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Macro Economic Backdrop

The Namibian Macroeconomic Environment

Background:

The macroeconomic environment in Namibia remains positive, with growth running at or above long term averages for the past five years. Historically low interest rates, expansive Government stimulus and the unprecedented levels of foreign direct investment into Namibia have driven this growth, with a key focus on construction in the short term, moving toward increased mining production and logistics, particularly, longer term (see our Economic Outlook, 2015). Moreover, this strong growth has resulted in increased employment which has coupled with increased Government spending on wages, personal income tax cuts and huge increases in private sector credit (see PSCE figures), to massively increase the disposable income of domestic consumers. Given a high marginal propensity to consume by Namibian consumers, this boom in disposable income has resulted in strong growth in retail activities, as indicated by many high frequency indicators (see PSCE, vehicle sales, business climate monitor).

As is to be expected, this above trend growth has resulted in some cracks appearing in the local economy when viewed holistically. As is classic of an economy growing at above its trend level, we have seen the ongoing development of a number of macroeconomic imbalances. While these imbalances are not critical as of yet, if left unchecked they may destabilise the future growth prospects of the country to some degree. While the imbalances are fairly numerable in nature, they have to date been largely shielded from view for various reason. However, as many of the current high frequency indicators followed in the country are starting to point to growth peeking out and starting to slow, many of these imbalances run the risk of becoming increasingly apparent.

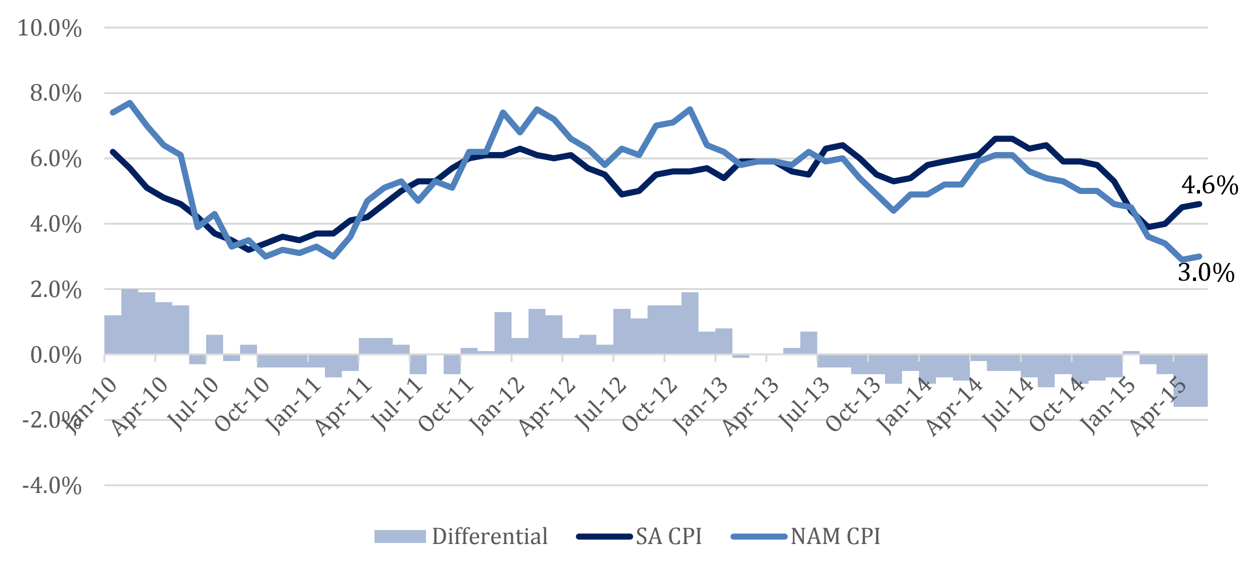
1. Demand side inflation

Over the past few years, headline inflation has remained low, falling dramatically over recent months as global oil prices collapsed (see NCPI). However, pockets of high inflation remain, particularly in the demand side space (further elaborated on in our November 2014, and December 2014 NCPI reports). As most consumer goods in Namibia are imported and sold at market rates, these items prices tend to be driven by global factors and the local exchange rate. On the other hand, many of the local services prices are determined by domestic demand and supply, and as demand increases, so do prices. This is particularly notable in the housing market (although local house price indices, anecdotal evidence and formal rental inflation figures indicate divergent situations), municipal utilities, electricity, schooling and transport costs, many of which are leading overall inflation in the country. This inflation is, however, at present hidden by falling global food and fuel prices, but is classic of an overheating economy where demand for services grows fast than the supply thereof.

Table 1.1 Selected services inflation levels

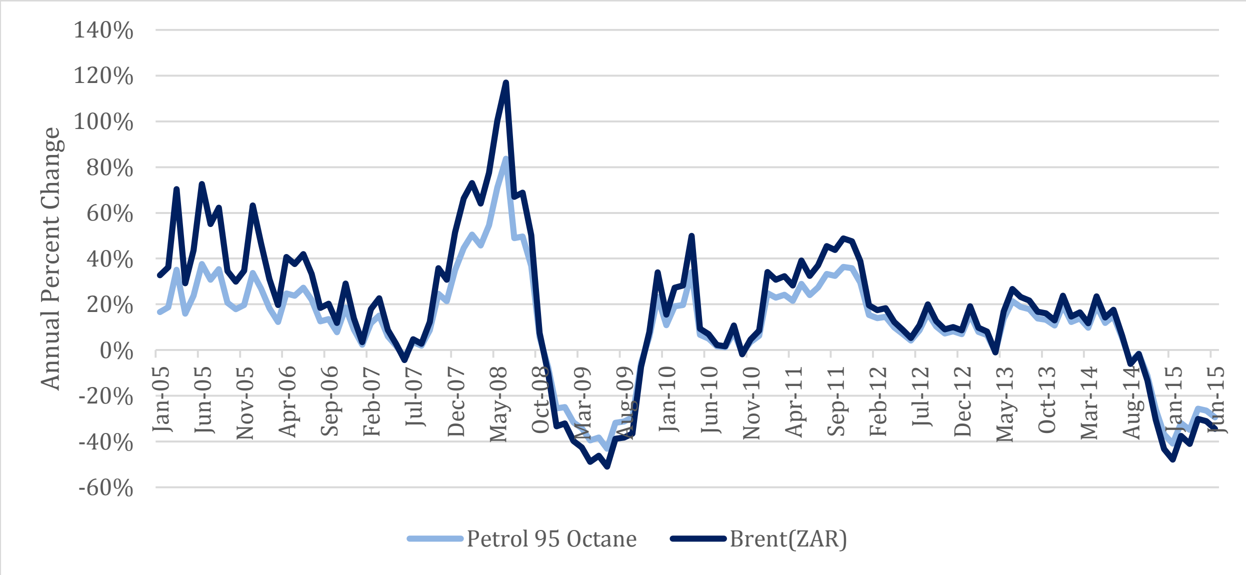
	July 2015 (YoY) Inflation	12 Month Average Inflation
Water supply, sewerage service and refuse collection	10.8%	11.6%
Public transportation services	0.3%	8.5%
Pre-primary education (ages 2 to 6 years)	6.7%	7.6%
Electricity gas and other fuels	5.7%	7.6%
Tertiary education	4.8%	7.3%
NCPI	**3.0%**	**4.3%**
Rental payments for dwellings (both owners and renters)	1.5%	1.8%

Chart 1.1 Namibian and South African Inflation



At present, and somewhat peculiarly, Namibia's overall inflation has fallen well below that of South Africa. This is strange given the fact that most of our cost-push inflation is imported directly from South Africa, while Namibia's demand side inflation is abnormally high. Nevertheless, much of the decline in Namibia's inflation was driven by the oil collapse, which we believe is now fully priced-in when it comes to first-round effects. Should oil stabilise (looks likely) or rebound, inflation is likely to pick up again, and may reverse aggressively, notwithstanding second round effects of low oil prices on food production.

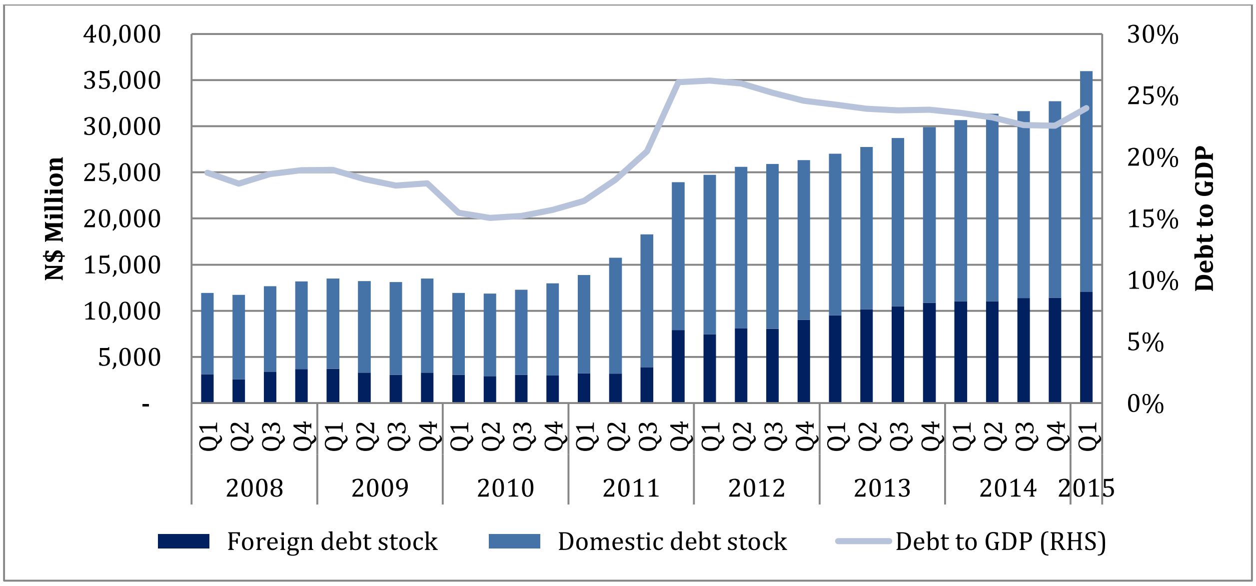
Chart 1.2 Global Oil and Domestic Fuel Price Changes



2. The deficit, debt and funding the gap

As we noted in our 2015 budget review, Government plans to run another expansive budget through the current three year MTEF period, which comes on the back of a prolonged policy of expansive spending for the past five years. Because of the expansive budget pursued over the past five years, the country's debt-to-GDP ratio has increased somewhat, from around 16% of GDP in 2010, to approximately 25% of GDP in 2014. Further to this, continued deficits in the current budget mean that this is expected to increase further over the next three years, approaching 35% of GDP by 2017. While deficits are not a problem per se, persistent or structural deficits, as well as sizable deficits, can be. In this vein, we are of the belief that current debt levels are not a problem, however should more debt be raised to fund recurrent expenditure, sustainability will fast become an issue.

