IJG Namibia Quarterly
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Economic Backdrop

IJG Budget Review, 2016

Please follow the link to the full report here

Overview

The Minister of Finance tabled the 2016/17 budget on the 25th of February, 2016. In a peculiar turn of events, the budget speech was made without the Minister actually providing members of the National Council and Assembly with the budget figures. Notable in its absence was the unavailability of the estimates of revenue and expenditure – the foundational document that is, for all intent and purpose, the budget. Thus, our analysis is based largely on the budget speech, and the few (often conflicting) numbers that the Ministry has made available to us. We note, however, that in the past there has been misalignment between the budget speech and the budget numbers, particularly with regards to expenditure priorities.

Broadly speaking, we believe that the budget-big-picture, as laid out in the budget speech, was positive. The Minister recognized the fact that the global economy remains weak, and that the Namibian economy too is slowing. As a result of this, revenue expectations have been revised down in a notable manner, which we believe is very positive. The Ministry now expects revenue growth of just 2% in 2016/17 when compared to the budgeted numbers for 2015/16. This is well below nominal growth expectations for the year, and suggests to us that revenue for 2015/16 is likely to come in significantly lower than what was budgeted for. This has been further exacerbated by Namibia having to repay a total of N$2.96 billion back to the SACU Common Revenue Pool due to overpayment in previous years.

Due to the slowdown in revenue collection, expenditure too will be revised down, in order to ensure that the deficit does not balloon. As a result, government expenditure is going to decline from N$67 billion in 2015/16, to N$66 billion in 2016/17. This is a decline of just over 1% in nominal terms, but will likely exceed 7% in real terms. This will result in a forecasted deficit of 4.3%. We believe that the actual deficit may be larger than this, however, as we believe the MOF GDP growth forecasts of 4.3% in real terms, and 14.2% in nominal terms, for 2016/17, are simply too ambitious. However, with a deficit of 4.3%, some space (albeit limited) still remains should revenue disappoint.

Over the past year, the cost of funding the deficit has increased notably, as a result of the debt to GDP ratio spiking out to a level of 37%, from just 23.7% at the end of the 2014/15 financial year. As such, the debt-to-GDP ratio has now surpassed the self-imposed threshold of 35%. Moreover, this is not, by any means, the only debt benchmark that we have now overshot, with foreign debt as a percent of total debt, being another notable overshoot.

This large increase in debt is due to both lower than forecast growth, as well as sizable debt issuance through the year. The total outstanding debt of the country has increased by over 70% in the last year alone, driven by both domestic and external debt issuance. This level of debt issuance is unquestionably unsustainable in the long term if continued, and in this vein the Minister’s move for greater fiscal consolidation is timeous and much needed. Nevertheless, debt servicing will cost 8.5% of total revenue in 2016/17, or some N$4.9bn.

On the expenditure side, the proposed improvement in expenditure alignment with the national development plan, and stripping out of some of the less productive expenditure in the budget, is a highly positive and much needed development. Because of the low-impact nature of this expenditure, we don't expect its removal to have too dramatic an impact on growth. In this vein, there remains a lot of meat on the bones of the budget, as there is a huge amount of non-productive, highly consumptive expenditure contained therein. As such, we believe that this stated change in expenditure focus is generally a positive move, and should ensure that we start to run a more productive budget, and that government will better prioritize the use of its finite funds.

Economic Data Snapshot

	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
Inflation (y/y)	2.9%	3.0%	3.0%	3.3%	3.4%	3.3%	3.4%	3.3%	3.7%	3.7%	5.3%	6.1%
Repo Rate	6.25	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.75	6.75
Prime Rate	10.00	10.00	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.50	10.50
N$/US$	11.79	12.14	12.17	12.68	13.28	13.85	14.44	15.03	15.61	15.89	15.87	14.77
N$/AUD	9.44	9.28	9.38	9.26	9.45	9.72	9.94	10.17	10.40	11.25	11.34	11.31
N$/CAD	9.81	9.76	9.74	9.69	10.11	10.41	10.79	11.15	11.51	11.36	11.72	11.36
Vehicle Sales (y/y)	4.4	-3.2	-8.8	1.1	-6.0	-13.8	-15.5	-13.6	-13.5	-19.1	-30.7	-29.1
Passenger	8.3	-3.8	1.5	-4.5	-19.0	-10.7	-13.8	-23.0	-25.4	-26.5	-26.2	-20.0
Commercial	0.8	-2.7	-16.8	5.3	6.0	-15.9	-16.7	-7.7	-3.9	-13.4	-33.9	-35.7
M2 Money Supply (y/y)	0.0	1.4	13.1	10.3	8.6	7.9	11.8	8.9	10.2	8.3	7.9	*
PSCE (y/y)	15.7	15.8	14.8	15.9	15.8	15.7	14.9	14.5	15.4	15.4	13.3	*
Business	22.7	21.4	20.2	22.8	23.1	18.8	20.8	16.7	14.9	14.2	12.2	*
Individuals	11.2	11.9	11.1	11.4	11.0	13.5	11.0	12.9	12.5	13.4	12.9	*

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

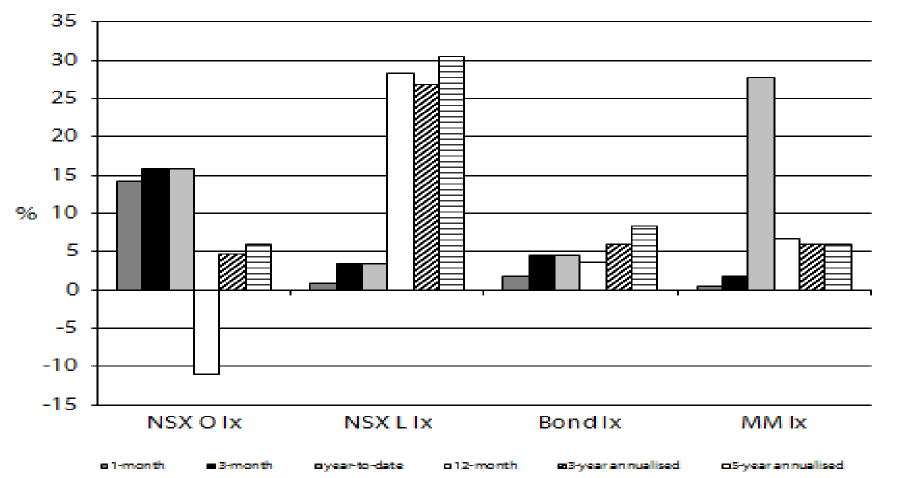
Namibian Asset Performance

The NSX Overall Index closed at 992.25 points in March up from 877.20 points in February gaining 14.29% on a total return basis in March compared to a 3.14% m/m increase in February. The NSX Local Index increased 0.86% m/m compared to a 2.92% m/m increase in February. Over the last 12 months the NSX Overall Index returned -11.07% against +28.37% for the Local Index. The best performing share on the Overall Index in March was B2Gold at +47.2%, while Trustco was the worst performer at -5.95%.

The IJG All Bond Index (including Corporate Bonds) rose 1.86% m/m in March after losing 0.02% m/m in February. Namibian bond premiums relative to SA yields in March generally strengthened with the GC17 premium unchanged at 64bp; the GC18 premium weakening by 3bp to 88bp; the GC20 premium strengthening by 5bp to 98bp; the GC21 unchanged at 110bp; the GC22 premium strengthening by 4bp to 98bp; the GC24 premium strengthening by 4bp to 105bp; the GC25 strengthening by 2bp to 119bp; the GC27 premium weakening by 1bp to 126bp; the GC30 premium weakening by 5bp to 120bp; the GC32 premium strengthening by 3bp to 139bp; the GC35 premium weakening by 12bp to 128bp; the GC37 strengthening by 1bp to 135bp; the GC40 premium unchanged at 129bp; and the GC45 weakening by 1bp to 135bp.

