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Contents

Macro Economic Backdrop

National Budget Review 2015/16 – 2017/18

Highlights

- ✓ The budget and the MTEF are aimed at tackling the structural challenges that affect the development potential of the local economy, unlocking opportunities for jobs and wealth creation and improving the welfare of Namibians in an inclusive and sustainable manner.

- ✓ It is a pro-poor, pro-growth budget, with deliberate scaled-up resource allocations to the targeted programmes for broad-based economic growth, job creation and poverty eradication over time.

- ✓ Policy priorities have been identified as i) growth; ii) reduce poverty and improve social welfare; iii) prosperity and wealth creation; iv) performance-orientated and results-based public service delivery.

- ✓ The prolonged low growth spell for the South African economy poses inescapable consequences for Namibia, particularly in regard to export growth and revenue accruing from the Southern African Customs Union (SACU).

- ✓ Revenue for the budget year is projected at N$58.44bn, an increase of 8.7% over the previous year. For the MTEF, revenue is projected to increase at a moderate pace of about 9.0%, to reach N$69.18bn by the end of the MTEF or about 35.0% of GDP.

- ✓ A number of revenue collection initiatives are expected to be undertaken in the current fiscal year, including the full implementation of the e-filingtax system by 2016.

- ✓ Corporate income tax to be reduced to 32%from 33%.

- ✓ Withholding tax on services rendered by non-residents will be reduced from 25% to 10%.

- ✓ The budget proposes an expenditure outlay of N$67.08bn for the 2015/16 financial year, equating to 40.8% of GDP. This represents 7.0% nominal increase over the past year, a much moderate expansion rate, compared to 27.7% over the previous year. For the MTEF, total expenditure is forecast to moderately increase to N$72.06bn by 2017/18 and average 39.0% of GDP.

- ✓ Total non-interest expenditure for 2015/16 will increase to N$63.23bn, from N$57.69bn in 2014/15, and average around N$65.56bn over the MTEF.

- ✓ Interest payments, which represents Government obligations to debt servicing is estimated at N$3.87bn in FY2015/16 or some 6.6% of revenue, seen against the limit of 10% of revenue.

- ✓ Non-interest operational expenditure for the budget year is set at N$52.12bn or 31.7% of GDP, representing a 3.0% nominal increase over the previous financial year, due to expenditure commitments arising from public sector remuneration corrections as well as adjustments to the Government structure.

- ✓ The development budget, which is key to infrastructure development and fiscal counter cyclicality is proposed to increase at a rate of 15.9% to N$11.10bn in the budget year and average around N$12.05bn over the MTEF. As a portion of GDP, the development budget allocation increases from 6.4% in 2014/15 to 6.7% in 2015/16 and averages around this level over the MTEF.

- ✓ In addition to the development budget allocation, budgetary allocations are made under the operational budget for targeted transfers to State-owned Enterprises for investment in strategic infrastructure projects such as the Kudu Gas-to-Power project (N$4.93bn over the MTEF), railway (N$3.79bn over the MTEF) and road network rehabilitation (N$3.27bn over the MTEF) and the Mass Housing project (N$1.25bn over the MTEF).

- ✓ In terms of the projected revenue and expenditure proposals for the MTEF, the budget deficit is projected at 5.3% of GDP in the 2015/16 financial year and average 3.8% over the MTEF, which is well within the 5% target cap.

- ✓ Total debt is projected to increase to an average of 31.5% of GDP over the MTEF, seen against the threshold of 35.0%. Government intends to finance the substantial component of the deficit from domestic borrowings. Contingent liabilities are projected to increase to an average of 8.7% over the MTEF, as Government extends support to SOE project financing on the strength of their balance sheets.

- ✓ The sovereign guarantees in the pipeline include the construction of a dual carriage between Windhoek and Okahandja to the Road Fund Administration, the construction of the national fuel storage facility, fuel pipeline and the fuel offloading jetty at Walvis Bay by National Energy Fund, and guarantees to NAMCOR and NamPower for the Kudu Gas-to-Power Project and the Mass Housing Programme.

- ✓ Old Age Pension grant has been increased by N$400.00 to N$1,000.00 per month. This will further be increased annually to reach N$1,200.00 per month at the end of the MTEF period. Other social grants will be strengthened in coverage. This places our elderly above the national poverty line, which is estimated at N$530.00 per month in 2015.

- ✓ Investment in peace, public safety, security and rule of law remains key to our national development. A total allocation of N$14.29bn in FY2015/16 or some N$42.77bn is made over the MTEF to the safety and security sector.

- ✓ A total allocation of N$8.16bn is made to the administrative sector. This is 10.8% increase from the previous budget and funds the rendering of the services emanating from the constitutional changes and functional realignments to the structure of Government. Over the MTEF, this allocation amounts to N$23.76bn.

- ✓ Four new budget Votes have been created as a result of the changes to the Government structure. New functions and offices have also been defined, while some functions have been re-arranged.

- ✓ An amount of N$499.24m is allocated to the Contingency Provision for the budget year and N$1.10bn over the MTEF to cater for unforeseen emergencies. An amount of N$334.0m was allocated during 2014/15 and N$319.48m was spent. I have distributed the information regarding the use of the Provision in the last financial year.

Overall budget theme and focus:

The new Minister of Finance, Honorable CalleSchlettwein announced four key priorities for his Ministry and the Government for the current MTEF, along with key interventions required to achieve these priorities. These are (verbatim) as follows:

1. **Inclusive growth:**
    - diversifying and industrializing the economy, through targeted budgetary allocations to the priority economic sectors with high economic growth and job creation potential;
    - continuous development of functional and technical skills through increased access to tertiary education and vocational training;
    - developing and supporting domestic and regional value chains in the areas of comparative and competitive advantage;
    - crowding-in the much needed investment through private sector and SME support programmes as well as harnessing PPPs;
    - enhancing greater access to development finance through the operations of domestic Development Finance Institutions and tailor- made commercial credit offerings; and
    - leveraging PPPs for infrastructure development and public service delivery.

2. **Poverty reduction:**
    - strengthening social safety nets in coverage and quantum as the first line of defence against poverty for the vulnerable members of our society;
    - supporting the creation of decent jobs and self-employment opportunities in the private sector;
    - . implementing policies that promote local access to, and ownership of the resources, and nurturing the capacity to exploit the resources profitably;
    - developing social security networks that are sustainable and meaningful; and
    - designing and implementing redistributive tax policies that are pro-poor and pro-growth.

3. **Wealth creation:**
    - empowering Namibians in a manner that creates sustainable and broad- based wealth creation;
    - promoting affordable and sustainable access to finance and means of production, while maintaining responsible lending;
    - developing facilities to support SME access to finance and mentorship programmes;
    - increasing the share of local ownership and value share in the value chains across various industrial and service-oriented activities;
    - encouraging wealth accumulation and prudent management; and
    - expanding the provision of basic amenities to all Namibians.

4. **Service delivery, accountability and value for money:**
    - improve service delivery by strengthening internal efficiency of the public service sector through performance measures and accountability;
    - continuous skills development; and
    - reform of public enterprises to ensure affordable, competitive, reliable and sustainable service delivery.

Outturn 2014/15

Revenue

Total revenue for 2013/14 was recorded at N$41.91bn which is 10.3% higher than the previous year and 4.4% higher than the previously budgeted number. The revenue outturn for 2014/15 is estimated to come in slightly higher than was projected in the previous MTEF, largely on account of better than expected performance in domestic tax revenue streams, given a better economic performance than originally forecast and increased tax collection and administrative efforts. As such, projected revenue for 2014/15 now stands at N$53.9bn, up from the N$52.5bn projected in February 2014.

Expenditure

Preliminary expenditure figures suggest that total expenditure for the 2014/15 fiscal year will come in at N$54.3bn, an effective 90.2% execution rate of N$60.20bn initially budget for. The execution rate is significantly lower than the previous year's execution rate of 98.2%.

Deficit

As a result of better than projected revenue collection and weak execution of expenditure, the projected deficit for 2014/15 will be significantly below the 5.5% budget deficit projected in the 2014/15 MTEF.The budget deficit is likely to be below 4.2% of GDP.

Debt

Although the debt issued increased in nominal terms, as a proportion of GDP, the debt ratio of 23.7% for 2014/15 remained in line with the 2013/14 figure of 23.5% and is well below the current Sovereign Debt Management Strategydebt-to-GDP cap ratio of 35%.

Revenue

Over the 2015/16 MTEF, the main sources of revenue for the Government will remain tax revenues, particularly income tax revenue, value added tax revenue and SACU receipts from the common revenue pool for the free-trade area. Taxes on income and profits and domestic taxes on goods and services are projected to become more significant over the MTEF, contributing 42.7% and 22.4%, respectively in the 2015/16 period, increasing to 46.2% and 23.9% by 2017/18.

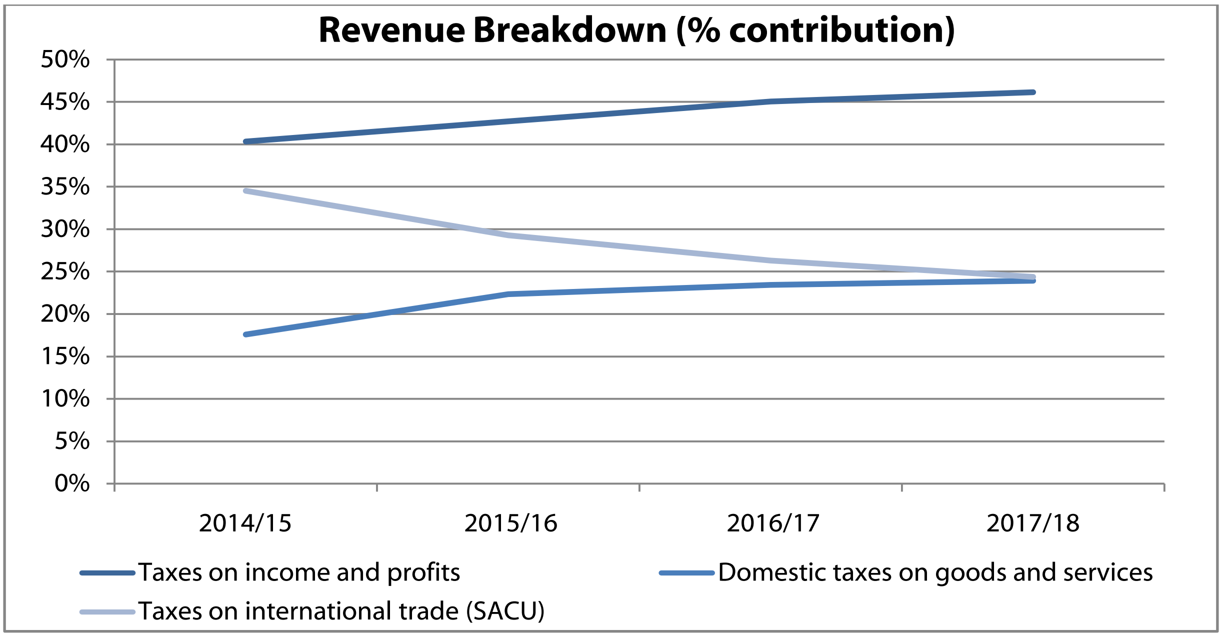
Taking into consideration the projected economic outlook, total revenue and grants for the MTEF are projected to increase at a moderate pace of about 11.4%, or N$5.9bn, in the 2015/16 financial year, with growth primarily stemming from domestic taxes on goods & services (N$3.84bn) and taxes on incomes & profits (N$3.80bn). These increases are partially offset by declines in the SACU revenue and non-tax revenues, declining N$993m and N$834m respectively.

The major drag and significant risk for revenue growth is the projected reduction of SACU revenues, on account of lower growth outlook for the South African economy and clouded by the uncertainty regarding the pending negotiations on SACU Revenue Sharing Formula and institutional arrangements. SACU revenue for 2015/16 is estimated at N$17.1bn or 29.3% of total revenue, a decrease of 5.5% from the estimated revenue for 2014/15. What does however come as a relief is the strong domestic growth that drives growth in revenue and expenditure taxes and as a result SACU is becoming relatively smaller in future projections. SACU's contribution to total revenue is projected to decrease 10.1ppt from 34.5% of total revenue in 2014/15 to 24.4%. Despite the decrease in SACU revenues, it remains significant in the total context and continues to pose a systemic risk to government should there be a structural change in formula.

A point of note on SACU revenue is that South Africa's total custom and excise duties is R80.6bn, of which R51bn gets paid out to its neighbouring countries whose combined size is a mere 10th of the South African economy. Considering the current pressure on the South African economy and strain on its budget, the formula negotiations will become of increased importance to South Africa.

As per the South African budget SACU payments is set to decrease by 29.4% in 2016/17, however as per the Namibian budget the drop in SACU revenues are projected to be a mere 3.1%.

Taxes on income and profits are set to increase by N$3.80bn or 17.9% to N$24.98bn in 2015/16. This increase stems from non-mining companies and income tax on individuals that are projected to increase N$1.69bn and N$1.65bn respectively. Considering a decrease in the corporate tax rate and unchanged rates for individuals, it is evident that these increases are a function of a strong macro-economic backdrop which is conducive to increased labour opportunities, wage growth and profitability for the corporate sector.However it can be questioned whether a 32% increase in taxes from non-mining companies is realistic and achievable.



Source: MoF, IJG Securities

Taxes on goods and services revenues are projected to increase at a significant rate of 41.6% or N$3.84bn in 2015/16. In our view this increase is attributed to a number of factors, namely a low base, strong domestic demand and the increase in the pension grants which will be spent on goods and services. VAT saw a decrease of 7.8% in 2014/15 as VAT charges on imports of mining companies in 2013/14 was reclaimed in 2014/15, putting total VAT collection under pressure and effectively creating a low base.

N$ '000	Estimate 2014/15	Forecast 2015/16	2014/15 Growth	2015/16 Contribution	Forecast 2016/17	Forecast 2017/18
Taxes on income and profits	21,182,252	24,981,078	*17.9%*	*42.7%*	28,409,200	31,939,984
Taxes on property	274,124	345,358	*26.0%*	*0.6%*	382,042	422,943
Domestic taxes on goods and services	9,234,111	13,073,902	*41.6%*	*22.4%*	14,785,738	16,559,817
Taxes on international trade (SACU)	18,116,627	17,123,200	*-5.5%*	*29.3%*	16,589,068	16,866,587
Other taxes	273,587	317,990	*16.2%*	*0.5%*	351,444	389,270
Total tax revenue	**49,080,701**	**55,841,528**	***13.8%***	***95.6%***	**60,517,492**	**66,178,601**
Total Non-tax revenue	3,378,345	2,543,778	*-24.7%*	*4.4%*	2,340,250	2,834,693
Other	13,475	56,240	*317.4%*	*0.1%*	192,485	167,446
Total Revenue	**52,472,521**	**58,441,546**	***11.4%***	***100.0%***	**63,050,227**	**69,180,740**
As a % of GDP	35.00%	35.50%			35.10%	35.00%

Source: MoF, IJG Securities

The notable tax developments during the current fiscal year are the reduction in corporate income tax to 32% from 33%, as well as the reduction in withholding tax on services rendered by Non-residents from 25% to 10%.