Chart 2.1 Government Debt and Debt to GDP



We further noted in our budget review piece, that we were concerned about the ability of Government to fund the deficit this year, due to a number of factors. "We view the size of the domestic borrowing requirement as a big hurdle for the Government to overcome. The sheer 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 [into the domestic market].” We further noted 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.” Both of these expectations have played out or are currently playing. With regards to the former, demand for Government debt at recent auctions has been extremely low, with bid-to-cover ratios falling to some of the lowest levels seen in many years. This, coupled with Government’s policy to draw down on cash-reserves with the Central Bank has resulted in the Government being temporarily overdrawn with the Central Bank for the first time in many years. Moreover, the liquidity position of the local commercial banks (later discussed) has resulted in abnormally weak demand for government securities, particularly at the short end of the curve, where these banks are usually most active.

We further noted that “It is our expectation that we [will] 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.” Once again, we see this playing out as expected, with much of the corporate debt currently being placed seeing weak demand and being pushed on pricing, in a classic “crowding-out” type move.

3. Household debt

Over the past few years, and through the bottom of the interest rate cycle, household debt levels increased quite significantly, taking overall household debt relative to disposable income well above the levels seen in neighbouring South Africa, whose levels have often been perceived to be concerning high. However, In Namibia, strong growth in disposable income has kept this ratio relatively more favourable from a forward perspective. Recent indicators of household income growth, however, have started to show a changing picture, and it appears that the household disposable income position, which had improved massively over the past 5 years, may be topping out, at least from a disposable income growth perspective. Logically, this makes sense, as the delta of new stimulus has also flattened out, and even started to reverse as the Central Bank tightens interest rates. Given current high levels of household debt, it is possible that some duress may be witnessed should interest rates continue to increase and disposable income growth slow or contract. However, at the present point in time this looks fairly unlikely, unless Government reduces spending in a significant manner, interest rates climb aggressively or unemployment spikes up for whatever reason. However, it seems most likely that current liquidity challenges in the banking sector may result in a slowdown of new credit issued to the private sector, which should help to protect against households becoming unsustainably indebted.

Chart 3.1 Household Income

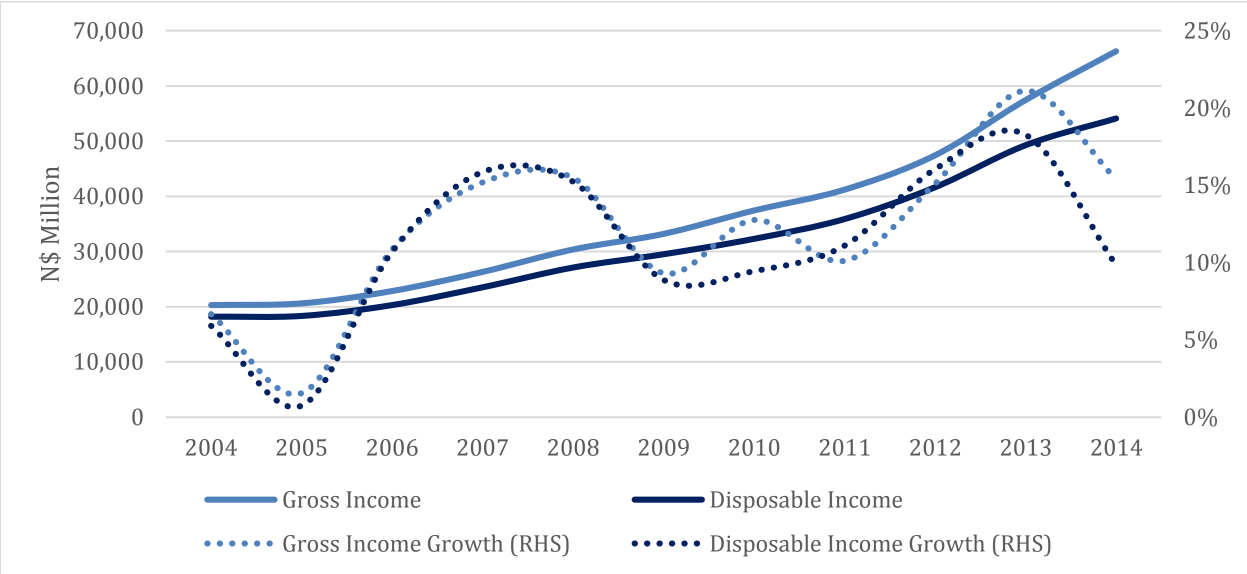
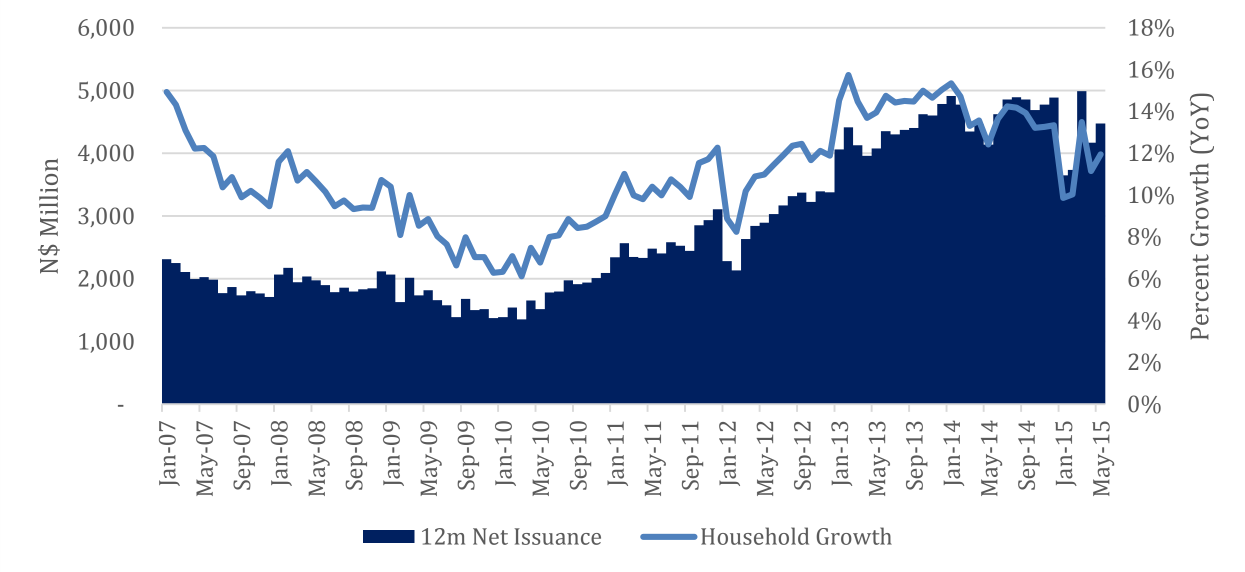


Chart 3.2 Household Debt Issuance

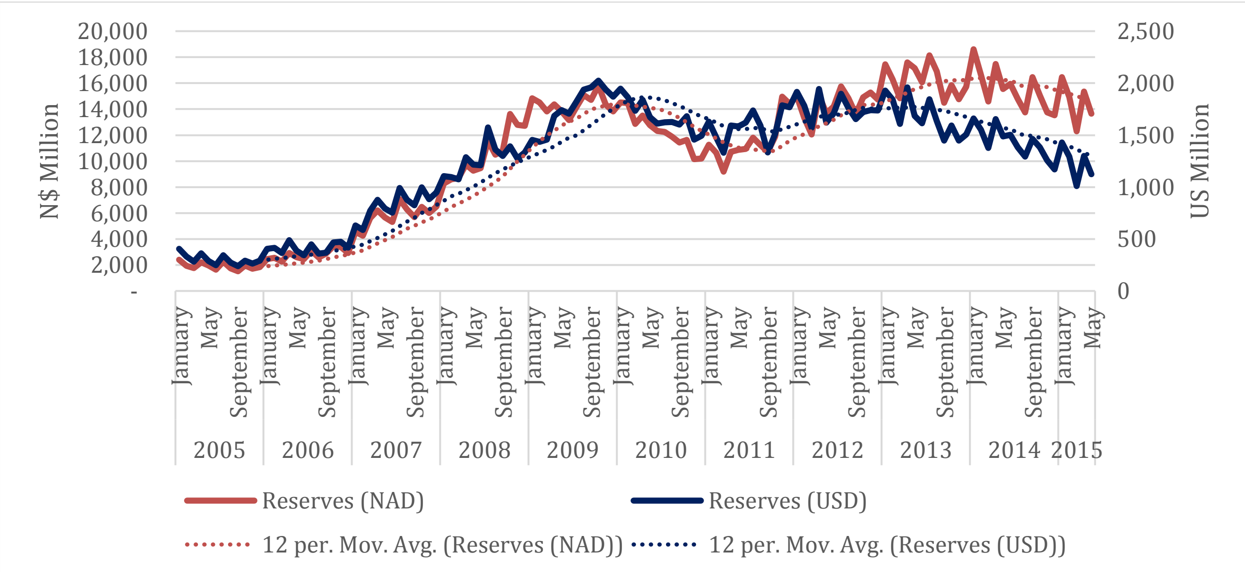


In most economies, these imbalances would be addressed through the tightening of monetary (and at times, fiscal) policy, however in this regard, Namibia is somewhat hampered by the fixed exchange rate regime it shares with South Africa, Lesotho and Swaziland. Due to this, Namibia is unable to implement completely independent monetary policy, and is required to remain fairly close to the rates seen in the common monetary area in order to ensure that unstable capital flows between the countries do not occur. As such, despite the clear need for tighter monetary policy in the country, interest rate increases have been fairly slow. Nevertheless, the Bank of Namibia is in an interest rate hiking cycle, having increased rates by 75 basis points, in the form of three 25 basis point hikes, over the past 12 months.