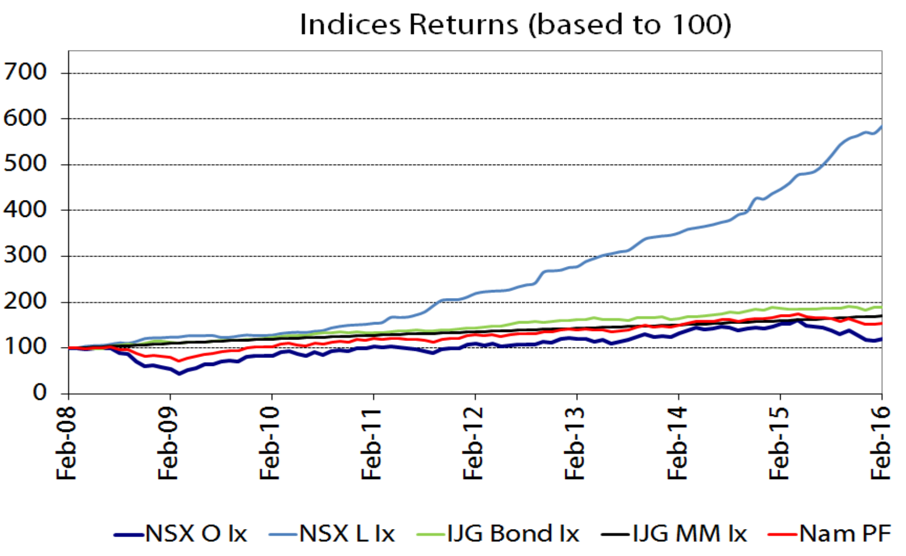
The IJG Money Market Index (including NCD's) increased by 0.54% m/m in February after rising 0.54% m/m in January.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

Namibian Returns by Asset Class [N$,%] - March 2016	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	14.29	15.92	4.90	-11.07	15.92	4.62	6.05
NSX Local Index	0.86	3.38	8.57	28.37	3.38	26.93	30.57
IJG ALBI	1.86	4.61	2.21	3.55	4.61	5.97	8.30
IJG GOVI	1.88	4.65	2.19	3.43	4.65	6.06	8.26
IJG OTHI	1.71	4.22	2.44	4.73	4.22	5.68	8.62
IJG Money Market Index	0.59	1.72	3.41	6.69	1.72	6.03	5.94

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] - March 2016	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	6.22	4.15	-7.26	-18.81	4.15	-14.89	-14.63
NSX Overall Index	21.40	20.73	-2.72	-27.80	20.73	-10.96	-9.47
NSX Local Index	7.13	7.67	0.69	4.22	7.67	8.03	11.47
IJG ALBI	8.20	8.95	-5.21	-15.93	8.95	-9.81	-7.54
IJG GOVI	8.22	8.99	-5.23	-16.03	8.99	-9.74	-7.58
IJG OTHI	8.04	8.54	-5.00	-14.97	8.54	-10.05	-7.27
IJG Money Market Index	6.85	5.26	-4.10	-13.38	-44.92	-9.76	-9.56

** annualised*

Source: IJG

Individual Equity Total Returns [N$,%] March 2016

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			15.25	10.41	4.43	-7.07	10.41
banks			14.84	15.47	-0.27	-13.25	15.47
BWH	1,696	0.16%	0.10	0.59	9.06	15.08	0.59
FST	4,837	12.81%	9.69	15.97	1.00	-9.35	15.97
FNB*	4,505	0.25%	0.47	4.60	12.09	71.90	4.60
NBK	19,425	3.27%	7.07	4.21	-9.43	-14.99	4.21
SNB	13,248	14.06%	21.78	18.01	0.37	-18.25	18.01
insurance			18.28	24.95	5.66	8.44	24.95
SNM	23,476	0.69%	18.28	24.95	5.66	8.44	24.95
life assurance			16.52	6.04	9.62	-2.52	6.04
MMI	2,490	2.22%	7.19	14.93	7.91	-19.27	14.93
OLM	4,098	16.94%	10.35	-0.23	5.34	3.90	-0.23
SLA	6,849	10.51%	28.45	14.28	16.90	-9.32	14.28
investment companies			-0.15	-0.45	2.40	29.68	-0.45
NAM*	73	0.01%	-0.15	-0.45	2.40	29.68	-0.45
real estate			7.45	1.67	-3.98	-4.98	1.67
ORY*	2,099	0.09%	1.08	3.87	9.05	22.59	3.87
VKN	1,700	0.88%	8.10	1.44	-5.32	-7.82	1.44
specialist finance			5.95	-0.70	2.80	9.07	-0.70
IVD	10,991	2.41%	6.82	0.77	5.05	9.96	0.77
KFS	690	0.20%	0.43	-11.18	-12.51	0.00	-11.18
TUC	310	0.08%	-5.95	-18.35	-25.98	5.09	-18.35
HEALTH CARE			2.96	59.85	71.85	0.00	59.47
health care providers			2.96	59.85	71.85	0.00	59.47
MDC	18,976	8.12%	2.96	59.85	71.85	0.00	59.47
RESOURCES			13.55	67.75	10.15	-30.30	67.75
mining			13.58	68.17	10.01	-31.32	68.17
ANM	11,552	13.34%	11.93	71.12	4.33	-35.65	71.12
PDN	285	0.30%	-5.00	-14.67	78.13	-21.49	-14.67
FSY	100	0.01%	-11.50	-33.77	-28.06	-59.02	-33.77
DYL	8	0.01%	-20.00	-27.27	-20.00	-38.46	-27.27
BMN	33	0.01%	-10.81	-21.43	10.00	-29.79	-21.43
MEY	4	0.00%	0.00	0.00	0.00	0.00	0.00
B2G	2,529	0.85%	47.21	54.68	75.26	32.97	54.68
EOG	125	0.01%	-52.11	-34.21	40.29	37.36	-34.21
chemicals			11.73	37.76	19.44	40.04	37.76
AOX	1,786	0.21%	11.73	37.76	19.44	40.04	37.76
INDUSTRIAL			13.71	14.84	13.08	18.51	17.45
GENERAL INDUSTRIALS							
diversified industrials			18.37	1.27	2.54	-12.61	23.37
BWL	7,560	1.46%	18.37	23.37	2.54	-12.61	23.37
Suppport Services			0.16	0.28	0.49	-2.77	0.28
BVN*	1,050	0.05%	0.44	1.43	2.66	-15.06	1.43
CLN	1,720	0.21%	5.70	1.35	0.00	0.00	1.18
NON-CYCLICAL CONSUMER GOODS							
beverages			0.41	1.96	4.93	16.40	1.96
NBS*	2,272	0.21%	0.41	1.96	4.93	16.40	1.96
food producers & processors			9.01	7.78	32.03	28.22	7.78
OCG	12,500	0.37%	9.01	7.78	32.03	28.22	7.78
CYCLICAL SERVICES							
general retailers			14.87	8.89	18.08	47.78	8.89
NHL*	240	0.00%	-4.55	-4.55	-4.55	n/a	-12.50
TRW	9,822	3.65%	14.88	8.90	18.09	47.82	8.90
NON-CYCLICAL SERVICES							
food & drug retailers			12.82	22.02	11.92	8.88	22.02
SRH	17,362	6.61%	12.82	22.02	11.92	8.88	22.02

