IJG Namibia Quarterly

"Elephant on a Trampoline"

4Q14

22 October 2014

Google images

Country	Namibia
NSX Local Index	1,063.43
NSX Overall Index	360.11
IJG ALBI	130.24
Money Mkt Index	143.47

% Change over Quarter	
NSX Local Index	5.90
NSX Overall Index	-2.53
IJG ALBI	2.11
IJG Money Mkt Index	1.45

End-of-Quarter Rates	
N$/US$	11.29
Prime Lending Rate (%)	9.75

2Q14 Overall Index Trading Stats	
Volume (m)	139.9
Value (N$m)	6,621.0

Year-to-Date % Changes	
NSX Local Index	13.55
NSX Overall Index	9.72
IJG ALBI	5.25
IJG Money Mkt Index	4.26

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Macroeconomic Backdrop

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. Strong growth has been driven by the construction sector, as major private and public sector projects gain momentum. These include, but are not limited to, the consecutive construction of three mines, shopping malls, roads, port expansion and other infrastructure projects. Additionally, extended periods of fiscal and monetary expansion have been seen over the past half-decade in the form of lower tax rates, increased government expenditure and historically low interest rates. As Government expenditure increases, cheap money supply and low tax rates, coupled with strong growth and employment creation have resulted in a major increase in national disposable income, and thus consumption activity by local households, a trend which is expected to continue over the next half decade.

Despite buoyant economic growth, inflation has remained subdued due to limited global price pressure on key commodities, such as food and fuel. Recent global economic weakness has resulted in a decline in oil prices to two-year lows, while food prices remain depressed when compared to much of the past half-decade. Exchange rate weakness in neighboring South Africa, and by extension, Namibia, has presented some inflationary pressure, however no blowout has been witnessed or expected. Rand weakness is expected to continue going forward, however major depreciation on the scale seen over the past 36 months is unlikely to be repeated over the next 36.

An interest rate hiking cycle has started in Namibia, however, the BoN remains cognisant of high household debt levels and a fragile global economy, and is expected to increase rates at a languid rate over the next 18 month. In total, IJG expects the interest rate hiking cycle to result in a 250 basis point move, taking the repo rate to 8.0%. This increase is unlikely to result in notable duress for consumers, and unlikely to significantly reduce the demand for credit over the short term.

Economic Data Snap Shot

	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14
Inflation (y/y)	6.0%	5.4%	4.9%	4.4%	4.9%	4.9%	5.2%	5.2%	5.9%	6.1%	6.1%	5.6%
Repo Rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.75	5.75	5.75
Prime Rate	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.50	9.50	9.50
N$/US$	10.36	10.09	9.95	10.20	10.42	11.21	10.70	10.58	10.56	10.42	10.59	10.51
N$/AUD	9.25	9.39	9.43	9.29	9.28	9.86	9.59	9.78	9.78	9.69	9.98	9.88
N$/CAD	9.84	9.78	9.49	9.64	9.79	10.05	9.62	9.56	9.65	9.61	9.93	9.72
Vehicle Sales (y/y)	10.7	38.9	41.2	49.3	34.2	44.3	56.9	51.8	34.4	20.9	34.9	21.5
Passenger	5.3	67.0	45.3	51.6	35.3	44.2	24.8	52.3	40.0	14.6	26.4	8.0
Commercial	15.0	19.6	37.5	47.4	33.1	44.5	91.6	51.2	29.5	27.1	42.4	33.9
M2 Money Supply (y/y)	12.4	10.5	14.7	13.3	12.8	8.8	11.0	10.5	7.8	8.8	6.9	10.3
PSCE (y/y)	13.8	13.4	13.9	13.3	14.4	14.4	15.7	14.8	15.8	16.0	15.4	15.5
Business	12.6	11.4	11.9	11.1	13.2	12.6	17.1	13.6	15.9	18.0	17.8	17.2
Individuals	14.5	14.5	15.0	14.7	15.0	15.4	14.7	15.6	15.8	14.7	13.7	14.3

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

Capital Market

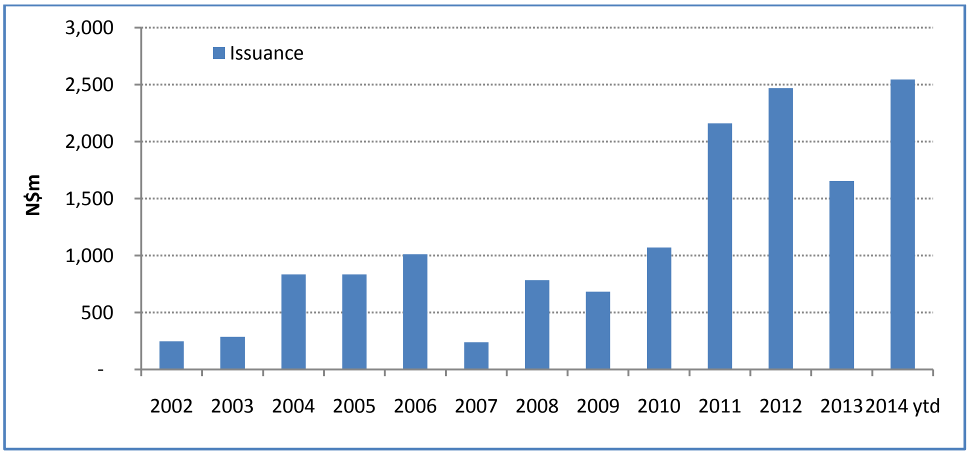
Bonds

The Namibian Bond Market: Spreads coming under pressure

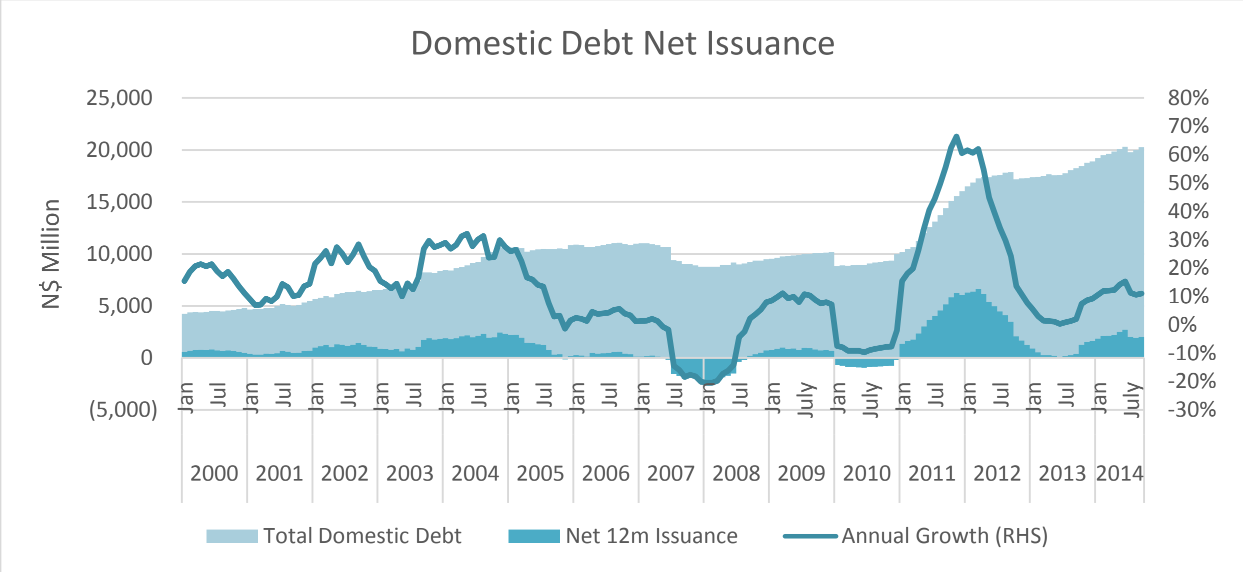
Over the past quarter several bond auctions were under-allotted as indicated by the table below. In particular the GC24, GC25 and GC27 saw relatively weak demand, representing N$93m of the N$174m shortfall.

	Raised	On Offer	Shortfall
14-Jul-14	866,700,000	970,000,000	(103,300,000)
13-Aug-14	90,000,000	90,000,000.00	-
21-Aug-14	72,000,000	110,000,000	(38,000,000)
17-Sep-14	117,000,000	120,000,000	(3,000,000)
24-Sep-14	90,000,000	120,000,000	(30,000,000)
Total	1,235,700,000	1,410,000,000	(174,300,000)

We believe there to be a number of factors underlying this under allocation, both on the supply and demand side of the market. Historically, the Namibian bond market has been characterized by "too much money chasing too few assets" with minimal issuance by the Government and a growing investor base, however, since the introduction of an expansive-countercyclical budget in early 2011, major increases in debt issuance have been seen. During the 10 years from 2000 to 2010, a total net issuance of N$5.7 billion was seen, while in the subsequent three-and-a-half years, a further N$10.3 billion of net-issuance was seen. This major increase comes despite Government cutting back on net issuance in 2013, as it was relatively cash-flush, with sizable reserves held at the central bank, yielding little interest. This major increase in the supply of debt has also come about at a time when the Bank of Namibia and Ministry of Finance are attempting to extend debt duration, at the bottom of the interest rate hiking cycle. While this approach makes sense from the issuer's point of view, for the investor, the bottom of the interest rate cycle is the least attractive time to take up fixed-income debt, particularly long duration. As such, a demand-supply mismatch has been seen, resulting in a widening of the Namibian spreads over their benchmarks. Going forward, we expect this mismatch to remain present, and expect to see further pressure on spread from interest rate increases. In short, we expect to see continued widening across the yield curve in the coming months.

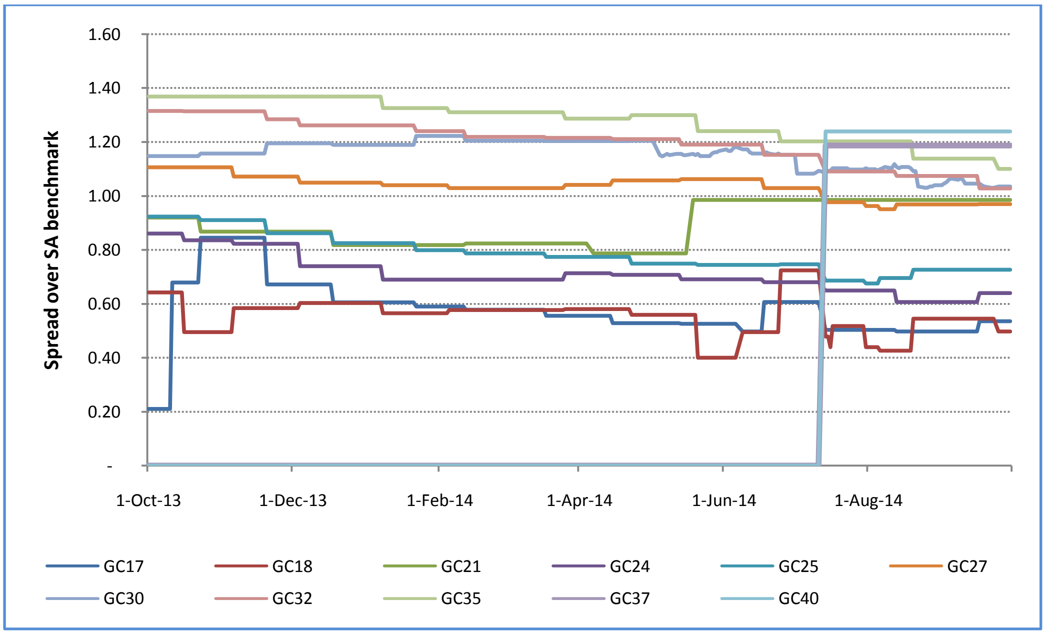


Source: Bank of Namibia, IJG



Source: Bank of Namibia, IJG

The increase in supply has not been priced into the market with spreads contracting over the past 12 months. We suspect the market is only now feeling the increase in issuance and supply shortage or backlog of the past is being addressed, bringing demand and supply closer inline than was previously the case. This further substantiates our view on higher spreads going forward.