4. International reserves and financial sector liquidity

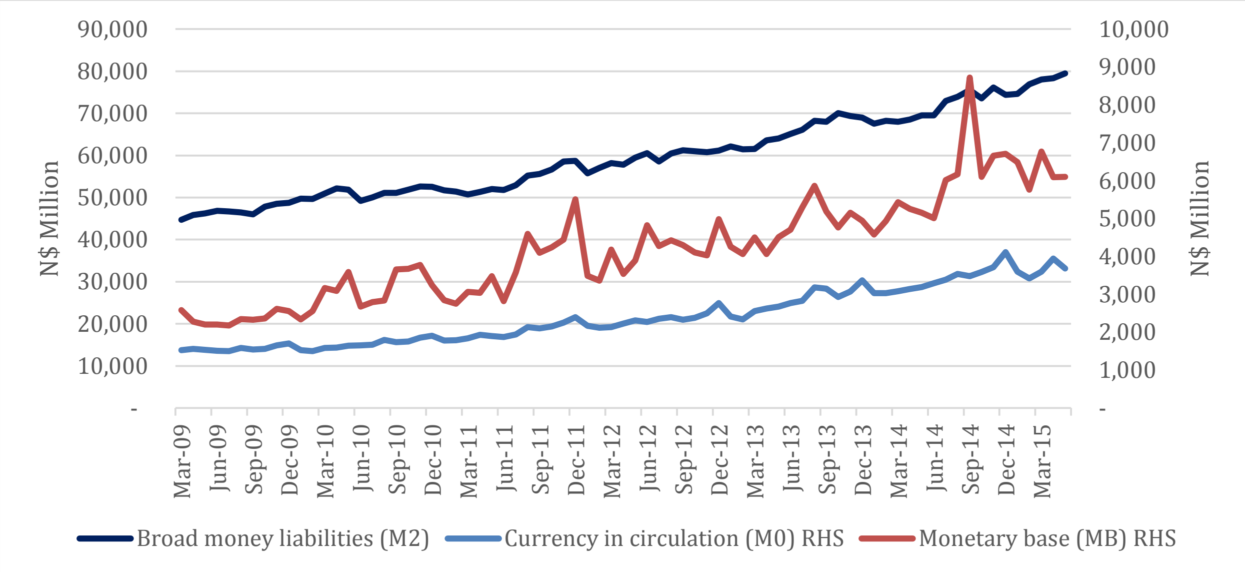
Strong growth in PSCE to households, along with large imports for various Government and private sector projects have resulted in abnormally high import volumes for Namibia, which imports have not been matched by equally strong exports, resulting in a trade deficit. Moreover, the capital and financial account has remained fairly weak, and unable to offset the deficit in the current account. As such, the external position of the country remains fragile, with international reserve levels falling well below prudential levels to their lowest since mid-2012 in Namibia Dollar terms, and to 2008 levels in US Dollar terms (see previous discussions).

Chart 4.1 International Reserves



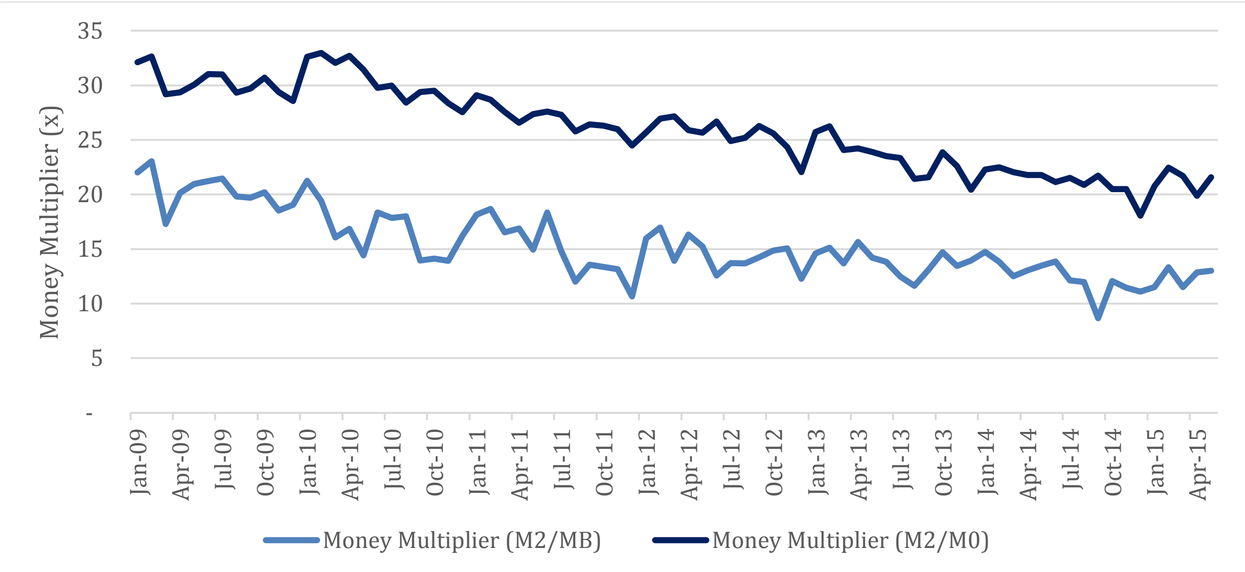
On the back of this large net outflow of funds, a multi-faceted situation of liquidity tightening is developing, with liquidity growth slowing (and may yet contract) as funds are withdrawn from the country and financial system.

Chart 4.2 Money Supply



Not only has the currency in circulation and the base money supply started to stagnate and possibly even contract, but the money multiplier from both M0 and MB to M2 have seen long term decline. The M2/M0 multiplier is down to little over 20x (from a peak of well over 30x in early 2010), while the M2/MB multiplier is approximately 12x (from almost 25x in 2009).

Chart 4.3 Money Multiplier



The effect of the liquidity withdrawal is a drying up of banking sector liquidity, as illustrated by the close to 100% aggregate loan to deposit ratio now being seen across the sector, as well as the liquidity position, reported on by the Bank of Namibia. Of course, the banks remain adequately funded, however some are becoming increasingly reliant on debt securities to fund their loan book growth.

Chart 4.4 Banking sector loan-to-deposit ratio

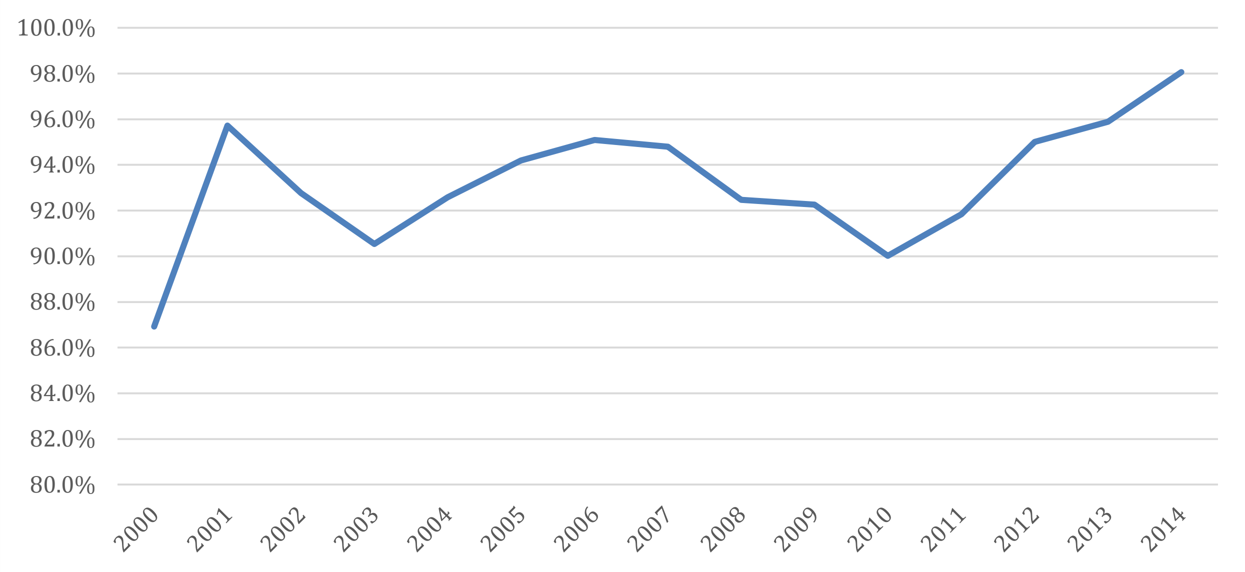
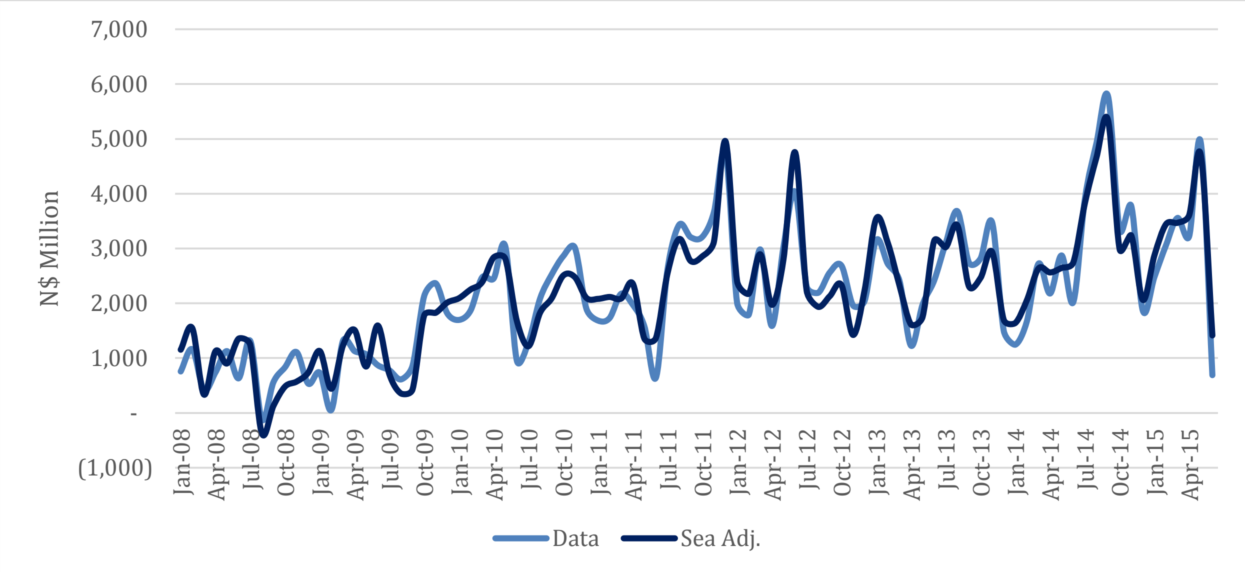
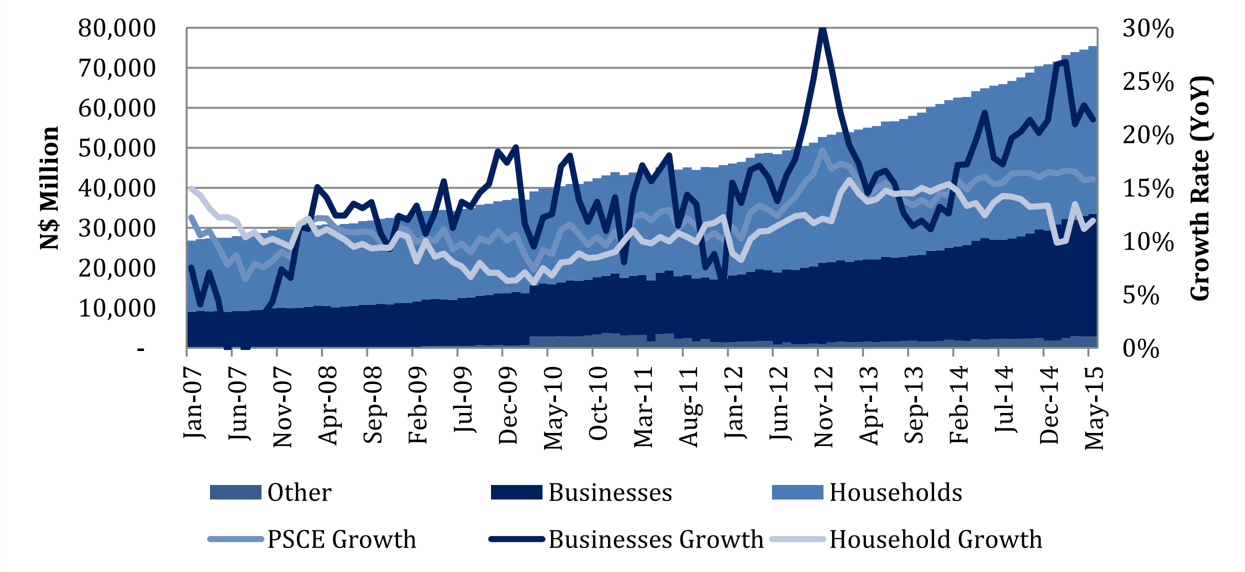


