)	16.8	16.7	10.3	7.9	5.9
P/BV (x)	6.3	5.9	5.0	4.9	4.6
Dividend Yield (%)	5.2	6.3	8.3	10.5	14.0
Earning Yield (%)	5.9	6.0	9.7	12.6	16.8

Source: NAM, IJG

Financials: Real Estate

Oryx Properties

Recommendation:HOLD, TP:1632c,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%)

1H14 Highlights: Oryx Properties Limited (Oryx) released its results for the six months ended 31 December2013, reporting a 20% increase in total distributions to N$44.4m from N$37.0m declared in the first half of 2013. The increase in distributions notwithstanding, no growth in distribution per unit was witnessed following a rights issue of 11,008,335 new linked units in November 2013. As such the distribution per linked unit remains at67.25cpu.Over the same period EPU rose by 113.5% to 209.85c but HEPU only rose by 12.3% to 81.58c.

The company displayed another period of good operational performance, with net rental income increasing by 20.9% y/y to N$89.7m, supported by above average occupancy levels, low interest environment, as well from strong renewals characteristic of the period under review. Rental expense added 42.6% to N$18.9m. Oryx reported a profit of N$75.9m (up 344.7% y/y), mainly as a result of a 237.6% higher change in the fair value of investment property of N$46.6m (1H13: N$13.8m) and a bargain purchase gain stemming from acquisition of Tuinweg Properties, which is the owner of the Gustav Voigts Centre.

Vacancies (as a % of lettable area) increased from 0.35% as at December 2012 to total 0.95% this time round. The increase in the vacancy rate was to be expected, and is in line with our forecast, as a result of the additionallettable area coming upstream following Maerua construction and the Gustav Voigtsacquisition.

Oryx' long term borrowing increased by 53.1% y/y to N$777.9m in 1H14, from N$507.8m reported as at 1H13. Of this, N$211.7m (27.2%) is made up of fixed interest rate loans at a weighted average interest rate of 10.15%; and N$566.2m in variable interest rate loans carrying a weighted average rate of 7.30%. Thus, the weighted average interest rate of total borrowings amounts to 8.07% as at 1H14, down from 8.45% as at 1H13. The firm took on a Development Loan Facility of N$330m with Absa Bank in order to finance the Maerua Mall extension and upgrade, of which N$239.5m had already been utilised by 31 December 2013.

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 this Oryx is currently trading on a before tax yield of 8.2%, compared to the GC24 at 9.27%, pointing to the stock's relative expensiveness considering the Oryx tend to trade at a premium to the government bond.

Valuation: Overall the performance of the company remains satisfactory, however following the rights issuance dilution and the increased trading price, we believe that the yield given the current price no longer justifies a buy recommendation in the short term. However growth prospects for financial years 2015 and 2016, coupled with the illiquidity of the stock and the possibility that once sold units may be difficult to rebuy in future, we recommend a hold on the stock for the current year.

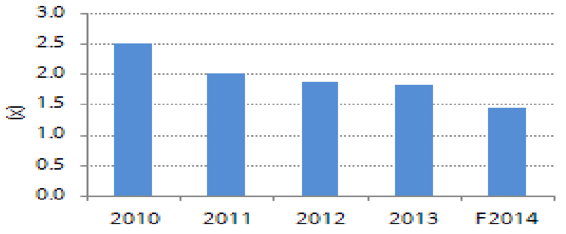
Bull Points:

- Very low vacancy levels
- Location of properties
- Quality tenants profile
- Value adding acquisitions
- Strategic positioning of Gustav Voigts Centre

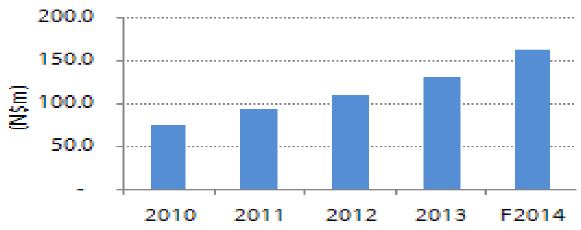
Bear Points:

- Unexpected interest rate increases
- Lack of good expansion opportunities (especially in the Namibian market)
- 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$m)						
Revenue	96.7	115.3	132.8	160.6	203.3	238.1
Rental expense	20.1	21.7	23.6	28.9	39.7	45.6
Net rental income	76.5	93.6	109.2	131.7	163.6	192.4
Investment income	6.0	0.4	1.2	0.8	0.8	0.9
Amortisation of debenture premium	2.8	2.8	2.8	2.8	3.1	3.3
Fair value changes	92.2	90.9	41.1	5.5	96.1	96.1
Other expenses	(5.7)	(6.6)	(8.6)	(10.4)	(11.5)	(12.7)
Finance cost	(17.4)	(21.5)	(28.3)	(37.9)	(57.8)	(77.1)
Debenture interest	(60.1)	(64.7)	(70.5)	(76.8)	(95.1)	(103.5)
Profit before tax	95.8	95.0	36.4	19.5	99.2	99.5
Income tax expense	15.3	0.2	(1.3)	4.6	3.5	3.5
Net Profit	80.5	94.9	37.7	14.9	95.7	95.9
Balance Sheet (N$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	543.9	464.3
Total Liabilities	536.8	607.7	770.1	978.2	934.7	859.5
Total shareholders' equity	381.5	476.4	514.2	529.1	795.4	891.3
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%	-4.4%	-8.0%
Financial Summary						
HEPU (c)	107.1	118.1	131.7	148.9	144.0	156.7
DPU (c)	109.3	117.5	128.0	139.5	144.0	156.7
NAV (c)*	693.2	865.6	934.1	961.3	1,204.2	1,349.5
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	0.7	0.5
Valuation Metrics						
P/E (x)	16.2	14.7	13.2	11.7	12.1	11.1
P/BV (x)	2.5	2.0	1.9	1.8	1.4	1.3
Distribution Yield (%)	6.3	6.8	7.4	8.0	8.3	9.0
Earning Yield (%)	6.2	6.8	7.6	8.6	8.3	9.0

Source: Oryx, IJG

Non-Cyclical Consumer Goods: Beverages

Namibia Breweries Limited

Recommendation: HOLD, TP: 1715c, 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.

1H14 Results – Operationally Strong

The interim results reflect a strong operational performance with operating profit up 17.3% y/y. Basic EPS rose 40.5% y/y to 82.5c, whileHEPS were up 18.9% from 83.0c to 98.7c. The board declared an interim dividend of 34cps increasing its dividend for 1H13 by 9.7%.

NBS managed to grow revenue by 10.9% y/y to N$1.35bn, with growth stemming from sales of goods, which is up 11.6% y/y while royalty income fell 8.6%.Locally,double digits sales growth was seen,with beer sales volumes up 11%, while in South Africa,total volumes produced by NBS and sold to theDHN Drinks joint venture (JV)increased 7% compared to 1H13, however the value of sales actually decreased 3.7%, implying pricing pressure in SA.

Operating Margin – High base created

In FY14 we expect to see further expansion in the operating margin as the continuing surge in local revenue (higher margin business) more than offsets the negative impact of a weakening exchange rate and rising raw material prices.

However, in the medium term we turn more negative on NBS operating margins and profits. The strong increases in local revenue had a leverage effect through to operating profits on the back of higher selling prices in the local market. We are however concerned of the inverse effect that might come through when increased competition puts pressure on local revenue and ultimately operating margins.

NBS operating margin was at 20.98% as at FY13, the highest it has been since 2005 and we forecast that margins will keep up in FY14 after which we expect it to mean revert and go below the 20% level in the medium term as we are seeing a high base currently in the making.

Outlook: Fundamentally Namibia Breweries offers attractive value which could justify a buy recommendation on the stock; however, the potential downside risk (price and free cash flow dilution) to the DHN/Sedibeng deal and the upcoming change in the competitive landscape are creating a cause of concern.

Valuation: We value NBS using the dividend discount model, with the required rate of return based on an expected market return of 12.8%, justified by inflation expectations of 6.1% and forecasted economic growth of 2.45% in SA, according to Bloomberg. The required rate of return is 11.8%, based on a risk free rate of 9.01% (GC24), equity risk premium of 3.49% and a beta of 0.8. Based on these assumptions and our forecasted dividends for NBS, we value the company at an intrinsic value of N$14.40 per share. We do however forecast a target price for NBS of N$17.15 per share, based on a justified PE multiple of 11.1x, with an implied expected total return of 9.7% over the next twelve months; and therefore we recommend a HOLD on the stock.