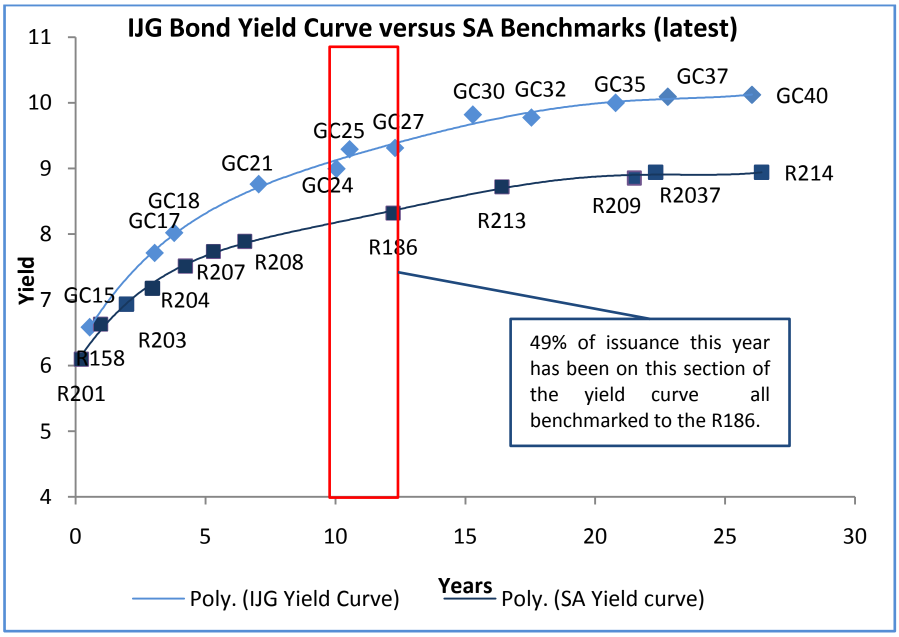
Source: IJG

While a general widening on the spread is to be expected, a dramatic change was seen on the GC25, which weakened considerably, to 97bps from 69bps during the quarter. This spike in the spread took place at the 24 September auction where Heritage day in South Africa meant that several South African market players did not participate in the auction and thus demand was weak, resulting in aggressive bids by Namibian players and thus the widening of the spread.

Yield Curve Risk: The R186

The GC24, GC25 and GC27 are all benchmarked to the R186. Year to date N$1.23bn has been issued in these bonds, making up 49% of total issuance this year so far. When the GC25 was first issued it was among the market favourites, however we suspect that the market has become saturated over this point on the yield curve and yield curve risk is increasing. There are two scenarios that could play out regarding this section of the curve:

1) The GC25's spread narrows back to around 80bps and the market then just assumes that the spike was due to the auction being held on a South African public holiday which caused a slump in demand.
2) The GC24's and the GC27's spreads widen in-line with the GC25's move. We suspect that this is the more likely scenario due to other factors pointing to an increase in spreads.



Source: IJG

Issuance over the next Six Months

N$m	October	November	December	January	February	March	Total
GC17	50	50	50	50	50	50	300
GC18	50	50	50	50	50	50	300
GC24	23	20	20	20	20	20	123
GC25	60	55	55	55	49	40	314
GC27	30	26	20	20	20	20	136
GC30	20	20	20	20	20	20	120
GC32	16	10	10	10	10	10	66
GC35	20	20	16	10	10	10	86
GC37	0	10	0	10	0	0	20
GC40	10	0	10	0	10	0	30

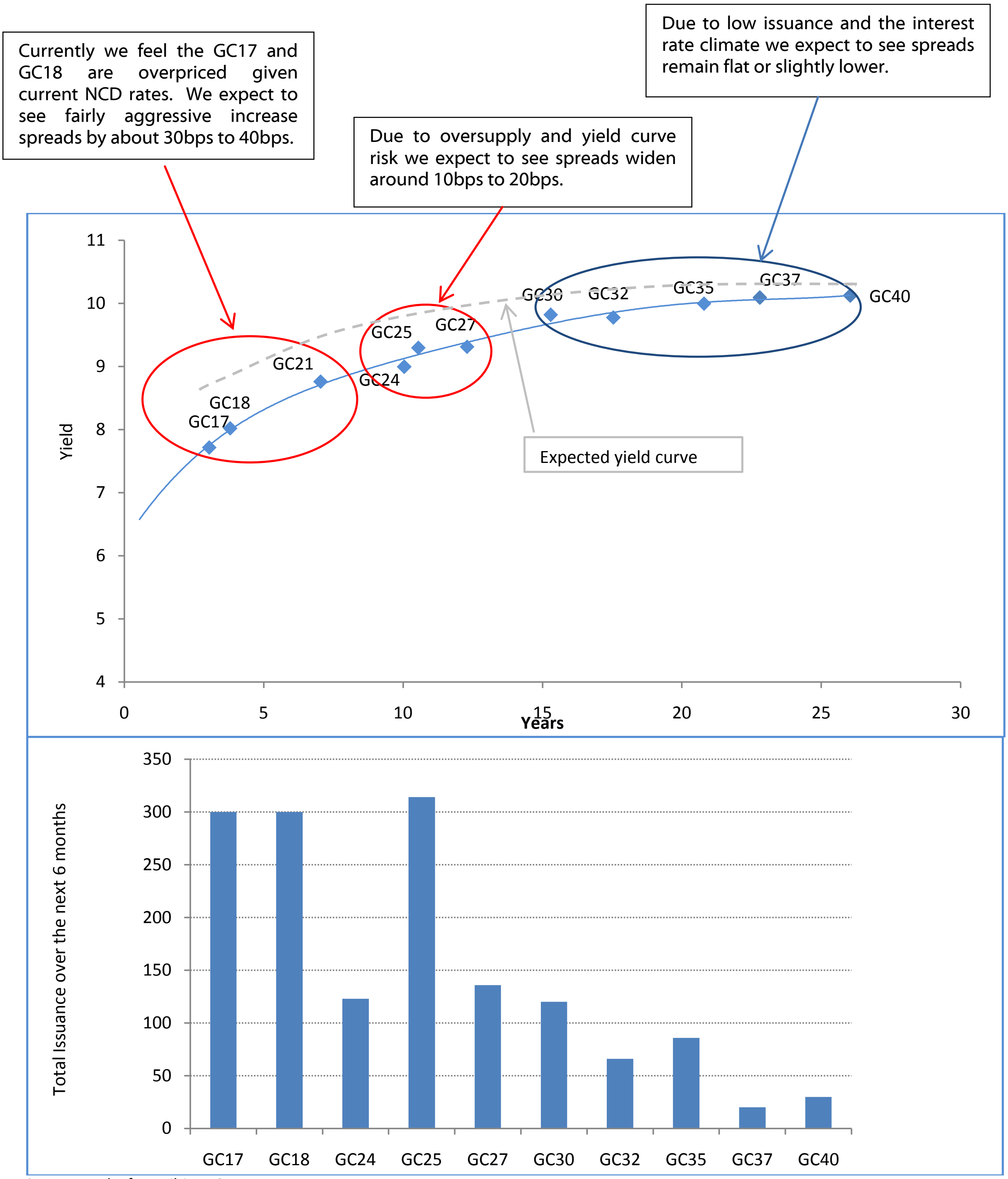
Source: Bank of Namibia, IJG

Due to the shortfall the Bank of Namibia has decided to rollover the unallocated bonds over the upcoming auctions. It will increase monthly offerings on the GC17 and GC18 from N$40m and N$30m to N$50m respectively. The remaining balance of the shortfall will be issued over the next few months, in addition to the original borrowing schedule, as follows:

GC24	GC25	GC27	GC32	GC35
3,000,000	74,000,000	16,000,000	6,000,000	26,000,000

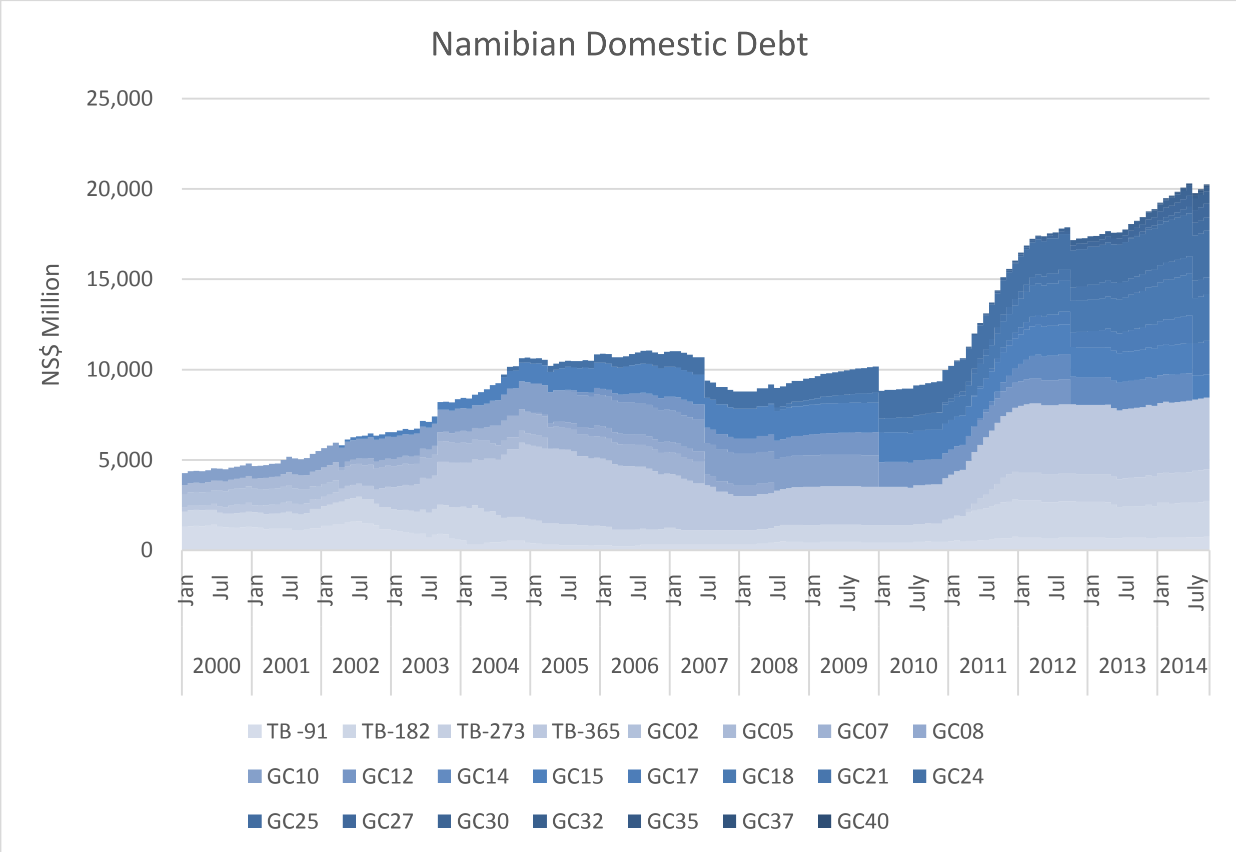
Source: Bank of Namibia, IJG

Expectations



Source: Bank of Namibia, IJG

Total Outstanding Debt



As of September 2014, total domestic debt stood at N$20.25 billion, of which 58% (N$11.8 billion) is in the form of GC’s, while the remaining 42% (N$8.45 billion) is in the form of TB’s.