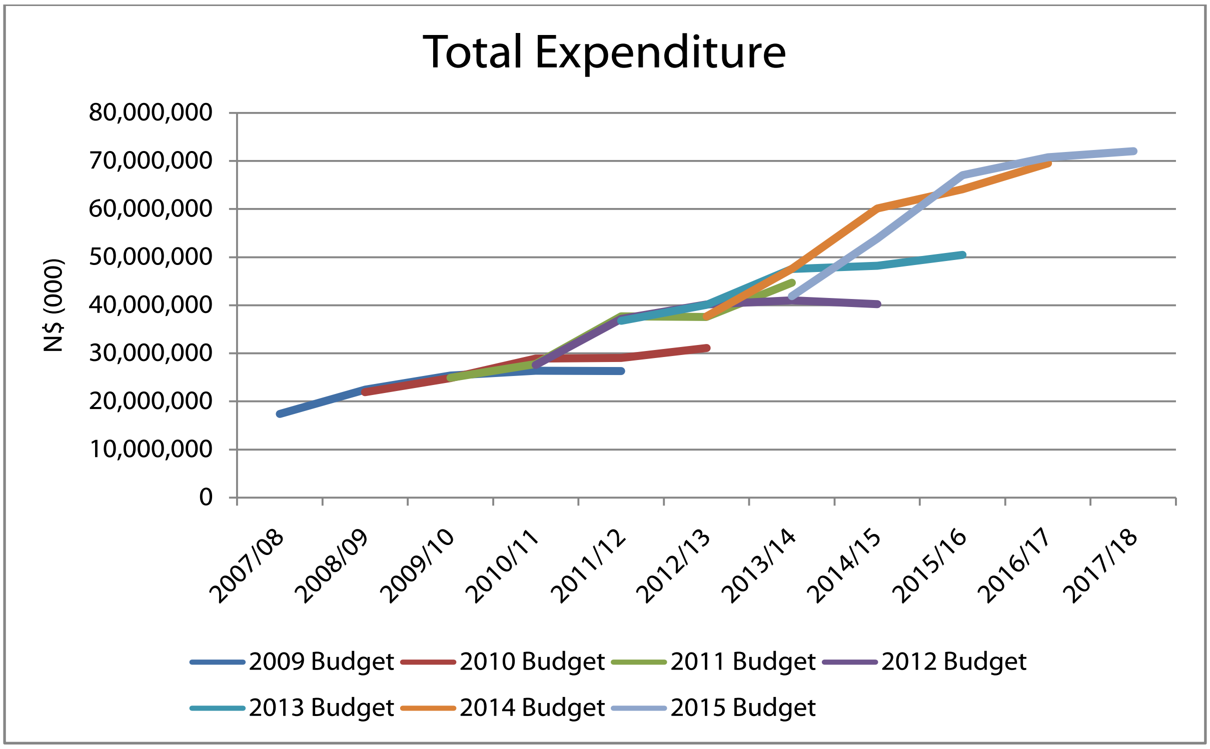
Also notable is the implementation of the first phase of environmental taxes that will encompass the carbon dioxide emission tax on motor vehicles, incandescent light bulbs and motor vehicle tyres, as considered and announced last year. The environmental taxes also contributes to the growth seen in domestic taxes on goods and services.

The VAT threshold was raised from N$200,000 to N$500,000, as announced last year, following a lengthy consultation process. The higher threshold is focused on encouraging investments and creating a more conducive business environment for small businesses.

Additionally, excise taxes or sin taxes on alcoholic beverages and tobacco products were adjusted in line with the SACU common excise policy.

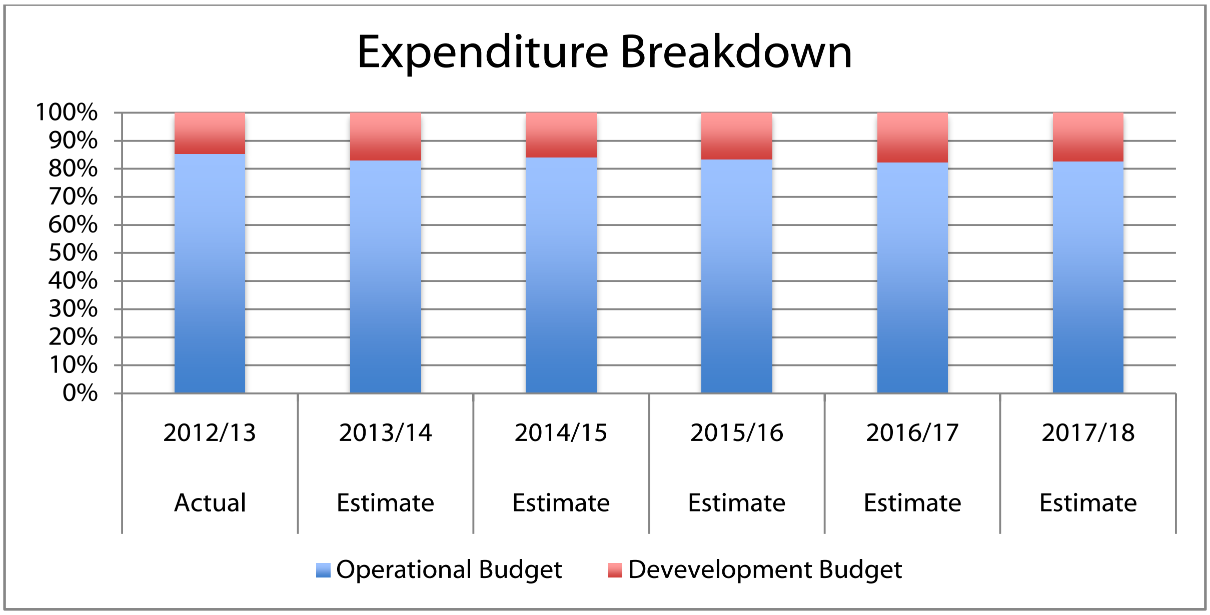
Expenditure

Following a 26.3% increase in budgeted expenditure in 2014/15, expenditure growth has moderated dramatically in the current budget. Total expenditure is to increase to N$67.08bn, up 11.6% when compared to 2014/15 and up 4.7% when compared to the previous estimates for 2015/16. Of this, N$63.2bn is non-interest expenditure, highlighting the fact that at just under N$4bn, the interest costs of Government's fast increasing debt, is becoming sizable in nature. Nevertheless, at approximately 6.6% of GDP, this remains below the prudential limit of 10%. The global increase is still, however, much more moderate and reasonable than 26.3% increase of 2014/15. Moreover, this more-moderate increase in the overall expenditure envelope can be justified by the strong growth seen in the local economy over the past half decade, which growth is expected to continue for the next three years and beyond. However, the budget remains sizable relative to GDP, at 40.8% in 2015/16 and averaging 39.0% over the MTEF.



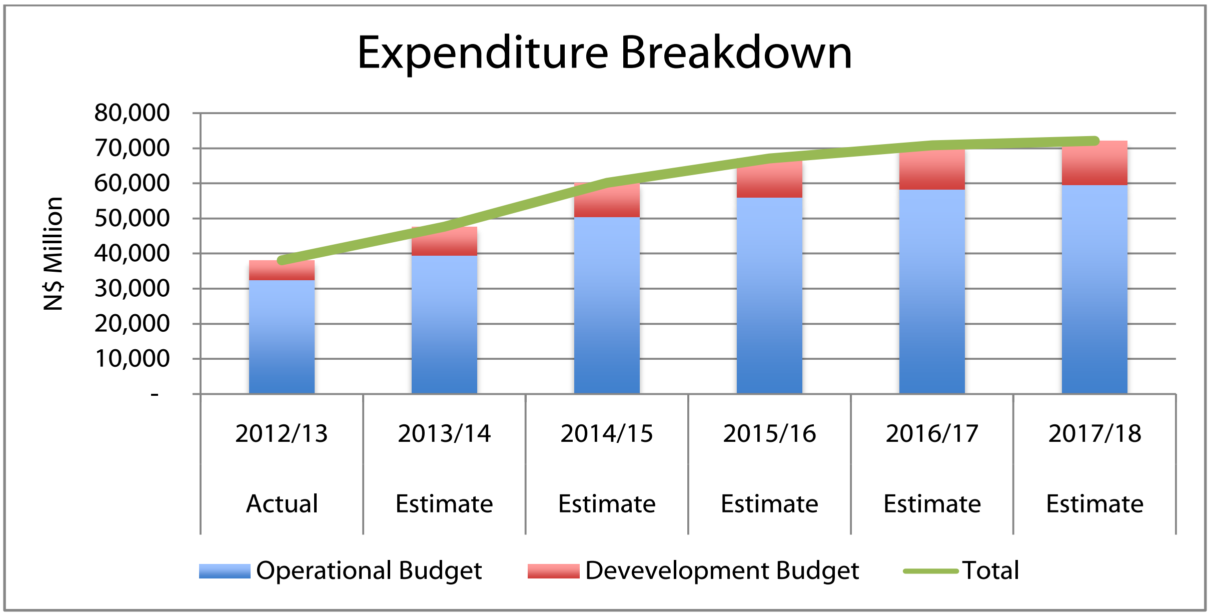
Source: MoF, IJG Securities

The current budget expenditure breakdown remains highly concentrated in favour of the operational budget over the development budget, with the former receiving a total allocation of N$56.0bn (including debt servicing costs), while the latter received just N$11.1bn. As such, for 2015/16, the development budget represents 16.5% of total expenditure, well below the targeted level of 20.0%. Over the MTEF, the ratio is expected to be slightly better, at 17.2%, but still below the 20.0% target.



Source: MoF, IJG Securities

Over the MTEF, growth in expenditure is expected to slow considerably, with total expenditure expected to grow by just 7.4% in total between 2015/16 and 2017/18. However, if history is any predictor of the future, it is unlikely that such low rates of expenditure growth will be seen to play out, and future budgets are likely to see expenditure increasing over current forecasts.



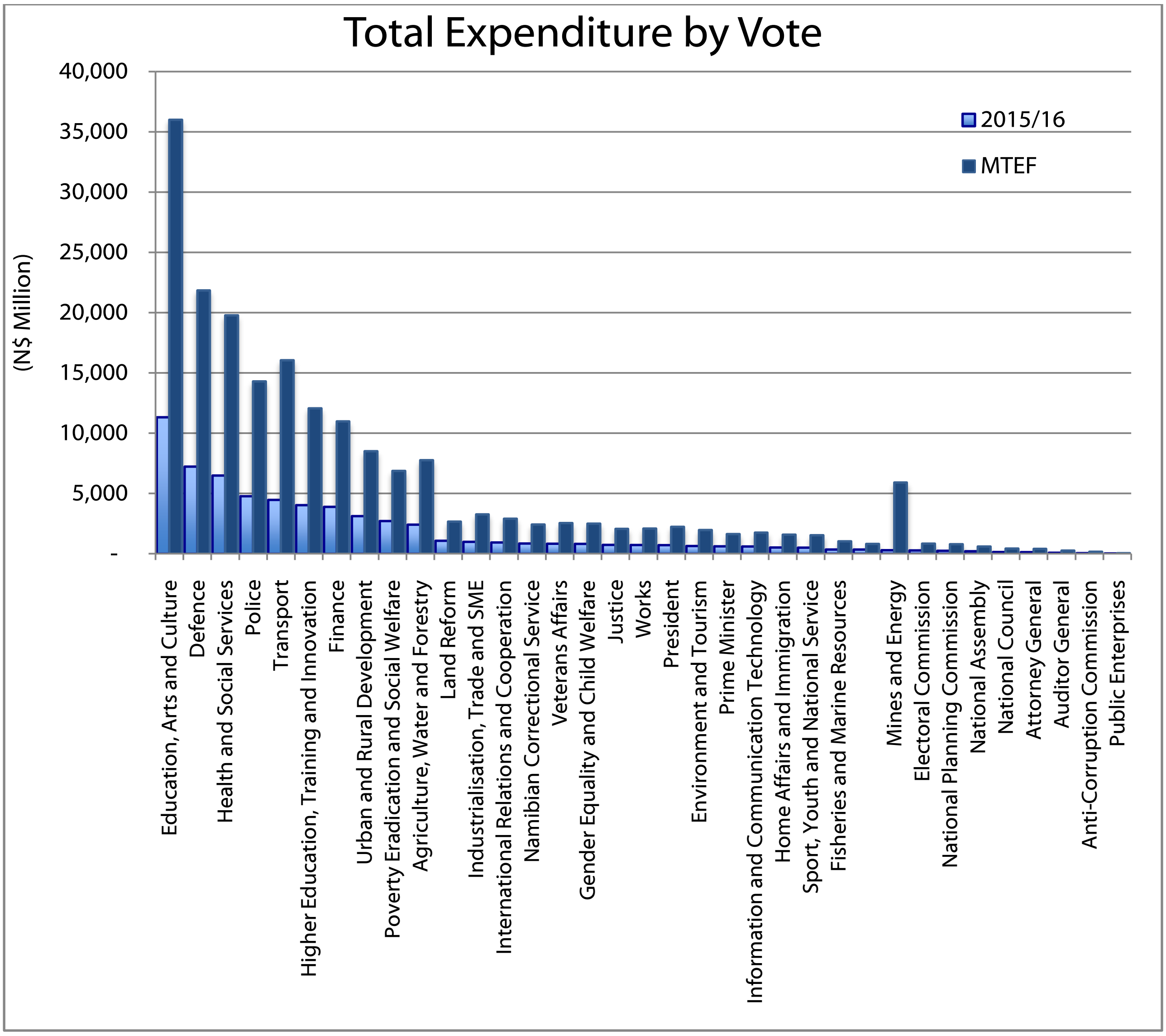
Source: MoF, IJG Securities

From a ministerial point of view, expenditure remains highly skewed towards education, in line with the country's keen focus on improving educational coverage, and to some degree, outcomes. Following the announcement of the new Cabinet and development of new Ministries earlier this month, the Ministry of Education was divided into the Ministry of Education, Arts and Culture and the Ministry of Higher Education, Training and Innovation. The former becomes the largest recipient of government funds in the current year and through the MTEF, while the latter takes the sixth place. In total, the two Ministries will receive N$15.4bn in 2015/16, and N$48.1bn over the MTEF. This breaks down as N$11.3bn in the current fiscal year, and N$36.0bn across the MTEF period for the Ministry of Education, Arts and

Culture;and N$4.0bn in the current year and N$12.1bn across the MTEF for the Ministry of Higher Education. As has been largely anticipated, budgetary provision has been made in the current year and through the MTEF for the continued dissemination of free education. Following the announcement of free primary education in 2013, Government has been actively pursuing the extension of this policy to cover secondary education, which it appears will now come to fruition through the MTEF, starting in the current fiscal year.

For the second consecutive year, Defence gathered the second largest allocation in 2015/16 at N$7.2bn, and over the MTEF period at N$21.8bn. This allocation primarily goes to fund the large number of Defence Force soldiers on the Ministry's books. Health and Social Services receives the third largest allocation, of N$6.5bn in 2015/16 and N$19.8bn across the MTEF.

While the many of the other allocations to Ministries are broadly in line with historic allocations, it is interesting to note the sizable allocation made to the Ministry of Mines and Energy across the MTEF, despite the relatively small allocation in the current fiscal year. This allocation is made in order to support the development of long term security in supplyof electricity, most notably the Walvis Bay thermal power plant and the Kudu gas-to-power project. In this light, the Ministry is in line to receive a little over N$5.0bn in 2016/17 and 2017/18 toward these two projects.