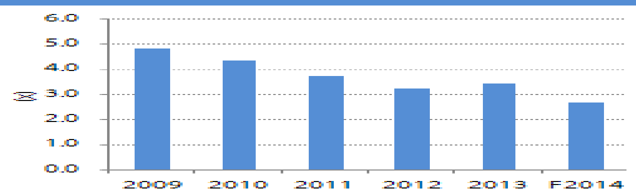
Bull Points:

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

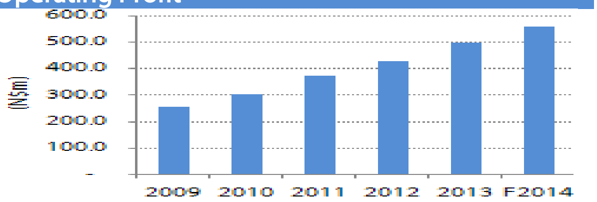
Bear Points:

- 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$m)							
Sales Revenue	1,566.5	1,731.1	1,797.1	2,160.1	2,383.4	2,703.6	2,730.8
Operating Profit	256.6	303.0	375.3	429.0	500.1	561.9	541.7
Net interest income(expense)	8.3	6.3	6.9	(0.9)	(3.3)	16.8	24.8
Profit before tax	229.3	230.9	307.3	336.0	199.7	468.7	466.6
Income tax expense	(70.9)	(71.1)	(96.0)	(114.0)	(126.8)	(150.0)	(149.3)
Net Profit	158.4	159.8	211.3	222.0	72.9	318.7	317.3
Balance Sheet (N$m)							
Cash and other liquid assets	66.7	177.0	91.7	91.9	267.8	323.6	769.6
PPE	431.7	474.1	668.6	799.8	827.7	966.3	959.5
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	353.0
Total Assets	1,513.0	1,609.7	1,406.7	1,672.5	1,714.2	2,102.3	2,508.4
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	585.7
Non-current liabilities	562.9	529.7	310.1	409.2	180.9	394.5	414.3
Total Liabilities	893.4	910.5	615.0	765.2	853.7	857.0	1,000.0
Total shareholders' equity	608.8	677.5	791.7	907.3	860.5	1,109.3	1,356.1
Growth Rates (%)							
Sales	17.7%	10.5%	3.8%	20.2%	10.3%	13.4%	1.0%
Opertaing Profit	41.3%	18.1%	23.9%	14.3%	16.6%	12.4%	-3.6%
Cash and other assets	-56.4%	165.3%	-48.2%	0.3%	191.4%	20.8%	137.8%
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%	46.8%
Assets	11.5%	6.4%	-12.6%	18.9%	2.5%	22.6%	19.3%
Financial Summary							
EPS (c)	76.7	77.4	102.3	107.5	35.3	154.3	153.6
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	5.37	6.57
Valuation Metrics							
P/E (x)	21.3	21.1	15.9	15.2	9.2	10.6	10.6
P/BV (x)	4.8	4.3	3.7	3.2	3.4	2.6	2.2
Dividend Yield (%)	2.6	2.8	3.0	3.3	3.8	4.2	4.4
Earning Yield (%)	4.7	4.7	6.3	6.6	10.9	9.5	9.4

Source: NBS, IJG

Industrials: Support Services

Bidvest Namibia

Recommendation: BUY, TP: 1400c, 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%)

1H14 Highlights: BVNreleased its results for the first six monthsended 31 December 2013. The firm posted reasonable in light of the difficult trading environment the fishing division finds itself in. EPS and HEPS increased to 55.4cps.While BVN managed to grow revenues by 9.0% y/y to N$1.7bn, mainly attributed to the T&C business and Freight and Logistics, cost of sales grew at 13.1% and operating costs by 10.3% to N$158.2m from the N$143.4m reported for 1H13. The main cost booster 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.

Fishing division - The worst is behind us

At 76.8% of trading profit, although down from 84.4% in 1H13, this division remains the backbone of the firm. The higher TAC for pilchard together with strong market prices for the pelagic industry allows for a positive outlook and despite weaker selling prices of horse-mackerel, a weaker local currency and a healthy fishing resource remain the silver lining for this division.

BidCom – The future looks bright

The BidCom companies managed to grow revenues, and almost all businesses within the commercial portfolio showed improvements in trading profit margins. BidCom accounted for 23.0% of trading profits, up from 17.0% in 2012. Increased sales initiatives and effective implementation of turnaround strategies by the Industrial and commercial products divisions allow for a positive outlook, supported by higher trading profits in the Freight and logistics division, stemming from the continuation of the oil and gas exploration opportunities and spin-offs from the expansion of the Walvis-bay harbour is expected to be significant once construction starts.

Valuation and Recommendation

The stock is currently trading on a FY14 yield of 5.8% based on full year dividends of 74cps at an assumed 52% payout ratio. This compares favourably to its average of 4.8% since listing. Cost of equity is calculated at 12.8%, given the risk free rate of 8.59% and a 3.45% equity risk premium with a beta of 1 and country risk premium of 0.71%.