Exchange traded funds launched on the NSX

In mid-September, a number of new products were launched on the Namibian Stock Exchange in the form of commodity ETFs. What are ETFs and how does their appearance on the NSX affect investors?

ETFs, or Exchange Traded Funds, are securities that comprise of a portfolio of other securities designed to mirror a specific market index, commodity or sector, much like other collective investment schemes such as mutual funds or unit trusts with tracker mandates. The primary difference between ETFs and these collective investment schemes is that the former are traded like stocks on an exchange, while the latter are usually over-the-counter (OTC). The ETF itself is priced intraday off the underlying portfolio assets, which are priced through normal supply-demand dynamics within the market. Theoretically, abnormally strong demand for an EFT can move the price away from its underlying asset value, however given the transparency surrounding the makeup of an ETF, a short term price move away from the underlying asset value will trigger arbitrage players that will bring the two prices back inline.

ETFs are constructed for various purposes but most mirror market indices such as the JSE Top40 or S&P 500, or they mirror a specific sector of the market such as recourses or industrials. They are constructed by buying a basket of all the stocks or bonds in an index or sector -these are called creation units. The option of receiving the actual shares in the creation unit has positive tax implications for the fund and thus the holders of units in the fund. A large redemption from a mutual fund means that the fund has to sell some of its assets thus realising a profit or loss which is generally taxable. A large redemption from an ETF can be done by transferring the actual underlying securities. As this is a non cash transaction there is no capital or otherwise taxable gain incurred.

The ETFs listed on the NSX cover gold, platinum and palladium. The shares of each is backed 100% by the actual commodity which is held by the issuer. Thus a share in, for example, the NewGold ETF, represents a 1/100th of a troy ounce of gold. For every 100 shares issued, NewGold, as the issuer, holds a physical troy ounce of gold in a vault. The net effect is that investing in the ETF is the simplest way of investing directly in gold. It is also the cheapest way as costs, like insuring and managing the gold, are minimised due to the scale of the ETF. The passive nature of investing in a commodity means that these ETFs are cheap to manage. The most expensive of the EFTs on the NSX charges 0.4% per year in fees.

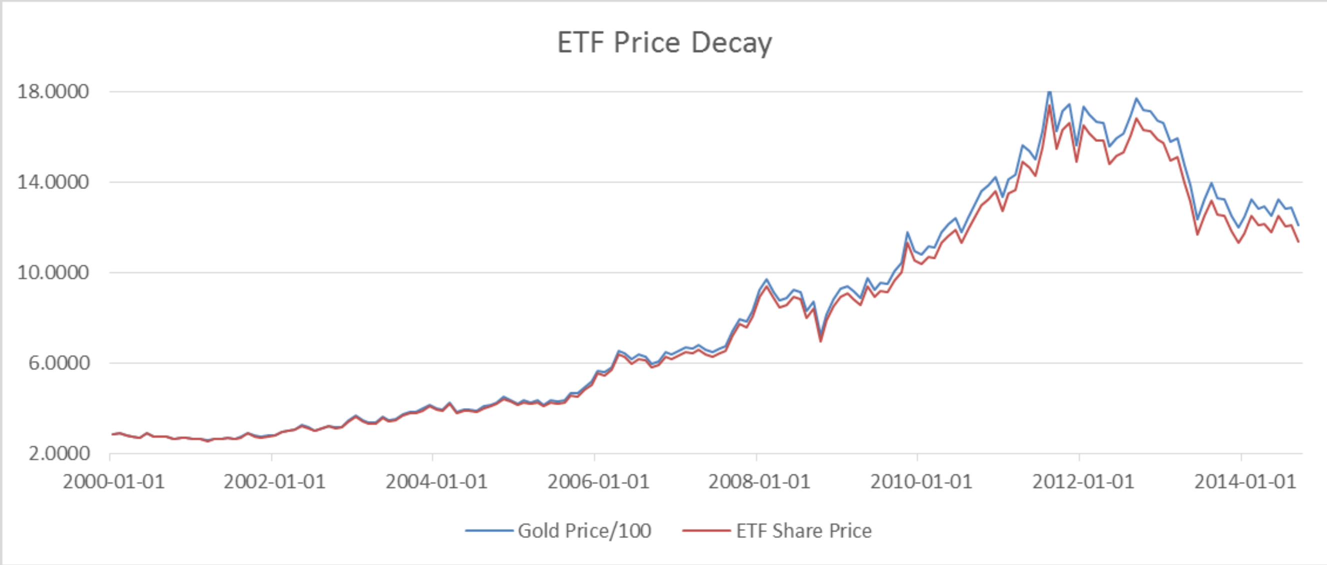
The price of an ETF will diverge from that of the underlying asset over time due to the decaying effect of management fees as illustrated by the diagram below. The price of an ETF starts as a fraction of the commodity price on the first day of trade (for example 1/100 troy ounce of gold). From this point a management fee is deducted daily causing the price to diverge from the price of the underlying commodity. Effectively, the claim of one share on the underlying asset is decayed. For this reason two ETFs with the same underlying assets but different inception dates or fee rates will have different market prices. Due to this decay, two similar ETFs are rarely comparable on price alone. The cumulative decay needs to be taken into account when comparing the current market prices of two similar ETFs to determine if one is cheap relative to the other. Thus an ETF with a higher price could be considered cheaper than one with a lower price as it has a greater claim on the underlying physical assets.

The value that ETFs bring to the NSX include easy, cost effective, exposure to gold and the platinum group metals, thus allowing wholesale and retail traders and investors convenient access and exposure to this new asset class on the exchange. Caution should be taken to select the correct ETF as with any security on the exchange. Underlying assets differ and one should look into which ETF offers the best exposure for a specific investment need. The inclusion of the new ETFs on the NSX is a positive step towards expanding the exchange and offering Namibians a wider range of investment options, and in our view, one step of many towards deepening the Namibian financial sector.

Current NSX listed ETF's are as follows:

Issuer	ETF	First Issue Date	Man Fees
Standard Bank	AfricaPalladium	3/24/2014	0.350%
ABSA	New Gold Issuer Ltd	11/2/2004	0.400%
ABSA	New Gold Palladium	3/27/2014	0.400%
ABSA	New Gold Platinum	4/26/2013	0.400%

ETF price decay over the last 14 years calculated on a 0.4% management fee



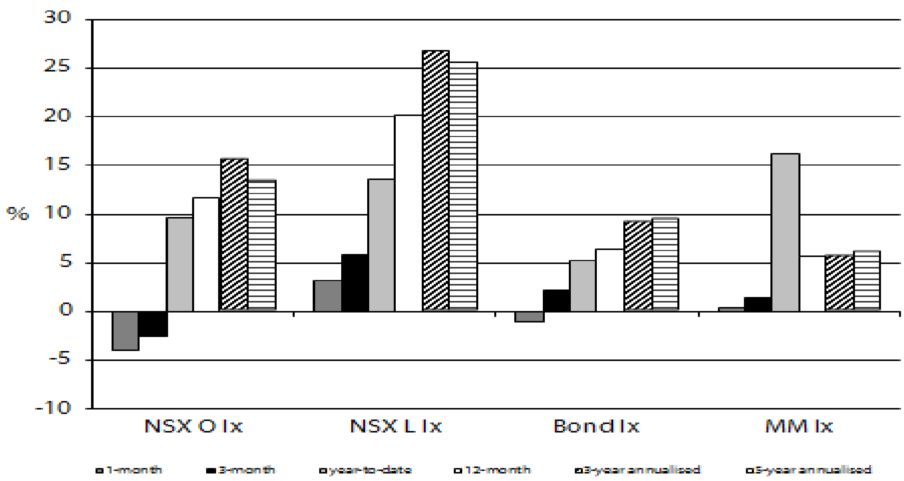
Namibian Asset Performance

The NSX Overall Index closed at 1,063.43 points in September, down from 1,115.39 points in August, losing 3.96% on a total return basis in September compared to a 2.32% m/m decrease in August. The NSX Local Index increased 3.14% m/m compared to a 1.26% m/m increase in August. Over the past 12 months the NSX Overall Index returned +11.67% against +20.13% for the Local Index. The best performing share on the Overall Index in September was Truworths at +5.13%, while Paladin Energy was the worst performer at -9.68%.

The IJG All Bond Index (including Corporate Bonds) fell 1.01% m/m in September after gaining 1.93% m/m in August. Namibian bond premiums relative to SA yields in September generally weakened, with the GC18 premium weakening 1bp to 51bp; the GC24 premium weakening 3bp to 67bp; the GC25 weakening 24bp to 97bp; the GC27 premium weakening 2bp to 99bp; the GC30 weakening 5bp to 109bp; the GC32 weakening 2bp to 105bp; the GC35 weakening 4bp to 114bp; and the GC37 strengthening 4bp to 115bp.