Source: IJG, NSX, JSE, Bloomberg

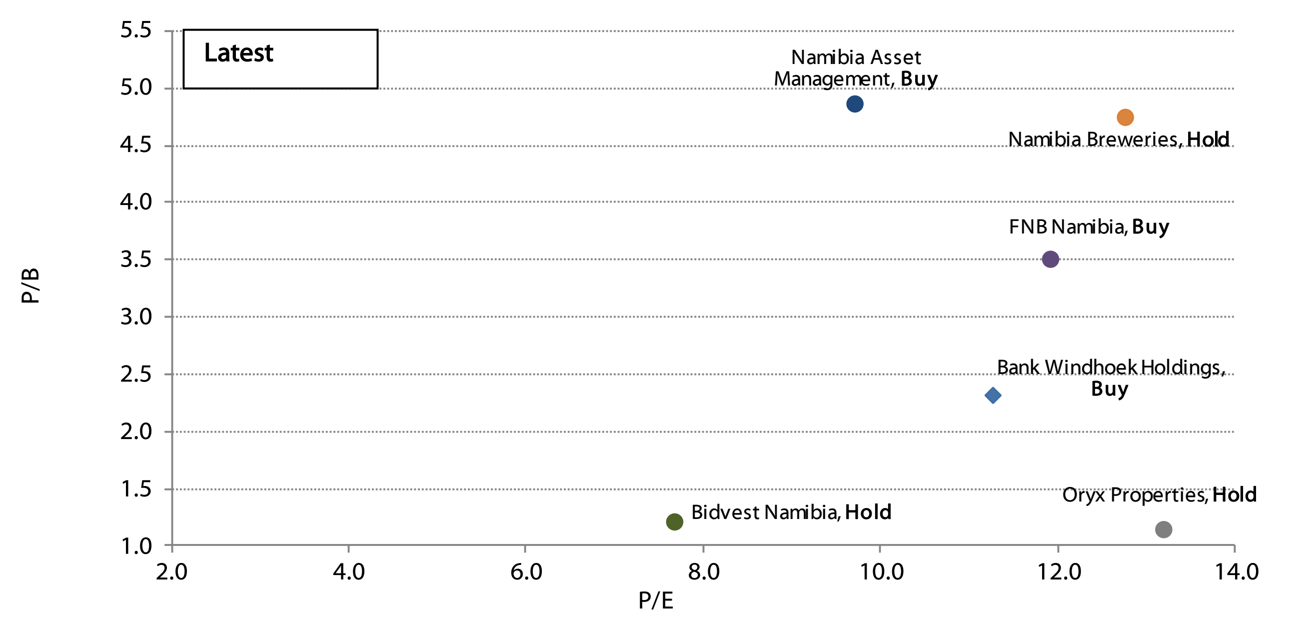
NSX Company Round-Up

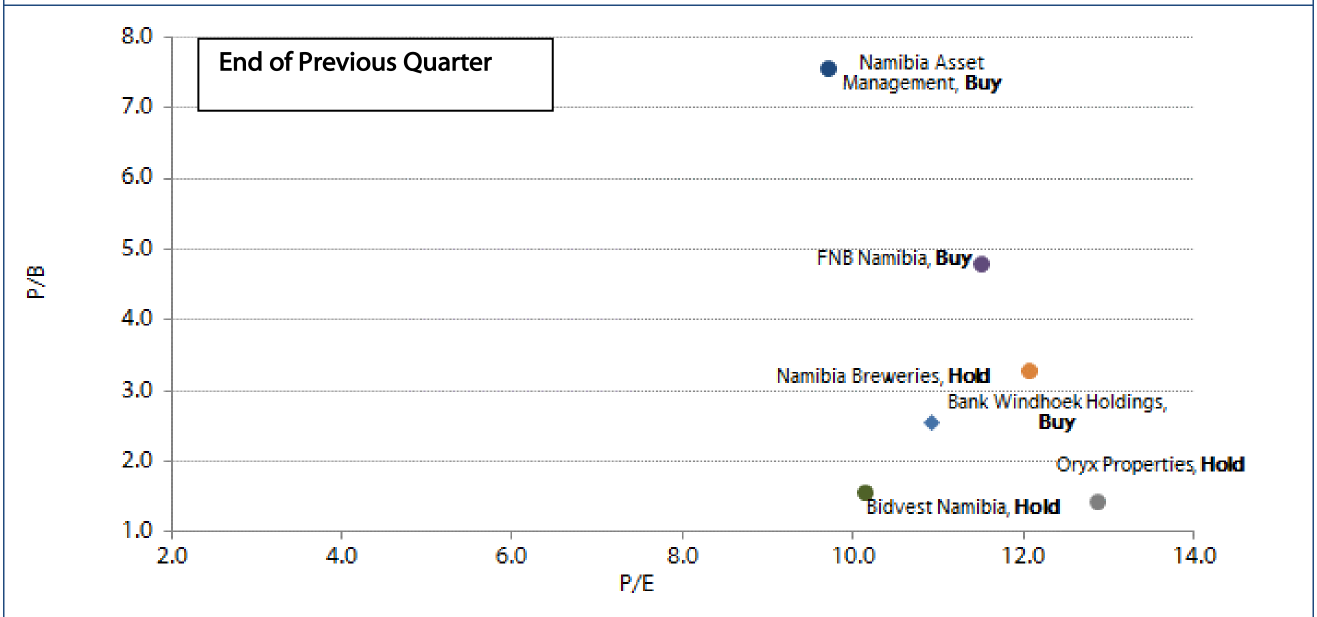
NSX Company Round-Up

Company	Code	Mkt Cap (N$m)	Share price (c)	P/E (A)	P/E (F)	HEPS (A)	HEPS (F)	Rec
Bank Windhoek Holdings	BWH	8 570	1 696	11.3	9.5	150.5	178.7	BUY
FNB Namibia	FNB	12 178	4 551	11.9	10.2	377.6	442.0	BUY
Namibia Asset Management	NAM	146	73	9.7	8.2	7.5	8.9	BUY
Oryx	ORY	1 647	2 115	13.2	13.3	160.0	159.0	HOLD
Namibia Breweries	NBS	4 946	2 395	12.8	12.4	187.1	192.6	HOLD
Bidvest Namibia	BVN	2 226	1 050	7.7	9.8	103.2	106.8	SELL

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

P/B vs P/E





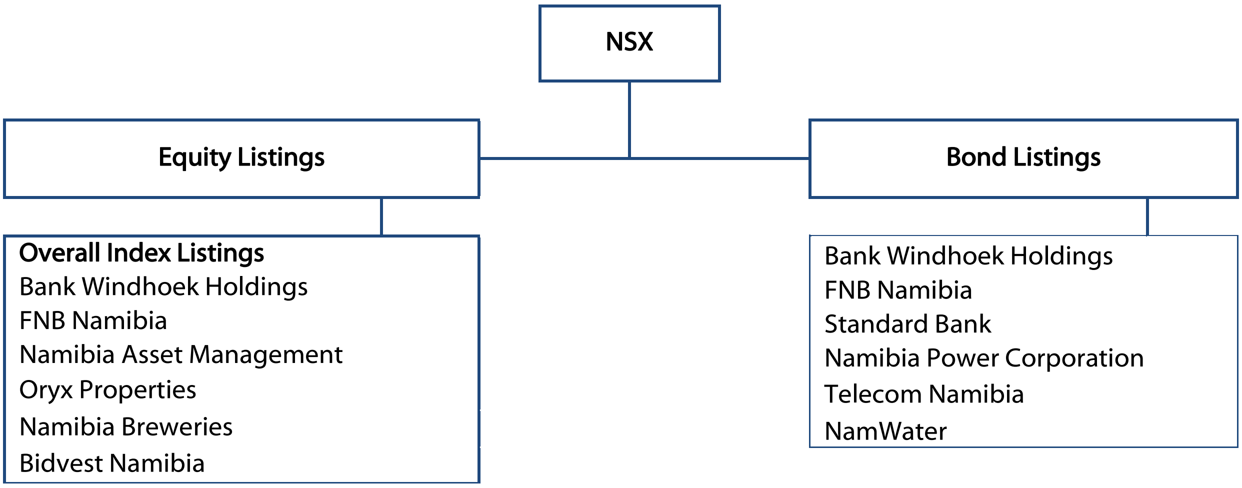
Source: NSX, IJG

Quarterly Recommendations Changes

Overall Index	Target Price (c)	Recommendation	Change from
Bank Windhoek Holdings	1880	BUY	
FNB Namibia	5230	BUY	
Namibia Asset Management	65	BUY	
Oryx Properties	1770	HOLD	
Namibia Breweries	2450	HOLD	SELL
Bidvest Namibia	1000	SELL	

Source: IJG

Coverage of Companies on NSX



Bank Windhoek Holdings

Recommendation: BUY, TP: 1880, 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 the first half of the financial year ending 30 June 2016. The firm recorded exceptional growth over the period. Profit expanded by 26.4% when compared to 1H15 levels. Earnings per share grew 26.8%, while dividends per share grew 25%. Strong income growth was driven by both net-interest and non-interest income, with the former expanding by 21.0%, and the latter by 21.7%. The results are very much in-line with our forecasts for the year, and given that the second half of the financial year often offers marginally better results than the first, we are well positioned to see a positive surprise in the full year results.

Interest income expanded by 23.7% year on year, while interest expenses increased by 26.7%, resulting in growth in the net interest income of 21.0%. As such, net interest income for 1H16 was N$727.9 million. The average cost of funding for the bank increased from 4.91% in 1H15, to 5.48% in 1H16. At the same time, the average interest rate on advances increased from 10.44% to 11.15%. As such, the net interest margin of the bank has improved by 14 basis points.

Non-interest income increased by 21.7% to N$481.4 million in 1H16, from N$395.7 million the previous year. The increase is mainly due to strong growth in income from trading activities, which included income earned from the Kwanza trading activities. Non-interest income now makes up 40.9% of total operating income, from 40.2% in the preceding year.

While strong growth was seen in income, operating expenses too grew, but at a much slower rate, of 13.8%, to N$578.7 million. This resulted in an improvement in the cost-to-income ratio of the bank, which improved from 51.7% to 49.1%. The increase in costs was largely driven by increased staff costs.

The group's total asset grew by 19.1%, driven by the growth in loans and advances of 15.8%, which according to the company is mainly due to growth in overdrafts and mortgage loans. Funding increased by 18.7%, driven by a 13.5% increase in debt securities in issue, a 12.5% increase in deposits and loans from the International Finance Corporation and Deutsche Investitions- und Entwicklungsgesellschaft of N$920m and N$250m respectively. Due to the strong funding increase, the loan-to-funding ratio of the bank improved to 96.1%, from 98.5%. However, the loan-to-deposit ratio weakened somewhat, and now stands at 110.6%, from 108.4%, illustrating a higher reliance on costlier, but often more desirable duration, debt-financing.

The group remains well capitalised with a total risk-based capital adequacy ratio of 14.5%, down from 15.7% in 1H15, but still well above the minimum regulatory requirement of 10%. The company announced an interim dividend of 30 cents per share, up 25% from the interim dividend of 1H15. This implies a payout ratio of 32.9%, down from 33.4% in 1H15.