Source: MoF, IJG Securities

Sectoral Allocation

	Expenditure			Growth		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Social	26,720	27,199	27,411	*20.8%*	*1.8%*	*0.8%*
Public safety	14,296	14,198	14,282	*10.7%*	*-0.7%*	*0.6%*
Administration	6,487	6,000	5,819	*-12.0%*	*-7.5%*	*-3.0%*
Economic	9,913	12,604	11,846	*-20.0%*	*27.1%*	*-6.0%*
Infrastructure	5,799	6,646	7,458	*9.5%*	*14.6%*	*12.2%*
Total (excl. statutory payment)	**63,215**	**66,648**	**66,816**	***5.2%***	***5.4%***	***0.3%***

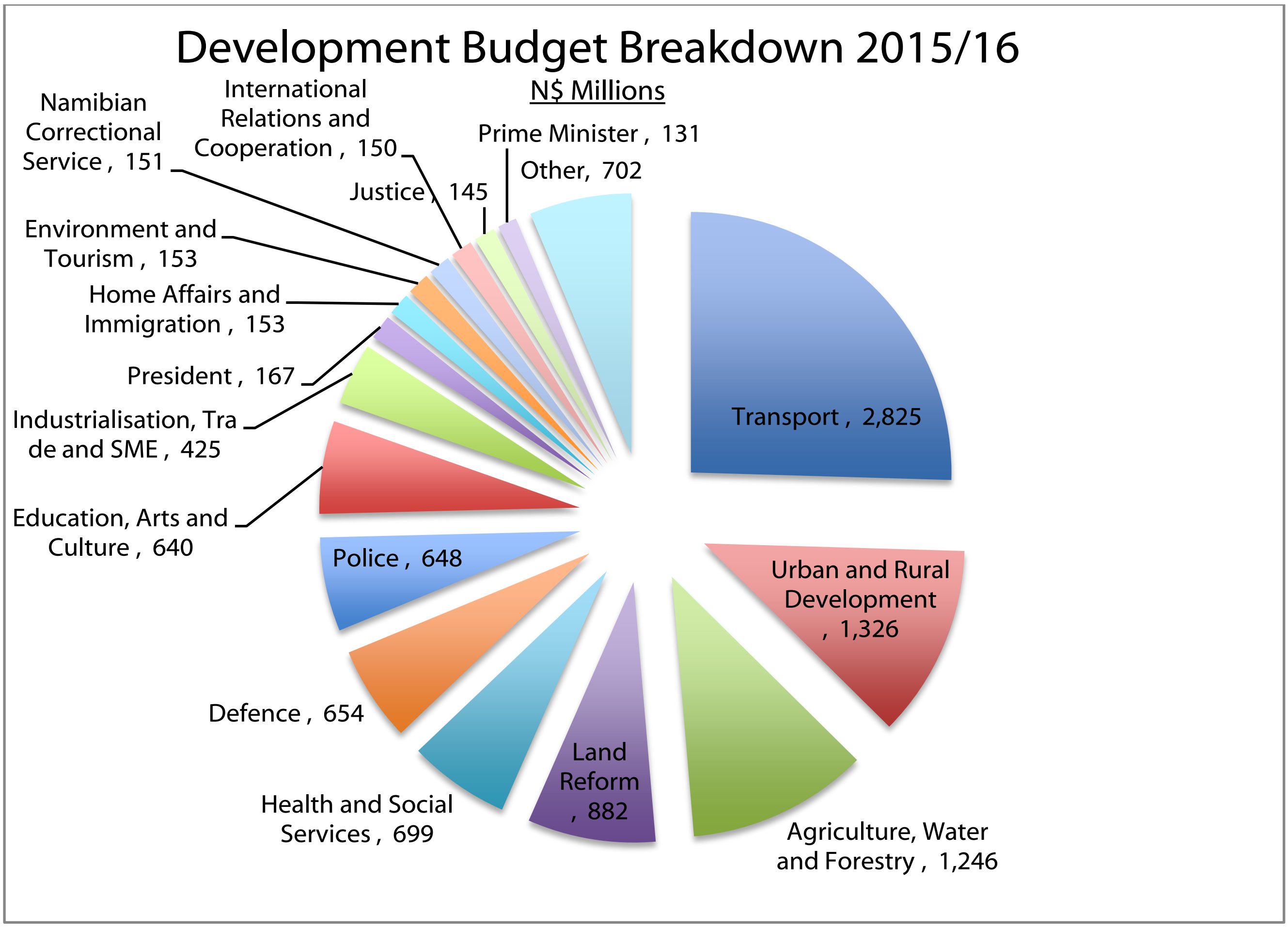
From the perspective of allocation of funds by sector, social spending continues to represent the lions share of expenditure. Moreover, it is the fastest growing sector in the 2015/16 fiscal year, illustrating the strong focus on poverty aliviation and social support under the current President and Government. In this regard, a number of social spending initiatives have been launched or extended, most notably the increase in pensions from N$600 per month to N$1000 per month, an extremely positive and long over due development.

Second, however, is expenditure on public saftey, much of which is made up of Defence spending. Somewhat peculiarly, this is not only the second largest category of expenditure, but is also the second fastest growing expenditure sector.

According to the MTEF, although figures differ from the budget speech, expenditure on administration is set to fall by 12.0% in the current fiscal year, despite the new structures of Government introduced post March 21st, 2015. Similarly, spending on economic activities is set to decline by 20%, a development that will be welcomed by the private sector in all liklihood. Finally, Infrastructure expenditure is set to increase by 9.5%, during the current fiscal year, albeit off a low base.

Development Budget

On the side of the Development Budget, Transport makes up the single largest recipient of funds, receiving a total of N$2.8bn in the current year. These funds will be used, primarily, for the construction and upgrading of the local road infrastructure, and to a lesser extent, airport infrastructure. Second to this is expenditure on Urban and Rural Development, totalling N$1.3bn, which spending focses primarily on rural sanitation, notably water and sewerage services. Finally, closing out the three largest allocations is Agriculture, Water and Forestry, which will receive N$1.2bn in thecurrent financial year, which will be used, primarily, to support the Green Scheme and for the construction of water pipelines across the country. These three votes represent close to 50% of the total development budget's allocations.



Source: MoF, IJG Securities

In addition to the development budget allocation, budgetary allocations were provided for targeted transfers to State-owned Enterprises for investment in strategic infrastructure projects such as the Kudu Gas-to-Power project, railway and road network rehabilitation, Walvis Bay Port expansion and the Mass Housing project.

These allocations include:

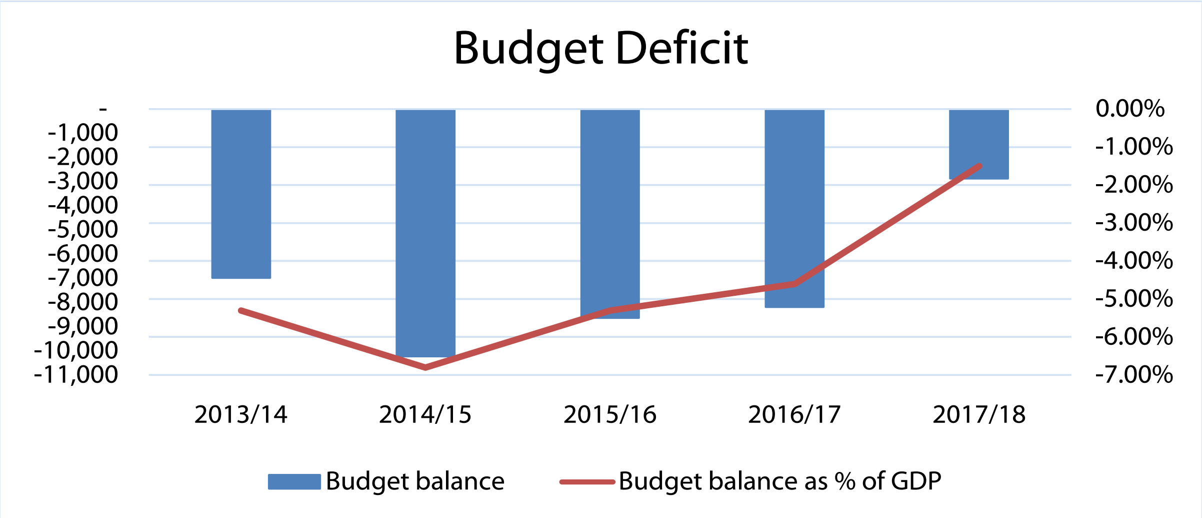
- N$4.93bn over the MTEF to support the balance sheets of Nampower and Namcor for the Kudu Gas-to-Power Project. In addition, the State will provide a guarantee for the financing that will be sourced outside the budget
- N$1.25bn over the MTEF for Mass Housing Project. In addition, Government will issue a sovereign guarantee to the tune of N$2bn for NHE to access funding for this vital project,
- N$3.27bn over the MTEF for the roads projects, in addition to N$1.7bn to be raised by the Road Fund Administration, and
- N$945.84 million for railway projects, with funding outside the scope of the State Revenue Fund to the tune of N$3.79bn over the MTEF.
- N$7.75bn is allocated to the Agricultural Sector to cater for, among others, the Green Scheme programme and other interventions in the sector over the MTEF.

Budget Deficit

The 2013/14 actual budget deficit stood at N$6.984bn, or 5.3% of GDP, compared to the estimated figure of N$7.434bn, largely due to poor execution of the development budget during the period. The estimated budget deficit for 2014/15 has expanded from N$7.732bn to N$10.226bn, or 6.8% of GDP, on the back of an increase in the estimated operational expenditure during the period.

From an absolute perspective the estimated deficit is set to decline from N$10.226bn to N$8.641, or by 15.5%, for the 2015/16 financial year, dropping to 5.3% of the revised estimated GDP figure of N$165bn. The decline is attributable to an increase in tax revenue of 13.8% for 2015/16, and a restrained increase in non-interest expenditure of 5%. The budget deficit as a percentage of GDP remains on the decline after adjusting for changes in the estimates of prior periods and this is forecasted to continue for the duration of the MTEF, with the budget deficit projected to be 1.5% of GDP in 2017/18.

Once again we see the usual projected (but not always fulfilled) decline in the budget deficit towards the end of the MTEF. The projected deficits over the MTEF tends to be overly conservative in the outer years, which questions the extent of the projected consolidation.



Source: MoF, IJG Securities

The outturn of the borrowing requirement

A not uncommon increase in the estimated deficit for 2014/15 was financed through a combination of government cash balances and debt issuance, with foreign borrowing declining. Actual government cash balances utilised during the 2013/14 period turned out to be N$2bn or half of the amount estimated in last year's budget release. The estimated amount of cash utilized during the 2014/15 period was N$3.9bn or N$1.9bn more than expected in the previous budget.

The borrowing requirement over MTEF

Although the 2015/16 budget deficit is expected to decrease to 5.3% it remains of an expansionary nature. Deficit estimates across the MTEF term have been revised upward. The trend since the recession of 2008 has been for expansionary budgets and this trend continues under the newly elected government.

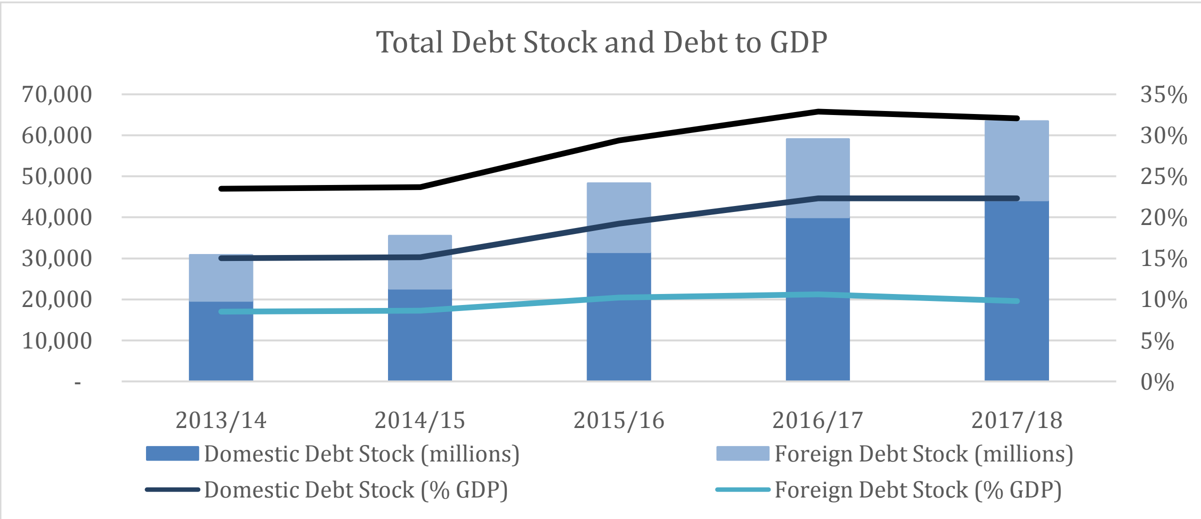
The GC15 and GC18 will be redeemed during the current MTEF putting additional pressure on government to finance the budget. The financing requirement for 2015/16 year is expected to beN$12.2bn due to new disbursements of foreign loans. This is a substantial increase from the N$6.455bn in the corresponding period on the previous budget.

Government is looking to move away from utilising cash balances to finance the deficit with only N$500m estimated for use in 2016/17 and none in 2017/18. Government is looking to ramp up domestic and foreign borrowing through the MTEF in order to make up for the shortfall. Estimated net domestic debt issuance is expected at N$8.9bn in 2015/16 with foreign issuance amounting to N$2.7bn. Both these figures are estimated to decrease modestly in 2016/17.

The increase in foreign debt issuance will most likely see government utilise the remainder of its N$3bn Medium Term Note Programme(MTNP) listed on the JSE, of which N$850m has thus far been issued. Total net foreign issuance over the next two financial years is forecasted to amount to N$4.8bn, or N$2.6bn more than the current MTNP allows for, and thus we expect to see additional foreign debt issuance programmes in the near future. Whether these will be in South Africa or Europe will depend on currency depreciation expectations.

The debt position

Total debt stock is estimated to increase by 36.6% in 2015/16 to 29.3% of GDP from the current year's 23.7%. Although this is a large increase it is well below the 35% threshold announced in the budget speech. Total debt is estimated to average 31.5% of GDP over the MTEF, a substantial increase from previous budgets, once again highlighting the expansionary nature of the budget.
Total interest payments are projected to increase by 53.8% to N$3.9bn, or 2.4% of GDP, in 2015/16. Total interest payments are also expected to grow to 2.7% of GDP by 2017/18, on the back of elevated domestic and foreign debt issuance.



Source: MoF, IJG Securities

Total Guarantees are projected to increase to N$22.3bn over the MTEF period which is 11.3% of GDP in 2017/18 and breaches the targeted level of 10%. We are however not too concerned about this, as strong nominal growth in GDP will automatically bring the ratio back within the limit.

We view the size of the domestic borrowing requirement as a big hurdle for the government to overcome. The sure size of N$8.9bn to be raised is a challenge in an environment where local investors' demand for fixed income securities is becoming saturated. The start of an interest rate hiking cycle also does not bode well for the successful issuance of N$8.9bn worth of debt securities. What is also concerning is that a number of SOEs, like NamPower, NamWater and NamPort might be looking at coming to the market with debt paper, further competing with government for funds.

It is our expectation that we would see spreads of government bond yields increasing over the South African benchmarks due to sheer volume of supply. It is also expected that the corporate sector will start to pay up for listed debt as corporate paper is benchmarked off the government yield curve. Therefore funding in general in Namibia is set to become more expensive and liquidity will slowly start drying up in our economy.

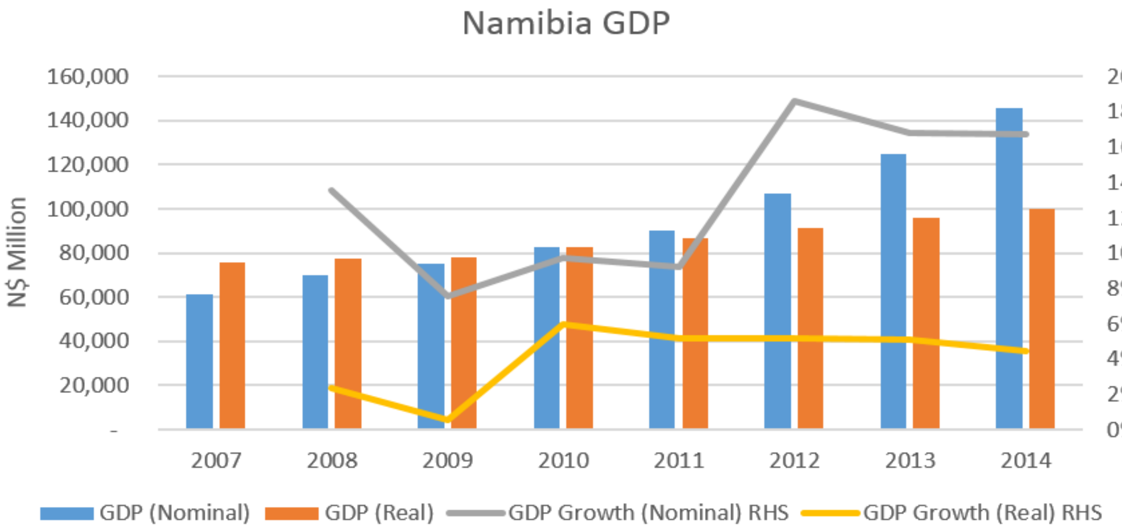
Overall view:

Generally, we are of the view that the current budget is reasonable, particularly given the limited time to add new Ministries and the little time available to the new Minister to make his mark. We are relieved to see moderation and caution exercised in the preparation of forecasts, particularly on the revenue front. Moreover, we believe that the time for fiscal belt tightening is upon us, and thus view the slowing of expenditure growth as a highly positive development, which we hope to continue in coming years as laid out in the MTEF. In addition, we firmly agree with the four broad focal points outlined by the Minister, and commend the Ministry for their efforts to increase social pensions, a much needed and overdue initiative. We remain concerned about the excessive defence budget, as we believe these funds could be better used elsewhere. Most encouraging, however, is the tone and rhetoric in the budget speech, which emphasizes the need for various reforms, expenditure reviews, an outcome focus, and ultimately, greater accountability of the public service to the people.