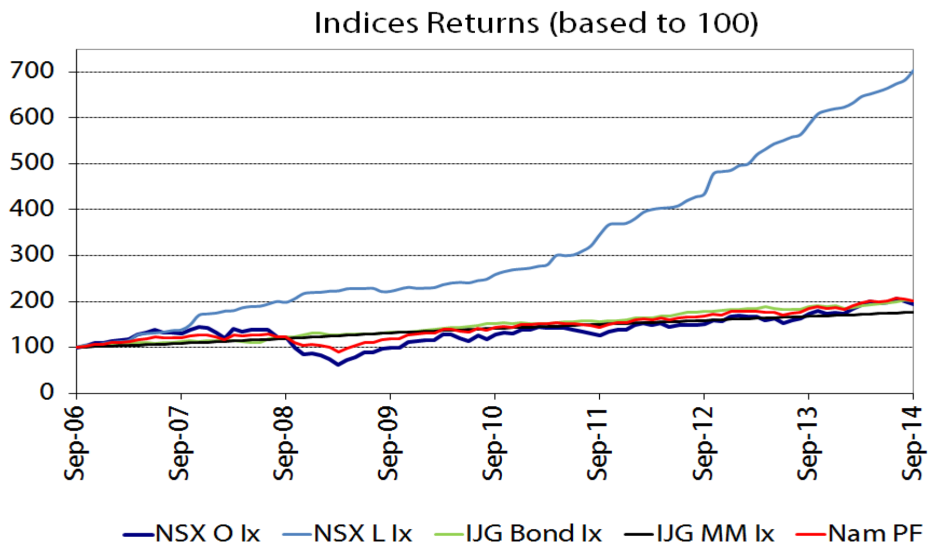
The IJG Money Market Index (including NCD's) increased by 0.48% m/m in September after rising 0.48% m/m in August.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

Namibian Returns by Asset Class [N$,%] –September 2014	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	-3.96	-2.53	0.33	11.67	9.72	15.60	13.33
NSX Local Index	3.14	5.90	8.95	20.13	13.55	26.73	25.55
IJG ALBI	-1.01	2.11	5.21	6.47	5.25	9.21	9.40
IJG GOVI	-1.06	2.12	5.24	6.73	5.51	9.37	9.45
IJG OTHI	-0.69	2.06	5.03	5.13	3.88	8.38	9.46
IJG Money Market Index	0.48	1.45	2.88	5.66	4.26	5.63	6.10

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] –September 2014	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	-5.49	-5.76	-6.73	-10.63	-7.09	-10.49	-7.74
NSX Overall Index	-9.24	-8.14	-6.43	-0.20	1.94	3.47	4.56
NSX Local Index	-2.52	-0.19	1.61	7.36	5.50	13.44	15.84
IJG ALBI	-6.45	-3.77	-1.88	-4.84	-2.21	-2.25	0.94
IJG GOVI	-6.49	-3.76	-1.85	-4.62	-1.97	-2.10	0.98
IJG OTHI	-6.14	-3.82	-2.04	-6.04	-3.48	-2.99	0.99
IJG Money Market Index	-5.04	-4.39	-4.05	-5.57	-25.29	-5.45	-2.11

** annualised*

Source: IJG

IJG Money Market Index Performance [average returns, %] -as at September 2013	this month	3 months	6 months	12 months	YTD	3* years	5* years
Money Market Index	143.47	142.79	141.41	139.45	135.78	143.47	142.79
Call Index	135.29	134.75	133.69	132.19	129.27	135.29	134.75
3-month NCD Index	140.70	140.05	138.73	136.85	133.47	140.70	140.05
6-month NCD Index	143.19	142.47	141.00	138.99	135.35	143.19	142.47
12-month NCD Index	146.00	145.29	143.84	141.74	137.83	146.00	145.29
NCD Index incl. call	143.32	142.64	141.27	139.29	135.59	143.32	142.64
3-month TB Index	143.41	142.73	141.36	139.36	135.57	143.41	142.73
6-month TB Index	144.75	144.02	142.53	140.43	136.55	144.75	144.02
12-month TB Index	146.05	145.35	143.93	141.94	138.23	146.05	145.35
TB Index incl. call	143.84	143.15	141.77	139.83	136.20	143.84	143.15

**annualised*

Source: IJG

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

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			**-3.10**	**-1.27**	**6.30**	**24.14**	**13.18**
banks			-3.14	-1.99	6.74	21.44	12.03
BWH	1,171	0.09%	2.92	5.57	19.17	28.42	36.09
FST	4,302	13.56%	-0.23	6.55	21.52	32.89	23.17
FNB*	2,502	0.20%	2.42	9.24	13.42	34.04	19.08
NBK	21,888	4.19%	-5.76	-3.57	-0.39	12.03	7.21
SNB	13,065	15.78%	-5.03	-9.07	-4.10	14.06	3.73
insurance			-4.07	8.80	9.46	16.72	15.65
SNM	21,054	0.75%	-4.07	8.80	9.46	16.72	15.65
life assurance			-3.26	-0.57	5.00	26.19	13.34
MMI	2,621	2.30%	-4.27	1.09	9.27	14.05	7.43
OLM	3,306	12.07%	-5.20	-7.14	-4.86	12.98	3.81
SLA	6,530	10.55%	-0.81	6.59	15.36	43.95	25.53
investment companies			0.44	19.88	48.96	132.36	113.93
NAM*	65	0.00%	0.44	19.88	48.96	132.36	113.93
real estate			0.10	-0.10	2.78	8.09	3.38
ORY*	1,800	0.07%	0.62	2.61	7.36	26.36	10.30
VKN	1,664	0.63%	0.05	-0.39	2.30	6.17	2.66
specialist finance			-1.02	-1.87	14.62	50.88	31.95
IVD	9,489	2.00%	-1.01	-1.87	13.77	49.20	30.86
TUC	195	0.03%	-1.36	-1.73	65.06	150.86	97.27
RESOURCES			**-11.78**	**-4.40**	**-9.37**	**11.44**	**24.88**
mining			-11.89	-4.32	-9.39	11.66	25.21
ANM	25,242	26.45%	-5.87	-2.17	-4.43	6.35	13.07
PDN	384	0.24%	-9.86	25.08	-16.34	-18.99	-13.12
FSY	247	0.02%	-26.92	-36.83	-50.30	-26.71	-37.15
DYL	15	0.01%	-11.76	-21.05	-46.43	-21.05	-11.76
BMN	69	0.01%	-6.76	1.47	-29.59	38.00	50.00
MEY	4	0.00%	0.00	0.00	0.00	0.00	0.00
B2G	2,322	0.67%	-15.07	-22.42	-21.13	-9.76	10.52
EOG	227	0.02%	-5.42	-10.28	50.54	-15.61	-17.45
chemicals			2.05	-13.03	-6.30	-14.92	-15.28
AOX	1,833	0.23%	2.05	-13.03	-6.30	-14.92	-15.28
INDUSTRIAL			**-3.64**	**1.08**	**-2.84**	**1.74**	**2.63**
GENERAL INDUSTRIALS							
diversified industrials			-8.47	0.91	-15.12	0.24	-5.23
BWL	9,250	1.59%	-8.47	-7.71	-15.12	0.24	-5.23
Suppport Services			0.59	3.80	5.41	11.42	7.61
BVN*	1,304	0.08%	0.59	3.80	5.41	11.42	7.61
NON-CYCLICAL CONSUMER GOODS							
beverages			0.41	1.73	3.40	13.78	4.50
NBS*	1,644	0.13%	0.41	1.73	3.40	13.78	4.50
food producers & processors			-5.18	-13.94	-16.65	-8.34	-6.77
OCG	7,400	0.26%	-5.18	-13.94	-16.65	-8.34	-6.77
CYCLICAL SERVICES							
general retailers			5.12	31.61	32.11	45.83	55.30
NCT	89	0.00%	1.37	9.46	32.86	-24.04	6.22
NHL*	240	0.00%	0.00	0.00	n/a	n/a	0.00
TRW	6,795	2.13%	5.13	31.66	32.16	45.94	55.41
NON-CYCLICAL SERVICES							
food & drug retailers			-5.58	-9.27	-11.78	-13.73	-13.96
SRH	13,897	5.91%	-5.58	-9.27	-11.78	-13.73	-13.96