The positive economic environment bodes well for the revenue growth in the commercial businesses, and despite weaker selling prices of horse-mackerel, a weaker local currency and a healthy fishing resource provides support for revenue growth off a low base in the fishing division, justifying FY15 growth in revenue of 12.0% and trading profit margin starting to widen from the low in 2014. The growth HEPS should further benefit from the lower corporate tax rate.

That said, we have adjusted our earnings forecast and target price following a detailed analysis of the first half results. We forecast FY15 earnings of N$1.65 per share and calculate a target price of N$14.00 per share based on a justified PE ratio of 8.5 times. Based on this the 12m total return is 16.2%, sufficing our required rate of return of 12.8%, we therefore change our HOLD recommendation to a BUY.

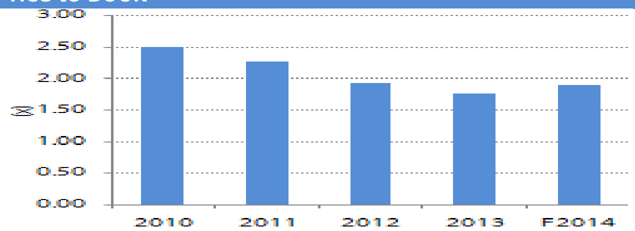
Bull Points:

- Exchange rates
- Strong brands in the industries in which BIDNam operates

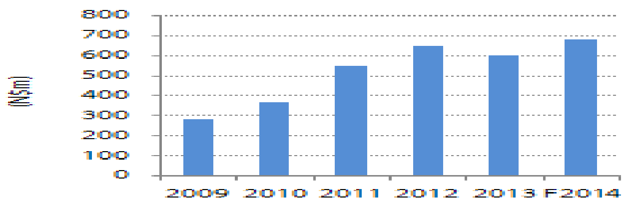
Bear Points:

- Fishing industry conditions and regulation
- Oil price
- Margin contraction
- Low economic growth

Price to Book



Trading Profit



Fiscal Year End	2009	2010	2011	2012	2013	F2014
Income Statement (N$m)						
Sales Revenue	1388	1608	1919	2731	3355	3701
Cost of sales	(951)	(1102)	(1207)	(1890)	(2488)	*
Gross Profit	436	506	712	841	867	*
Operating expenses	(156)	(159)	(186)	(209)	(281)	*
Trading Profit	284	369	545	647	601	634
Net interest income(expense)	3.4	1.3	6.1	17.6	13.0	8
Income from associates	0.0	0.0	0.0	0.0	0.0	0
Profit before tax	289	353	568	672	615	642
Income tax expense	(105)	(116)	(184)	(211)	(188)	(197)
Minorites	53	72	126	162	152	144
Net Profit	183	237	384	469	444	444
Balance Sheet (N$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	1502
Growth Rates (%)						
Sales	33%	16%	19%	42%	23%	10%
Trading Profit	84%	30%	48%	19%	-7%	5%
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	141	165
HEPS (c)	79	87	120	140	129	141
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%	17%
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%	31.9%
Valuation Metrics						
P/E (x)	15.92	14.84	10.17	8.90	9.80	8.98
P/BV (x)	4.04	2.54	2.30	1.95	1.77	1.90
Dividend Yield (%)	1.2%	2.8%	4.3%	5.0%	5.4%	5.8%
Earning Yield (%)	1.2%	2.8%	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

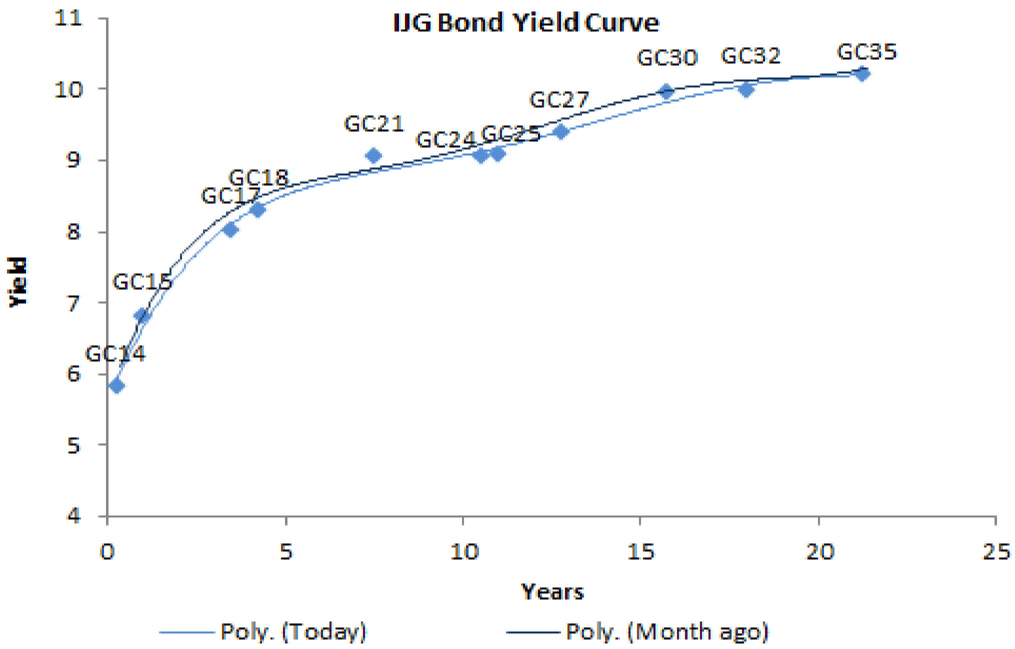
Bear Points:

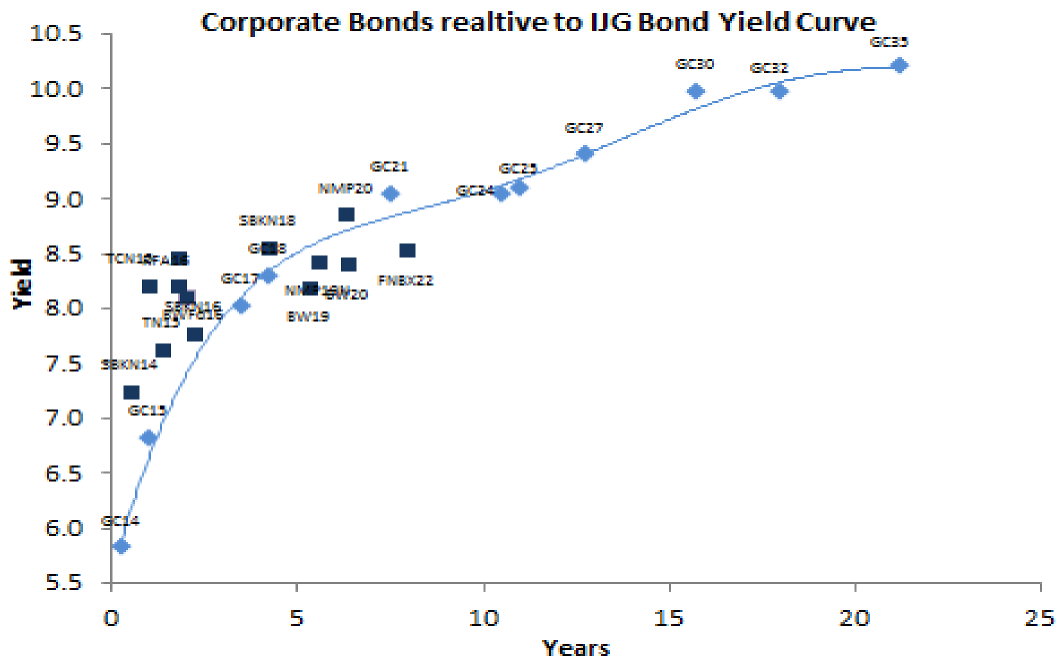
- Financial skills shortage

Bond Listings

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

<u>31 March 2014:</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

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	TTO	31-Mar	31-Dec	30-Jun
Oryx Properties	ORY	30-Jun	28-Feb	29-Aug
Bidvest	BVN	30-Jun	31-Mar	30-Sep
Namibia Breweries	NBS	30-Jun	31-Mar	30-Sep
Nictus	NCT	31-Mar	31-Dec	30-Jun
Paladin Energy	PDN	30-Jun	31-Dec	30-Sep
B2Gold	B2G	31-Mar	30-Sep	28-May
Eco (Atlantic) Oil & Gas	EOG	31-Mar	31-Dec	30-Jun
Deep Yellow	DYL	30-Jun	31-Dec	30-Sep
Bannerman	BMN	30-Jun	31-Dec	30-Sep
Forsys Metal Corporation	FSY	31-Jan	30-Sep	30-Apr
Marenica	MEY	30-Jun	31-Dec	30-Sep
Minemakers	MMS	30-Jun	31-Dec	30-Sep

Source: NSX, Company reports

The above table shows the financial year-ends of all NSX local companies, the NSX share code, and the dates that interim and final results are due to be, or were last released.