Finally, we note that the current review of the budget was performed without access to the final Estimates of Revenue and Expenditure, which has yet to be released. We also note a number of contradictions between figures in the Medium Term Expenditure Framework and the Budget Speech. In this light, once the Estimates books become available, we will provide further insight on specific areas of interest, as well as complete our Investment Implications document.

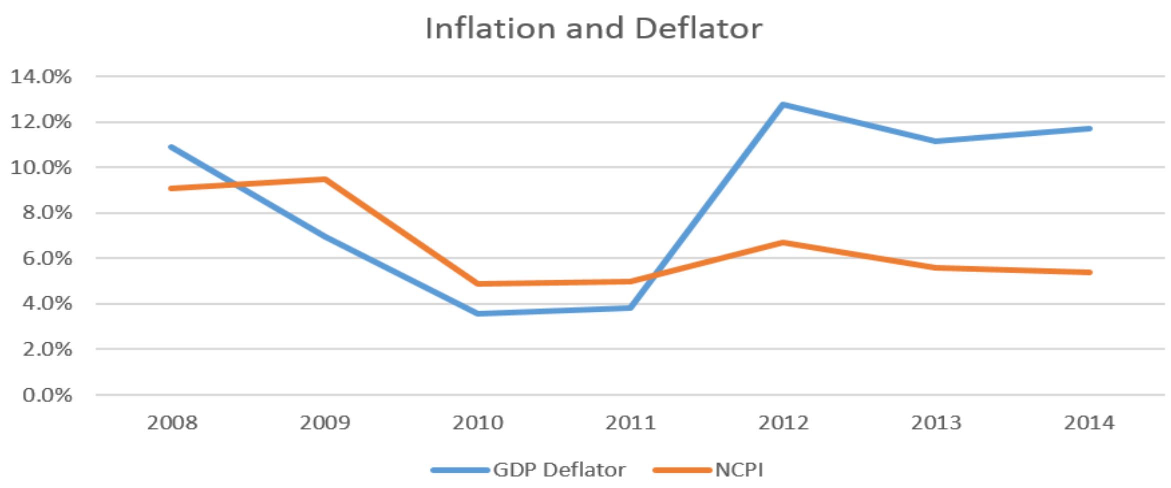
Namibia Preliminary National Accounts 2014

The Namibian Statistics Agency yesterday released Namibia's Preliminary National Accounts for 2014. The domestic economy is estimated to have registered a slower rate of growth, of 4.5% in real value added in 2014, compared to 5.1% recorded in 2013. The main drivers behind this growth slowdown were the secondary and tertiary industries that recorded growth o f 4.7% and 6.3% compared to 8.4% and 7.2% in 2013, respectively.



These figures are far lower than our estimated growth of 6.9%, and appear somewhat different to the reality that can be seen on the street, in the various high frequency indicators monitored, company results and from the expansive policy position pursued by Government and the Central Bank. However, at the current point in time the accounts merely reflect preliminary data, which data is likely to be updated in the final version of the accounts.

Somewhat peculiarly, nominal GDP growth was excellent, at 16.7%, in line with the level seen in 2013. However, the deflator used to obtain real GDP was aggressive, at 11.7%, more than double the average consumer price inflation seen in 2014 (unfortunately, no producer price index yet exists for Namibia). By reducing this deflator (as we believe will be done in the final version of the National Accounts), real GDP growth would increase dramatically. It is our view that the deflators used over the past three years are inaccurate, resulting in a sizable understating of real growth in the local economy.



It is thus our belief that the current growth figures are notably understated, both on account of the aggressive deflator used, and incomplete data, and thus that the final accounts will see a sizable upward revision.

Industry	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture and forestry	4,909	3,678	3,816	4,214	4,258	4,603	3,374	3,592
Livestock farming	3,297	2,023	2,204	2,496	2,648	2,806	1,750	1,890
Crop farming and forestry	1,612	1,655	1,612	1,718	1,610	1,797	1,624	1,702
Fishing and fish processing on board	1,916	2,163	2,941	2,871	2,733	2,525	2,589	2,476
Mining and quarrying	10,035	10,293	7,033	8,598	8,132	10,170	10,282	9,808
Diamond mining	6,987	6,878	3,291	4,741	4,580	5,176	5,556	6,174
Uranium	1,201	1,563	1,691	1,778	1,335	1,697	1,579	1,424
Metal Ores	1,248	1,152	1,164	1,144	1,021	1,352	988	974
Other mining and quarrying	598	699	887	934	1,196	1,945	2,159	1,236
Primary industries	**16,860**	**16,033**	**13,791**	**15,683**	**15,123**	**17,299**	**16,244**	**15,876**
Manufacturing	8,955	9,396	9,587	10,306	10,892	10,147	10,439	10,487
Meat processing	357	334	348	368	358	354	461	393
Grain Mill products	394	452	526	570	607	598	641	624
Other food products	1,126	1,222	1,304	1,528	1,371	1,141	1,200	1,220
Beverages	1,115	1,151	1,326	1,351	1,357	1,561	1,664	1,835
Textile and wearing apparel	429	441	436	452	473	502	525	465
Leather and related products	106	114	73	81	92	102	87	82
Wood and wood products	272	312	300	270	268	255	263	268
Publishing and Printing	178	190	178	183	180	158	168	190
Chemical and related products	675	676	718	768	860	896	935	943
Rubber and Plastics products	265	256	254	274	287	285	299	304
Non-metallic minerals products	219	233	228	230	397	399	404	437
Basic non-ferrous metals	2,438	2,164	2,416	2,731	3,158	2,431	2,290	2,214
Fabricated Metals	406	476	423	462	429	459	485	481
Diamond processing	591	919	513	634	668	623	577	610
Other manufacturing	387	458	546	424	389	404	440	422
Electricity and water	1,974	1,798	1,503	1,538	1,588	1,868	1,873	1,986
Construction	2,576	2,972	2,451	2,618	3,035	3,297	4,292	4,917
Secondary industries	**13,506**	**14,167**	**13,541**	**14,462**	**15,512**	**15,313**	**16,604**	**17,390**
Wholesale and retail trade, repairs	8,173	7,850	8,635	9,284	9,827	10,245	11,726	12,729
Hotels and restaurants	1,223	1,265	1,335	1,421	1,555	1,681	1,815	1,985
Transport, and communication	3,093	3,424	3,973	4,238	4,444	4,800	5,108	5,396
Transport	1,560	1,690	1,682	1,686	1,854	2,039	2,301	2,382
Storage	532	660	667	706	765	823	854	912
Post and telecommunications	1,001	1,174	1,624	1,846	1,826	1,938	1,954	2,102
Financial intermediation	3,714	4,309	4,202	4,602	4,863	5,194	6,027	6,494
Real estate and business services	6,109	6,295	7,006	7,063	7,509	7,881	8,207	8,472
Real estate activities	4,764	4,968	5,149	5,350	5,487	5,852	6,137	6,327
Other business services	1,345	1,327	1,857	1,713	2,022	2,029	2,070	2,145
Community, social and personal service activities	2,198	2,213	2,201	2,236	2,488	2,049	2,088	2,232
Public administration and defence	7,618	8,408	8,850	9,100	9,579	9,855	10,190	10,677
Education	5,447	5,712	5,882	5,872	6,894	7,202	7,437	7,878
Health	2,382	2,191	2,311	2,531	2,674	2,828	3,017	3,246
Private household with employed persons	668	723	785	853	926	1,005	938	983
Tertiary industries	**40,523**	**42,391**	**45,180**	**47,199**	**50,759**	**52,742**	**56,553**	**60,091**
Less: Financial intermediation services indirectly measured	867	886	820	1,011	1,119	1,169	1,389	1,494
All industries at basic prices	**70,022**	**71,707**	**71,692**	**76,333**	**80,276**	**84,184**	**88,012**	**91,863**
Taxes less subsidies on products	5,639	5,741	6,198	6,202	6,529	7,108	7,942	8,387
GDP at market prices	**75,661**	**77,448**	**77,890**	**82,534**	**86,805**	**91,292**	**95,954**	**100,249**

Economic Data Snapshot

	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
Inflation (y/y)	5.9%	6.1%	6.1%	5.6%	5.4%	5.3%	5.0%	5.0%	4.6%	4.5%	3.6%	3.4%
Repo Rate	5.50	5.75	5.75	5.75	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.25
Prime Rate	9.25	9.50	9.50	9.50	9.75	9.75	9.75	9.75	9.75	9.75	10.00	10.00
N$/US$	10.56	10.42	10.59	10.51	10.65	11.29	10.87	10.96	11.57	11.55	11.54	12.15
N$/AUD	9.78	9.69	9.98	9.88	9.96	9.87	9.60	9.37	9.46	8.97	9.00	9.30
N$/CAD	9.65	9.61	9.93	9.72	9.79	10.08	9.72	9.74	9.96	9.16	9.22	9.59
Vehicle Sales (y/y)	34.4	20.9	34.9	21.5	15.6	32.6	44.7	25.8	53.9	13.9	8.8	14.4
Passenger	40.0	14.6	26.4	8.0	31.3	8.8	18.9	3.7	45.1	6.4	11.1	0.2
Commercial	29.5	27.1	42.4	33.9	4.2	55.4	69.5	45.2	61.8	20.3	7.2	27.7
M2 Money Supply (y/y)	7.8	8.8	6.9	10.3	8.4	11.1	5.0	9.8	7.8	9.8	*	*
PSCE (y/y)	15.8	16.0	15.4	15.5	16.3	16.4	16.4	16.0	16.5	16.1	*	*
Business	15.9	18.0	17.8	17.2	19.7	20.3	21.4	20.1	21.4	22.7	*	*
Individuals	15.8	14.7	13.7	14.3	14.2	13.9	13.2	13.3	13.3	12.0	*	*

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

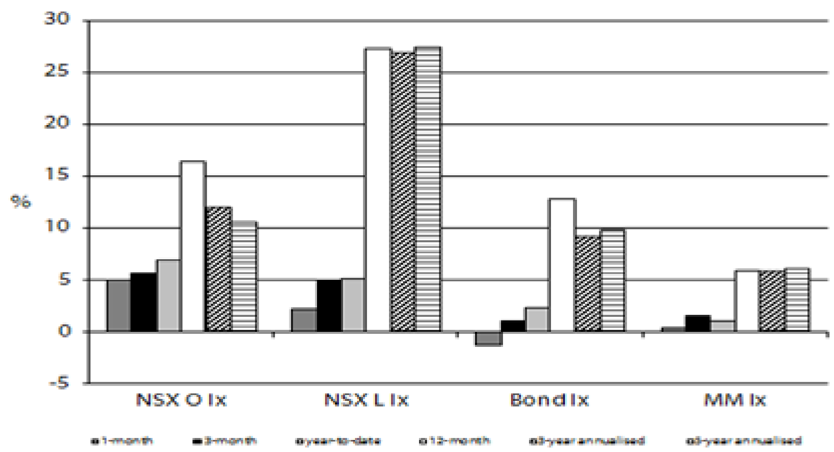
Namibian Asset Performance

The NSX Overall Index closed at 1,161.98 points in March, down from 1,173.44 points in February, losing 0.18% on a total return basis in March compared to a 5.01% m/m increase in February. The NSX Local Index increased 2.08% m/m compared to a 2.21% m/m increase in February. Over the past 12 months the NSX Overall Index returned +11.35% against +28.10% for the Local Index. The best performing share on the Overall Index in February was Standard Bank Group at +10.08%, while Trustco Group was the worst performer at -18.80%.

The IJG All Bond Index (including Corporate Bonds) fell 0.33% m/m in March after losing 1.22% m/m in February. Namibian bond premiums relative to SA yields in March generally strengthening with the GC17 premium weakening 1bp to 64bp; the GC18 premium weakening 10bp to 78bp; the GC21 weakening 16bps to 85bp; the GC24 premium weakening 2bp to 79bp; the GC25 strengthening 4bp to 97bp; the GC27 strengthening 6bp to 101bp; the GC30 strengthening 1bp to 110bp; the GC32 strengthening 3bp to 111bp; the GC35 strengthening 3bp to 112bp; the GC37 unchanged at 121bp; and the GC40 unchanged at 115bp.

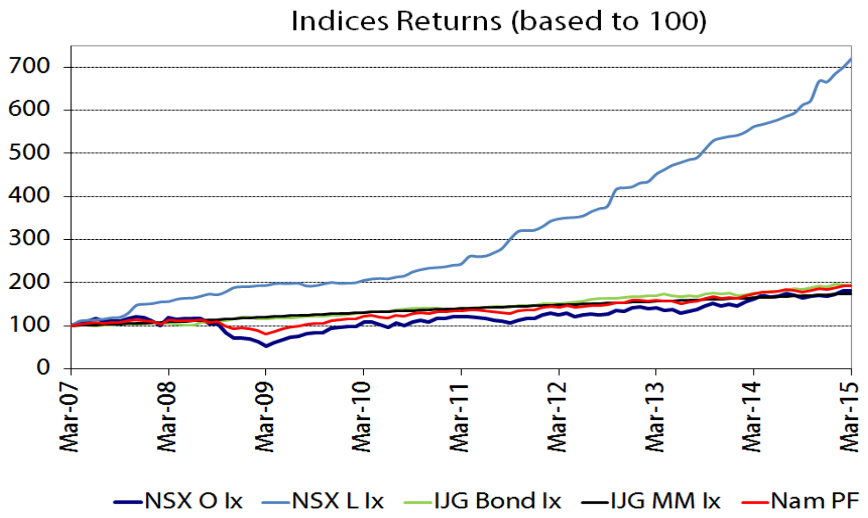
The IJG Money Market Index (including NCD's) increased by 0.52% m/m in March after rising 0.47% m/m in February.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

Namibian Returns by Asset Class [N$,%] - February 2015	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	0.18	7.11	10.98	11.35	7.11	13.06	10.87
NSX Local Index	2.88	8.13	17.58	28.10	8.13	27.39	28.49
IJG ALBI	-0.33	2.14	5.38	10.87	2.14	8.90	9.22
IJG GOVI	-0.34	2.21	5.49	11.01	2.21	8.96	9.15
IJG OTHI	-0.27	1.73	4.69	9.95	1.73	8.52	9.69
IJG Money Market Index	0.52	1.51	3.03	6.00	1.51	5.69	5.96

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] - February 2015	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	-3.89	-4.62	-6.92	-13.19	-4.62	-14.16	-9.63
NSX Overall Index	-3.72	2.17	3.30	-3.34	2.17	-2.95	0.20
NSX Local Index	-1.12	3.14	9.44	11.20	3.14	9.35	16.12
IJG ALBI	-4.20	-2.57	-1.92	-3.76	-2.57	-6.52	-1.29
IJG GOVI	-4.21	-2.51	-1.82	-3.63	-2.51	-6.46	-1.36
IJG OTHI	-4.14	-2.97	-2.56	-4.55	-2.97	-6.85	-0.87
IJG Money Market Index	-3.39	-3.18	-4.10	-7.98	-32.30	-9.27	-4.24