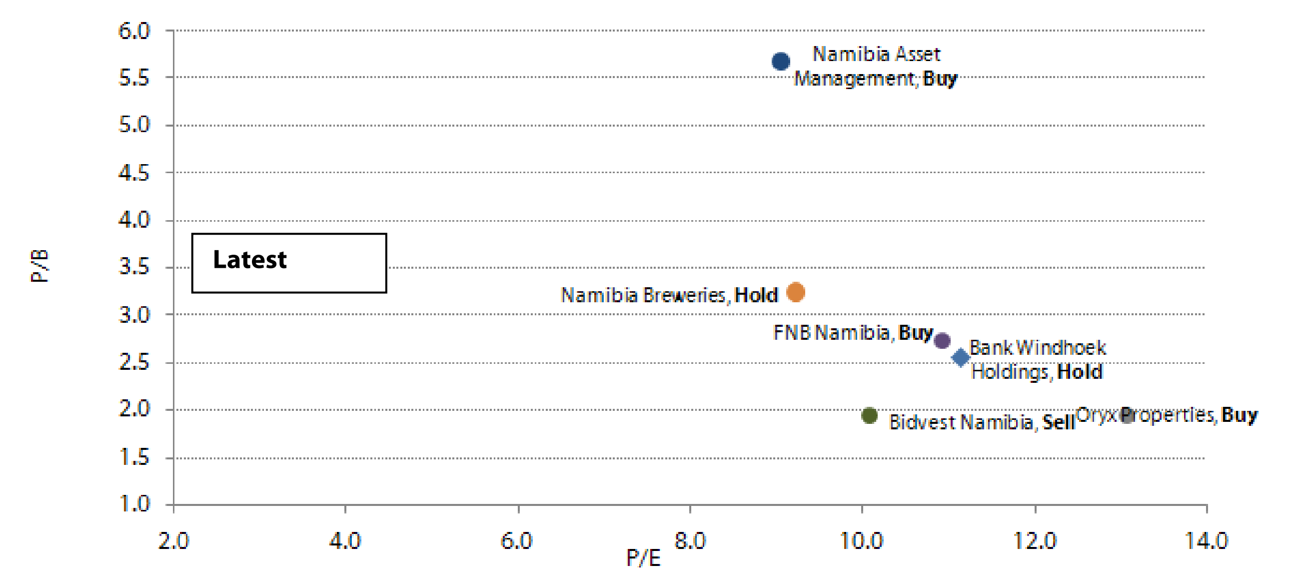
Source: IJG, NSX, JSE, Bloomberg

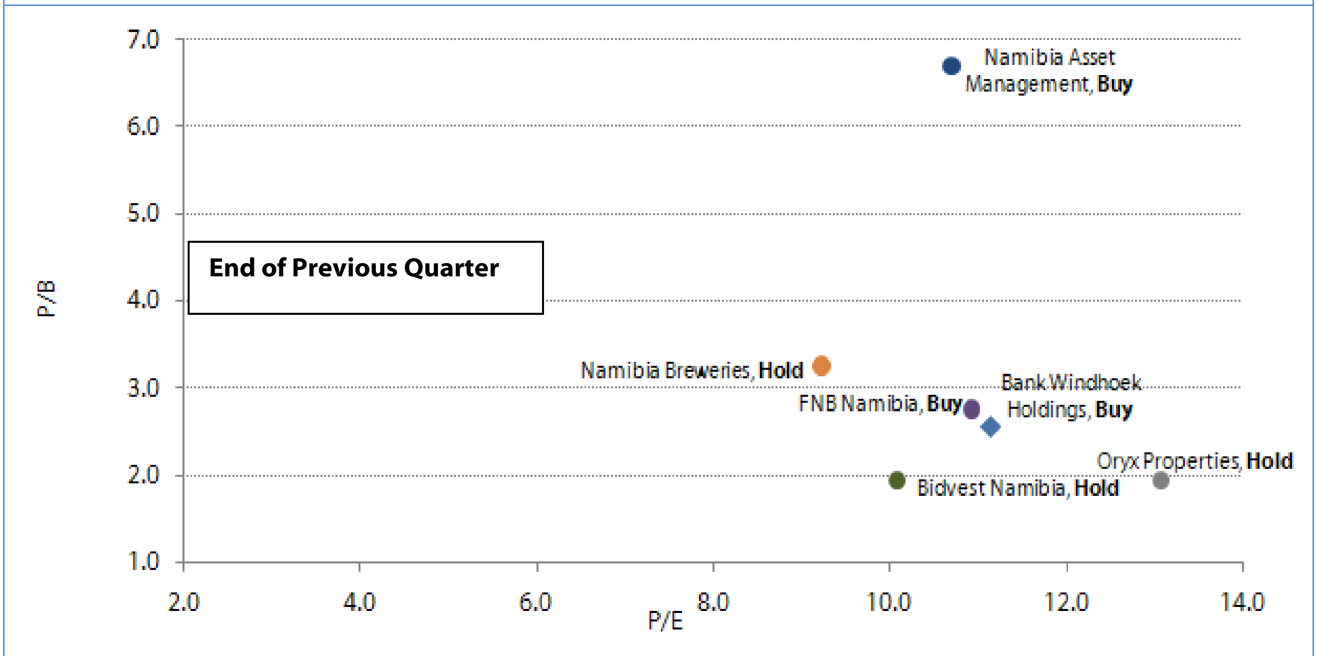
NSX Company Round-Up

Company	Code	Mkt Cap (N$m)	Share price (c)	P/E (A)	P/E (F)	HEPS (A)	HEPS (F)	Rec
Bank Windhoek Holdings	BWH	6,139	11.1	9.4	109.0	129.2	BUY	11.1
FNB Namibia	FNB	6,719	10.9	7.2	229.4	348.6	BUY	10.9
Namibia Asset Management	NAM	110	10.7	8.0	6.1	8.1	BUY	10.7
Oryx	ORY	1,203	13.1	11.2	139.5	162.2	HOLD	13.1
Namibia Breweries	NBS	3,391	9.2	16.5	35.3	99.5	HOLD	9.2
Bidvest Namibia	BVN	2,787	10.1	11.3	129.5	116.0	HOLD	10.1

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

P/B vs P/E





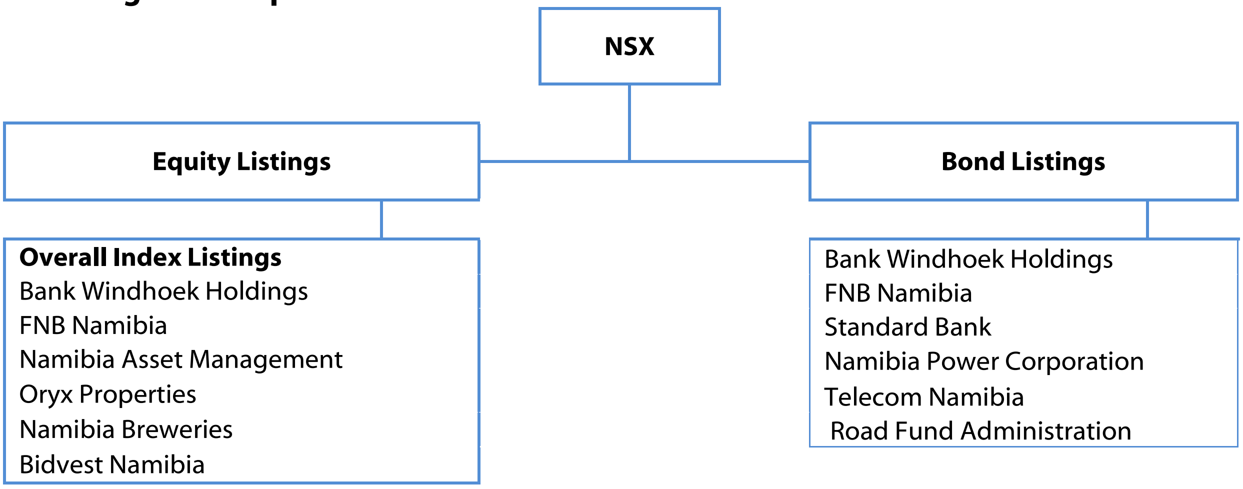
Source: NSX, IJG

Quarterly Recommendations Changes

Overall Index	Target Price (c)	Recommendation	Change from
Bank Windhoek Holdings	1360	BUY	
FNB Namibia	3163	BUY	
Namibia Asset Management	55	BUY	
Oryx Properties	1820	HOLD	
Namibia Breweries	1640	HOLD	
Bidvest Namibia	1300	HOLD	

Source: IJG

Coverage of Companies on NSX



Financials: Banks

Bank Windhoek Holdings

*Recommendation: **BUY**, TP: **1360c**, 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%)

FY14 Results
BWH released its full year results for year ended 30 June 2014. The firm delivered good results on the back of advances growth, increased non-interest revenue and credit management. HEPS rose 11.3% y/y to 121.0cps relative to IJG's projected HEPS of 116cps. The group declared a final dividend of 21cps, an increase of 34.4%.

Net Interest income
Net interest income added 15.6% to N$1,056.9m, surpassing the billion dollar mark for the first time. This increase was on the back of 16.2% growth in the interest earning assets and a 0.8ppt increase in the net interest margin.

Non-interest income
Non-interest income totalled N$679.7m, up 29.9% y/y, and contributed 39.8% to income from operations, up from the 37.1% contributed in FY13. Excluding the contributions by the newly acquired CUTM and CAM, non-interest income increased by 18.8%.The strong growth in non-interest income is due to an increased number of accounts opened and substantial increase in transactions through electronic banking channels.

Operating expenses
With operating expenses at N$914.6m, BWH has managed to improve the cost-to-income ratio from 54.1% in FY13 to 53.6% in FY14. According to the bank's statement, this was on the back of delivery of positive operating profit ratios, with operating income growth exceeding operating expenses growth, despite an increased focus on capacity building and investments in information technology.

Profit after tax
Profit for the year rose by 26.7% to N$624.9m. Basic EPS increased 15.0% to 124.7cps and ordinary final DPS amounted to 21c, taking the total dividend for the year to 44cps, representing a 34.4% escalation from the ordinary dividend of 32.75cps declared the previous year.

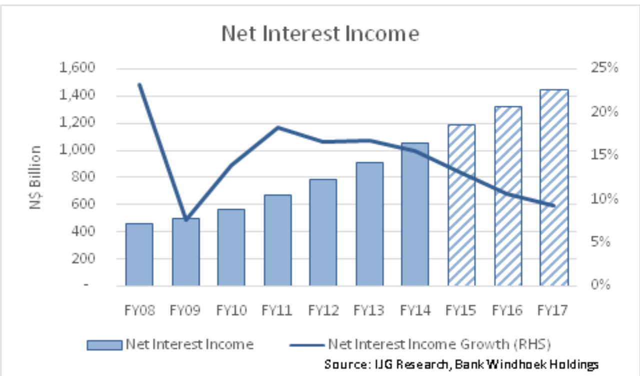
Asset base
BWH managed to grow its asset base by 16.1% to N$24.3bn, and loans and advances by 14.7% to N$20.2bn. This indicates that loans and advances increased N$2.6bn in FY14. Total PSCE grew N$8.5bn over the 12 months, implying market share for BWH of 31.8%, significantly lower than the 50.0% share recorded in the 1H14.

Target price and recommendation: Based on a justified PE multiple of 9.9x we set a **target price** for Bank Windhoek at **1360cps**. This price increase, coupled with an expected **dividend of 51cps** gives a**total return of16.3%** for the remainder of FY15. Based on an attractive total returnand dividend yield, and the illiquidity in the market, we **continue to recommend a BUY** on this stock. This recommendation is further supported by an attractive price-to-book ratio of 1.7x for 2015. In addition, we remain positive about the company, its management team and the environment in which it operates, supporting our positive long term view on the stock.

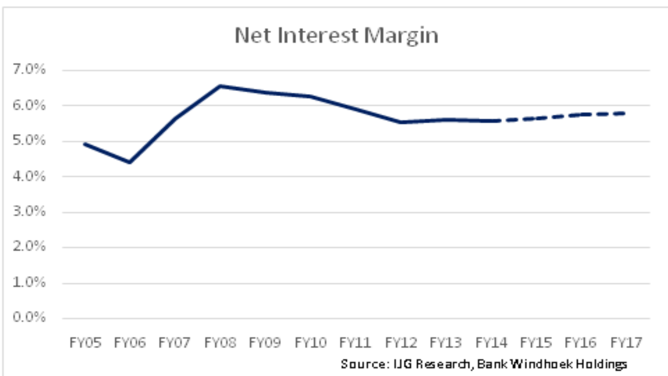
Bull Points:
- Controlled credit growth
- Diversification of income streams
- Improved efficiencies

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$m)					
Net interest income	671	783	914	1,057	1,131
Fee and Commission Income	301	355	523	680	761
Operating expenses	643	707	763	915	1,002
Operating profit	404	515	648	793	854
Share of profit from jointly controlled assets	54.8	53.3	60.4	84.3	96.9
Profit before tax	462.6	570.0	709.7	878.3	952.0
Income tax (expense)\ credit	134.0	167.4	216.4	253.4	304.6
Net gains on available for sale financial assets	0.9	14.0	22.4	14.2	14.2
Total Comprehensive Income	329.4	416.6	515.6	639.2	661.6
Balance Sheet (N$m)					
Governemnt and other debt securities	1,194.8	1,523.8	1,493.2	2,104.9	2,090.2
Loans and advances	13,004.4	15,484.9	17,652.0	20,245.4	22,719.3
Due from other banks	362.2	211.0	251.4	473.0	463.7
Total Assets	15,984.8	18,921.1	20,938.6	24,318.3	27,349.2
Due to customers	9,852.7	12,126.6	16,915.7	18,782.4	20,954.0
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	2,326.4
Total Liabilities	14,412.0	17,034.0	18,314.6	21,224.1	23,854.4
Total shareholders' equity	1,572.9	1,887.1	2,624.1	3,094.2	3,494.9
Growth Rates (%)					
Net interest income	18.2%	16.6%	16.8%	15.6%	23.7%
Loans and advances	14.9%	19.1%	14.0%	14.7%	28.7%
Due to customers	17.0%	23.1%	39.5%	11.0%	23.9%
Total Assets	10.6%	18.4%	10.7%	16.1%	30.6%
Financial Summary					
HEPS (c)	74.0	87.0	109.0	121.0	129.2
DPS (c)	90.0	100.0	32.8	44.0	49.0
NAV (c)	3.5	4.2	5.3	6.2	7.0
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)	16.4	14.0	11.1	10.0	9.4
P/BV (x)	3.0	2.5	11.1	10.0	9.4
Dividend Yield (%)	7.4%	8.2%	2.7%	3.6%	4.0%
Earning Yield (%)	6.1%	7.2%	9.0%	10.0%	10.6%

Source: BWH, IJG
**BWH Forecasts*

Financials: Banks

FNB Namibia Holdings

*Recommendation: **BUY**, TP: **3163**, Code: **FNB***

Nature of Business: FNB Namibia Holdings (FNB) is one of the largest financial services groups in Namibia with a total asset base of N$24.8bn and offers a wide product range spanning from banking to insurance products. In FY03 FNB merged with Swabou Holdings Limited and in FY12, FNB disposed of its interest in Momentum.