Chart 4.5 Banking sector liquidity position



The decline in banking sector liquidity has two main impacts on the local economy. Firstly, the banks have become more cautious when lending, and while PSCE growth remains relatively strong, the bulk of new extension is being granted to businesses rather than households; and secondly, demand for Government securities by the banks has slowed notably. Given current liquidity trends, it further appears that the situation may deteriorate further over coming months, resulting in a notable slowdown in future credit extension, which will act as a much-needed break on the local economy.

Chart 4.6 PSCE and PSCE Growth



Despite the aforementioned imbalances, the Namibian economy continues to perform well, and is expected to continue to do so through 2015 and beyond.However, this strong, above trend, growth seen in the local economy signifies that the time for counter cyclical policy is behind us, and that the previously countercyclical policy is no longer such, but procyclical. Thus, the process of interest rate normalization too needs to continue, and more reticence from the fiscus is required to ensure that the current economic imbalances do not become exacerbated. Nevertheless, the outlook remains rosy for the country, and despite a number of the high frequency indicators suggesting that economic growth is currently slowing, this is likely to be transitory, driven by the completion of a number of construction projects.

Fixed Income

The second quarter of 2015 has seen the redemption of the GC15, as well as the introduction of the new GC20, GC22, and GC45 bonds.In addition to the local issuance, Government has further tapped the current JSE bond as well as issuing a new 5 year bond on the Johannesburg exchange. This increase in issuance comes on the back of an expansive budget by the Ministry of Finance, who initially proposed that 100% of the deficit of N$8.9 billion (5.3% of GDP) be funded through local issuance.

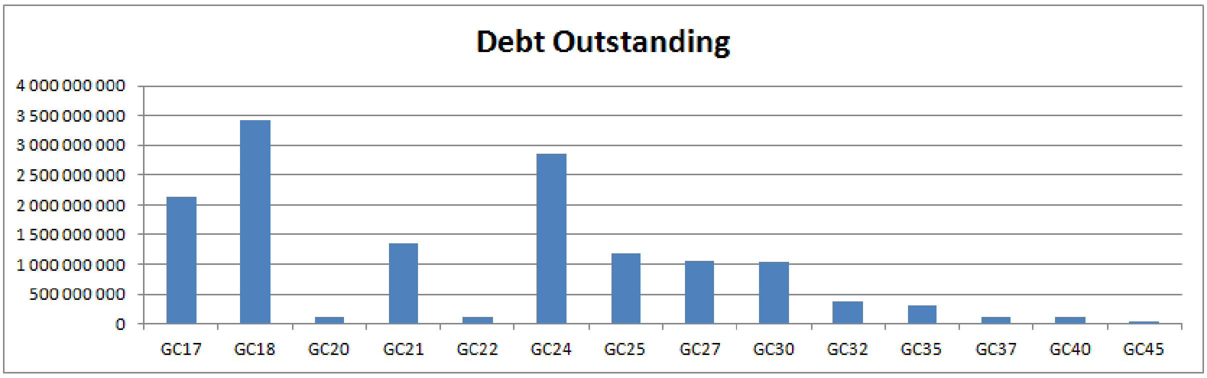
GC15 Redemption

The GC15 matured on the 15th of April with a final outstanding nominal amount of N$995 million. Along with coupon payments this resulted in over a billion Namibian Dollars of excess liquidity coming into the market. For the most part this injectionflowed straight back into various Government issues such as the GC18, the off the run GC21, the GC24, GC25, GC27, GC30, GC32, and GC35. A total of just over N$895 million found its way back into the above mentioned bonds while it is reasonable to expect that the remainder was held in expectation of the GC20 and GC22 issuance later in April. The auction on the 14th of April, corresponding to the GC15 redemption, was the last time that the GC18 and GC21 bonds were issued with the GC18 going off the run for the first time, joining the GC21 which went off the run in early 2014.

GC20 and GC22

The GC20 and GC22 were issued for the first time on the 29th of April 2015. N$60 million of each was on offer although neither was fully subscribed. The GC20 was launched with a 8.25% coupon at a yield of 8.28822%, priced slightly below par. N$33.75 million of the N$60 million on offer was taken up at this initial auction. Demand for the bond picked up in May and a further N$60 million was issued in an oversubscribed auction. This did not last however as subsequent auctions have been undersubscribed even though the GC20 has drawn more interest than any other bond within a ten year maturity. The GC20 is now the only on the run bond within the five year maturity part of the curve as the GC17 and GC18 have gone off the run. This should lead to the duration of Government debt growing considerably over the next few years.

The GC22 was launched with an 8.75% coupon at a yield of 8.69204%, or slightly above par. Initially N$38.8 million of the offered N$60 million was allotted. Subsequent auctions have been undersubscribed which can be explained by the concentration of bonds within the five to ten year space. The space is dominated by the GC24 which is currently the second largest outstanding bond after the GC18. The five to ten year range of the curve makes up more than a third of all outstanding Government bond debt at present (and constituted approximately 34% to bond issuance over the last 12 months) and this is set to grow as issuance increases due to the concentration of on the run bonds within this space. As at the end of June the GC22 was trading at a more attractive yield to maturity than the GC24 and comparatively more attractive yield to maturity than the GC25 and although undersubscribed at the first two auctions where the bond was offered, the most recent auction saw N$118 million chase the N$45 million on offer.



GC45

The GC45, Namibia’s longest dated bond, launched on the 21st of May at a coupon rate of 9.85%, at a yield to maturity of 9.91848%. All three auctions since the inception of this issue have been fully subscribed, however relatively small volumes of the bond have been offered to date. Demand for the very long end has been strong with the GC40 only being undersubscribed twice in auction since its inception a year ago. The introduction of the GC45 has thus been a successful method of increasing issuance as well as increasing the duration of new debt issued.

ZAR Bond Issuance
Demand for local issuance has been weak (as anticipated in our budget review) which led to the Government seeking to raise funds on the JSE through a tap of the current issue, which matures in 2022, as well as throughissuance of a shorter duration bond maturing in 2020. Initially the amount on offer was N$600 million with a provision to push total allocation to N$800 million in the event that demand was sufficiently strong. Price guidance for the auction was set at between 150 and 165 basis points over the R208 for the new issue maturing in 2020 (NAM02), while the spread above the R2023 for the NAM01 tap was set at between 165 and 180 basis points. The prevailing spread on the NAM01 tap was 107 basis points.

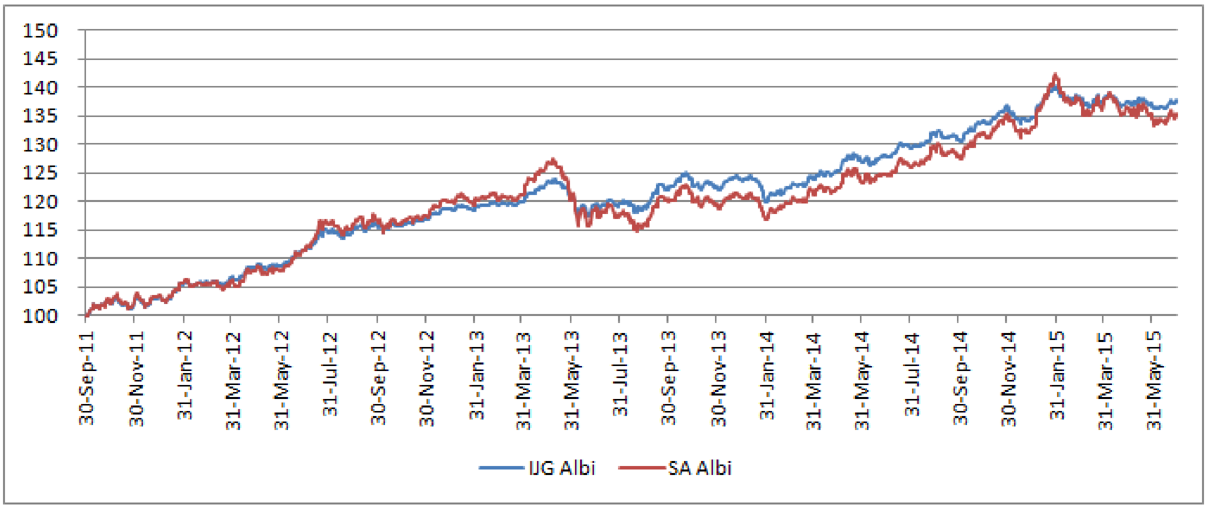
Demand for the new JSE bond as well as for the tap of the old bond was strong which could be expected given the price guidance. Both bonds were issued at the wide end of their price guidance. The NAM01 tap saw N$500 million taken up at 180 basis points over the R2023 benchmark, while the new NAM02 bond raised N$300 million at 165 basis points over the R208 benchmark bond. The spreads at which these bonds were issued is surprising as it greatly undermines the attractiveness of bonds issued in the local market. The NAM02 with a five year maturity currently trades at a spread of 70 basis points greater than that of the GC20 while the GC22 spread trails that of the NAM01 bond by 60 odd basis points. The fact that these spreads were allowed to drift this wide suggests that the spreads on locally issued bonds should increase as well as there is no material difference in risk between the issues. This will however take time and is likely to manifest through a slow but sustained manner of adjustments throughout the coming months. Whether the spreads on locally issued bonds will align with those of the JSE issues or not is still to be seen but it would be safe to assume that spreads will widen going forward.