** annualised*

Source: IJG

Individual Equity Total Returns [N$,%] March 2015

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			**4.28**	**13.72**	**26.50**	**34.34**	**13.82**
banks			**6.42**	**13.19**	**29.33**	**38.47**	**13.19**
BWH	1,525	0.11%	7.66	10.58	29.99	54.90	72.34
FST	5,592	15.46%	4.80	11.49	32.17	60.56	11.49
FNB*	2,741	0.19%	1.11	4.34	11.97	27.18	4.34
NBK	23,831	4.00%	-6.55	-3.36	10.99	10.59	-3.36
SNB	16,850	17.85%	10.82	18.55	31.34	25.95	18.55
insurance			**-4.77**	**4.88**	**7.83**	**18.35**	**4.88**
SNM	22,370	0.70%	-4.77	4.88	7.83	18.35	4.88
life assurance			**1.98**	**15.30**	**24.21**	**29.57**	**15.30**
MMI	3,243	2.50%	-0.01	9.33	26.57	38.18	9.33
OLM	4,090	13.10%	1.15	19.05	26.31	19.44	19.05
SLA	7,801	11.05%	3.42	12.21	21.18	39.64	12.21
investment companies			**-2.51**	**-7.85**	**-7.34**	**42.12**	**-7.85**
NAM*	58	0.00%	-2.51	-7.85	-7.34	42.12	-7.85
real estate			**-0.91**	**9.17**	**19.30**	**22.57**	**9.17**
ORY*	1,851	0.06%	0.69	2.57	6.87	15.20	2.57
VKN	1,939	0.65%	-1.05	9.78	20.46	23.25	9.78
specialist finance			**-0.68**	**5.81**	**10.24**	**25.78**	**9.18**
IVD	10,227	1.89%	-0.43	5.97	9.67	24.58	5.97
KFS	735	0.14%	1.80	1.80	3.52	0.00	50.68
TUC	300	0.05%	-18.80	11.79	55.20	157.00	11.79
HEALTH CARE			0.00	0.00	0.00	0.00	0.00
health care providers			0.00	0.00	0.00	0.00	0.00
MDC	12,080	3.43%	7.77	0.00	0.00	0.00	0.00
RESOURCES			**-24.55**	**-19.71**	**-44.55**	**-51.71**	**-19.71**
mining			**-24.67**	**-19.71**	**-44.67**	**-51.85**	**-19.71**
ANM	19,074	17.52%	-12.92	-10.42	-22.92	-26.21	-10.42
PDN	363	0.20%	3.42	10.33	-5.47	-20.92	10.33
FSY	244	0.02%	64.86	29.10	-1.21	-50.91	29.10
DYL	13	0.01%	-7.14	0.00	-13.33	-53.57	0.00
BMN	47	0.00%	-17.54	-29.85	-31.88	-52.04	-29.85
MEY	4	0.00%	0.00	0.00	0.00	0.00	0.00
B2G	1,902	0.48%	0.90	3.20	-18.09	-35.39	3.20
EOG	91	0.01%	9.64	-42.77	-27.43	-63.45	-42.77
chemicals			**-9.49**	**-18.36**	**-28.10**	**-32.58**	**-18.36**
AOX	1,300	0.15%	-9.49	-18.36	-28.10	-32.58	-18.36
INDUSTRIAL			**0.04**	**9.61**	**40.06**	**16.07**	**9.40**
GENERAL INDUSTRIALS							
diversified industrials			**1.55**	**-2.94**	**-0.01**	**-15.82**	**-4.55**
BWL	9,050	1.37%	1.55	-4.55	-0.01	-15.82	-4.55
Suppport Services			-1.57	-0.10	2.11	7.60	-0.10
BVN*	1,299	0.07%	-1.57	-0.10	2.11	7.60	-0.10
NON-CYCLICAL CONSUMER GOODS							
beverages			**0.47**	**9.84**	**24.92**	**29.03**	**9.84**
NBS*	2,016	0.14%	0.47	9.84	24.92	29.03	9.84
food producers & processors			**-7.81**	**-2.72**	**39.57**	**15.82**	**-2.72**
OCG	10,110	0.32%	-7.81	-2.72	39.57	15.82	-2.72
CYCLICAL SERVICES							
general retailers			**3.87**	**48.08**	**116.91**	**61.17**	**48.08**
NHL*	240	0.00%	0.00	0.00	0.00	n/a	0.00
TRW	8,960	2.47%	3.88	48.13	117.03	61.23	48.13
NON-CYCLICAL SERVICES							
food & drug retailers			**-1.43**	**-2.41**	**18.75**	**4.79**	**-2.41**
SRH	16,334	6.09%	-1.43	-2.41	18.75	4.79	-2.41

Source: IJG, NSX, JSE, Bloomberg

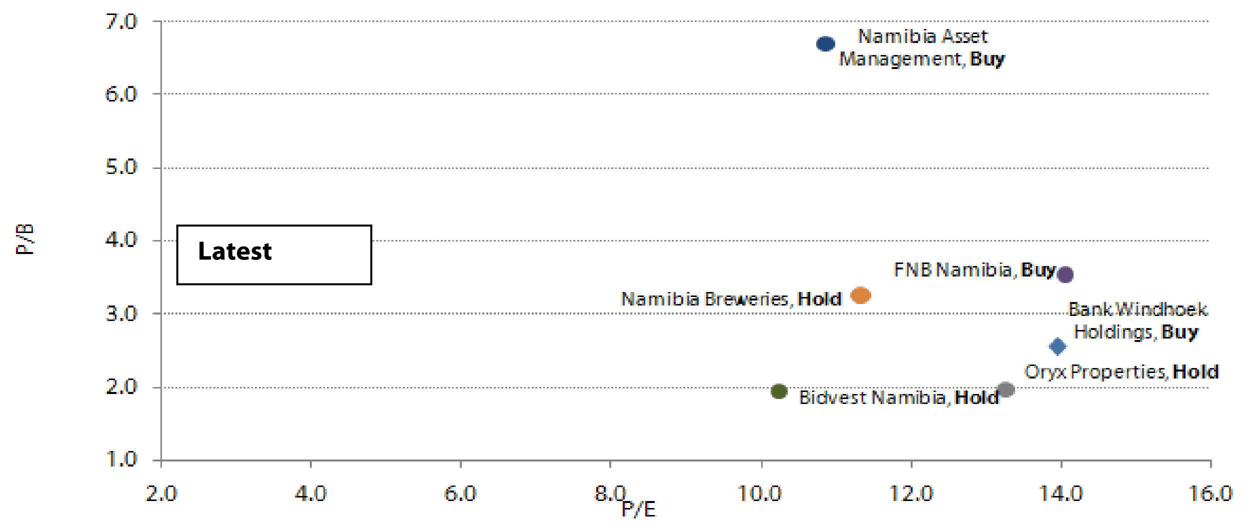
NSX Company Round-Up

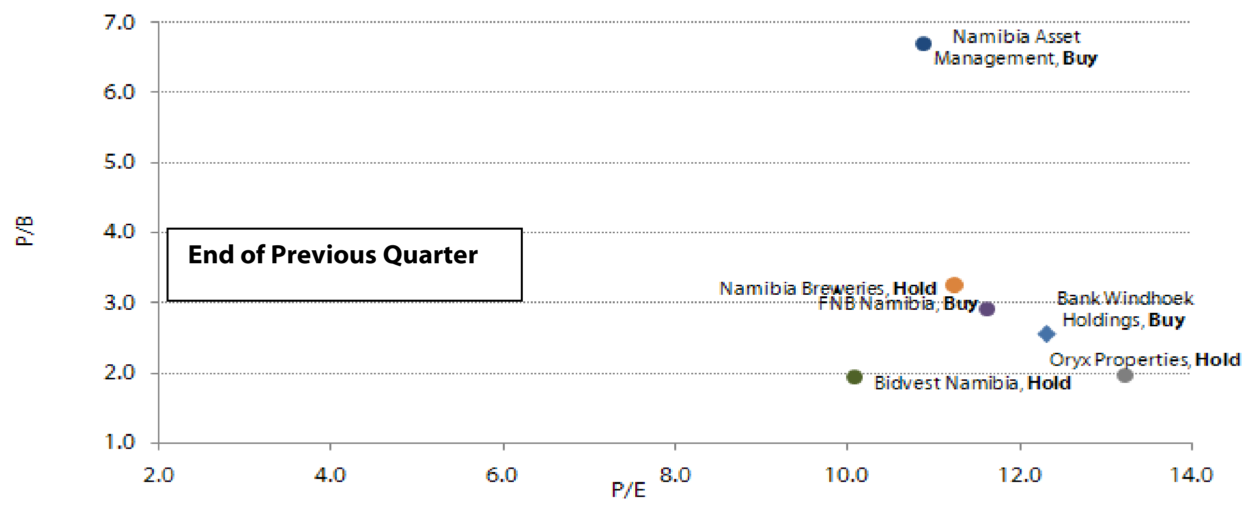
NSX Company Round-Up

Company	Code	Mkt Cap (N$m)	Share price (c)	P/E (A)	P/E (F)	HEPS (A)	HEPS (F)	Rec
Bank Windhoek Holdings	BWH	7,680	1,520	13.9	10.9	109.0	139.3	BUY
FNB Namibia	FNB	8,619	3,221	14.0	8.8	229.4	365.7	BUY
Namibia Asset Management	NAM	116	58	10.9	8.7	6.0	7.5	BUY
Oryx	ORY	1,232	1,865	13.3	11.4	139.5	162.2	HOLD
Namibia Breweries	NBS	4,162	2,015	11.3	20.3	35.3	99.5	SELL
Bidvest Namibia	BVN	2,647	1,249	10.2	11.4	129.5	116.0	SELL

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

P/B vs P/E





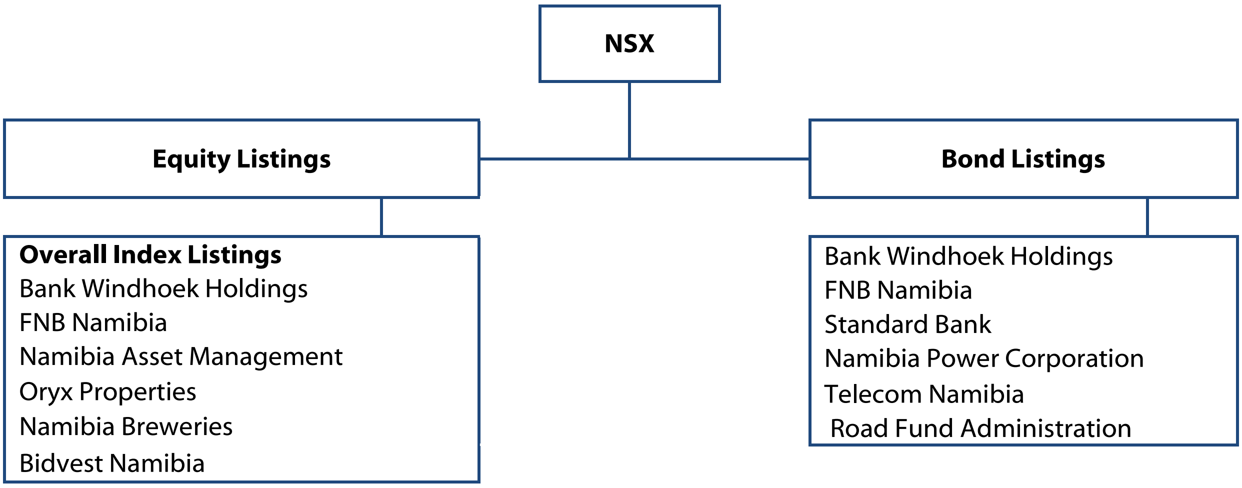
Source: NSX, IJG

Quarterly Recommendations Changes

Overall Index	Target Price (c)	Recommendation	Change from
Bank Windhoek Holdings	1620	BUY	
FNB Namibia	4090	BUY	
Namibia Asset Management	65	BUY	
Oryx Properties	1820	HOLD	
Namibia Breweries	1880	SELL	HOLD
Bidvest Namibia	1250	SELL	HOLD

Source: IJG

Coverage of Companies on NSX



Financials: Banks

Bank Windhoek Holdings *Recommendation: **BUY**, TP: **1620**, 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%)

BWH released its results for first half of the year ended 31 December 2014. The firm continued to register good growth, in line with its highly consistent performance of the past five years. Operating profit expanded by 20.2% year on year, driving strong expansion in headline earnings per share of 17.5%, towards the top of the guidance range of 14 - 19%. Headline earnings now stand at N$360.7m or 71.9cents per share. On the back of the stellar performance of the company, a dividend of 24cps was declared, up 1c from the same period of 2013.

Net interest income added 15.1% to N$601.5m on the back of 18.2% growth loans and advances to customers. The group maintained a net interest margin of 5.0%, and continues to pursue a strategy to diversify its sources of funding and extend the maturity profile of its funding. The major growth in loans and advances seen over the year exceeds the growth seen in total private sector credit extension (of 16.5%), meaning that Bank Windhoek is gaining market share in the loans and advances space. Over the period, Bank Windhoek went from a market share of 31 to 32%. The growth in loans and advances to customers outgrew the growth in funding, putting the bank under further funding pressure, as the loan to deposit ratio increased from 107.5 to 108.4%, while the loan to funding ratio increased from 96.7% to 98.5%, over the 12 month period to December 2014. As this loan-to-funding ratio is running close to the maximum at the moment, Bank Windhoek will have to increase deposits and/or debt through 2015 should they want to continue to issue loans at the current rate. In this regard, Bank Windhoek issued two new floating rate bonds on the JSE in March 2015, totaling N$479 million. As this debt was relatively expensive (compared to deposits as well as previous bonds)it will result in some, albeit minor, compression of the company's net interest margin, as the marginal cost of funding is higher than the current average cost of funding. Nevertheless, given current and expected interest rates, 2015 is likely to be a good year in which to issue debt, which debt will also help with the maturity mismatch inherent to all banks.

Non-interest income increased by 16.4% in the 12 months to December 2014, and now stands at N$395.7m. As a result of slightly stronger growth in non-interest income than interest income, non-interest income now represents 40.2% of operating income, up from 39.8% as of December 2013. According to the company, "the growth in non-interest income is primarily as a result of the increase in business volumes, with the leading contributors being transactional accounts and electronic banking channels."

Over the year from December 2013 to 2014, operating expenses increased by 11.0% to N$508.5m, well below the increase in operating income of 15.3%. As a result, the cost to income ratio improved from 53.7% to 51.7%.

Income from associates decreased by 20.4% to N$41.2m, which according to the company was due to base effects "as a result of the non-recurring profit on the sale of Capricorn Unit Trust Management Company Ltd (CUTM) by associate company Sanlam Namibia Holdings (Pty) Limited included in the prior year." Excluding this profit, the income from associates would have increased by 7.0%.

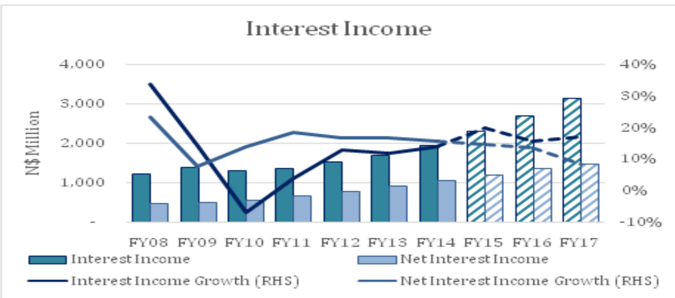
The overall health of the bank's balance sheet remains good and shows signs of improvement off an already high base, as non-performing loans as a percentage of gross advances decreased from 76 basis points to 66 basis points over the one year period.