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

Solid earnings growth, broadly in line with expectations

FNB released solid results for the year ended 30 June 2014, with headline earnings per share beating IJG forecasts by 3.4%, an increase on 2013 HEPS of 28.2%. Basic earnings per share are up 29.3% to 297.7c. The company continues to look relatively cheap from a price-to-earnings ratio perspective, with this ratio now standing at 8.3x. Moreover, a full year dividend of 122cps, up 22% on the dividend distribution in 2013, puts the company on an attractive dividend yield of 4.9%.

Income from operations increased by 20.4%, to N$2.262 billion, driven by large increases in both non-interest and interest income. Net interest income increased by 15.5% (or N$153m) on the back of strong growth in average advances, of 18%. The net interest margin deteriorated slightly over the period, partially due to the tightening of the spread between the Namibian and South African interest rates, but also due to the increased duration of FNB's funding base, thus putting the company in a strong position to benefit from future rate increases. Non-interest income expanded by 25.1% (or N$218m) on account of expansion in the use of electronic banking, predominantly.

Impairment losses remain low, currently at N$18.4 million, down from N$23.4 million in 2013. Non-performing loans decreased further, to N$141 million, just 0.9% of gross advances. This low level of non-performing loans, and thus impairment losses, is on account of the current low interest rate environment in the country, as well as prudent lending by the bank.

Cost control

Once again, FNB has shown notable increases in income while managing to contain costs with the result being a double-whammy effect on the company's bottom line. Cost increases of 13.3% were seen during 2014, compared to the increase in income of 20.4%. As such, profit before tax increased by 27.7%, to surpass the N$1 billion mark for the first time. As such, profit before tax now stands at N$1.171 billion, while profit after tax stands at N$785 million.

Valuation: Based on a justified PE multiple of 9.3x[1], and our FY15 and FY16earnings per share forecasts of 348.6cps and 408.1cps, respectively, we get a warranted price of 3250cps. In support of this valuation, a residual income calculation, based on the same cost of equity and long term growth rate, suggests a warranted price of 3072cps. Equally weighting the two valuation methods, **we derive a target price for FNB Namibia of 3163cps.** Based on forecasted **dividend of 122cps in FY15**, a **dividend yield of 4.9%**, we foresee a **total return of 31.2%** for the company, 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.

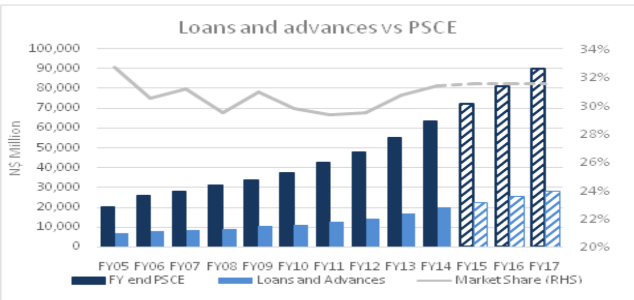
Bull Points:

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

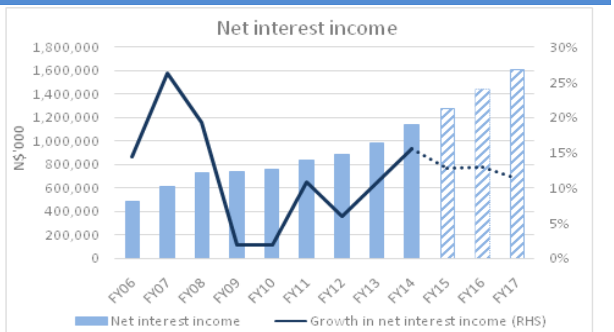
Bear Points:

- 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$m)						
Net interest income after impairments	744.7	851.8	931.8	961.6	1,119.6	1,263.3
Non-interest income	574.3	604.9	739.6	868.5	1,087.4	1,250.5
Net insurance premium income	56.2	71.9	84.5	99.7	125.8	138.4
Net claims and benefits paid	(38.3)	(41.4)	(41.0)	(50.9)	(71.1)	(78.2)
INCOME FROM OPERATIONS	1,334.6	1,486.5	1,719.3	1,879.0	2,261.6	2,573.9
Operating expenses	(718.7)	(768.9)	(884.1)	(944.3)	(1,069.4)	(1,197.7)
Income from associates	5.2	5.0	3.0	2.0	0.6	-
Profit before tax	621.1	722.5	838.2	936.7	1,192.8	1,376.2
Income tax (expense)\ credit	(218.0)	(258.3)	(299.6)	(329.0)	(408.2)	(457.6)
Minorites	29.6	42.7	9.9	11.0	11.4	13.4
Net Profit	458.9	539.0	772.0	607.6	784.6	918.6
Balance Sheet (N$m)						
Cash and short-term funds	455.2	428.1	1,002.1	690.3	867.6	290.8
Loans and advances	11,226.7	12,464.3	14,076.8	16,964.7	19,990.8	22,820.8
Due from other banks	851.2	763.1	1,925.7	1,889.0	1,766.3	1,957.1
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	2,071.3
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	26,739.9
Shareholders' equity	1,951.6	1,820.1	2,362.0	2,262.0	2,745.9	3,333.2
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	3,364.4
Growth Rates (%)						
Income from operations	6.3%	11.4%	15.7%	9.3%	20.4%	13.8%
Loans and advances	7.1%	11.0%	12.9%	20.5%	17.8%	14.2%
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	348.6
HEPS (c)	165.7	191.6	203.1	229.4	294.7	348.6
DPS (c)	67.0	247.0	262.0	100.0	109.0	122.0
NAV (c)	755.1	703.6	912.0	872.6	1,057.0	1,283.1
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%	4.7%
RoA (%)	2.7%	2.8%	2.9%	2.9%	3.2%	3.3%
RoE (%)	20.6%	22.4%	24.7%	26.0%	31.0%	29.9%
Valuation Metrics						
P/E (x)	15.1	13.1	12.3	10.9	8.5	7.2
P/BV (x)	3.3	3.6	2.7	2.9	2.4	2.0
Dividend Yield (%)	2.7	9.9	10.5	4.0	4.4	4.9
Earning Yield (%)	6.6	7.7	8.1	9.2	11.8	13.9

Source: FNB, IJG

Financials: Investment Companies

Namibia Asset Management

*Recommendation: **BUY**, TP: **55c**, Code: **NAM***

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

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

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

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

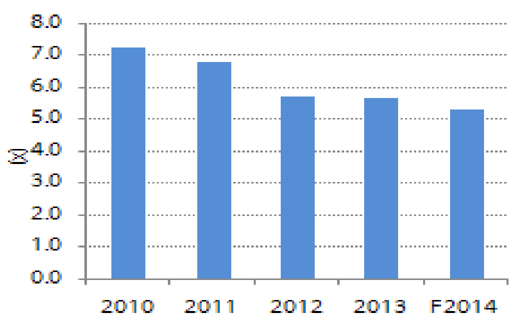
Outlook: In the results statement, NAM highlighted the current macroeconomic environment which entails the possible tapering by the US FOMC in the near future while South African equities are also fully valued with muted expected returns. The company also cautioned with regards to the recent promulgation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

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

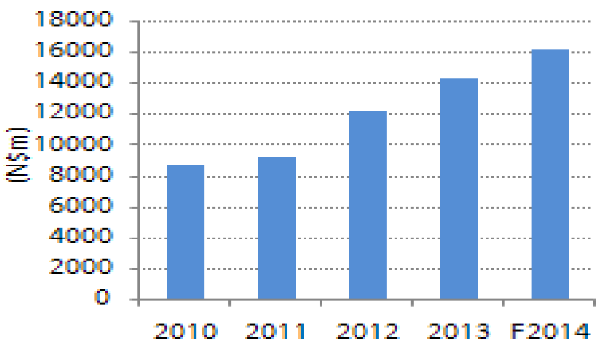
Bull Points:
- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

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

Price to Book



Assets Under Management



Fiscal Year End: June	2010	2011	2012	2013	F2014
Income Statement (N$m)					
Revenue	28.8	45.5	41.6	55.2	72.9
Other income	0.0	0.1	0.0	0.0	0.1
Net finance income	0.9	0.5	0.7	0.9	1.0
Operating expenditure	22.9	38.9	31.0	41.4	54.6
Profit before tax	6.9	7.2	11.4	14.8	19.4
Income tax (expense)\ credit	(1.2)	(2.4)	(3.8)	(4.7)	(6.0)
Net Profit	5.7	4.8	7.7	10.1	13.4
Balance Sheet (N$m)					
Assets under management	8,800.0	9,300.0	12,200.0	14,320.3	16,198.4
Cash and short-term funds	6.8	8.1	8.8	9.3	10.2
Total Assets	22.2	21.5	26.2	26.5	27.7
Debt	-	-	-	-	-
Total Liabilities	6.9	8.1	10.1	10.3	10.5
Total shareholders' equity	15.3	13.5	16.1	16.2	17.2
Growth Rates (%)					
Revenue	22%	58%	-8%	33%	32%
Assets under Management	9%	6%	31%	17%	13%
Assets	21%	-3%	22%	1%	5%
Financial Summary					
EPS (c)	2.9	2.9	4.6	6.1	8.1
HEPS (c)	2.9	2.9	4.6	6.1	8.1
DPS (c)	2.5	3.0	4.0	5.1	6.7
NAV (c)	7.6	8.1	9.7	9.8	10.4
Weighted Average shares (m)	200	166	166	166	166
Valuation Metrics					
P/E (x)	22.8	22.6	14.0	10.7	8.0
P/BV (x)	8.5	8.0	6.7	6.7	6.2
Dividend Yield (%)	3.8	4.6	6.2	7.8	10.4
Earning Yield (%)	4.4	4.4	7.1	9.3	12.4

Source: NAM, IJG

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%)

FY14 Highlights: Oryx Properties Limited (Oryx) released its results for the financial year ended 30 June 2014, reporting 6.1% distribution growth to 148cpu from 139.5cpu reported in FY13, 3.5% higher than our estimate of 143cpu. Over the same period, EPU rose by 99% to 331.75c on the back of a significant increase in fair value of investment property and a bargain purchase gain of N$26.7m due to the revaluation of the Gustav Voigts Centre after its purchase. HEPU rose by 8.9% to 162.16c from 148.89c in FY13 – above our estimate of 143c.

The company displayed another period of good operational performance, with net rental income increasing by 23.7% y/y to N$162.9m – in line with our estimate of N$163.6m, supported once again by above average occupancy levels (reported at 99.1%) and new rental streams from Maerua Mall, as well as the Gustav Voigts Centre being included for the first time. Oryx reported a profit of N$106.9m (up over 600% y/y), despite a sharp increase in rental expense and finance costs. The additional profit being attributable to the fair value gains, bargain purchase gain and growth in revenue. Headline earnings grew by 22% to N$100m. Much of this increase was due to revenues attributable to projects funded through the rights issue and thusper unit growth was lower at 8.9% as stated above.