Noteworthy is the fact that the bank is in the process of undergoing a management change, with current MD of both Bank Windhoek Holdings and Bank Windhoek Limited set to complete his contract in June 2016. Mr. de Vries was appointed as Managing Director of Bank Windhoek Holdings and Bank Windhoek with effect from 6th June 2011 for a period of three years. In July 2014, his contract was extended until June 2016. The role filled by Mr. de Vries has now been split into two positions, with Mr. Thinus Prinsloo taking over as MD of Bank Windhoek Holdings from 1 January 2016, and Ms. Baronice Hans taking over as MD of Bank Windhoek Limited. Mr. Prinsloo has been a part of the CIH group and Bank Windhoek Holdings, in various roles, since 2011. Ms. Hans moved to Bank Windhoek from Standard Bank, where she was the Executive Director and Head Personal and Business Banking.

For the purpose of valuing the company, we establish a **cost of equity, of 12.9%**, up from 11.6% in 1H15, largely on account of a major increase in the risk-free rate. Based on this cost of equity, a highly conservative **long-term growth rate for the company of 9.5%**, and a **dividend pay-out ratio of 36%**, we believe a **PE of 10.5x** can be justified on this share. Given expected **earnings growth of 18.7%** in FY16, taking total **earnings to c179/share**, we derive a **target price of N$c1880/share**. Coupled with an expected final **dividend of 34cps,** we expect a **total return of 12.8% in 2H16**. Based on the stellar performance of the bank in 1H16 and the expected growth in 2H16, coupled with expected changes to local capital regulations for pension funds, we maintain a strong BUY recommendation on Bank Windhoek Holdings.

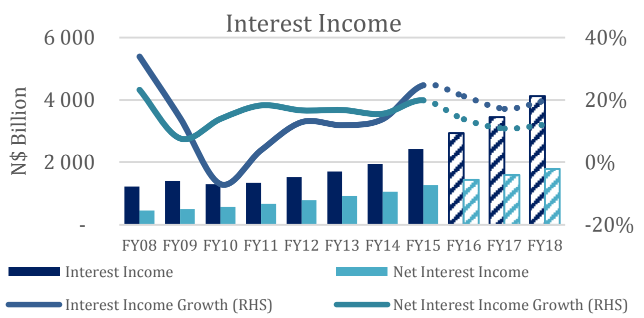
Bull Points:

- Controlled credit growth
- Diversification of income streams
- Improved efficiencies

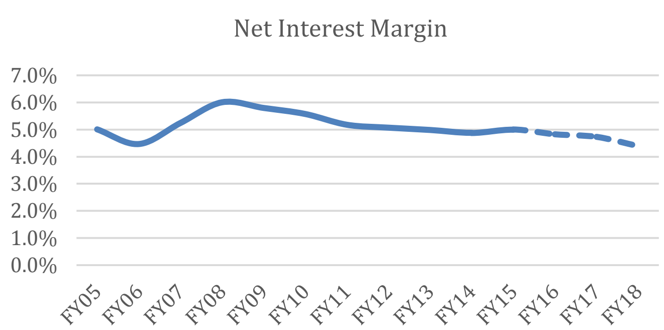
Bear Points:

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

Interest Income



Net interest margin



Fiscal Year End: June	2012	2013	2014	2015	F2016
Income Statement Extract (N$m)					
Net interest income	783	914	1 057	1 267	1 442
Fee and Commission Income	463	630	680	812	916.2
Operating expenses	(707)	(763)	(915)	(1 042)	(1 156)
Operating profit	540	782	822	978	1 145
Share of profit from jointly controlled assets	53.3	60.4	84.3	87.2	95.2
Profit before tax	595.2	843.4	907.4	1 067.1	1 242.0
Income tax (expense)\ credit	(167.4)	(216.4)	(253.4)	(314.1)	(347.8)
Net gains on available for sale financial assets	14.0	22.4	14.2	28.5	28.5
Total Comprehensive Income	441.9	649.3	668.3	781.5	922.7
Balance Sheet (N$m)					
Governemnt and other debt securities	1 523.8	1 493.2	2 104.9	2 587.5	2 730.9
Loans and advances	15 484.9	17 652.0	20 245.4	23 621.9	27 234.9
Due from other banks	211.0	251.4	473.0	740.3	987.8
Total Assets	18 921.1	20 938.6	24 318.3	28 608.8	33 278.5
Due to customers	12 126.6	16 915.7	18 782.4	21 994.0	25 110.9
Deposits from banks and others	237.6	167.0	282.7	130.2	144.0
Debt securities in issue	917.3	943.1	1 841.3	2 461.2	2 176.6
Total Liabilities	17 034.0	18 314.6	21 224.1	24 965.5	29 013.1
Total shareholders' equity	1 887.1	2 624.1	3 123.3	3 672.5	4 265.4
Growth Rates (%)					
Net interest income	16.6%	16.8%	15.6%	19.9%	13.8%
Loans and advances	19.1%	14.0%	14.7%	16.7%	15.3%
Due to customers	23.1%	39.5%	11.0%	17.1%	14.2%
Total Assets	18.4%	10.7%	16.1%	17.6%	16.3%
Financial Summary					
HEPS (c)	87.0	109.0	126.8	150.5	178.7
DPS (c)	100.0	32.8	44.0	54.0	64.0
NAV (c)	-	-	-	-	-
Weighted Average shares (m)	452.48	493.14	501.12	500.52	500.52
Key Statistics					
RoAA (%)	0.0%	0.0%	0.0%	0.0%	0.0%
RoAE (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation Metrics					
P/E (x)	19.5	15.6	13.4	11.3	9.5
P/BV (x)	4.1	3.2	2.7	2.3	2.0
Dividend Yield (%)	5.9%	1.9%	2.6%	3.2%	3.8%
Earning Yield (%)	5.1%	6.4%	7.5%	8.9%	10.5%

FNB Namibia Holdings

Recommendation: BUY, TP: 5230, 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 the first half of the financial year ending 30 June 2016. Profit for the period increased by 20.5% to N$597.4 million, from N$495.6 million in the same period of FY15. Earnings per share increased by 21% to 226.5 cents, from 187.2 cents in the same period of FY15. Net interest income grew from N$815.5 million, from N$705.5 million in the first half of FY15, while non-interest income expanded from N$643.9 million, to N$744.2 million. As such, total income from operations expanded from N$1.36 billion to N$1.57 billion. Operating expenses grew from N$602.4 million to N$677.6 million over this period. Due to the fact that income grew at a rate of 15.5%, while expenses expanded by just 12.5%, the cost to income ratio of the company improved to 42.4%.

The bank appears to be making a concerted effort to increase the duration of its funding, both by increasing NCDs, and by paying up for call and term deposits, the average cost of which have both increased notably over the past year. As such, the average cost of funding (excluding tier two liabilities) increased from 373 basis points in 1H15 to 398 basis points in 1H16. At the same time, the average rate charge on advances expanded from 908 basis points in 1H15 to 967 basis points in 1H16, implying a widening of the net interest margin of 34 basis points.

Non-interest income expanded by 15.6% to N$744.2 million in 1H16, from N$643.9 million in 1H15. This was driven by growth in fair value gains, largely derived from forex trading. Over the year, forex trading income increased by 46.4%, while total fair value gains expanded by 34.5%. In addition, fee and commission income expanded by 11.9%, or by some N$65.9 million.

Total operating expenditure increased by 12.5% to N$677.5 million, from N$602.4 million in 1H15. Staff related costs, which amount to more than 50% of operating expenses, were up 11.0%. Staff numbers grew by 7.4%, while the average salary increased by 8.6%.

The bank’s assets remain of a high quality, with total impairments for 1H16 of N$31.7 million, up slightly from N$30.1 million in 1H15. As a percent of the total book, this represents just 27 basis points, up from 20 basis points in the same period of the previous financial year. Non-performing loans have increased more dramatically, as is to be expected as we move through an interest rate hiking cycle, but remain extremely low. From a level of 75 basis points in 1H15, NPLs now stand at 92 basis points of the total book.

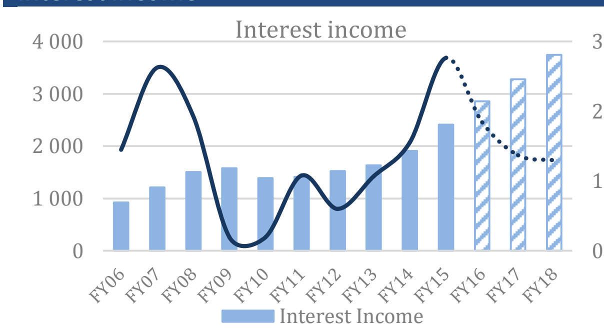
Valuation: For the purpose of valuing the company, we establish a **cost of equity of 12.9%,** up from 11.6% in 1H15, largely on account of a major increase in the risk-free rate. Based on this cost of equity, a highly conservative **long-term growth rate for the company of 9.0%**, and a **dividend pay-out ratio of 46%**, we believe a **PE of 11.7x can be justified** on this share. Given **expected earnings growth of 18.0% in FY16**, taking **total earnings to c445/share**, we derive a **target price of N$c5230/share**. Coupled with an **expected final dividend of 114cps**, we expect a **total return of 18.7% in 2H16**. We thus **maintain our BUY recommendation** on FNB Namibia, which **remains our most preferred locally listed stock**.