Corporate Issuance
On the corporate front the issuance of two NamWater bonds added some variety to the currently available debt instruments. NamWater launched the NWC20 and NWC22 bonds on the 21st of April, successfully raising the targeted amount of N$200 million. The NWC20 bond was issued with a 9.05% coupon and contributed N$94 million of the total raised while the NWC22 bond with a 9.57% coupon raised a further N$106 million.

Bank Windhoek also came to market with a floating rate note during the quarter. The JIBAR linked bond raised N$32.9 million (of N$150 million on offer) for the bank at a spread of 135 basis points making it currently more expensive than the GC18, but nevertheless more attractive than the outstanding crop of Bank Windhoek floating rate bonds.

The quarter also saw the TCN15 bond issued by Telecom Namibia mature.

IJG ALBI versus SA ALBI Total Return

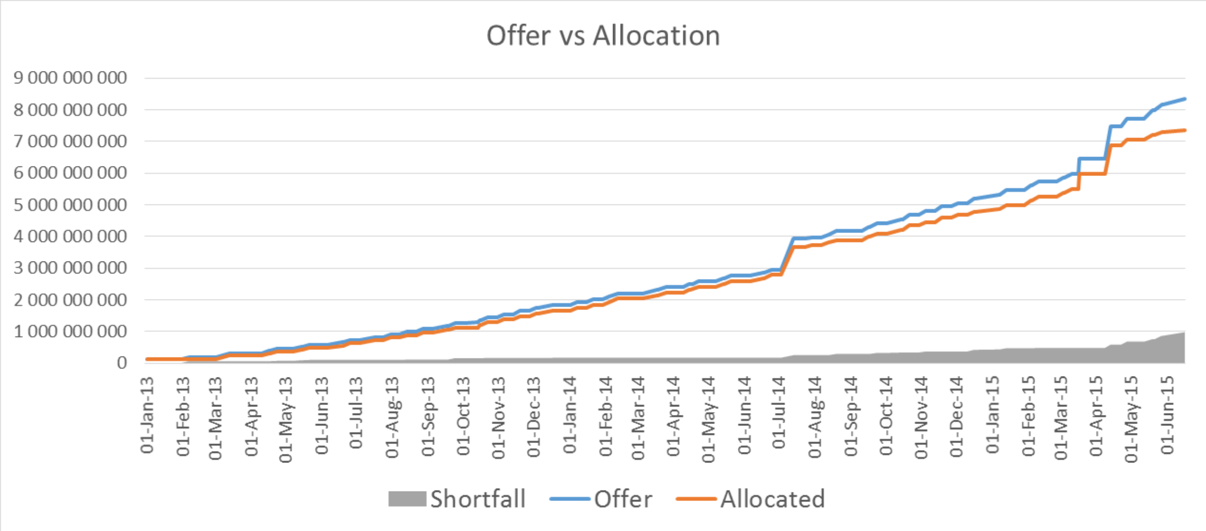


The IJG All Bond Index has returned 8.87% on an annualised basis since the 1st of October 2011, which currently compares favourably with the SA ALBI's 8.38% annualised return over the same period. The above figure illustrates the degree with which the two indexes mirror one another. As Namibian bonds are benchmarked off the South African yield curve this is to be expected to some degree. The constituents of the IJG ALBI yield roughly 100 basis points over their SA benchmarks on average which explains the current outperformance. Historically, however, for long periods of time,the SA ALBI has outperformed its Namibian sibling. It is also evident from the figure that the SA ALBI is more volatile than the IJG ALBI.

The major reason for the difference in volatility between the South African and Namibian indexes isthe duration of the SA index as a whole when compared to the Namibian index. The modified duration of the IJG ALBI was 3.69 on 1 July 2015, slightly more than half the 6.80 of the SA ALBI at this time.This is due to the shorter term corporate and Government debt included in the Namibian index which in turn makes the index less volatile to interest rate shocks.Currently close to 80% of Namibian Government debt, excluding TBs, lies within the 10 year part of the curve. Corporate debt maturities paint a similar picture with only two bonds maturing after the end of 2020.The net result of the differences in duration of the two indexes is that the additional sovereign risk inherent in Namibian bonds is partially offset by the greater interest rate risk of the SA index.

Auction Results

The second quarter of the year has been characterised by a drop in demand for locally issued Government bonds.This is especially prevalent between the 10 and 20 year points on the curve. Of the N$2.02 billion on offer at auctions during the quarter (including N$1 billion on offer with the GC15 maturity), N$1.45 billion was allocated. If one were to exclude the cash injection from the maturing GC15, just over half of the approximately N$1 billion on offer over the quarter was allocated. This is in stark contrast to previous years where auctions tended to be oversubscribed and the market was characterised by a lack of supply rather than lack of demand. To this end the supply shortfall so typical of the local debt market just two years prior seems to have been eradicated to a large extent. As a result the Namibian Government and Bank of Namibia have taken to the South African market to service the shortfall and may need to continue to do so in order to finance the budget deficit.

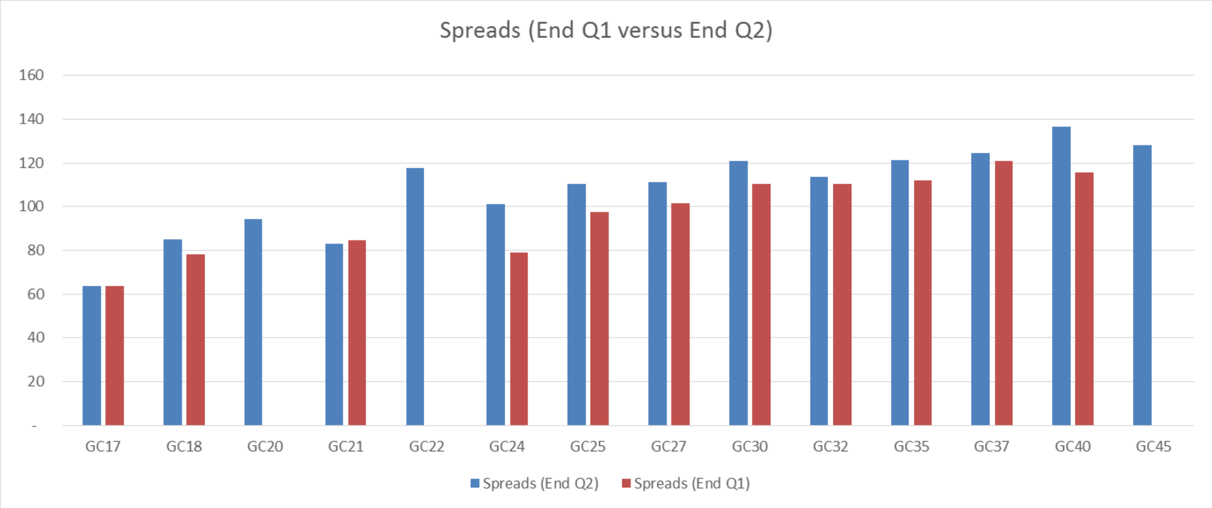


The above figure illustrates the cumulative shortfall since the start of 2013. Over the last quarter the amount has more than doubled from N$483 million to over N$1.05 billion.The borrowing plan for the first half of the year came out unusually late due to the Namibian Presidential Election. The plan which details the issuance for the period from April to September was only released in July. A summary of the amounts on offer each month can be seen below.

Net Issuance of Bonds (millions N$)	April	May	June	July	August	September
GC17	-	-	-	-	-	-
GC18	150	-	-	-	-	-
GC20	60	60	45	45	45	45
GC21	150	-	-	-	-	-
GC22	60	60	45	45	45	45
GC24	150	50	40	40	40	40
GC25	200	50	35	35	35	35
GC27	150	50	30	35	35	35
GC30	140	40	25	25	25	25
GC32	100	40	30	30	30	25
GC35	80	30	25	25	25	25
GC37	-	30	20	20	20	20
GC40	20	20	20	20	20	20
GC45	-	15	10	10	10	10
Total	**1260**	**445**	**325**	**330**	**330**	**325**

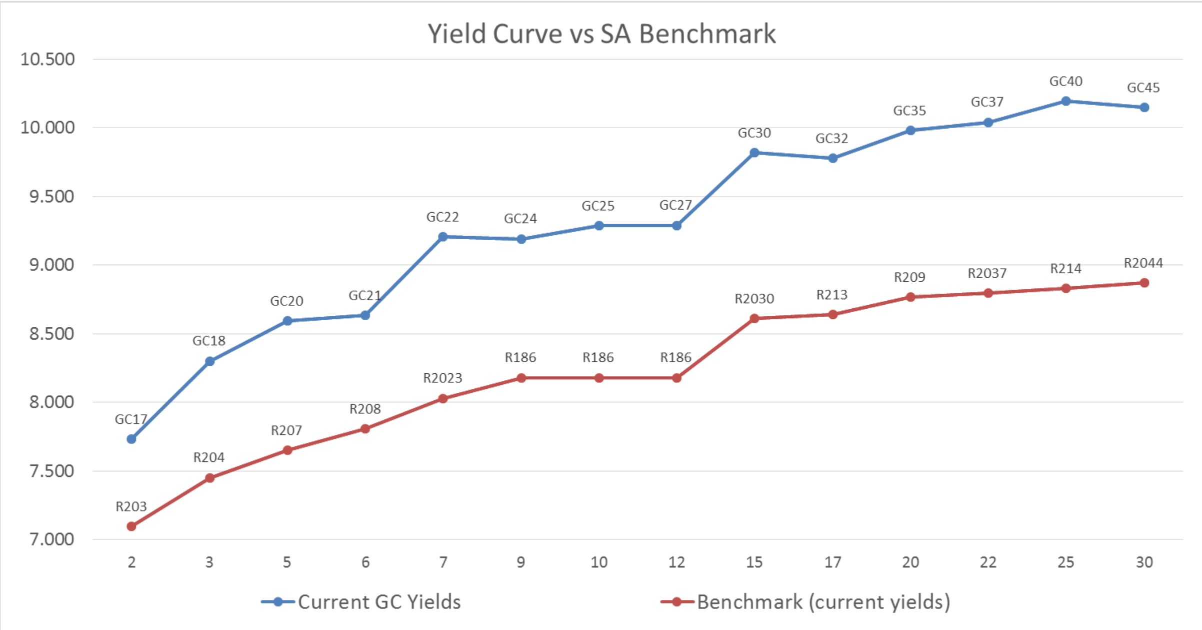
The issuance as indicated by the first half borrowing plan totals N$3.015 billion. This includes the N$995 billion which has been reissued following the maturity of the GC15. Thus net issuance for the first half of the year comes to a total of N$2.02 billion. This leaves the bulk of Government's debt issuance requirements to be filled during the second half of the year as is typically the case. At current levels of demand however,funding the budget deficit through local and JSE issuance alone is unlikely. We will look towards the borrowing plan for the second half of the year for guidance on future issuance.