Vacancies (as a % of lettable area) increased from 0.4% inFY13 to 0.9% in FY14. This is more in line with our benchmark rate of 1.5% and we expect to see a further slight deterioration in the occupancy rate over the next year due to competition in the form of the Grove and other malls as well as a normalisation in the retail occupancy levels.

As at year end 2014, Oryx's properties were valued at N$1.977bn. Retail made up the largest percentage of the valuation at 64%, Industrial contributed29% and Offices 7%. In November 2013 Oryx acquired a 100% interest in Tuinweg Property Investments (Pty) Ltd, the owner of the Gustav Voigts Centre. Thus the centre has contributed to the increase in rental income from this time. The Maerua expansion and upgrade was completed during the course of the financial year (with the exception of internal works at Checkers) and has also contributed greatly to the increase in rental income. 2015 will be the first year that these two additions will contribute 12 months of rental income which will lead to higher revenues.

The distribution reported translates in a 12month distribution yield amounting to 8.2%, a decline from 8.9% for the same period last year. The decline can be seen as a function of a high share price and the rights issue leading to more units in the base calculation. The last day to trade for the second half yearly distribution of 80.75cps was on 5 September 2014, and the payment date was on 26 September 2014.

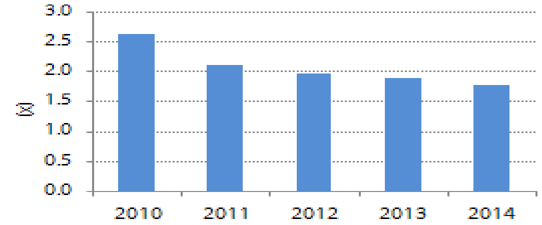
Outlook: Based on our FY15forecasted distribution of 149.9cps, the current unit price is above our warranted price of N$16.30, based on a justified yield of 9.2%. Nevertheless, we do not believe that the company's unit price will decline to this level due to supply-demand limitations within the local equity space, and thus have a target price at the current level of N$18.20. Thus, the total return expected is described by the distribution per unit only.

Valuation: We keepour HOLD recommendation for 2015 as we feel that the strong management team has the ability to continue to add value to the share price in the long term, despite the current period of consolidation following major investment and unit-price growth over recent years. Stronger growth is forecasted for 2016 and 2017.

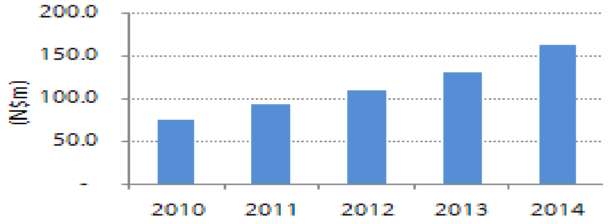
Bull Points:
- Very low vacancy levels
- Location of properties
- Quality tenants profile
- Value adding acquisitions
- Strategic positioning of Gustav Voigts Centre

Bear Points:
- Interest rate increases
- Lack of good expansion opportunities (especially in the Namibian market)
- High exposure to a single property (Maerua Mall)

Price to Book



Net Rental Income



Fiscal Year End	2010	2011	2012	2013	2014	F2015
Income Statement (N$m)						
Revenue	96.7	115.3	132.8	160.6	204.8	230.8
Rental expense	20.1	21.7	23.6	28.9	41.9	46.1
Net rental income	76.5	93.6	109.2	131.7	162.9	184.7
Investment income	6.0	0.4	1.2	0.8	0.9	1.0
Amortisation of debenture premium	2.8	2.8	2.8	2.8	7.7	7.7
Fair value changes	92.2	90.9	41.1	5.5	71.5	96.2
Other expenses	(5.7)	(6.6)	(8.6)	(10.4)	(10.6)	(11.7)
Finance cost	(17.4)	(21.5)	(28.3)	(37.9)	(52.1)	(71.1)
Debenture interest	(60.1)	(64.7)	(70.5)	(76.8)	(97.8)	(97.8)
Profit before tax	95.8	95.0	36.4	19.5	111.7	109.1
Income tax expense	15.3	0.2	(1.3)	4.6	4.8	3.9
Net Profit	80.5	94.9	37.7	14.9	106.9	105.2
Balance Sheet (N$m)						
Cash and other liquid assets	2.2	4.9	3.0	3.6	14.3	4.0
Investment properties	883.1	1,041.5	1,239.7	1,447.3	1,924.6	2,020.9
Trade and other receivables	11.2	10.8	11.7	18.7	22.2	23.9
Total Assets	918.3	1,084.1	1,284.2	1,507.3	2,015.0	2,105.3
Linked unitholders for distribution	30.1	33.6	36.5	39.8	53.4	49.5
Debentures	247.1	247.1	247.1	247.1	296.6	296.6
Long-term borrowings	187.3	256.2	395.7	590.4	815.6	814.1
Total Liabilities	536.8	607.7	770.1	978.2	1,379.0	1,364.1
Total shareholders' equity	381.5	476.4	514.2	529.1	636.1	741.3
Growth Rates (%)						
Revenue	7.0%	19.2%	15.2%	20.9%	27.5%	12.7%
Rental expense	14.3%	7.7%	8.7%	22.6%	44.9%	10.0%
Net rental revenue	5.2%	22.3%	16.7%	20.6%	23.7%	13.4%
Investment properties	252.7%	-93.4%	211.3%	-38.7%	18.3%	10.0%
Assets	18.6%	18.1%	18.5%	17.4%	33.7%	4.5%
Liabilities	-2.4%	13.2%	26.7%	27.0%	41.0%	-1.1%
Financial Summary						
HEPU (c)	109.2	117.5	128.0	139.5	162.2	149.9
DPU (c)	109.3	117.5	128.0	139.5	148.0	149.9
NAV (c)*	693.2	865.6	934.1	961.3	1,031.3	1,122.3
Weighted Average shares (m)	55.0	55.0	55.0	55.0	61.7	66.1
**realisable NAV*						
Key Statistics						
Vacancies (as % of GLA)	0.8%	2.6%	0.6%	0.5%	0.5%	1.5%
Property expenditure/revenue	20.8%	18.8%	17.8%	18.0%	20.5%	20.0%
Debt/Equity	0.5	0.5	0.8	1.1	1.3	1.1
Valuation Metrics						
P/E (x)	16.7	15.5	14.2	13.1	11.2	12.2
P/BV (x)	2.6	2.1	2.0	1.9	1.8	1.6
Distribution Yield (%)	6.0	6.4	7.0	7.7	8.1	8.2
Earning Yield (%)	6.0	6.4	7.0	7.7	8.9	8.2

Source: Oryx, IJG

Non-Cyclical Consumer Goods: Beverages

Namibia Breweries Limited

*Recommendation: **HOLD**, TP: **1640c**, 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.

FY14 Results

Namibia Breweries (NBS) released results for the year ended 30 June 2014. The full year results reflect disappointing operational performance with operating profit down 9.7% y/y. Basic EPS rose 181.9% y/y to 99.5c, coming of a low base after the N$188m impairment to its investment in DHN Drinks (Pty) Ltd last year that resulted in a decrease in earnings per share in FY13. HEPS, however, is down 10.5% from 177.8c to 159.1c. The board declared a final dividend of 34cps, taking the total dividend for the year to 68cps,up 9.7% on last year, with last day to trade cum 21 November 2014.

Sales and Volumes

Although NBS managed to increase local sales volumes, revenue fell by 2.8% y/y to N$2,316.9bn, with the contraction stemming from the migration of production volumes to South Africa. Total sales of goods, however, are down 3.0% y/y while royalty income rose 2.9%.Locally,sales volumes growth was seen across the board, led by Tafel Lager. Ready to drink (RTD)and soft drink sales recorded double digit growth compared to last year, confirming the market's positive uptake of the Vigo soft drink.

SAB MILLER

Despite the strong macro environment, we are concerned about the possible impact the SAB Okahandja Brewery might have on NBS. SABMiller Namibia started production at its 260 000 hectolitre brewery in Okahandja during September this year. The introduction of the returnable format by Castle Brewing will change the competitive landscape of the Namibian brewing industry. SAB targets a medium term market share of 30% in Namibia.

DHN Drinks JV

The equity loss from the JV increased to N$120.0m in FY14, with the increase attributed to a fiercely competitive environment in South Africa and higher cost of goods sold per unit due to unfavourable production levels and mix. Although the DHN Drinks JV still shows a loss, taking into account royalties and production margins that NBL earn through selling to DHN Drinks directly from their Namibian brewery, NBL continue to make positive returns from the ongoing operations in South Africa. The volatility in the line item emphasises its unpredictable nature and uncertainty going forward.

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 11.5%, based on a risk free rate of 8.22% (GC24), equity risk premium of 4.09% and a beta of 0.8, and a long-term sustainable growth rate of 7.5%. Based on these assumptions and our forecasted dividends for NBS, we value the company at an intrinsic value of N$15.70 per share.Using a justified PE multiple of 12.8x, however, we forecast a target price for NBS of N$16.40 per share. This implies anexpected total return of 3.9% over the next twelve months, largely supported by dividend payments. 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, however we do not expect the stock to trade significantly lower than current levels over the next 12 months given the illiquidity of the stock and the possibility that once sold shares may be difficult to rebuy in future, therefore we keep our recommendation on a **HOLD**.

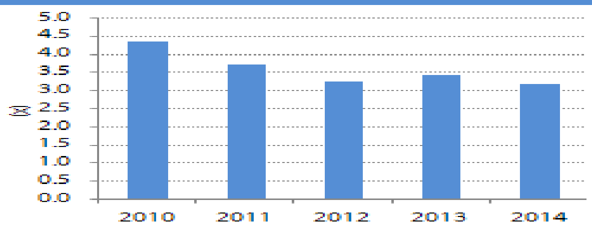
Bull Points:

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

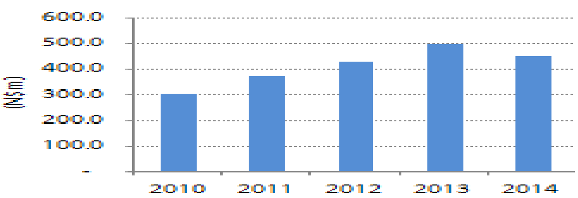
Bear Points:

- 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$m)						
Sales Revenue	1,731.1	1,797.1	2,160.1	2,383.4	2,316.9	2,392.2
Operating Profit	303.0	375.3	429.0	500.1	451.3	425.4
Net interest income(expense)	6.3	6.9	(0.9)	(3.3)	(2.6)	14.8
Profit before tax	230.9	307.3	336.0	199.7	328.7	350.2
Income tax expense	(71.1)	(96.0)	(114.0)	(126.8)	(122.9)	(112.1)
Net Profit	159.8	211.3	222.0	72.9	205.9	238.2
Balance Sheet (N$m)						
Cash and other liquid assets	177.0	91.7	91.9	267.8	55.9	591.0
PPE	474.1	668.6	799.8	827.7	874.9	854.9
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	2,067.9
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	396.1
Total Liabilities	910.5	615.0	765.2	853.7	609.6	857.7
Total shareholders' equity	677.5	791.7	907.3	860.5	931.6	1,028.7
Growth Rates (%)						
Sales	10.5%	3.8%	20.2%	10.3%	-2.8%	3.2%
Opertaing Profit	18.1%	23.9%	14.3%	16.6%	-9.7%	-5.7%
Cash and other assets	165.3%	-48.2%	0.3%	191.4%	-79.1%	956.5%
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%	34.2%
Financial Summary						
EPS (c)	77.4	102.3	107.5	35.3	99.5	115.3
DPS (c)	45.1	49.0	54.0	62.0	68.0	68.0
NAV (c)	3.28	3.83	4.39	4.17	4.51	4.98
Valuation Metrics						
P/E (x)	21.2	16.1	15.3	9.2	16.5	14.2
P/BV (x)	4.3	3.7	3.2	3.4	3.2	2.9
Dividend Yield (%)	2.7	3.0	3.3	3.8	4.1	4.1
Earning Yield (%)	4.7	6.2	6.5	10.8	6.1	7.0

Source: NBS, IJG

Industrials: Support Services

Bidvest Namibia

*Recommendation: **HOLD**, TP: **1300c**, Code: **BVN***

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

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

FY14 Highlights: BVN released its results for the year ended 30 June 2014. The firm posted reasonable results in light of the difficulties the fishing division finds itself in. EPS fell 10.6% to 129.6cps and HEPS decreased 10.4% to 129.5cps.