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.

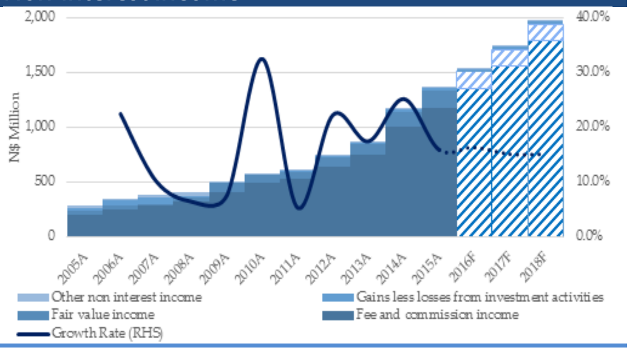
Bull Points:
- Solid strategy and management
- Stable advances growth
- Compelling e-bank/technology offering
- Strong macroeconomic environment

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

Interest Income



Non-interest income



Cash and short-term funds	2011	2012	2013	2014	2015	F2016
Income Statement (N$m)						
Net interest income after impairments	851.8	931.8	961.6	1 119.6	1 403.0	1 642.9
Non-interest income	604.9	739.6	868.5	1 087.4	1 260.1	1 466.9
Net insurance premium income	71.9	84.5	99.7	125.8	153.9	188.4
Net claims and benefits paid	(41.4)	(41.0)	(50.9)	(71.1)	(82.3)	(95.5)
INCOME FROM OPERATIONS	1 486.5	1 719.3	1 879.0	2 261.6	2 734.7	3 202.8
Operating expenses	(768.9)	(884.1)	(944.3)	(1 069.4)	(1 222.0)	(1 425.2)
Income from associates	5.0	3.0	2.0	0.6	0.6	-
Profit before tax	722.5	838.2	936.7	1 192.8	1 513.3	1 777.5
Income tax (expense)\ credit	(258.3)	(299.6)	(329.0)	(408.2)	(514.6)	(608.5)
Minorites	42.7	9.9	11.0	11.4	14.6	17.0
Net Profit	539.0	772.0	607.6	784.6	998.7	1 169.0
Balance Sheet (N$m)						
Cash and short-term funds	428.1	1 002.1	690.3	867.6	795.2	1 530.5
Loans and advances	12 464.3	14 076.8	16 964.7	19 990.8	22 833.7	26 028.1
Due from other banks	763.1	1 925.7	1 889.0	1 766.3	1 585.0	1 806.8
Investment Securities	1 643.5	2 144.4	2 272.8	2 833.1	3 365.9	2 452.0
Total Assets	17 163.9	19 697.6	22 499.4	26 255.8	29 784.3	33 074.0
Deposits and current accounts	13 305.6	16 238.5	18 835.7	21 522.4	23 951.8	26 697.6
Due to banks and other fin institutions	43.9	48.4	319.1	813.0	1 020.0	1 067.9
Policyholder liabilities	41.7	45.1	50.5	63.0	69.8	76.7
Debt	270.6	392.6	392.6	392.6	392.6	390.0
Total Liabilities	15 178.1	17 313.9	20 209.7	23 478.7	26 395.5	29 021.8
Shareholders' equity	1 820.1	2 362.0	2 262.0	2 745.9	3 348.7	4 011.9
Minorities	165.7	21.6	27.7	31.3	40.2	40.2
Total shareholders' equity	1 985.8	2 383.6	2 289.7	2 777.2	3 388.9	4 052.1
Growth Rates (%)						
Income from operations	11.4%	15.7%	9.3%	20.4%	20.9%	17.1%
Loans and advances	11.0%	12.9%	20.5%	17.8%	14.2%	14.0%
Deposits	10.5%	22.0%	16.0%	14.3%	11.3%	11.5%
Assets	7.7%	14.8%	14.2%	16.7%	13.4%	11.0%
Financial Summary						
EPS (c)	191.8	294.3	230.2	297.7	377.6	442.0
HEPS (c)	191.6	203.1	229.4	294.7	377.6	442.0
DPS (c)	247.0	262.0	100.0	109.0	183.0	194.5
NAV (c)	703.6	912.0	872.6	1057.0	1290.9	1546.6
Weighted Average shares (m)	267.6	267.6	267.6	267.6	267.6	267.6
Key Statistics						
Net interest margin (%)	5.6%	5.4%	4.7%	4.7%	5.2%	5.4%
RoA (%)	2.8%	2.9%	2.9%	3.2%	3.6%	3.7%
RoE (%)	22.4%	24.7%	26.0%	31.0%	32.4%	31.4%
Valuation Metrics						
P/E (x)	23.5	22.2	19.6	15.3	11.9	10.2
P/BV (x)	6.4	4.9	5.2	4.3	3.5	2.9
Dividend Yield (%)	5.5	5.8	2.2	2.4	4.1	4.3
Earning Yield (%)	4.2	4.5	5.1	6.5	8.4	9.8

Namibia Asset Management *Recommendation: HOLD, 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.

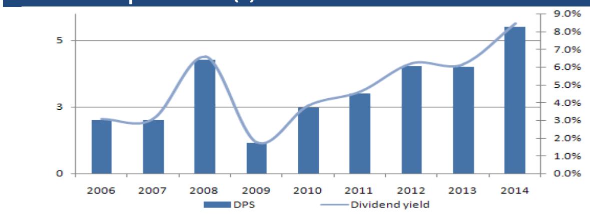
Outlook: In the results statement, NAM highlighted that the outlook on the macroeconomic environment remains uncertain although recent US economic statistics have positively surprised. However, risks around Europe and China continue to increase and recent data confirms that growth is slowing. The Namibian 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%.

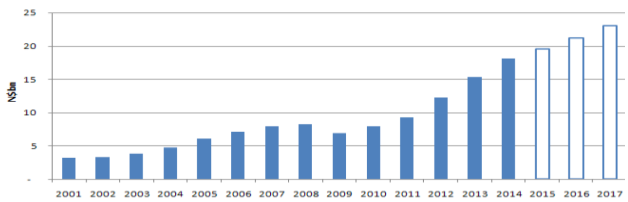
Bull Points:
- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

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	2011	2012	2013	2014	2015	F2016
Income Statement (N$m)						
Revenue	45.5	41.6	63.8	80.5	85.8	98.0
Other income	0.1	0.0	0.0	0.4	0.7	0.2
Net finance income	0.5	0.7	1.2	1.2	1.5	1.6
Operating expenditure	38.9	31.0	50.3	63.3	64.2	76.8
Profit before tax	7.2	11.4	14.8	18.8	23.8	23.1
Income tax (expense)\ credit	(2.4)	(3.8)	(4.7)	(6.1)	(8.1)	(7.6)
Net Profit	4.8	7.7	10.1	12.6	15.7	15.5
Balance Sheet (N$m)						
Assets under management	9 300.0	12 200.0	15 300.0	18 155.9	20 102.3	21 251.6
Cash and short-term funds	8.1	8.8	9.7	27.9	35.3	37.4
Total Assets	21.5	26.2	28.6	50.6	59.7	61.6
Debt	-	-	-	-	-	-
Total Liabilities	8.1	10.1	9.7	25.9	29.6	60.3
Total shareholders' equity	13.5	16.1	17.2	24.7	30.1	31.4
Growth Rates (%)						
Revenue	58%	-8%	53%	26%	7%	14%
Assets under Management	17%	31%	25%	18%	11%	6%
Assets	-3%	22%	9%	77%	18%	3%
Financial Summary						
EPS (c)	2.4	3.8	5.1	6.3	7.9	7.7
HEPS (c)	2.4	3.8	5.1	6.3	7.9	7.7
DPS (c)	2.5	3.3	5.5	5.5	7.5	7.5
NAV (c)	6.7	8.0	8.6	12.3	15.0	15.7
Weighted Average shares (m)	200	200	200	200	200	200
Valuation Metrics						
P/E (x)	30.6	19.0	14.5	11.6	9.3	9.4
P/BV (x)	10.9	9.1	8.5	5.9	4.9	4.6
Dividend Yield (%)	3.4	4.6	7.5	7.5	10.3	10.3
Earning Yield (%)	3.3	5.3	6.9	8.7	10.8	10.6

Oryx Properties

Recommendation: HOLD, TP: 1770c, 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 62% of the portfolio (mainly from Maerua Mall shopping centre in Windhoek) while Industrial contributes 28% to the portfolio and Offices contribute 10%.

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

1H16 Highlights: Oryx Properties Limited (Oryx) released its results for the six months ended 31 December 2015, reporting distribution per unit growth of 8%, from 71.75c to 77.50c. Total distributions increased by 27.3% to N$60.3m from N$47.4m declared in 1H15. Earnings attributable to linked units per unit (EPU) grew by 2.1%, to 129.82c, from 127.21c in the same period in 2015. Headline earnings attributable to linked units increased by 6.7% from 74.37c in 1H15, to 79.37c in the review period.