Spread movements



Spreads have widened over the second quarter of the year as was expected in our analysis of the 2015/2016 Government budget. The increase in supply due to the large projected deficit as well as the intention to raise all the debt locally placed bargaining power in the hands of bond buyers. This was partially taken advantage of but a reluctance by Bank of Namibia to issue at wider spreads has limited the extent to which these spreads have moved. The fundamentals suggest that there should have been a bigger increase over the period. The reluctance to issue at wider spreads locally to keep pricing reasonable was reversed with the JSE issuance where spreads increased considerably. As stated previously this should lead to spreads on locally issued Government debt to widen considerably over the next few quarters.

Yield Curve



The Namibian yield curve currently comprises of flat spots on the off the run GC21 as well as between the GC22 and GC27, and on the GC32. The off the run GC21 has suffered from a lack of trading and no subsequent revision of the prevailing spread. The last traded spread of 83 basis points over its benchmark suggests that the bond is currently overvalued. This is not uncommon for off the run issues and is thus not concerning.

The current mispricing in the belly of the curve is more of an anomaly however. Currently the GC22 represents better value than the GC24 while comparing very favourably to the GC25 and GC27 as well. The difference of approximately 10 basis points between the GC22 and GC27 belies the relatively large differences in their modified durations. The source of mispricing has been weak demand for the more established issues while the newer GC22 has enjoyed strong auction results.Recent auctions have seen an under allotment in the amount bid for the GC24, GC25, and GC27 despite the lack of interest and need for funds. A similar situation can be seen further along the curvewhere the GC30 represents greater value than the GC32 at present. Due to the illiquidity in the market and lack of regular secondary market trading as well as Bank of Namibia's reluctance to issue away from market, this mispricing has been present for some time and is becoming more pronounced.

Economic Data Snapshot

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Inflation (y/y)	5.6%	5.4%	5.3%	5.0%	5.0%	4.6%	4.5%	3.6%	3.4%	2.9%	3.0%	*
Repo Rate	5.75	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.25	6.25	6.25	6.50
Prime Rate	9.50	9.75	9.75	9.75	9.75	9.75	9.75	10.00	10.00	10.00	10.00	10.25
N$/US$	10.51	10.65	11.29	10.87	10.96	11.57	11.55	11.54	12.15	11.79	12.14	12.17

N$/AUD	9.88	9.96	9.87	9.60	9.37	9.46	8.97	9.00	9.30	9.44	9.28	9.38
N$/CAD	9.72	9.79	10.08	9.72	9.74	9.96	9.16	9.22	9.59	9.81	9.76	9.74
Vehicle Sales (y/y)	21.0	15.6	32.6	44.7	25.8	53.9	13.9	8.8	14.4	4.4	-3.2	-8.8
Passenger	7.8	31.3	8.8	18.9	3.7	45.1	6.4	11.1	0.2	8.3	-3.8	1.5
Commercial	33.3	4.2	55.4	69.5	45.2	61.8	20.3	7.2	27.7	0.8	-2.7	-16.8
M2 Money Supply (y/y)	10.3	8.4	11.1	5.0	9.8	7.8	9.8	3.0	3.0	0.0	1.4	*
PSCE (y/y)	15.5	16.3	16.4	16.4	16.0	16.5	16.1	16.6	16.5	15.7	15.8	*
Business	17.2	19.7	20.3	21.4	20.1	21.4	22.7	26.8	21.0	22.7	21.4	*
Individuals	14.3	14.2	13.9	13.2	13.3	13.3	12.0	10.0	13.5	11.2	11.9	*

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

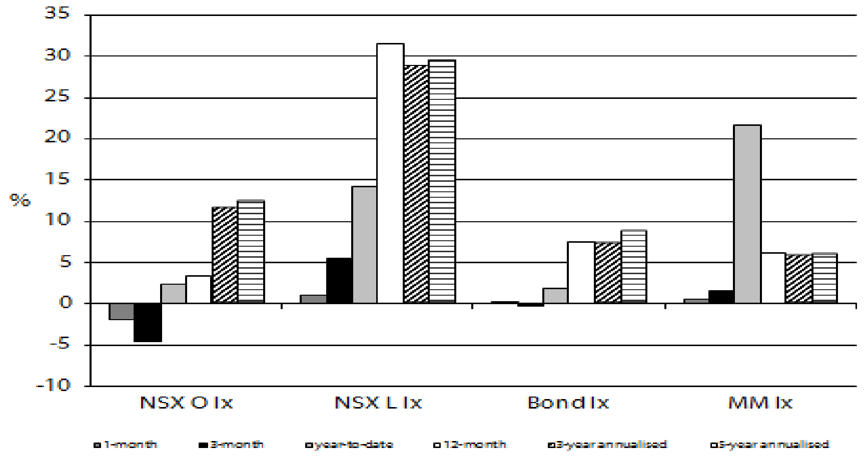
Namibian Asset Performance

The NSX Overall Index closed at 1097.71 points in June down from 1,120.02 points in May, losing 1.91% on a total return basis in June, compared to a 6.74% m/m decrease in May. The NSX Local Index increased 1.01% m/m compared to a 0.67% m/m increase in May. Over the past 12 months the NSX Overall Index returned +3.33% against +31.49% for the Local Index. The best performing share on the Overall Index in May was PSG Konsult at +10.52%, while Oceana Group was the worst performer at -11.05%.

The IJG All Bond Index (including Corporate Bonds) rose 0.22% m/m in June after losing 0.24% m/m in May. Namibian bond premiums relative to SA yields in June generally weakened with the GC17 premium unchanged at 64bp; the GC18 premium unchanged at 85bp; the GC20 premium weakening 1bp to 94bp; the GC21 unchanged at 83bp; the GC22 premium weakening 15bp to 117bp; the GC24 premium unchanged at 101bp; the GC25 weakening 3bp at 111bp; the GC27 weakening 7bp to 111bp; the GC30 weakening 7bp to 121bp; the GC32 unchanged at 114bp; the GC35 weakening 3bp to 121bp; the GC37 weakening by 9bp to 125bp; the GC40 weakening by 1bp to 136bp; and the GC40 unchanged at 128bp.

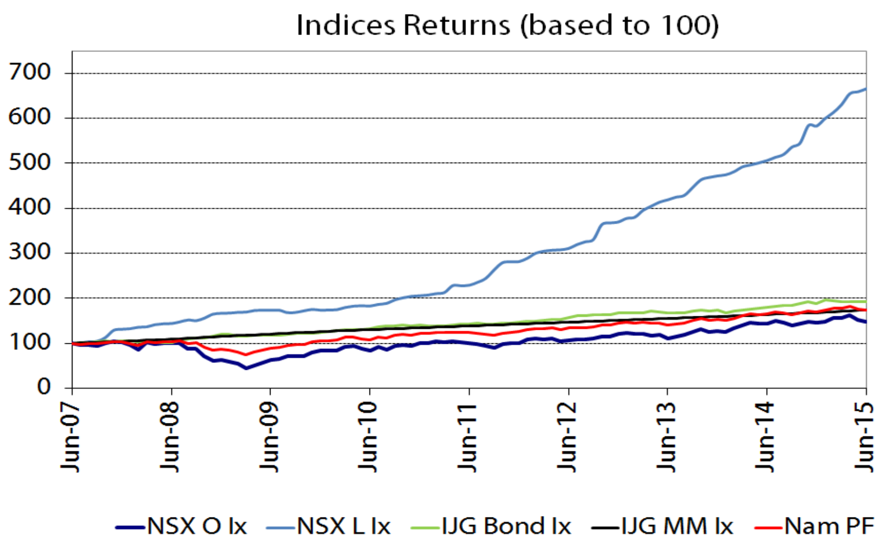
The IJG Money Market Index (including NCD's) increased by 0.51% m/m in June after rising 0.52% m/m in May.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

Namibian Returns by Asset Class [N$,%] - June 2015

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	-1.91	-4.48	2.31	3.33	2.31	11.47	12.36
NSX Local Index	1.01	5.60	14.19	31.49	14.19	28.88	29.44
IJG ALBI	0.22	-0.17	1.97	7.42	1.97	7.28	8.80
IJG GOVI	0.21	-0.23	1.97	7.48	1.97	7.36	8.68
IJG OTHI	0.30	0.40	2.14	7.27	2.14	6.90	9.52
IJG Money Market Index	0.51	1.55	3.08	6.14	3.08	5.73	5.92

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] - June 2015	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	-0.14	-0.33	-4.93	-12.57	-4.93	-12.46	-8.93
NSX Overall Index	-2.05	-4.79	-2.73	-9.66	-2.73	-2.42	2.33
NSX Local Index	0.86	5.25	8.56	14.96	8.56	12.82	17.89
IJG ALBI	0.08	-0.50	-3.06	-6.08	-3.06	-6.08	-0.92
IJG GOVI	0.07	-0.56	-3.06	-6.03	-3.06	-6.01	-1.02
IJG OTHI	0.15	0.07	-2.90	-6.21	-2.90	-6.42	-0.26
IJG Money Market Index	0.37	1.21	-2.00	-7.20	-31.48	-7.44	-3.54