Target price and recommendation: Based on a justified PE multiple of 11.6x, and considering our FY15 earnings per share forecast of 139cps, we derive a target price of 1620cps for BWH. Assuming a 36% dividend pay-out ratio, we expect a dividend of 50cps, with an implieddividend yield of 3.3%. Thus, based on our expected 12 month total return of 9.7 we recommend a HOLDon BWH at current levels.

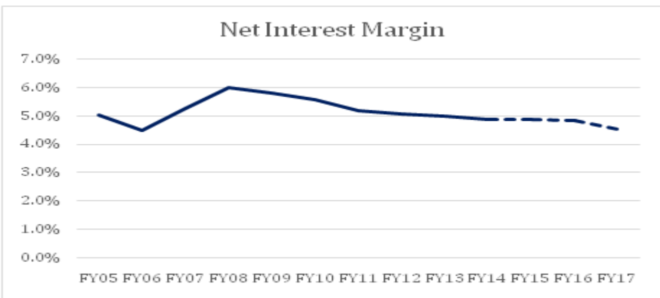
Bull Points:
- Controlled credit growth
- Diversification of income streams
- Improved efficiencies

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

Net Interest Income



Net interest margin



Fiscal Year End: June	2011	2012	2013	2014	F2015
Income Statement Extract (N$m)					
Net interest income	671	783	914	1,057	1,207
Fee and Commission Income	301	355	523	680	761
Operating expenses	643	707	763	915	1,002
Operating profit	404	515	648	793	929
Share of profit from jointly controlled assets	54.8	53.3	60.4	84.3	96.9
Profit before tax	462.6	570.0	709.7	878.3	1,026.8
Income tax (expense)\ credit	134.0	167.4	216.4	253.4	328.6
Net gains on available for sale financial assets	0.9	14.0	22.4	14.2	14.2
Total Comprehensive Income	329.4	416.6	515.6	639.2	712.5
Balance Sheet (N$m)					
Governemnt and other debt securities	1,194.8	1,523.8	1,493.2	2,104.9	2,132.1
Loans and advances	13,004.4	15,484.9	17,652.0	20,245.4	23,175.2
Due from other banks	362.2	211.0	251.4	473.0	473.0
Total Assets	15,984.8	18,921.1	20,938.6	24,318.3	28,228.6
Due to customers	9,852.7	12,126.6	16,915.7	18,782.4	21,702.7
Deposits from banks and others	247.0	237.6	167.0	282.7	240.0
Debt securities in issue	767.3	917.3	943.1	1,841.3	2,399.9
Total Liabilities	14,412.0	17,034.0	18,314.6	21,224.1	24,688.2
Total shareholders' equity	1,572.9	1,887.1	2,624.1	3,094.2	3,540.4
Growth Rates (%)					
Net interest income	18.2%	16.6%	16.8%	15.6%	32.0%
Loans and advances	14.9%	19.1%	14.0%	14.7%	31.3%
Due to customers	17.0%	23.1%	39.5%	11.0%	28.3%
Total Assets	10.6%	18.4%	10.7%	16.1%	34.8%
Financial Summary					
HEPS (c)	74.0	87.0	109.0	121.0	139.3
DPS (c)	90.0	100.0	32.8	44.0	50.0
NAV (c)	1,573	1,887	2,624	3,094	3,540
Weighted Average shares (m)	448.13	452.48	493.14	501.12	501.12
Key Statistics					
RoAA (%)	2.2%	2.3%	2.5%	2.6%	2.6%
RoAE (%)	22.5%	23.3%	23.7%	21.0%	21.0%
Valuation Metrics					
P/E (x)	20.5	17.5	13.9	12.6	10.9
P/BV (x)	3.0	2.5	13.9	12.6	10.9
Dividend Yield (%)	5.9%	6.6%	2.2%	2.9%	3.3%
Earning Yield (%)	4.9%	5.7%	7.2%	8.0%	9.2%

Financials: Banks

FNB Namibia Holdings

*Recommendation: **BUY**, TP: **4090**, Code: **FNB***

Nature of Business: FNB Namibia Holdings (FNB) is one of the largest financial services groups in Namibia 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%)

FNB Namibia released its results for first half of the year ended 31 December 2014. The firm posted excellent results, with profit for the period up by 29.4% to N$495.6million, and earnings per share up by 28.5% to 187.2c. Headline earnings per share saw similar growth of 28.6%. As such, headline earnings for the six months ended 31 December 2014 also stands at 187.2 cps. On account of these strong results, FNB Namibia announced an interim dividend of 71cps for the 6 month period, up 29.1% from the 55cps dividend declared for the same period of 2013.

Over the period, return on average equity improved to 35.0% from 32.9% in 2013 while return on average assets was 3.7%, up from 3.4% in 2013 and cost to income ratio improved to 43.8% from 47.3%.

Net interest income (after impairments) grew by 23.4% on an annual basis, to N$675m, while non-interest income expanded by a sizable 21.2%, to N$643m. The growth in interest income is partially due to extremely strong growth in private sector credit extension, off an ever increasing base, as well as favorable margins due to interest rate movements and expectations through 2014. Advances increased from N$18.8bn to N$21.6bn over the 12 month period, representing growth of 14.9%. Total PSCE growth over this period totaled 16.5%, suggesting a slight loss in market share for FNB Namibia, however from a high base. Nevertheless, FNB Namibia's advances represent 31.2% of total advances registered with the bank of Namibia, well above the natural market share of the company given the number of established commercial banks in the country.

On the other hand, the increase in non-interest income was driven by increased volumes and values of transactions, leading to greater income from fees and commissions. Over the six month period to December 2014, an 11% increase in the number of accounts was witnessed, coupled with an 11% increase in transaction volumes. This drove a 23.1% increase in fee and commission income. The company noted that "mobile banking transactions have increased at double the rate of traditional branch volumes. Although this erodes revenue to a certain extent, we are pleased to pass on the benefits of our strategy to encourage innovative electronic banking."

Total operating expenses are up 14.9% to N$602 million year on year, driven by staffing costs, which increased 18.2% as the staff contingent increased 8%, an 8% wage increase was agreed upon with the union and a training levy was imposed on Namibian businesses.

The overall credit quality of FNB Namibia advances remains extremely sound, with the ratio of non-performing loans to average gross advances improving over the year to 0.67%, from 0.96% in December 2013. Non-performing loans decreased by 18% to N$139.7 million, from N$170.9 million a year ago. This is particularly impressive given the fact that Namibia hiked interest rates by 50 basis points through the 2014 calendar year, which would usually result in a slight uptick in non-performing loans.

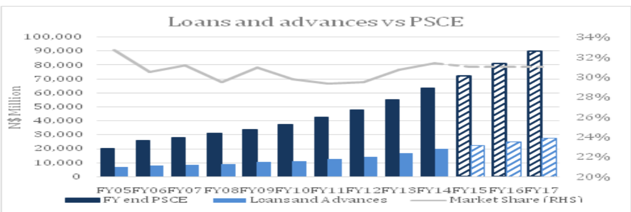
Valuation: Based on a justified PE multiple of 11.2x , and our FY15 and FY16 earnings per share forecasts of 365.7cps and 418.8cps, respectively, we get a target price of 4090cps. Based on forecasted dividend of 132cps in FY15, a dividend yield of 4.1%, we foresee a total return of 31.1% from the share for the next 12 months, making it our most preferred locally listed stock, and thus recommend a BUY on FNB Namibia.

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.

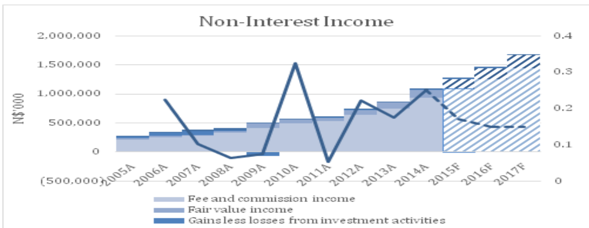
Bull Points:
- Solid strategy and management
- Stable advances growth
- Compelling e-bank/technology offering
- Strong macroeconomic environment

Bear Points:
- Lucrative returns attracting new entrants
- Regulatory focus on non-interest income

Loans and advances vs PSCE



Non-interest income



Cash and short-term funds	2010	2011	2012	2013	2014	F2015
Income Statement (N$m)						
Net interest income after impairments	744.7	851.8	931.8	961.6	1,119.6	1,309.0
Non-interest income	574.3	604.9	739.6	868.5	1,087.4	1,272.2
Net insurance premium income	56.2	71.9	84.5	99.7	125.8	138.4
Net claims and benefits paid	(38.3)	(41.4)	(41.0)	(50.9)	(71.1)	(78.2)
INCOME FROM OPERATIONS	1,334.6	1,486.5	1,719.3	1,879.0	2,261.6	2,641.4
Operating expenses	(718.7)	(768.9)	(884.1)	(944.3)	(1,069.4)	(1,197.7)
Income from associates	5.2	5.0	3.0	2.0	0.6	-
Profit before tax	621.1	722.5	838.2	936.7	1,192.8	1,443.7
Income tax (expense)\ credit	(218.0)	(258.3)	(299.6)	(329.0)	(408.2)	(480.1)
Minorites	29.6	42.7	9.9	11.0	11.4	14.0
Net Profit	458.9	539.0	772.0	607.6	784.6	963.6
Balance Sheet (N$m)						
Cash and short-term funds	455.2	428.1	1,002.1	690.3	867.6	766.4
Loans and advances	11,226.7	12,464.3	14,076.8	16,964.7	19,990.8	22,556.7
Due from other banks	851.2	763.1	1,925.7	1,889.0	1,766.3	1,745.5
Investment Securities	2,799.7	1,643.5	2,144.4	2,272.8	2,833.1	3,139.1
Total Assets	15,937.1	17,163.9	19,697.6	22,499.4	26,255.8	29,091.5
Deposits and current accounts	12,045.9	13,305.6	16,238.5	18,835.7	21,522.4	23,674.6
Due to banks and other fin institutions	54.3	43.9	48.4	319.1	813.0	894.3
Policyholder liabilities	1,043.0	41.7	45.1	50.5	63.0	69.8
Debt	269.6	270.6	392.6	392.6	392.6	392.6
Total Liabilities	13,786.0	15,178.1	17,313.9	20,209.7	23,478.7	25,698.2
Shareholders' equity	1,951.6	1,820.1	2,362.0	2,262.0	2,745.9	3,362.0
Minorities	199.5	165.7	21.6	27.7	31.3	31.3
Total shareholders' equity	2,151.1	1,985.8	2,383.6	2,289.7	2,777.2	3,393.2
Growth Rates (%)						
Income from operations	6.3%	11.4%	15.7%	9.3%	20.4%	16.8%
Loans and advances	7.1%	11.0%	12.9%	20.5%	17.8%	12.8%
Deposits	13.6%	10.5%	22.0%	16.0%	14.3%	10.0%
Assets	13.0%	7.7%	14.8%	14.2%	16.7%	10.8%
Financial Summary						
EPS (c)	166.1	191.8	294.3	230.2	297.7	365.7
HEPS (c)	165.7	191.6	203.1	229.4	294.7	365.7
DPS (c)	67.0	247.0	262.0	100.0	109.0	131.6
NAV (c)	755.1	703.6	912.0	872.6	1,057.0	1,294.1
Weighted Average shares (m)	267.6	267.6	267.6	267.6	267.6	267.6
Key Statistics						
Net interest margin (%)	5.2%	5.6%	5.4%	4.7%	4.7%	4.9%
RoA (%)	2.7%	2.8%	2.9%	2.9%	3.2%	3.5%
RoE (%)	20.6%	22.4%	24.7%	26.0%	31.0%	31.2%
Valuation Metrics						
P/E (x)	19.4	16.8	15.9	14.0	10.9	8.8
P/BV (x)	4.3	4.6	3.5	3.7	3.0	2.5
Dividend Yield (%)	2.1	7.7	8.1	3.1	3.4	4.1
Earning Yield (%)	5.1	5.9	6.3	7.1	9.1	11.4

Financials: Investment Companies

Namibia Asset Management *Recommendation:* ***BUY****, TP:* ***65c****, 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%).

FY14Highlights: 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 24.6%y/y. NAM declared a dividend 5.5cps, with last day to trade 14 November 2014.

Revenue and AUM

Revenue increased by 26.0% in FY14, to N$80.5m from N$63.8m. This stemmed from strong growth in assets under management (AUM), which increased 19.0%, or N$2.9bn, to N$18.2bn. Institutional AUM increased by 16.4% from N$13.4bn in FY13 to N$15.6bn at the end of FY14. This performance was on the back excellent investment performance across all portfolios and good inflows during the period. Retail AUM increased 31.6% to N$1.9bn again on excellent fund performance and flows.

Earnings

The company reported increased profitability with the total comprehensive income up by 23.6% to N$13.0m from N$10.5m reported for FY13. Basic and Diluted EPS both rising by 24.6%y/y. NAM declared a dividend 5.5cps, with last day to trade 14 November 2014. 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.

Coronation Fund Managers

NAM has a strategic business alliance with Coronation Fund Managers of South Africa since 1996 and CML holds a 48.05% shareholding in Namibia Asset Management Ltd. Coronation produced a decent set of results for FY14. CML reported FY14 diluted HEPS of 571.6cps, an increase of 37% compared with the trading statement guidance of 30% to 40% up side. CML maintained its 100% pay-out ratio, since 2009, which gives a 6.0% DY.

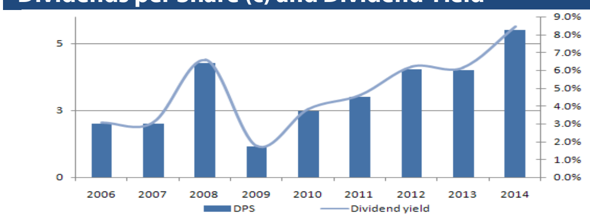
Outlook: In the results statement, NAM highlighted that the outlook on the macroeconomic environment remains uncertain although recent US economic statistics have positively surprised. However, risks around Europe and China continue to increase and recent data confirms that growth is slowing. The Namibian economy continues to perform admirably, particularly given the current challenging global economic environment. Despite these global headwinds, the country, has consistently grown at 5% or more for the past three years, which growth is forecast to strengthen and remain high in 2014 and 2015.

Valuation: In our view the share is attractively priced at 4.3x book and 8.7x earnings with a dividend yield of 8.5%. 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 7.3x and a target price of 83c. Coronation Fund Managers is currently trading at a P/E of 17.7x. We thus maintain our Buy recommendation with an expected total return of 36.2%.