Net rental income increased by 5.9%, to N$98.9 million, compared to the same period last year. Rental expenses increased by 32.8%, largely on the back of bulk electricity metering which is offset by the increase in gross revenues. Oryx reported a profit after tax for the period of N$31.3 million, a decrease of 14.5% compared to the first half of 2015. Worth noting is that the reported fair value gain during the current period is more modest than that reported for the comparable period of last year.

Vacancies (as a percent of lettable area) increased from 0.5% in 1H15 to 1.8%. The increase in vacancies is more in line with our projected vacancy rate of 1.5%. Oryx has managed to maintain exceptionally low vacancy rates in the past and some normalization does not concern us. The vacated properties were as a result of government tenants relocating to new offices and Oryx management is confident that these vacated premises will be filled shortly.

At the end of the interim period, Oryx' investment properties were valued at N$2.27bn, up 11.5% from N$2.04bn in 1H15. Most of the gain is attributable to fair value adjustments, with capital expenditure of N$45 million contributing the remainder. Retail space continued to represent the bulk of assets, at 66%. Industrial space contributed 28%, and office space made up 6%.

Oryx' long term borrowing decreased by 19.8% y/y to N$692m in 1H16, from N$872m reported as at 1H15. This was due to an issue of rights, the funds from which were used to reduce interest bearing debt. Unutilised debt facilities have thus expanded to N$280 million, compared to N$71 million in the comparable period of FY15. Financial room has thus been freed up for future projects. Fixed interest loans make up N$298m, or 43%, of total borrowings, with the remainder made up of floating rate loans. The weighted average interest rate for borrowings is 8.9%, compared to 8.7% in 1H15. With the reduction in long term borrowings, Oryx has reduced the company's gearing ratio to 29.8% from 41.5% in 1H15.

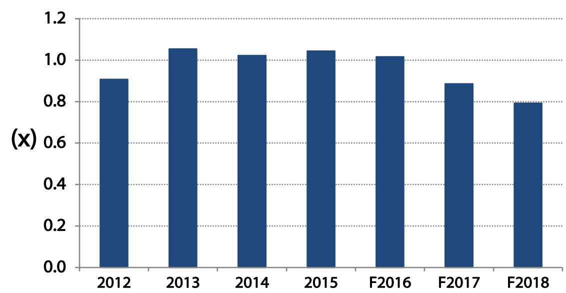
Our revised forecast for FY16 distributions is 159.2c per linked unit. Based on this, Oryx is currently trading on a distribution yield of 7.5%. The comparable GC27 is currently trading at a yield of 10.4%, a relatively attractive premium over the Oryx distribution yield. However, Oryx shares have traded up to 2090c from 1842c as at 31 December 2014, resulting in a total return for the 12 months of just over 20%, which should not be overlooked.

Valuation: At the current share price of 2110c and our revised forecasted distribution for FY16, Oryx returns a distribution yield of 7.5% which lags the current GC27 yield of around 10.4%. Should we consider 9.0% (FY15 average one year yield on the IJG Generic 10-year bond) to be a more realistic yield given the asset price appreciation potential on Oryx's property portfolio, we derive a target price of 1770c. This figure is based on revised distributions of 159.20c per share, which revisions are due to higher than expected rental expenses as well as the increase in shares due to the recent rights issue.

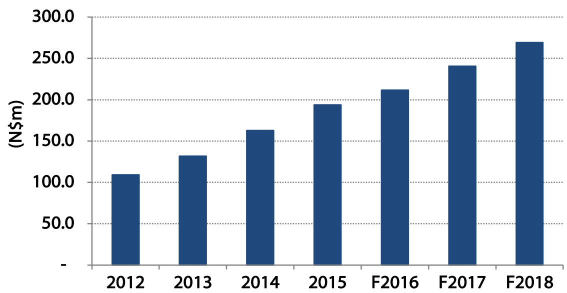
Bull Points:
- Very low vacancy levels
- Location of properties
- Quality tenant profile
- Value adding acquisitions

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	2011	2012	2013	2014	2015	F2016
Income Statement (N$m)						
Revenue	115.3	132.8	160.6	204.8	269.4	296.1
Rental expense	21.7	23.6	28.9	41.9	75.5	90.6
Net rental income	93.6	109.2	131.7	162.9	193.9	205.5
Investment income	0.4	1.2	0.8	0.9	0.9	0.9
Amortisation of debenture premium	2.8	2.8	3.2	7.7	11.2	25.6
Fair value changes	90.9	41.1	5.5	71.5	179.4	107.5
Other expenses	(6.6)	(8.6)	(10.4)	(10.6)	(11.7)	(12.5)
Finance cost	(21.5)	(28.3)	(37.9)	(52.1)	(76.1)	(65.5)
Debenture interest	(64.7)	(70.5)	(76.8)	(97.8)	(104.7)	(127.1)
Profit before tax	95.0	36.4	20.0	111.7	192.5	134.4
Income tax expense	0.2	(1.3)	4.6	4.8	1.2	6.7
Net Profit	94.9	37.7	15.4	106.9	191.3	127.7
Balance Sheet (N$m)						
Cash and other liquid assets	4.9	3.0	3.6	14.3	9.8	4.0
Investment properties	1 041.5	1 239.7	1 447.3	1 924.6	2 149.9	2 257.4
Trade and other receivables	10.8	11.7	18.7	22.2	24.1	26.5
Total Assets	1 084.1	1 284.2	1 507.3	2 015.0	2 248.6	2 347.4
Linked unitholders for distribution	33.6	36.5	39.8	53.4	57.3	60.9
Debentures	247.1	247.1	247.1	296.6	296.5	355.9
Long-term borrowings	256.2	395.7	590.4	815.6	872.1	671.3
Total Liabilities	607.7	770.1	978.2	1 379.0	1 421.3	1 484.4
Total shareholders' equity	476.4	514.2	529.1	636.1	827.4	863.1
Growth Rates (%)						
Revenue	19%	15%	21%	28%	32%	10%
Rental expense	8%	9%	23%	45%	80%	20%
Net rental revenue	22%	17%	21%	24%	19%	6%
Investment properties	-93%	211%	-39%	18%	-4%	10%
Assets	18%	18%	17%	34%	12%	4%
Liabilities	13%	27%	27%	41%	3%	4%
Financial Summary						
HEPU (c)	117	128	139	162	160	154
DPU (c)	118	128	140	148	159	154
NAV (c)*	1 397	1 461	1 483	1 759	1 915	1 959
Weighted Average shares (m)	55.0	55.0	55.0	61.7	66.1	79.3
**realisable NAV*						
Key Statistics						
Vacancies (as % of GLA)	3%	1%	1%	1%	1%	2%
Rental Expense/revenue	19%	18%	18%	20%	28%	31%
Debt/Equity	0.5	0.8	1.1	1.3	1.1	0.8
Valuation Metrics						
P/E (x)	18.0	16.5	15.1	13.0	13.2	13.7
P/BV (x)	1.5	1.4	1.4	1.2	1.1	1.1
Distribution Yield (%)	5.6	6.1	6.6	7.0	7.5	7.3
Earning Yield (%)	5.6	6.1	6.6	7.7	7.6	7.3

Namibia Breweries Limited

Recommendation: HOLD, TP: 2450, 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.

1H16 Results

Namibia Breweries (NBS) released results for the first half of the 2016 financial year ended 31 December 2015. Sales of goods for the period decreased 3.5% or N$45.1 million to N$1.306 billion compared to 1H15, mainly due to production volume migrated to South Africa, however, royalty income received by NBS only increased by N$7.9 million. Operating profit rose 5.4% y/y as raw materials & consumables and railage & transport were reduced by 18.9% and 17.3% respectively on the back of lower volumes being produced locally. Basic EPS increased 37.9% y/y to 84.4c and HEPS is up 6.3% from 104.2c to 110.8c. The board of directors declared an interim dividend of 40cps, up 8.1% on the 37cps last year, increasing the pay-out ratio from 35.5% to 36.1%.

Sales and Volumes

NBS managed to increase local sales volumes with new products being launched and the acquisition of Aquasplash from Namibia Dairies during the period, however, export sales declined with the migration of production to Sedibeng Brewery. Locally, sales volumes continued to increase on the back of beer sales, which was led by Tafel Lager and Windhoek Draught.

Revenue per Category	1H15	1H16	y/y % Δ
Beer	1,243,561	1,200,194	-3.5%
Softs	78,872	77,232	-2.1%
RTDs	17,242	14,304	-17.0%
Other	3,755	5,580	48.6%
Total	**1,343,430**	**1,306,155**	-2.8%

Export Markets

Total volumes produced by NBS and sold to Heineken SA and DHN Drinks, its largest single customer, decreased significantly, down 91.4% and 43.6% respectively, while no sales are further made to Diageo since the restructuring. This resulted in the value of export sales to South Africa to decrease 45.3%. Export sales to South Africa declined as a percentage of total sales of goods, falling to 23.4% from 41.6% a year ago. This was due to the continuous migration of volumes from Namibia to Sedibeng in South Africa.