Appendix 1: Real GDP

Industry	2007	2008	2009	2010	2011	2012	2013
Agriculture and forestry	4 855	3 637	3 937	4 346	4 312	4 692	3 429
Livestock farming	3 297	2 023	2 205	2 485	2 637	2 807	1 706
Crop farming and forestry	1 558	1 614	1 733	1 862	1 675	1 886	1 722
Fishing and fish processing on board	2 305	2 271	2 598	2 371	2 605	3 216	3 132
Mining and quarrying	8 767	8 964	5 553	6 968	6 315	7 532	7 445
Diamond mining	5 955	5 641	2 383	3 741	3 410	4 223	4 503
Uranium mining	1 201	1 563	1 691	1 778	1 335	1 697	1 579
Metal ore mining	1 319	1 418	1 049	1 071	1 038	1 282	892
Other mining and quarrying	291	342	431	377	533	330	470
Primary industries	**15 927**	**14 872**	**12 088**	**13 686**	**13 232**	**15 440**	**14 005**
Manufacturing	9 590	10 145	9 776	10 340	10 399	10 549	10 782
Meat processing	357	334	348	368	358	354	410
Diamond processing	416	421	265	360	370	342	299
Basic non-ferrous metals	1 452	1 327	1 400	1 490	1 452	1 418	1 265
Fabricated Metals	406	475	423	462	429	459	509
Beverages	2 592	2 885	2 966	2 713	2 500	2 609	2 709
Grain Mill products	394	452	526	570	607	598	632
Other food products	859	845	869	817	987	904	975
Textile and wearing apparel	429	441	436	452	473	502	526
Leather and related products	106	114	73	81	92	102	87
Publishing and Printing	176	190	176	163	180	158	166
Rubber and Plastics products	265	255	254	274	287	265	235
Non-metallic minerals products	219	233	228	230	397	399	357
Wood and Wood product	272	312	300	270	268	255	265
Chemical and related products	675	676	716	768	860	896	925
Other manufacturing	1 520	1 744	1 298	1 839	1 697	1 812	1 911
Electricity and water	1 974	1 798	1 503	1 538	1 586	1 869	1 856
Construction	2 578	2 975	2 466	2 624	3 027	3 246	4 389
Secondary industries	**14 142**	**14 919**	**13 745**	**14 503**	**15 012**	**15 664**	**17 026**
Wholesale and retail trade, repairs	8 477	8 631	8 762	9 284	9 814	10 207	10 648
Hotels and restaurants	1 213	1 258	1 330	1 416	1 549	1 709	1 891
Transport, and communication	3 093	3 424	3 973	4 238	4 444	4 866	5 269
Transport	1 560	1 590	1 682	1 685	1 854	2 039	2 320
Staorage	532	660	667	706	765	889	845
Post and telecommunications	1 001	1 174	1 624	1 846	1 826	1 938	2 103
Financial intermediation	3 450	4 053	3 873	4 312	4 645	5 099	5 817
Real estate and business services	6 717	7 065	7 731	8 055	8 671	10 773	11 195
Real estate activities	4 764	4 968	5 149	5 350	5 487	5 852	6 129
Other business services	1 953	2 097	2 582	2 706	3 185	4 921	5 066
Community, social and personal service activities	2 198	2 212	2 198	2 236	2 233	2 155	2 135
Public administration and defence	7 518	8 408	8 850	9 100	9 578	9 854	10 731
Education	5 159	5 712	5 882	5 872	6 894	7 153	7 408
Health	2 382	2 191	2 311	2 531	2 674	2 828	3 077
Private household with employed persons	666	732	804	884	972	1 068	1 098
Tertiary industries	**40 873**	**43 686**	**45 714**	**47 928**	**51 474**	**55 712**	**59 269**
Less: Financial intermediation services indirectly measured	1 078	1 205	1 132	1 185	1 243	1 474	1 652
All industries at basic prices	**69 863**	**72 272**	**70 416**	**74 932**	**78 476**	**85 342**	**88 649**
Taxes less subsidies on products	4 915	5 382	6 106	6 637	7 996	6 916	7 674
GDP at market prices	**74 779**	**77 655**	**76 522**	**81 569**	**86 473**	**92 258**	**96 323**