** annualised*

Source: IJG

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

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			-0.40	-4.72	8.17	18.31	8.17
banks			1.93	-3.18	9.21	22.24	9.21
BWH	1,556	0.11%	0.55	-4.65	5.44	30.85	20.04
FST	5,332	15.58%	2.85	-3.85	7.29	35.69	7.29
FNB*	3,278	0.24%	1.15	20.90	26.07	47.79	26.07
NBK	24,180	4.29%	0.69	2.50	-0.92	9.82	-0.92
SNB	16,017	17.94%	1.45	-4.31	13.14	13.33	13.14
insurance			0.05	-2.87	1.91	14.33	1.91
SNM	21,550	0.71%	0.05	-2.87	1.91	14.33	1.91
life assurance			-3.97	-8.43	5.96	12.41	5.96
MMI	3,015	2.45%	-1.14	-5.95	2.92	20.58	2.92
OLM	3,870	13.10%	-5.39	-4.46	13.82	11.76	13.82
SLA	6,634	9.93%	-2.81	-14.28	-3.65	11.25	-3.65
investment companies			0.79	2.60	-5.33	14.32	-5.33
NAM*	58	0.00%	0.79	2.60	-5.33	14.32	-5.33
real estate			-2.87	-4.03	5.16	16.63	5.16
ORY*	1,953	0.07%	3.41	7.66	10.22	17.82	10.22
VKN	1,795	0.63%	-3.53	-5.26	4.62	16.51	4.62
specialist finance			1.20	10.16	16.72	17.82	16.86
IVD	10,955	2.14%	-0.13	7.99	14.57	15.73	14.57
KFS	885	0.18%	6.63	20.41	22.58	0.00	24.45
TUC	445	0.07%	27.30	48.93	66.37	126.31	66.37
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	10,234	3.07%	0.55	0.00	0.00	0.00	0.00
RESOURCES			-13.01	-11.89	-30.46	-56.93	-30.47
mining			-13.10	-12.05	-30.60	-57.12	-30.61
ANM	17,690	17.18%	-6.69	-6.08	-15.87	-29.13	-15.87
PDN	297	0.18%	-1.66	-18.18	-9.73	-3.26	-9.73
FSY	173	0.01%	-11.28	-29.10	-8.47	-55.75	-8.47
DYL	9	0.01%	-10.00	-30.77	-30.77	-52.63	-30.77
BMN	46	0.00%	-4.17	-2.13	-31.34	-32.35	-31.34
MEY	4	0.00%	0.00	0.00	0.00	0.00	0.00
B2G	1,906	0.51%	-7.43	0.21	3.42	-36.32	3.42
EOG	109	0.01%	-2.68	19.78	0.89	-56.92	-31.45
chemicals			-2.14	5.87	-13.74	-34.16	-13.74
AOX	1,368	0.16%	-2.14	5.87	-13.74	-34.16	-13.74
INDUSTRIAL			4.50	4.20	14.70	31.67	14.70
GENERAL INDUSTRIALS							
diversified industrials			-1.48	-5.31	2.77	-0.59	2.77
BWL	9,650	1.54%	-1.48	7.87	2.77	-0.59	2.77
Suppport Services			0.46	-14.30	-14.35	-8.90	-14.35
BVN*	1,099	0.06%	0.46	-14.30	-14.35	-8.90	-14.35
NON-CYCLICAL CONSUMER GOODS							
beverages			1.75	2.28	12.45	29.86	12.45
NBS*	2,045	0.15%	1.75	2.28	12.45	29.86	12.45
food producers & processors			3.22	-3.10	-5.88	16.28	-5.88
OCG	9,700	0.32%	3.22	-3.10	-5.88	16.28	-5.88
CYCLICAL SERVICES							
general retailers			-0.82	4.56	54.39	100.17	54.39
NHL*	240	0.00%	0.00	-4.17	-4.17	n/a	-4.17
TRW	8,570	2.49%	-0.82	4.57	54.45	100.27	54.45
NON-CYCLICAL SERVICES							
food & drug retailers			7.95	6.77	4.20	15.10	4.20
SRH	17,350	6.84%	7.95	6.77	4.20	15.10	4.20

Source: IJG, NSX, JSE, Bloomberg

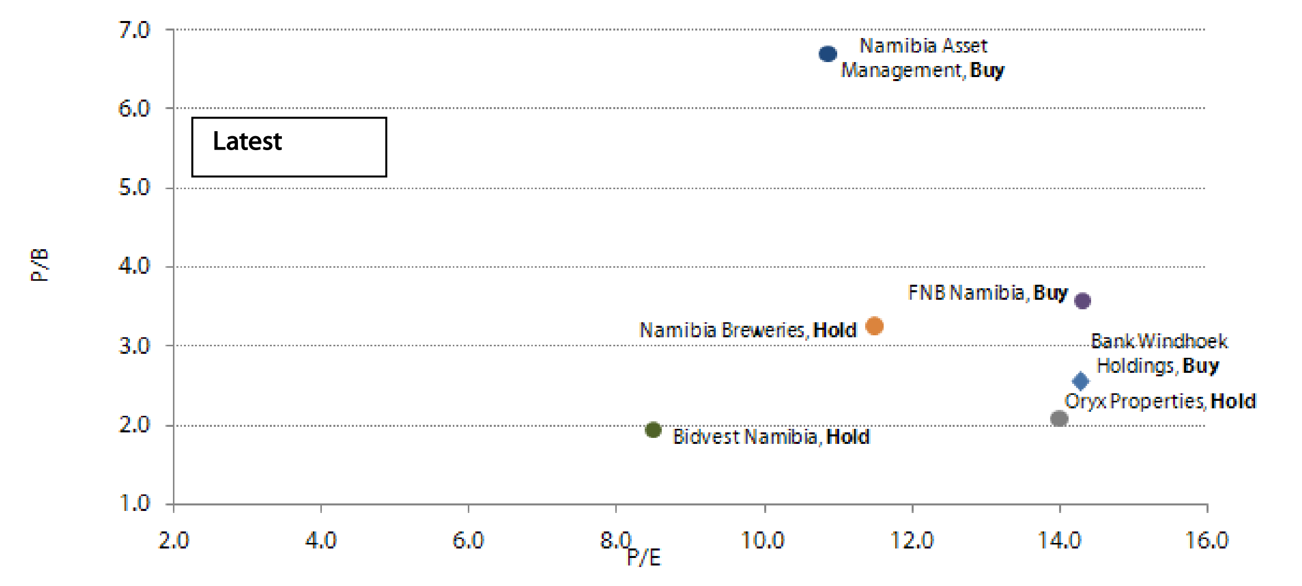
NSX Company Round-Up

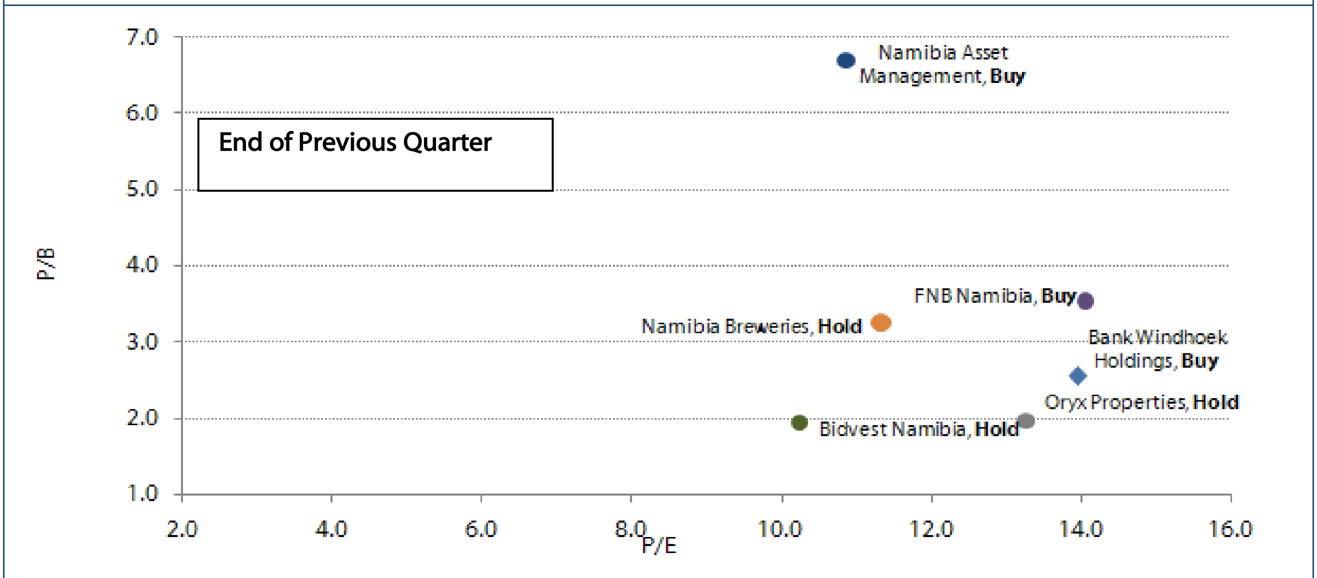
NSX Company Round-Up

Company	Code	Mkt Cap (N$m)	Share price (c)	P/E (A)	P/E (F)	HEPS (A)	HEPS (F)	Rec
Bank Windhoek Holdings	BWH	7,862	1,556	12.9	11.2	121.0	139.0	BUY
FNB Namibia	FNB	8,772	3,278	11.1	9.4	295.0	349.0	BUY
Namibia Asset Management	NAM	116	58	7.7	6.5	7.5	8.9	BUY
Oryx	ORY	1,290	1,953	12.0	13.0	162.2	149.9	HOLD
Namibia Breweries	NBS	4,224	2,045	12.9	12.2	159.0	168.0	SELL
Bidvest Namibia	BVN	2,329	1,099	9.5	10.1	116.0	108.6	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	
Bidvest Namibia	1250	SELL	

Source: IJG

Coverage of Companies on NSX

NSX

Equity Listings

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

Bond Listings

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

Financials: Banks

Bank Windhoek Holdings

Recommendation: BUY, TP: 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%.

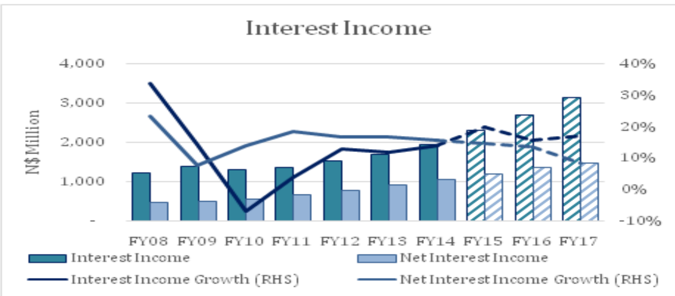
The overall health of the bank's balance sheet remains good and shows signs of improvement off an already high base, as non-performing loans as a percentage of gross advances decreased from 76 basis points to 66 basis points over the one year period.

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.

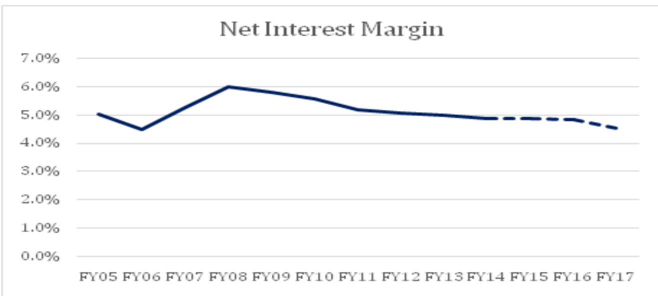
Bull Points:
- Controlled credit growth
- Diversification of income streams
- Improved efficiencies

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)	21.0	17.9	14.3	12.9	11.2
P/BV (x)	3.0	2.5	13.9	12.6	10.9
Dividend Yield (%)	5.8%	6.4%	2.1%	2.8%	3.2%
Earning Yield (%)	4.8%	5.6%	7.0%	7.8%	9.0%

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.

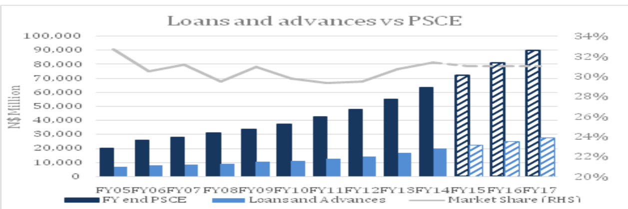
Valuation: Based on a justified PE multiple of 11.2x , and our FY15 and FY16 earnings per share forecasts of 365.7cps and 418.8cps, respectively, we get a target price of 4090cps. Based on forecasted dividend of 132cps in FY15, a dividend yield of 4.1%, we foresee a total return of 31.1% from the share 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.