Sedibeng Brewery

On 1 December 2015 NBS acquired 25% of the issued share capital of Sedibeng Brewing (Pty) Ltd and an additional 9.5% of the issued share capital of DHN Drinks (Pty) Ltd from Diageo Highlands Holdings. The total investment amounted to N$592.3 million, which was financed out of operations and by way of medium term loans from Standard Bank and RMB. This will need to be repaid over the next 5 years, with NBS enjoying a payment holiday of one year. The loan will be partially amortised over the period, with a balloon payment at the end of the loan period. Interest bearing loans and borrowings increased from N$13.8 million at the end of FY15 to N$613.3 million at the end of 1H16, increasing the gearing ratio from 12% to 54%.

Intrinsic Value:

We use a dividend discount model to assess the intrinsic value of the company. Our required rate of return, of 13.2%, is based on a risk free rate of 9.3%, equity risk premium of 2.7%, a beta of 1.0, and a long-term sustainable growth rate of 9%. Based on these assumptions and our forecasted dividends for NBS, we value the company at an intrinsic value of N$17.04 per share.

Valuation:

We forecast **FY16 earnings of 192.6 cents per share** and calculate a **target price of N$24.50 per share** based on a **justified PE ratio of 12.7x**. This implies an expected total return of 5.3% over the next twelve months. Generally, we are notably more optimistic as to the future of the company following the restructuring of the JV and after NBS gained a share of the Sedibeng Brewery, which was critical to the JV's success from an NBS perspective. We remain cautious as to the effect SAB will have on the company's market share domestically going forward, as well as the impact of the potential water challenges the company may experience in FY17 and FY18. Therefore, we maintain our recommendation on **HOLD**.

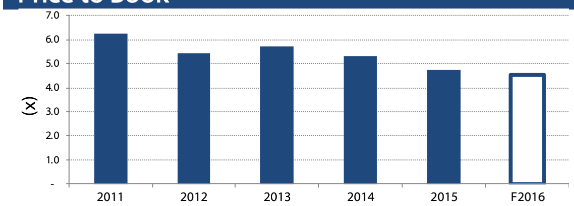
Bull Points:

- Migration from mainstream to premium brands
- Gaining a share of the Sedibeng Brewery
- Maintaining local market share

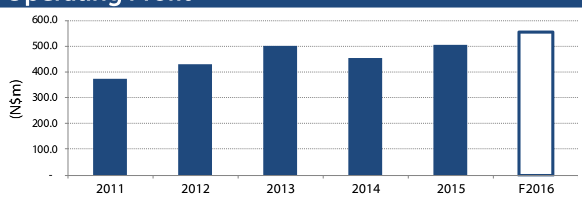
Bear Points:

- Increased competitive pressures in key export markets
- New SABMiller plant

Price to Book



Operating Profit



Fiscal Year End	2011	2012	2013	2014	2015	F2016
Income Statement (N$m)						
Sales Revenue	1 797.1	2 160.1	2 383.4	2 316.9	2 434.2	2 536.5
Operating Profit	375.3	429.0	500.1	451.3	506.5	552.5
Net interest income(expense)	6.9	(0.9)	(3.3)	(2.6)	13.2	(7.7)
Profit before tax	307.3	336.0	199.7	328.7	395.1	431.6
Income tax expense	(96.0)	(114.0)	(126.8)	(122.9)	(136.1)	(133.8)
Net Profit	211.3	222.0	72.9	205.9	259.0	297.8
Balance Sheet (N$m)						
Cash and other liquid assets	91.7	91.9	267.8	55.9	264.2	473.6
PPE	668.6	799.8	827.7	874.9	871.1	906.5
Intangible assets	4.6	6.4	12.2	11.5	16.7	2.7
Investment in JV	121.4	118.1	13.6	-	28.3	118.1
Inventories	151.1	203.2	285.9	209.6	226.6	211.6
Total Assets	1 406.7	1 672.5	1 714.2	1 541.2	1 737.1	2 007.5
Interest bearing debt	189.4	270.2	275.4	114.6	119.5	500.0
Current liabilities	304.9	356.1	672.8	397.1	472.0	835.8
Non-current liabilities	310.1	409.2	180.9	212.4	221.1	202.0
Total Liabilities	615.0	765.2	853.7	609.6	693.1	1 037.8
Total shareholders' equity	791.7	907.3	860.5	931.6	1 044.1	1 088.4
Growth Rates (%)						
Sales	3.8%	20.2%	10.3%	-2.8%	5.1%	4.2%
Opertaing Profit	23.9%	14.3%	16.6%	-9.7%	12.2%	9.1%
Cash and other assets	-48.2%	0.3%	191.4%	-79.1%	372.3%	79.3%
Interest Bearing debt	19.1%	42.6%	2.0%	-58.4%	4.3%	318.3%
Inventories	21.4%	34.4%	40.7%	-26.7%	8.1%	-6.6%
Assets	-12.6%	18.9%	2.5%	-10.1%	12.7%	15.6%
Financial Summary						
EPS (c)	102.3	149.5	177.8	159.1	187.1	192.6
DPS (c)	49.0	54.0	62.0	68.0	74.0	80.0
NAV (c)	3.83	4.39	4.17	4.51	5.1	5.3
Valuation Metrics						
P/E (x)	23.4	16.0	13.5	15.0	12.8	12.4
P/BV (x)	6.2	5.4	5.7	5.3	4.7	4.5
Dividend Yield (%)	2.0	2.3	2.6	2.8	3.1	3.3
Earning Yield (%)	4.3	6.2	7.4	6.6	7.8	8.0

Bidvest Namibia

Recommendation: SELL, TP: 1000, 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%)

1H16 Results

Bidvest Namibia results for the first half of the 2016 financial year disappointed once again. As we expected, the firm's results reflect the difficulties the fishing division finds itself in. EPS decreased 7.2% to 46.1 cents per share, while HEPS fell 10.8% to 44.2 cents per share. At N$1.843 billion, revenue is up 7.9% from last year, mainly due to the acquisition of Novel Motor Company, which added N$350.0 million to revenue. However, BVN's trading profit shrunk 32.5% to N$118.9 million, primarily as a result of significantly lower horse mackerel quota available to Namsov. An interim cash dividend of 20 cents per share was declared, thus the company cut dividends by 9.1% when compared to 1H15.

Fishing

Performance by the fishing division was particularly poor. Firstly, lower horse mackerel quota was allocated directly to BVN by the Ministry of Fisheries and Marine Resources together with the fact that quota contributing partners exited from Trachurus Joint Venture, resulting in the tons of horse mackerel sales falling by 42.0%. Secondly, the hard currency prices of horse mackerel fell, down 18.8% year on year. Thirdly, management reported poor pilchard catches in the 2015 season and slow pilchard sales during the financial year. Lastly, broken down vessels in Angola also contributed to lower landings, therefore lower volumes sold.

Freight and Logistics

Lower activity in the oil and gas industry as mining and oil exploration slowed down in the country is one of the main reasons for lack luster performance in this division. Given the integrated nature of the Freight and Logistics business, projects have spin-offs to all areas in the division. Therefore, all entities in this division are facing challenging times. There are currently no projects underway for the next few months, therefore no expectation of an improved result for the full year.

Food and Distribution

The 1H16 results for Taeuber & Corssen (T&C), and therefore the entire food and distribution division was poor for various reasons, namely less consumer spending, stock shortages due to non-supply by principals and generally fewer products being sold. The results were also affected to a large extent by the loss of the contract for distribution of Namibia Poultry Industry products in 2015.

Commercial and Industrial Products and Services

Various high-frequency indicators, such as new vehicle sales and private sector credit extension, are already illustrating a slowdown in consumer spending in Namibia. Growth is therefore not to be expected in the in the Commercial and Industrial Products and Services division for FY16, unless in the form of acquisitions or expansion.

Automotive

We saw exceptionally strong vehicle sales growth through 2014 and 2015, fueled by a strong consumer base supported by expansionary fiscal policy and real wage growth. However, the latest figures show that this trend is losing momentum. We expect to see a decrease in vehicle sales as purchases of vehicles by Government will be reduced this year. Further downside risks to this are rising interest rates which may limit marginal lenders from qualifying for financing as well as banking sector liquidity which may limit the availability of loans to finance vehicle purchases.

Valuation:

The stock is currently trading on a FY16 dividend yield of 4.8% based on expected full year dividends of 51 cents per share at an assumed 50% payout ratio. This is in line with its average yield of 4.9% over the last seven years, but is relatively unattractive to cash yields that are currently on the rise. We have adjusted our earnings forecast and target price following a detailed analysis of the full year results. We forecast FY16 earnings of N$1.01 per share and calculate a target price of N$10.00 per share based on a justified PE ratio of 9.86x. 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 with acquisitions such as Novel Motors. 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 maintained our recommendation to SELL.