Appendix 2: Real GDP Growth

Industry	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Agriculture and forestry	-25.1	8.3	10.4	-0.8	8.8	-26.9
Livestock farming	-38.6	9.0	12.7	6.1	6.4	-39.2
Crop farming and forestry	3.5	7.4	7.4	-10.0	12.6	-8.6
Fishing and fish processing on board	-1.5	14.4	-8.7	9.8	23.5	-2.6
Mining and quarrying	2.3	-38.0	25.5	-9.4	19.3	-1.2
Diamond mining	-5.3	-57.8	57.0	-8.9	23.8	6.6
Uranium	30.1	8.2	5.2	-24.9	27.1	-6.9
Metal Ores	7.5	-26.0	2.1	-3.1	23.5	-30.4
Other mining and quarrying	17.6	25.9	-12.4	41.1	-38.0	42.5
Primary industries	**-6.6**	**-18.7**	**13.2**	**-3.3**	**16.7**	**-9.3**
Manufacturing	5.8	-3.6	5.8	0.6	1.4	2.2
Meat processing	-6.3	4.1	5.6	-2.7	-1.1	15.8
Diamond processing	1.2	-37.0	35.7	2.8	-7.7	-12.5
Basic non-ferrous metals	-8.6	5.6	6.4	-2.6	-2.3	-10.8
Fabricated Metals	17.0	-10.9	9.1	-7.1	7.0	10.9
Beverages	11.3	2.8	-8.5	-7.8	4.3	3.8
Grain Mill products	14.9	16.3	8.4	6.5	-1.6	5.7
Other food products	-1.5	2.8	-6.0	20.8	-8.4	7.8
Textile and wearing apparel	3.0	-1.1	3.6	4.7	6.1	4.7
Leather and related products	6.9	-35.9	11.6	12.7	11.3	-14.9
Publishing and Printing	8.2	-7.4	-7.7	10.9	-12.6	5.3
Rubber and Plastics products	-3.9	-0.2	7.9	4.6	-7.6	-11.3
Non-metallic minerals products	6.4	-2.1	1.2	72.3	0.6	-10.6
Wood and Wood product	14.7	-3.8	-10.0	-1.0	-4.5	3.7
Chemical and related products	0.2	5.9	7.3	12.0	4.1	3.3
Other manufacturing	14.7	-25.5	41.7	-7.7	6.8	5.4
Electricity and water	-8.9	-16.4	2.4	3.1	17.8	-0.7
Construction	15.4	-17.1	6.4	15.3	7.2	35.2
Secondary industries	**5.5**	**-7.9**	**5.5**	**3.5**	**4.3**	**8.7**
Wholesale and retail trade, repairs	1.8	1.5	6.0	5.7	4.0	4.3
Hotels and restaurants	3.7	5.7	6.5	9.5	10.3	10.6
Transport, and communication	10.7	16.0	6.7	4.9	9.5	8.3
Transport	1.9	5.8	0.2	10.0	10.0	13.8
Storage	24.1	1.1	5.8	8.3	16.3	-4.9
Post and telecommunications	17.3	38.3	13.6	-1.1	6.2	8.5
Financial intermediation	17.5	-4.4	11.3	7.7	9.8	14.1
Real estate and business services	5.2	9.4	4.2	7.6	24.2	3.9
Real estate activities	4.3	3.6	3.9	2.6	6.7	4.7
Other business services	7.4	23.1	4.8	17.7	54.5	3.0
Community, social and personal service activities	0.6	-0.6	1.7	-0.2	-3.5	-0.9
Public administration and defence	11.8	5.3	2.8	5.3	2.9	8.9
Education	10.7	3.0	-0.2	17.4	3.8	3.6
Health	-8.0	5.5	9.5	5.7	5.7	8.8
Private household with employed persons	9.9	9.9	9.9	9.9	9.9	2.8
Tertiary industries	**6.9**	**4.6**	**4.8**	**7.4**	**8.2**	**6.4**
Less: Financial intermediation services indirectly measured	11.7	-6.0	4.7	4.9	18.6	12.1
All industries at basic prices	**3.4**	**-2.6**	**6.4**	**4.7**	**8.7**	**3.9**
Taxes less subsidies on products	9.5	13.4	8.7	20.5	-13.5	11.0
GDP at market prices	**3.8**	**-1.5**	**6.6**	**6.0**	**6.7**	**4.4**