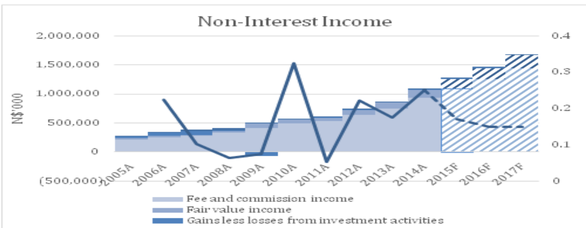
Bull Points:
- Solid strategy and management
- Stable advances growth
- Compelling e-bank/technology offering
- Strong macroeconomic environment

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)	19.8	17.1	16.1	14.3	11.1	9.0
P/BV (x)	4.3	4.7	3.6	3.8	3.1	2.5
Dividend Yield (%)	2.0	7.5	8.0	3.1	3.3	4.0
Earning Yield (%)	5.1	5.8	6.2	7.0	9.0	11.2

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.

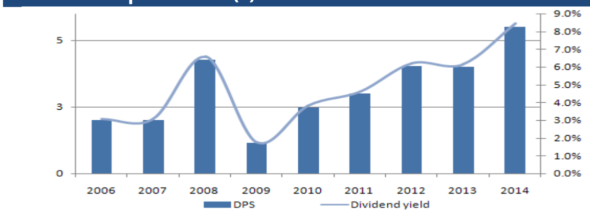
Outlook: In the results statement, NAM highlighted that the outlook on the macroeconomic environment remains uncertain although recent US economic statistics have positively surprised. However, risks around Europe and China continue to increase and recent data confirms that growth is slowing. The Namibian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

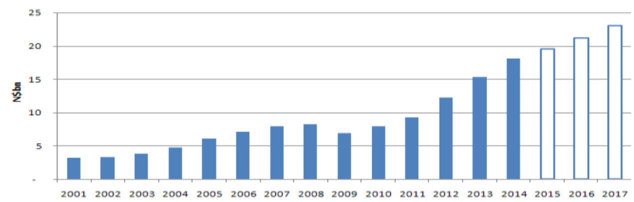
Bull Points:
- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

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.

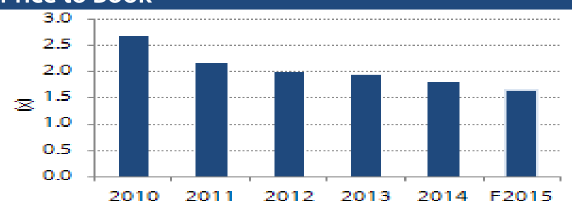
Bull Points:

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

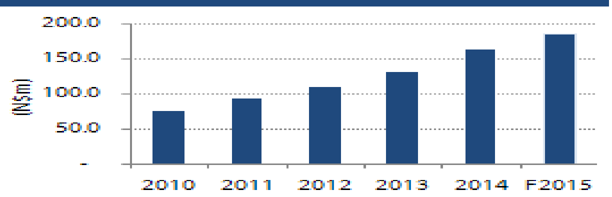
Bear Points:

- 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)	17.9	16.6	15.3	14.0	12.0	13.0
P/BV (x)	2.8	2.3	2.1	2.0	1.9	1.7
Distribution Yield (%)	5.6	6.0	6.6	7.1	7.6	7.7
Earning Yield (%)	5.6	6.0	6.6	7.1	8.3	7.7

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**.

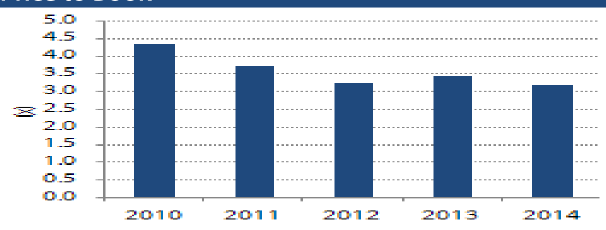
Bull Points:

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

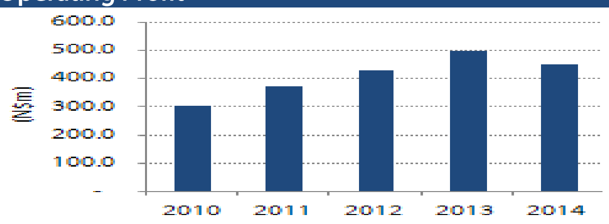
Bear Points:

- 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)	26.4	20.0	19.0	11.5	20.6	18.5
P/BV (x)	4.3	3.7	3.2	3.4	3.2	2.9
Dividend Yield (%)	2.2	2.4	2.6	3.0	3.3	3.5
Earning Yield (%)	3.8	5.0	5.3	8.7	4.9	5.4

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.

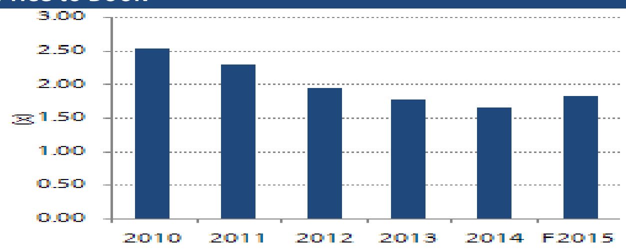
Valuation and Recommendation
The positive economic environment bodes well for the revenue growth in the commercial businesses, however weaker selling prices of horse-mackerel and lower quota allocations have put pressure on revenue in the fishing division, while the cost of securing additional quota 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.

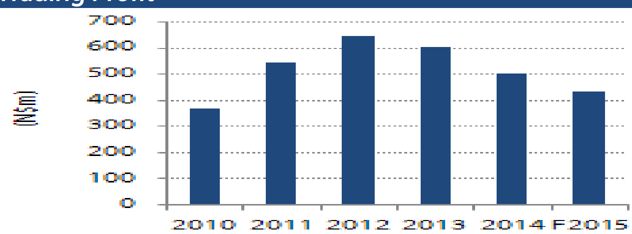
Bull Points:
- Exchange rates
- Strong brands in the industries in which BIDNam operates

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)	12.84	8.80	7.71	8.48	9.48	9.48
P/BV (x)	2.54	2.30	1.95	1.77	1.66	1.83
Dividend Yield (%)	3.3%	4.9%	5.7%	6.3%	5.7%	5.7%
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%.

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 fail 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

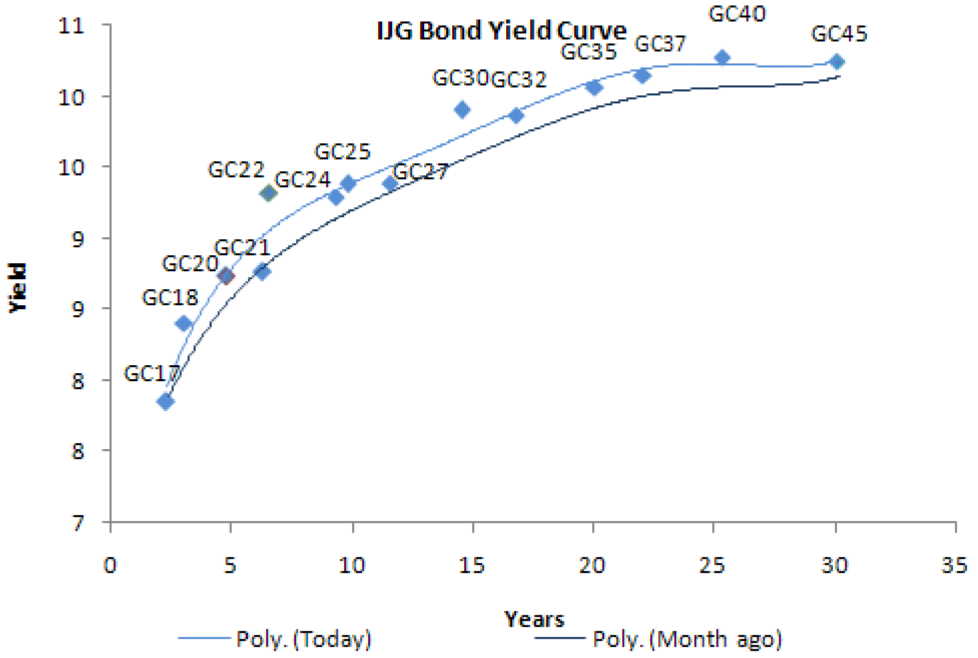
Bear Points:

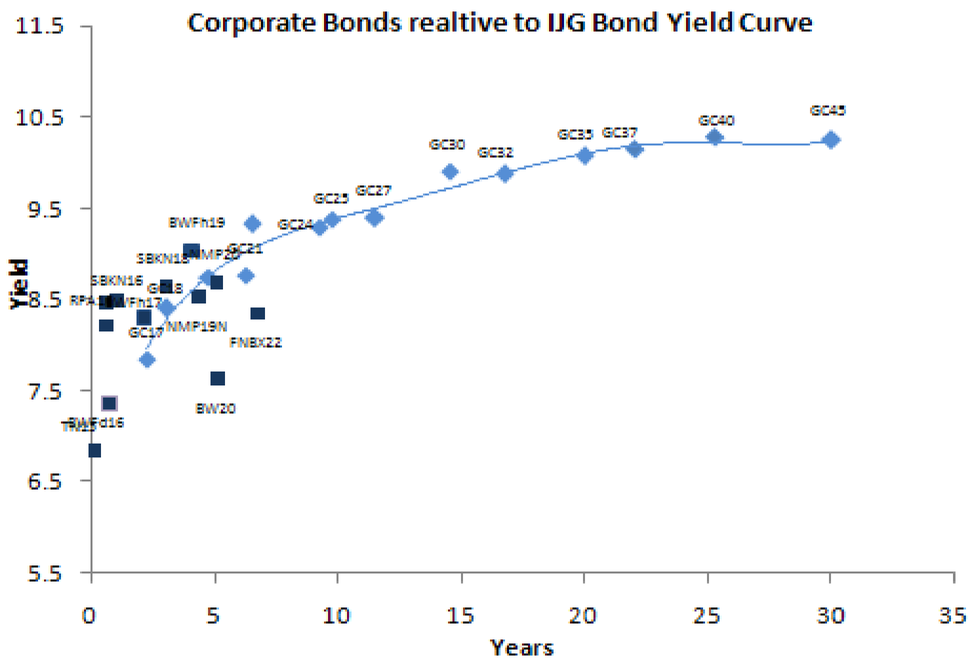
- Financial skills shortage

Bond Listings

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

<u>30June 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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TEAM NAMIBIA MEMBER