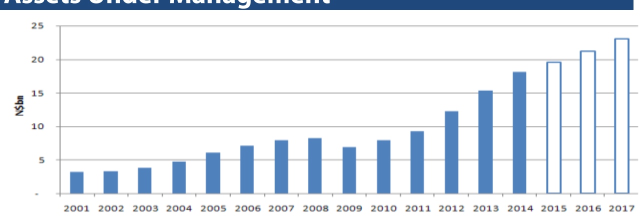
Bull Points:
- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

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

Dividends per Share (c) and Dividend Yield



Assets Under Management



Fiscal Year End: September	2010	2011	2012	2013	F2014
Income Statement (N$m)					
Revenue	28.8	45.5	41.6	63.8	80.5
Other income	0.0	0.1	0.0	0.0	0.4
Net finance income	0.9	0.5	0.7	1.2	1.2
Operating expenditure	22.9	38.9	31.0	50.3	63.3
Profit before tax	6.9	7.2	11.4	14.8	18.8
Income tax (expense)\ credit	(1.2)	(2.4)	(3.8)	(4.7)	(6.1)
Net Profit	5.7	4.8	7.7	10.1	12.6
Balance Sheet (N$m)					
Assets under management	7,920.0	9,300.0	12,200.0	15,300.0	18,100.0
Cash and short-term funds	6.8	8.1	8.8	9.7	27.9
Total Assets	22.2	21.5	26.2	28.6	50.6
Debt	-	-	-	-	-
Total Liabilities	6.9	8.1	10.1	9.7	52.1
Total shareholders' equity	15.3	13.5	16.1	17.2	25.8
Growth Rates (%)					
Revenue	22%	58%	-8%	53%	26%
Assets under Management	14%	17%	31%	25%	18%
Assets	21%	-3%	22%	9%	77%
Financial Summary					
EPS (c)	2.9	2.9	4.6	6.0	7.5
HEPS (c)	2.9	2.9	4.6	6.0	7.5
DPS (c)	2.5	3.0	4.0	4.0	5.5
NAV (c)	7.6	8.1	9.7	10.2	15.2
Weighted Average shares (m)	200	166	166	169	169
Valuation Metrics					
P/E (x)	22.8	22.6	14.0	10.9	8.7
P/BV (x)	8.5	8.0	6.7	6.4	4.3
Dividend Yield (%)	3.8	4.6	6.2	6.2	8.5
Earning Yield (%)	4.4	4.4	7.1	9.2	11.5

Financials: Real Estate

Oryx Properties *Recommendation: **HOLD**, TP: **1820c**,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%)

1H15Highlights: Oryx Properties Limited (Oryx) released its results for the six months ended 31 December 2014, reporting a 6.8% increase in total distributions to N$47.4m from N$44.4m declared in 1H14. Distributions per unit grew from 67.25c to 71.75c or 6.8%. Over the same period EPU fell by 39.4% to 127.21c with the gain in net rental income being offset by the bargain purchase gain in the base period and a slower increase in fair value adjustments. HEPU fell 8.8% from 81.56c in 1H14 to 74.37c due to an increase in the weighted number of units in issue during the period under review.

The company displayed good operational performance, with net rental income increasing by 29.3% y/y to N$93.4m, supported by above average occupancy levels, a low interest rate environment as well as strong renewals characteristic of the period under review. Rental expenses increased by 86% to N$35.1m, largely on the back of the bulk metering of electricity as well as renovations and an increase in gross lettable area (GLA) from the previous period. Oryx reported a profit of N$36.6m. This is a decline of almost 50% y/y from N$72.3m, but was largely as a result of a more modest fair value gain and the once off bargain purchase gain recorded during the previous comparable period, i.e., no-cash flow events.

Vacancies (as a % of lettable area) decreased from 0.9% in 1H14 to 0.5%. The decrease in vacancies is attributable to the completion of the Maerua Mall renovation and expansion, as well as the completed renovations of various smaller properties in the portfolio. This vacancy rate is exceptional, and is well below our projection of 1.5%.

At the end of the interim period, Oryx' investment properties were valued at N$2.04bn, up from N$1.89bn in 1H14, on account of modest acquisitions, and revaluations. Retail space continued to represent the bulk of assets, at 62%, while industrial space contributed 29%, and office space made up the remaining 9%.

Oryx' long term borrowing increased by 10.7% y/y to N$861m in 1H15, from N$777.9m reported as at 1H14. Fixed interest loans make up N$400m of the total, with the remainder made up of floating rate loans. The weighted average borrowing rate on fixed rate debt is 7.97%, while that of floating rate debt is 9.41%. The interest rate for borrowings is 8.75% compared to 8.07% in 1H14. Through swap transactions Oryx has greatly increased the portion of total debt that is fixed (46.5% versus 27.2% in 1H2014).

Outlook: We forecast FY15 distributions to be 149.9c per linked unit, unchanged from our FY14 review. Based on this Oryx is currently trading on a distribution yield of 8.1%. The comparable GC24 is currently trading at a yield of 8.39%, which has come down significantly since the start of the year. The relative attractiveness of Oryx shares at the current price has thus increased but is still below the risk free yield on 10-year government debt. The potential for upside price movement may warrant a slightly lower yield.

Valuation: At the current share price of 1851c and our unrevised forecasted distribution for FY15, Oryx returns a distribution yield of 8.1% which lags the current GC24 yield of around 8.4%. This makes the share relatively expensive at the current market price. Based on a 50 basis point risk premium over the GC24, we get a target price of 1685c. The current price to book value of 1.8 times is above the JSE Property Index average of 1.4 times and has been rising notably year on year. While these metrics portray Oryx as overpriced at current share prices we maintain our HOLD recommendation due to the lack of liquidity in the share as well as improving metrics, an upwardly revised target price (to 1685c from 1630c), and a competent management team.

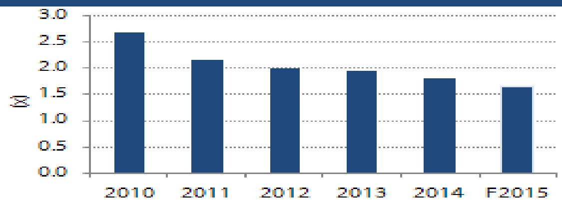
Bull Points:

- Very low vacancy levels
- Location of properties
- Quality tenant profile
- Value adding acquisitions

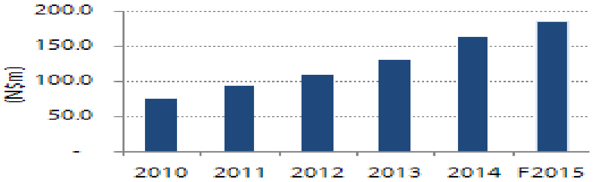
Bear Points:

- 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	2014	F2015
Income Statement (N$m)						
Revenue	96.7	115.3	132.8	160.6	204.8	230.8
Rental expense	20.1	21.7	23.6	28.9	41.9	46.1
Net rental income	76.5	93.6	109.2	131.7	162.9	184.7
Investment income	6.0	0.4	1.2	0.8	0.9	1.0
Amortisation of debenture premium	2.8	2.8	2.8	2.8	7.7	7.7
Fair value changes	92.2	90.9	41.1	5.5	71.5	96.2
Other expenses	(5.7)	(6.6)	(8.6)	(10.4)	(10.6)	(11.7)
Finance cost	(17.4)	(21.5)	(28.3)	(37.9)	(52.1)	(71.1)
Debenture interest	(60.1)	(64.7)	(70.5)	(76.8)	(97.8)	(97.8)
Profit before tax	95.8	95.0	36.4	19.5	111.7	109.1
Income tax expense	15.3	0.2	(1.3)	4.6	4.8	3.9
Net Profit	80.5	94.9	37.7	14.9	106.9	105.2
Balance Sheet (N$m)						
Cash and other liquid assets	2.2	4.9	3.0	3.6	14.3	4.0
Investment properties	883.1	1,041.5	1,239.7	1,447.3	1,924.6	2,020.9
Trade and other receivables	11.2	10.8	11.7	18.7	22.2	23.9
Total Assets	918.3	1,084.1	1,284.2	1,507.3	2,015.0	2,105.3
Linked unitholders for distribution	30.1	33.6	36.5	39.8	53.4	49.5
Debentures	247.1	247.1	247.1	247.1	296.6	296.6
Long-term borrowings	187.3	256.2	395.7	590.4	815.6	814.1
Total Liabilities	536.8	607.7	770.1	978.2	1,379.0	1,364.1
Total shareholders' equity	381.5	476.4	514.2	529.1	636.1	741.3
Growth Rates (%)						
Revenue	7.0%	19.2%	15.2%	20.9%	27.5%	12.7%
Rental expense	14.3%	7.7%	8.7%	22.6%	44.9%	10.0%
Net rental revenue	5.2%	22.3%	16.7%	20.6%	23.7%	13.4%
Investment properties	252.7%	-93.4%	211.3%	-38.7%	18.3%	10.0%
Assets	18.6%	18.1%	18.5%	17.4%	33.7%	4.5%
Liabilities	-2.4%	13.2%	26.7%	27.0%	41.0%	-1.1%
Financial Summary						
HEPU (c)	109.2	117.5	128.0	139.5	162.2	149.9
DPU (c)	109.3	117.5	128.0	139.5	148.0	149.9
NAV (c)*	693.2	865.6	934.1	961.3	1,031.3	1,122.3
Weighted Average shares (m)	55.0	55.0	55.0	55.0	61.7	66.1
**realisable NAV*						
Key Statistics						
Vacancies (as % of GLA)	0.8%	2.6%	0.6%	0.5%	0.5%	1.5%
Property expenditure/revenue	20.8%	18.8%	17.8%	18.0%	20.5%	20.0%
Debt/Equity	0.5	0.5	0.8	1.1	1.3	1.1
Valuation Metrics						
P/E (x)	16.9	15.8	14.5	13.3	11.4	12.3
P/BV (x)	2.7	2.1	2.0	1.9	1.8	1.6
Distribution Yield (%)	5.9	6.3	6.9	7.5	8.0	8.1
Earning Yield (%)	5.9	6.3	6.9	7.5	8.8	8.1

Non-Cyclical Consumer Goods: Beverages

Namibia Breweries Limited

*Recommendation: **SELL**, TP: **1880**, 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.

1H15 Results

Namibia Breweries (NBS) released results for the first half of the year ended 31 December 2014. The interim results reflect a stable operational performance with operating profit up 6.3% y/y, with the migration of RTD volumes forming a drag on revenues. Basic EPS fell 25.2% y/y to 61.7c, after an impairment of N$87.6m to its investment in DHN Drinks (Pty) Ltd was recorded. HEPS, however, is up 5.6% from 98.7c to 104.2c. The board declared an interim dividend of 37cps, up 8.8% on the same period last year, with last day to trade cum 17 April 2015.

Local Sales and Volumes

Although NBS managed to increase local sales volumes, revenue fell by 0.8% y/y to N$1.434bn, with the contraction stemming from the decrease in RTD volumes produced and sold to DHN Drinks in South Africa. Total sales of goods, however, are down 1.0% y/y while royalty income rose 8.2%.Locally, sales volumes continued to increase, up 5.0% y/y, led by Tafel Lager and Windhoek Draught. According to management, demand continues to move from Windhoek Lager to Tafel Lager and Windhoek Draught and this portfolio shift was achieved without losing overall market share. As the RTDs are lower margin business, the drop in RTD volumes did, however, lead to an increase in the operating margin and cushioned the blow on the bottom line.

Export Markets

In South Africa, total volumes produced by NBS and sold to the DHN Drinks joint venture (JV), its largest single customer, decreased. This resulted in the value of sales to DHN decreasing by 6.1%. Total beer volumes exported to Tanzania and Zambia increased compared to the previous year, thus showing good growth in volumes albeit from a low base. Volumes sold to Mozambique, however, slowed down with brand competition challenges, while growth in Botswana has been impacted by the increase in alcohol levy. Export sales declined as a percentage of total sales of goods, falling to 42.9% from 50.0% a year ago. This means that local sales now outweigh exports thus increasing the company's exposure to the local market.

DHN Drinks JV

The equity loss from the JV increased to N$87.7m in 1H15 from N$34.7m in 1H14, with the increase attributed to a fiercely competitive environment in South Africa.

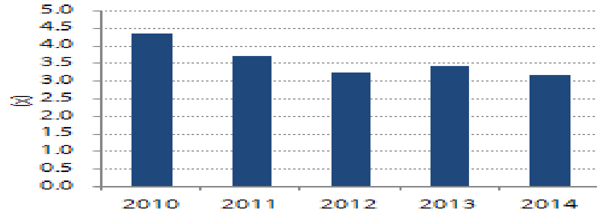
Outlook: We remain concerned about the NBS business going forward, as we expect the increased competition in the local market to drive margin compression and sales-volume reductions for the business. Additionally, the losses experienced within the JV, and the migrating of local production to the Sedibeng Brewery are concerning, in that royalties from production at Sedibeng are significantly lower than lost revenues due to this migration, and this volume migration appears inadequate to notably reduce the JV loss, or make the JV profitable.

Valuation: We value NBS using the dividend discount model, with the required rate of return of 13.0%, based on a risk free rate of 8.51% (GC24), equity risk premium of 4.5% and a beta of 1.0, and a long-term sustainable growth rate of 9.5%. Based on these assumptions and our forecasted dividends for NBS, we value the company at an intrinsic value of N$16.67 per share. Using a justified PE multiple of 14.0x, however, we forecast a target price for NBS of N$18.80 per share. This implies an expected total return of -2.7% over the next twelve months, as we are concerned as to the effect SAB will have on the company's market share going forward as well as the losses being carried as a result of the JV, therefore we change our **HOLD** recommendation to a **SELL**.

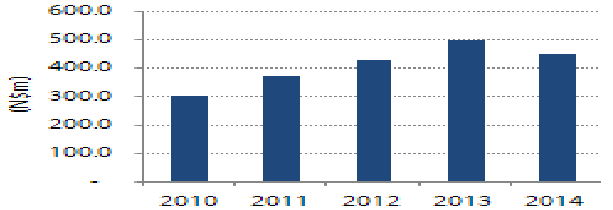
Bull Points:
- Migration from mainstream to premium brands
- Improved access to international customer base
- Maintaining local market share

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

Price to Book



Operating Profit



Fiscal Year End	2010	2011	2012	2013	2014	F2015
Income Statement (N$m)						
Sales Revenue	1,731.1	1,797.1	2,160.1	2,383.4	2,316.9	2,328.7
Operating Profit	303.0	375.3	429.0	500.1	451.3	460.7
Net interest income(expense)	6.3	6.9	(0.9)	(3.3)	(2.6)	(5.2)
Profit before tax	230.9	307.3	336.0	199.7	328.7	335.5
Income tax expense	(71.1)	(96.0)	(114.0)	(126.8)	(122.9)	(107.4)
Net Profit	159.8	211.3	222.0	72.9	205.9	228.2
Balance Sheet (N$m)						
Cash and other liquid assets	177.0	91.7	91.9	267.8	55.9	647.6
PPE	474.1	668.6	799.8	827.7	874.9	832.3
Intangible assets	2.7	4.6	6.4	12.2	11.5	2.7
Investment in JV	553.4	121.4	118.1	13.6	-	118.1
Inventories	124.5	151.1	203.2	285.9	209.6	240.5
Total Assets	1,609.7	1,406.7	1,672.5	1,714.2	1,541.2	2,086.8
Interest bearing debt	159.1	189.4	270.2	275.4	114.6	200.0
Current liabilities	380.8	304.9	356.1	672.8	397.1	461.6
Non-current liabilities	529.7	310.1	409.2	180.9	212.4	395.0
Total Liabilities	910.5	615.0	765.2	853.7	609.6	856.5
Total shareholders' equity	677.5	791.7	907.3	860.5	931.6	1,018.7
Growth Rates (%)						
Sales	10.5%	3.8%	20.2%	10.3%	-2.8%	0.5%
Opertaing Profit	18.1%	23.9%	14.3%	16.6%	-9.7%	2.1%
Cash and other assets	165.3%	-48.2%	0.3%	191.4%	-79.1%	1057.7%
Interest Bearing debt	2020.4%	19.1%	42.6%	2.0%	-58.4%	74.5%
Inventories	-33.0%	21.4%	34.4%	40.7%	-26.7%	14.8%
Assets	6.4%	-12.6%	18.9%	2.5%	-10.1%	35.4%
Financial Summary						
EPS (c)	77.4	102.3	107.5	35.3	99.5	110.5
DPS (c)	45.1	49.0	54.0	62.0	68.0	71.1
NAV (c)	3.28	3.83	4.39	4.17	4.51	4.93
Valuation Metrics						
P/E (x)	26.0	19.7	18.7	11.3	20.3	18.2
P/BV (x)	4.3	3.7	3.2	3.4	3.2	2.9
Dividend Yield (%)	2.2	2.4	2.7	3.1	3.4	3.5
Earning Yield (%)	3.8	5.1	5.3	8.8	4.9	5.5

Industrials: Support Services

Bidvest Namibia *Recommendation: **SELL**, TP: **1250**, 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, 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%)

1H15 Results

BVN released its results for the six months ended 31 December 2014. As expected, the firm's results were poor reflecting the difficulties currently being experienced by the fishing division. EPS fell 10.3% to 49.7cps and HEPS decreased 10.4% to 49.6cps. At N$1.707bn, revenue was in line with last year, however, trading profit shrunk 18.9% to N$179.6m on account of increased costs.