Appendix 3: Nominal GDP

Industry	2007	2008	2009	2010	2011	2012	2013
Agriculture and forestry	3 442	3 073	3 418	4 346	4 677	5 490	3 827
Livestock farming	1 963	1 340	1 538	2 485	2 835	3 227	1 837
Crop farming and forestry	1 479	1 733	1 880	1 862	1 843	2 263	1 989
Fishing and fish processing on board	2 357	2 633	2 609	2 371	2 766	4 181	4 121
Mining and quarrying	7 500	10 865	6 889	6 968	6 651	11 874	11 301
Diamond mining	3 535	4 961	1 915	3 741	3 734	8 038	8 231
Uranium	2 245	4 159	3 250	1 778	1 505	2 493	1 823
Metal Ores	1 451	1 352	1 215	1 071	937	957	827
Other mining and quarrying	269	393	509	377	475	387	420
Primary industries	**13 299**	**16 571**	**12 916**	**13 685**	**14 094**	**21 545**	**19 248**
Manufacturing	9 659	9 027	9 908	10 340	11 333	13 626	14 672
Meat processing	356	328	404	368	426	492	614
Diamond processing	151	271	149	360	315	169	121
Basic non-ferrous metals	2 691	918	1 631	1 490	1 358	2 874	2 772
Fabricated Metals	247	383	427	462	482	563	652
Beverages	1 955	2 399	2 762	2 713	2 627	2 995	3 309
Grain Mill products	217	463	564	570	698	814	906
Other food products	1 654	1 365	1 196	817	1 370	1 098	1 186
Textile and wearing apparel	211	288	378	452	451	511	721
Leather and related products	98	107	72	81	93	116	129
Publishing and Printing	135	192	192	163	208	188	215
Rubber and Plastics products	224	251	260	274	292	282	301
Non-metallic minerals products	171	191	208	230	408	445	330
Wood and Wood product	243	291	298	270	276	284	324
Chemical and related products	563	630	694	768	916	1 027	1 125
Other manufacturing	742	948	673	1 321	1 414	1 767	1 965
Electricity and water	1 467	1 418	1 497	1 538	1 817	2 017	2 396
Construction	2 137	2 829	2 444	2 624	3 119	3 500	4 955
Secondary industries	**13 263**	**13 274**	**13 848**	**14 503**	**16 269**	**19 142**	**22 023**
Wholesale and retail trade, repairs	6 769	7 519	8 355	9 284	10 305	11 439	12 583
Hotels and restaurants	1 043	1 147	1 254	1 416	1 583	1 747	2 143
Transport, and communication	2 595	3 275	3 891	4 238	4 634	5 116	5 697
Transport	1 030	1 296	1 581	1 685	1 637	1 806	2 232
Storage	305	459	555	706	832	842	846
Post and telecommunications	1 260	1 520	1 755	1 846	2 165	2 469	2 619
Financial intermediation	2 640	2 879	3 389	4 312	4 832	5 586	6 261
Real estate and business services	5 863	5 844	7 217	8 055	9 206	11 718	12 504
Real estate activities	4 167	3 887	4 733	5 350	5 896	6 524	7 038
Other business services	1 695	1 956	2 484	2 706	3 309	5 194	5 466
Community, social and personal service activities	1 765	1 904	2 068	2 236	2 316	2 407	2 485
Public administration and defence	5 547	6 305	7 624	9 100	8 768	12 115	15 318
Education	4 039	4 844	5 546	5 872	7 403	8 739	10 744
Health	1 834	2 015	2 225	2 531	2 923	3 202	3 713
Private household with employed persons	424	638	767	884	1 020	1 197	1 297
Tertiary industries	**32 519**	**36 370**	**42 337**	**47 928**	**52 991**	**63 267**	**72 745**
Less: Financial intermediation services indirectly measured	750	840	1 014	1 185	1 265	1 548	1 579
All industries at basic prices	**58 331**	**65 374**	**68 087**	**74 932**	**82 090**	**102 405**	**112 437**
Taxes less subsidies on products	3 923	4 790	5 838	6 637	8 324	7 604	9 020
GDP at market prices	**62 253**	**70 164**	**73 925**	**81 569**	**90 414**	**110 009**	**121 457**

Managing Director
Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Executive Director
James Hill
Tel: +264 (61) 383 500
james@ijg.net

Sales and Research
RoméMostert
Tel: +264 (61) 383 520
rome@ijg.net

Rowland Brown
Tel: +264 (61) 383513
rowland@ijg.net

Jan-Hendrik Conradie
Tel: +264 (61) 383 523
janhendrik@ijg.net

Financial Manager
Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

IJG Direct
Naïke Burger
Tel: +264 (61) 383 515
naike@ijg.net

Money Market & Administration
Leon Maloney
Tel:+264 (61) 383 521
leon@ijg.net

TashiyaShekutamba
Tel:+264 (61) 383 511
tashiya@ijg.net

Consulting
HannelieEksteen
Tel:+264 (61) 383 500
hannelie@ijg.net

Equity & Fixed Income Dealing
Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Stuart Main
Tel: +264 (61) 383 512
stuart@ijg.net

TEAM NAMIBIA MEMBER