Bull Points:

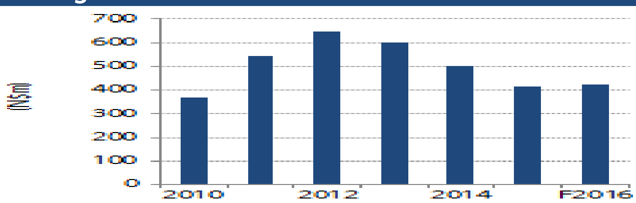
- Exchange rates
- Strong brands in the industries in which BIDNam operates
- Oil price

Bear Points:

- Fishing industry conditions and regulation
- Margin contraction
- Quota fees

Price to Book

Trading Profit



Fiscal Year End	2010	2011	2012	2013	2014	2015	F2016
Income Statement (N$m)							
Sales Revenue	1608	1919	2731	3355	3703	3535	3596
Cost of sales	(1102)	(1207)	(1890)	(2488)	(2832)	(2783)	*
Gross Profit	506	712	841	867	872	752	*
Operating expenses	(159)	(186)	(209)	(281)	(385)	(360)	*
Trading Profit	369	545	647	601	501	416	439
Net interest income(expense)	1.3	6.1	17.6	13.0	16.3	27.1	8.0
Income from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	353	568	672	615	517	545	447
Income tax expense	(116)	(184)	(211)	(188)	(174)	(133)	(134)
Minorites	72	126	162	161	98	123	86
Net Profit	237	384	469	444	349	425	313
Balance Sheet (N$m)							
Cash and other liquid assets	591	780	785	853	782	908	*
Propert, Plant and Equipment	549	569	764	830	842	829	*
Intangible assets	39	31	31	35	31	28	*
Goodwill	69	69	102	120	119	119	*
Inventories	217	230	324	376	400	432	*
Total Assets	1725	1940	2469	2779	2765	3025	*
Interest bearing debt	50.2	0.0	0.0	0.0	2.6	0.1	*
Current liabilities	417	390	517	586	455	526	*
Non-current liabilities	151	149	239	233	245	220	*
Total Liabilities	569	539	757	820	699	747	*
Shareholders' equity	1156	1402	1712	1959	2065	2278	*
Total shareholders' equity	1725	1940	2469	2779	2765	3025	*
Growth Rates (%)							
Sales	16%	19%	42%	23%	10%	-5%	1.7%
Trading Profit	30%	48%	19%	-7%	-17%	-17%	5.5%
Cash and other assets		32%	1%	9%	-8%	16%	
Inventories		6%	41%	16%	6%	8%	
Assets		13%	27%	13%	-1%	9%	
Financial Summary							
EPS (c)	86	125	143	130	116	137	107
HEPS (c)	0	120	140	130	116	103	107
DPS (c)	36	54	63	69	63	56	59
Weighted Average shares (m)	192	207	210	212	212	212	212
Key Statistics							
Operating margin (%)	22%	29%	24%	18%	14%	15%	12%
Current ratio (x)	2.5	3.3	3.0	3.0	3.9	3.6	*
Debt/Equity	2.9%	0.0%	0.0%	0.0%	0.1%	0.0%	
RoE (%)	32.4%	36.7%	37.0%	29.8%	22.1%	24.4%	22.1%
Valuation Metrics							
P/E (x)	12.25	8.40	7.35	8.09	9.05	7.68	9.82
P/BV (x)	2.01	1.82	1.55	1.41	1.32	1.19	1.45
Dividend Yield (%)	3.4%	5.1%	6.0%	6.6%	6.0%	5.3%	6.0%

Maintenance Coverage

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%.

FY14 Highlights:

During the year ended 28 February 2014, group revenue increased by 4.0% from N$22.1m to N$22.9m. Operating expenses increased slightly, up 2.7% to N$10.2m from a value of N$9.9m recorded for FY13. The gain on fair value adjustments was smaller than last year, adding N$39.7m, down from N$47.0m in FY13. While finance costs decreased N$5.6m y/y, the cumulative effect on the bottom line was negative, with profits coming in at N$10.3m, below the N$11.9m reported for FY13.

The firm advised that the size of the investment portfolio (excluding cash) experienced organic growth, stemming from a combination of corporate action and growth in the fair value of its investments. The firm declared a preference dividend of N$24.6m, up from N$12.8m, for FY13, and translating to a dividend to 656c per preference share based on 3.75m preference shares in issue (FY13: 340c, based on 3.75m preference shares in issue).

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

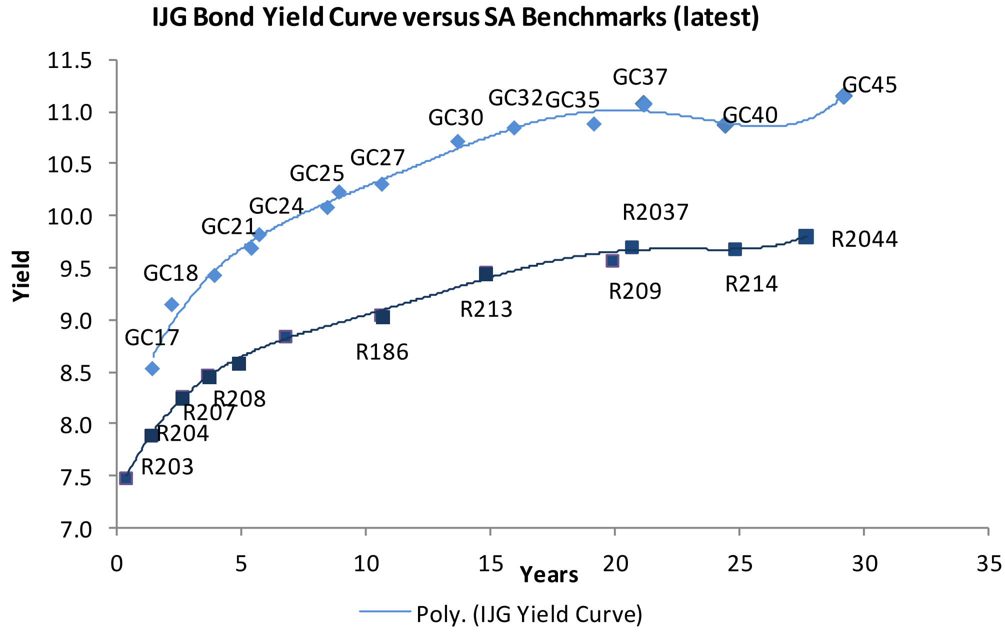
Bear Points:

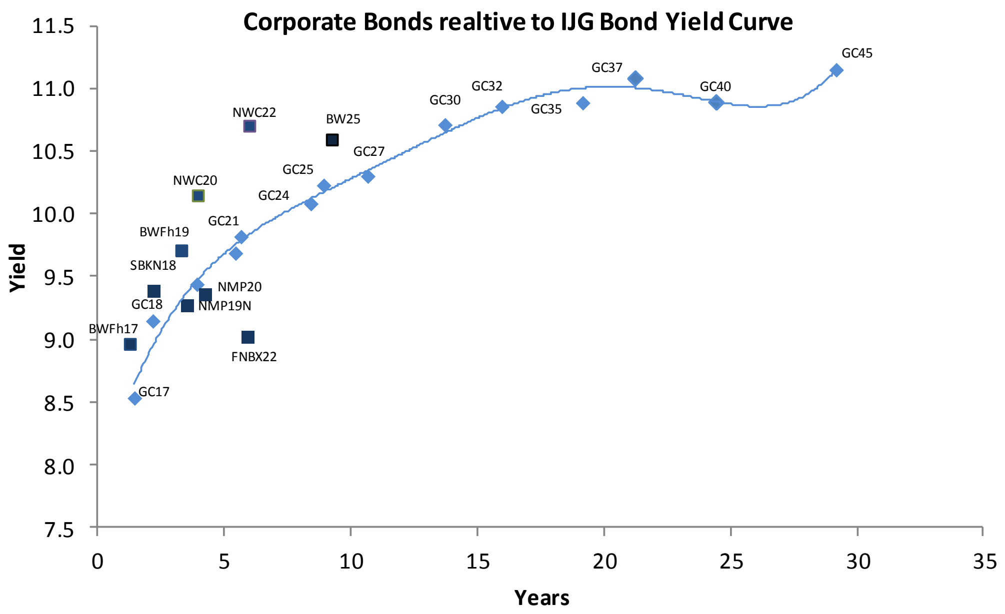
- Financial skills shortage

Bond Listings

- Bank Windhoek Holdings
- FNB Namibia
- Standard Bank Namibia
- Namibia Power Corporation
- NamWater Corporation
- International Finance Corporation

31 March 2016:





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

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

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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