Margin Pressure

Trading profit shrunk by 18.9% y/y to total N$179.6m, down N$41.8m of which N$39.2m is attributed to a decrease in trading profit in the fishing division. However, as usual, the fishing division continued to supply the largest share of trading profit, coming in at N$130.8m or 72.8%. This figure is 23.1% lower than the N$170.0m seen in 1H14, reflecting depressed margins resulting from lower quota allocation and higher quota rental fees being demanded in the secondary market. In addition to lower allocations to BidVest directly, secondary market supply has been declining asnew quota holders have been coming under pressure from Government to become operational, rather than retail their allocation.

Food and distribution reported revenue of N$653.5m and an accompanying trading profit of N$15.2m. Food and Distribution contributed 2.3% of total trading profit, down from 3.3% as trading profit fell 28.8% y/y. Trading profit was largely affected by the loss of the contract for distribution of Namibia Poultry Industry products. The cancellation of the agreement came with a loss of N$60m in turnover. The Windhoek High Court, however, on 4 March 2015 ruled that Namibia Poultry Industries had violated a distribution agreement it reached in 2012 with National Cold Storage, a subsidiary of BVN.

Uncertain outlook for Bidfish

The outlook for the fishing division remains challenging according to company's management, given uncertainties surrounding quota allocations. Additionally, we expectthe market price for horse-mackerelto remain depressed over the next year, as supply continues to outstrip sustainable demand.However, fundamental demand is likely to remain strong over the long term.

Valuation and Recommendation

The positive economic environment bodes well for the revenue growth in the commercial businesses, however weaker selling prices of horse-mackerel and lower quota allocations have put pressure on revenue in the fishing division, while the cost of securing additional quota will negatively affect the company's bottom line, thus revenue and trading profit margins are expected to contract further through FY15. In addition, quota and price uncertainty have notably decrease earnings visibility beyond 2015.

We have adjusted our earnings forecast and target price following a detailed analysis of the interim results. We forecast FY15 earnings of N$1.09 per share and calculate a target price of N$12.50 per share based on a justified PE ratio of 11.0 times. We are concerned about the possibility of a dividend cut going forward should fish quota issues not be resolved, however remain cognizant of the large cash balances on the company's balance sheet, allowing them space to weather the current storm. In addition, however we do not expect the stock to trade much lower from current levels given the illiquidity of such and the possibility that once sold stock may be difficult to rebuy in future. Nevertheless, due to the current challenges faced by the company and limited earnings visibility, we have revised our HOLD to a SELL recommendation.

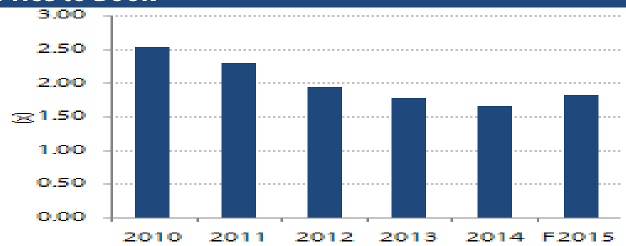
Bull Points:

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

Bear Points:

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

Price to Book



Trading Profit

Fiscal Year End	2010	2011	2012	2013	2014	F2015
Income Statement (N$m)						
Sales Revenue	1608	1919	2731	3355	3703	3614
Cost of sales	(1102)	(1207)	(1890)	(2488)	(2832)	*
Gross Profit	506	712	841	867	872	*
Operating expenses	(159)	(186)	(209)	(281)	(385)	*
Trading Profit	369	545	647	601	501	434
Net interest income(expense)	1.3	6.1	17.6	13.0	16.3	8.0
Income from associates	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	353	568	672	615	517	442
Income tax expense	(116)	(184)	(211)	(188)	(174)	(133)
Minorites	72	126	162	161	101	79
Net Profit	237	384	469	444	344	310
Balance Sheet (N$m)						
Cash and other liquid assets	591	780	785	853	782	*
Propert, Plant and Equipment	549	569	764	830	842	*
Intangible assets	39	31	31	35	31	*
Goodwill	69	69	102	120	119	*
Inventories	217	230	324	376	400	*
Total Assets	1725	1940	2469	2779	2765	*
Interest bearing debt	.	523.4	732.1	796.7	668.9	*
Current liabilities	417	390	517	586	455	*
Non-current liabilities	151	149	239	233	245	*
Total Liabilities	569	539	757	820	699	*
Shareholders' equity	1.0	1.1	1.4	1.5	1.6	*
Minorities	200	267	354	452	457	*
Total shareholders' equity	1156	1402	1712	1959	2065	1461
Growth Rates (%)						
Sales	16%	19%	42%	23%	10%	8%
Trading Profit	30%	48%	19%	-7%	-17%	-28%
Cash and other assets	72775%	4%	34%	9%	1%	
Inventories		6%	41%	16%	6%	
Assets		13%	27%	13%	-1%	
Financial Summary						
EPS (c)	86	125	143	130	116	109
HEPS (c)	0	120	140	130	116	116
DPS (c)	36	54	63	69	63	63
Weighted Average shares (m)	192	207	210	212	212	212
Key Statistics						
Operating margin (%)	22%	29%	24%	18%	14%	14%
Current ratio (x)	2.5	3.2	3.0	3.0	3.9	*
Debt/Equity	6%	0%	0%	0%	1%	1%
RoE (%)	32.4%	36.7%	37.0%	29.8%	22.1%	22.1%
Valuation Metrics						
P/E (x)	15.48	10.61	9.29	10.22	11.43	11.43
P/BV (x)	2.54	2.30	1.95	1.77	1.66	1.83
Dividend Yield (%)	2.7%	4.1%	4.8%	5.2%	4.8%	4.8%
Earning Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

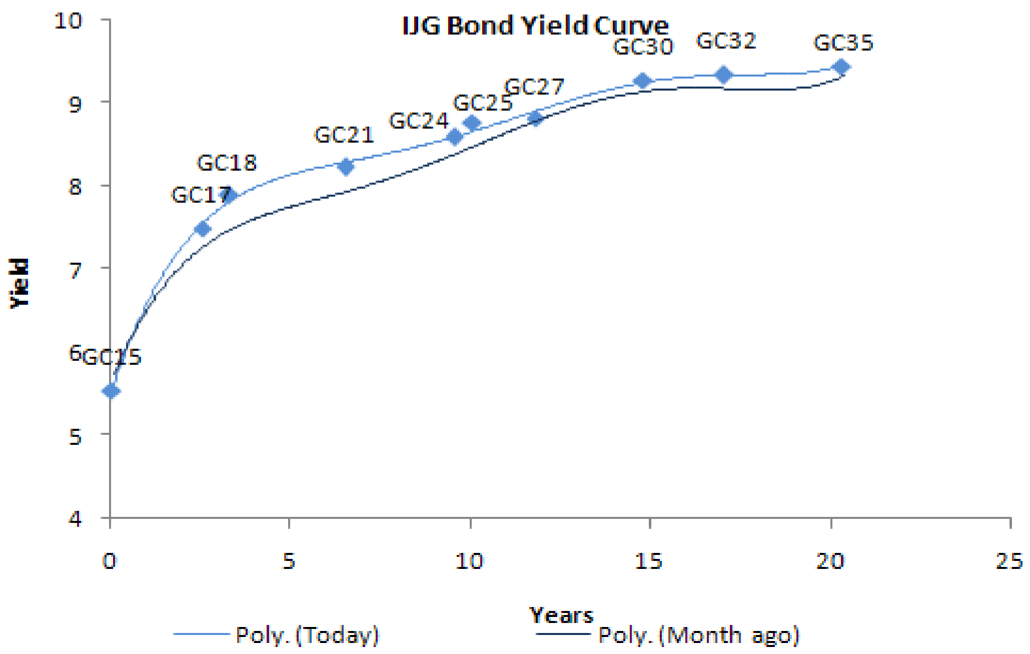
Bear Points:

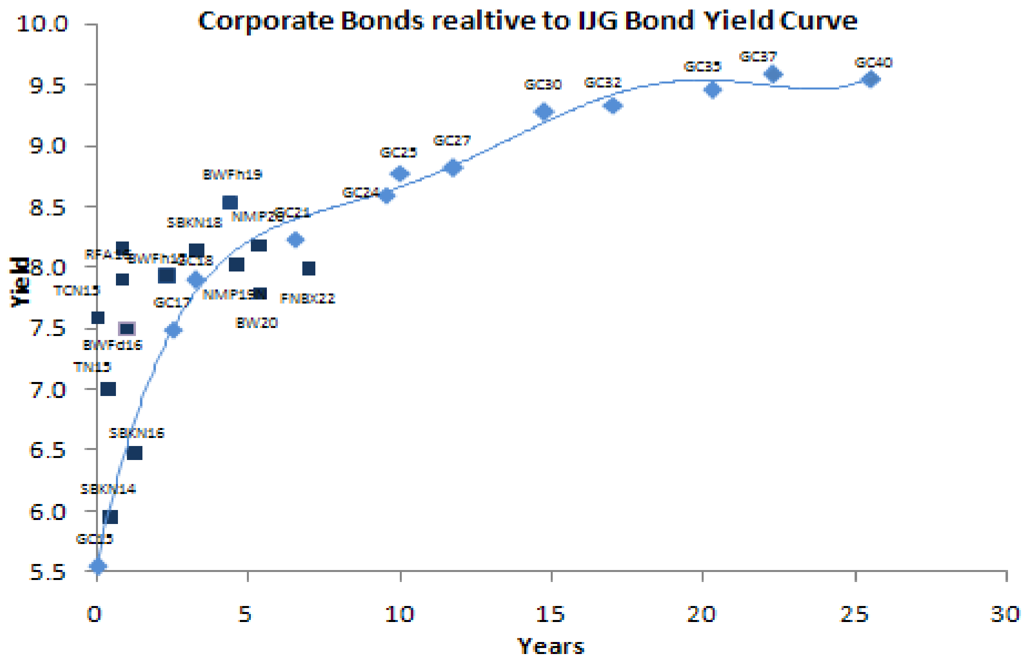
- Financial skills shortage

Bond Listings

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

<u>31 March 2015:</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$21.8bn as at FY14. 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%)

FY14 Highlights:
Standard Bank Namibia's reported profit for FY14 rose 13% to N$362m with revenue increasing20% to N$1.68bn. During the period, Standard Bank's loans and advances increased by 19% to N$15.6bn, while the funds in its current and deposit accounts grew by 10% to N$17.5bn. Standard Bank Group return on equity decreased slightly to 17.7% for FY14 from 18.5%.

Tier 1 capital adequacy was little changed at 11.47% while FY14 total capital adequacy for the group improved to 13.2% compared to 12.5% in FY13, well in excess of Basel III regulations. The FY14 period once again saw large investments in systems and banking infrastructure in line with the implementation of the new core banking system. While this has put pressure on the bank's financial performance the growth in revenues and net profit do show progress.

Impairment losses during the period proved a challenge as larger provisions had to be made for specifically instalment sales, finance leases, unsecured lending, and card debt going bad. 2014 saw higher levels of customers defaulting resulting in lending parameters being tightened during the period.

A tough operating environment and banking competition have posed a challenge for the bank during the upgrading of their core banking systems and infrastructure. As these improvements reach completion Standard Bank grows in competitiveness. These improvements could lead to growth in the client base in the long run and are essential in maintaining the bank's relevance in the industry.

Bonds: Standard Bank currently has five bonds in issue, namely the SBKN15, SBKN16, SBKN17, SBKN18,and SBKN24 amounting to N$733m listed on the NSX. SBKN15, SBKN16, SBKN17, SBKN18, and SBKN24 are currently trading at premiums over their respective benchmark notes of 105bp, 94bp, 120bp, 25bp, and 100bp, respectively.

Maturity dates for the bonds are as follows:

SBKN15:	11 July 2015
SBKN16:	7 July 2016
SBKN17:	23 October 2017
SBKN18:	7 July 2018
SBKN24:	23 October 2024

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%)

FY14 Highlights

NamPower's revenue increased by 20% in FY14, amounting to N$3.97bn. Total comprehensive income for the year was up 3.5% to N$585m in FY14, after jumping 276% in FY13. Units sold decreased slightly from 3,861GWh in FY13 to 3,831GWh in FY14, while maximum demand grew by 2.4% to 624MW.

NamPower's gross margin fell to 46% in FY14 from 50% in FY13 as a result of expensive electricity imports. During the year under review NamPower imported 66% of the electricity used within the country. The cost of electricity increased by 30% in FY14 to N$2.2bn after increasing by 48% in FY13, largely due to the high cost of imports. The local tariff increase of 13% being well below the increased cost of importing electricity exacerbating the fall in margins.

The supply shortage within Namibia continues to be a concern, especially with the recent energy production issues experienced by Namibia's main electricity suppliers within the region.NamPower has been pursuing the possibility of a medium term solution to the current supply shortage which has manifested in the form of the Xaris liquefied natural gas power plant near Walvis Bay. The plant will cost an estimated US550m to build and will deliver 300MW at full capacity, with the option to expand as necessary. The project is expected to commission and deliver the power plant in July 2015.

In addition to the medium term Xaris power plant, the long speculated Kudu gas-to-power plant is gaining momentum with the latest government budget allocating N$4.93bn to the project over the next three years. The Kudu plant is estimated to generate 800MW of electricity at peak capacity, which is in excess of Namibia's current peak requirements and thus would lead to Namibia exporting electricity and engaging its neighbours with off-take agreements. The current estimated date of completion is 2018.

Fitch Ratings affirmed NamPower's long-term foreign currency Issuer Default Rating (IDR) in 2014 at 'BBB-' and national long-term rating at 'AA-(zaf)' with outlook stable. The affirmation continues to reflect the alignment of NamPower's ratings with those of the Namibian sovereign (local currency 'BBB'/Stable).

Bonds: NamPower currently has two bonds, NMP19N and NMP20N, to the amounts of N$250m and N$500m 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
- Cheap electricity generative fuels (diesel & coal)
- Future generation prospects receiving the necessary attention

Bear Points:

- 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%).

FY13 Highlights:
Telecom's FY13 saw a 7.25% increase in revenue to N$1.31bn from N$1.22bn previously. Operating profit was reported at a loss of N$140.2m for the financial period, down from the last year's restated amount of N$116.8m which represents a decrease of 220%. Group profit after tax fell to a negative N$167.1m down from a profit of N$52.3m in FY12. The group posted an uncharacteristic profit in FY12 as losses of N$87.4m and NS122.2m were posted in FY11 and FY10 respectively. This growth was 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, but seems to have been unsustainable.

Telecom Namibia has been declared as having the dominant position in the industry with a market share of over 35% based on revenue. The repercussion of this is that Telecom now has a duty to provide other operators non-discriminatory access to network elements on an unbundled basis. Telecom relinquished the Powercom technology neutral licence, fully integrating the GSM business acquisition (previously Leo) into Telecom Namibia. The brand name, tn mobile, was subsequently trademarked.

During the financial year Telecom has continued to expand on its ICT network capabilities. The acquisition of the mobile operator, Leo, completed Telecom's transformation from a traditional telecommunications company to a modern ICT service provider in line with the stated strategy. Telecom claims that they have seen an increase in bandwidth demand of over 80% during the 2013 financial year which supported the implementation of a Dense Wavelength Division Multiplexing transport platform to bolster high capacity long distance routes. In addition points of presence (PoPs) were installed in Johannesburg, Cape Town, London, and Frankfurt, to increase the diversity of connections. All of this has led to stronger international connections resulting in faster, more stable, internet connections.

Along with the above international developments, Telecom has expanded national coverage, as well as rolling out fibre-to-the-home (FTTH) connections in existing areas. Profitability in the ICT expansion is critical for Telecom to regain profitability on a company level. We are likely to see further expansion in this area of the business in the future.

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, 91bps and 149bps relative to their respective benchmarks. All of these will be maturing before the end of 2016.

Bull Points:

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

Bear Points:

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

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

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.

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