Costs almost sunk the ship

While BVN managed to grow revenues by 10.4% y/y to N$3.7bn, mainly attributed to the commercial businesses, cost of sales grew at 13.8% and operating costs by 36.9% to N$385.3m from the N$281.4m reported for FY13. The main reason for the witnessed cost increase was a sizable increase inquota rentals fees, following a reduction in direct quota allocation to BVN from the Ministry. Trading profit shrunk by 16.7% y/y to total N$501.3m. As usual, the fishing division supplied the largest chunk of trading profit, coming in at N$407.1m or 81%. This figure is 23.0% lower than the N$528.5m seen in FY13, despite the division's individual revenue increasing by 4.6% y/y, reflecting depressed margins.

Price pressure

Price regulations in the Democratic Republic of Congo, coupled with artificially reduced demand from Nigeria following import restrictions, resulted in an oversupply in the company's traditional markets, leading to a 18.6% decline in average realised selling price in US$ for horse mackerel. The weaker Namibian Dollar offset the lower US Dollar price effect on revenue, but also had a significant impact on costs. The weaker N$ is expected to remain the silver lining for this division, amidst cloudy conditions that prevail.

Uncertain outlook for Bidfish

The outlook for the fishing division remains challenging according to company management with uncertainties surrounding quota allocations. Additionally, we foresee the market price for horse-mackerel remaining depressed over the next year, as supply continues to outstrip satiable demand. The urgent application by Namsov against the Ministry of Fisheries and Marine Resources as well as the Government over reductions in fishing quotas will be heard in the High Court on 9 October 2014, and the outcome of this courts decision will have a significant impact on the performance of the fishing division, especially in the first half of the 2015 financial year.

Valuation and Recommendation

The stock is currently trading on a FY16 yield of 4.68% based on full year dividends of 61cps at an assumed 54% payout ratio. This compares negatively to its average yield of 4.8% since listing, but remains a good yield in general.

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 add strain torevenue growth 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 and decrease earnings visibility.

We have adjusted our earnings forecast and target price following a detailed analysis of the full year results. We forecast FY16 earnings of N$1.10 per share and calculate a warranted price of N$12.30 per share based on a justified PE ratio of 11.2 times. We are concerned about the possibility of a dividend cut given the outlook of the company, however we do not expect the stock to trade lower from current levels given the illiquidity of the stock and the possibility that once sold units may be difficult to rebuy in future, thereforewe change our **BUY**recommendation to a **HOLD** recommendation.Based on our target price of N$13.00, the 12m total return is expected to be 4.3%..

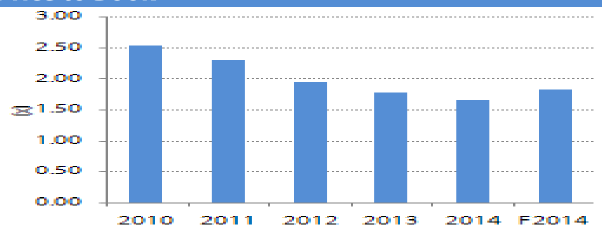
Bull Points:

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

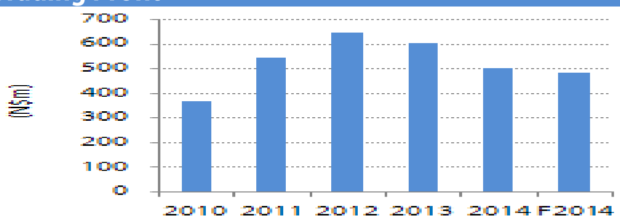
Bear Points:

- 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$m)						
Sales Revenue	1608	1919	2731	3355	3703	3698
Cost of sales	(1102)	(1207)	(1890)	(2488)	(2832)	*
Gross Profit	506	712	841	867	872	*
Operating expenses	(159)	(186)	(209)	(281)	(385)	*
Trading Profit	369	545	647	601	501	483
Net interest income(expense)	1.3	6.1	17.6	13.0	16.3	8
Income from associates	0.0	0.0	0.0	0.0	0.0	0
Profit before tax	353	568	672	615	517	491
Income tax expense	(116)	(184)	(211)	(188)	(174)	(147)
Minorites	72	126	162	161	101	112
Net Profit	237	384	469	444	344	344
Balance Sheet (N$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	600
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	1462
Growth Rates (%)						
Sales	16%	19%	42%	23%	10%	10%
Trading Profit	30%	48%	19%	-7%	-17%	-20%
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
NAV (c)	*	*	*	*	*	*
Weighted Average shares (m)	192	207	210	212	212	212
Key Statistics						
Operating margin (%)	22%	29%	24%	18%	14%	14%
Current ratio (x)	2.5	3.2	3.0	3.0	3.9	*
Debt/Equity	6%	0%	0%	0%	1%	1%
RoE (%)	32.4%	36.7%	37.0%	29.8%	22.1%	22.1%
Valuation Metrics						
P/E (x)	15.23	10.44	9.14	10.06	11.25	11.25
P/BV (x)	2.54	2.30	1.95	1.77	1.66	1.83
Dividend Yield (%)	2.8%	4.1%	4.8%	5.3%	4.8%	4.8%
Earning Yield (%)	2.8%	6.7%	1.8%	1.8%	7.9%	7.9%

Source: BVN, IJG

Maintenance Coverage

Financials: Investment Companies

Stimulus Investments

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

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

FY13 Highlights:

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

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

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

Stimulus Investments currently has the following investments:

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

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

Bull Points:

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

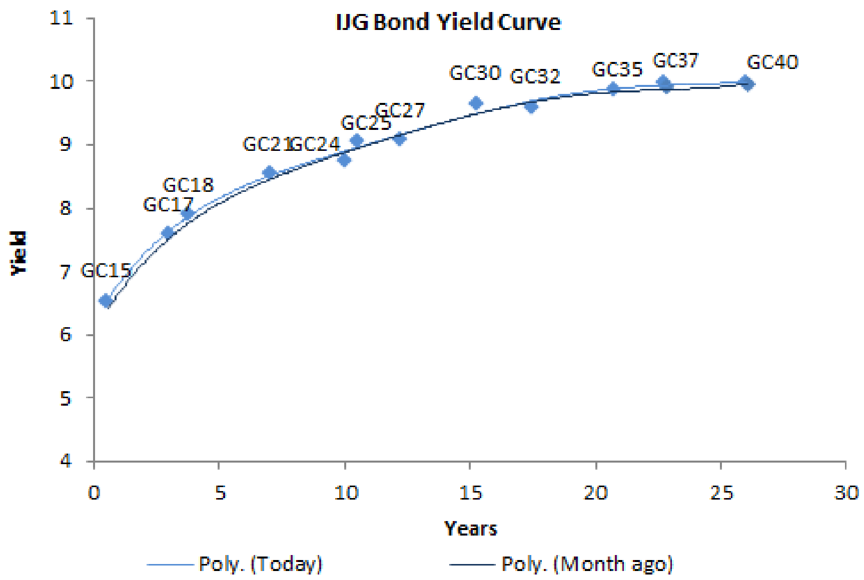
Bear Points:

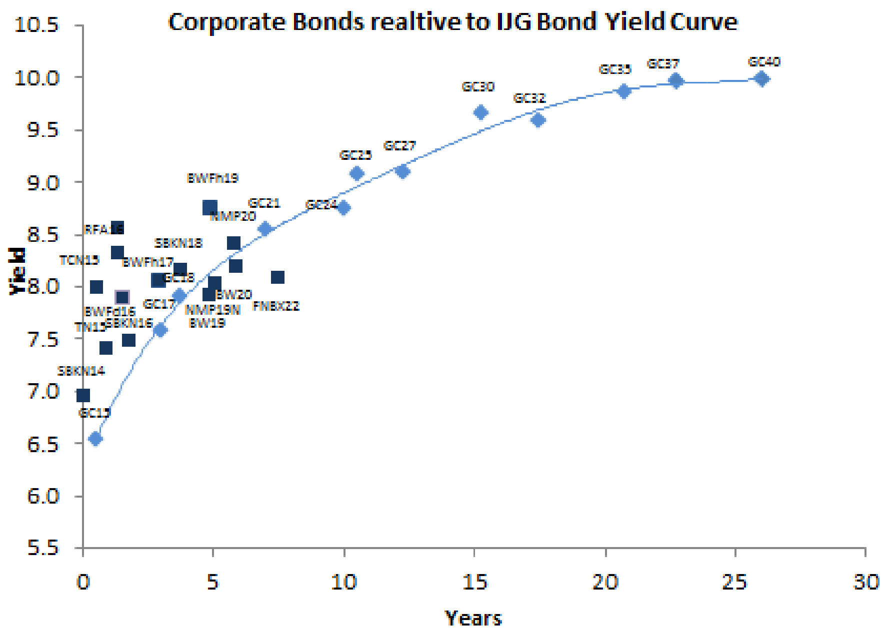
- Financial skills shortage

Bond Listings

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

<u>30 September 2014:</u>





Financials: Banks

Standard Bank Namibia

Nature of Business: Standard Bank Namibia is one of the largest financial services groups in Namibia with a total asset base of N$20bn as at FY13. 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%)

FY13 Highlights:
Standard Bank Namibia's reported profit for FY13 rose 6% to N$319m. Revenue increased 13.9% to N$1.4bn while total assets grew by 11.1% to just over N$20bn. During the period, Standard Bank's loans and advances increased by 7.77% to N$13.2bn, while the funds in its current and deposit accounts grew by 14.5% to N$16.2bn.

Capital adequacy levels have improved from 10.8% in FY12 to 11.5% in FY13 and represent the conservative management in accordance with the Basel III regulations. Standard Bank Namibia saw an increase in the cost to income ratio from 63% to 65% due to spending on information systems and increasing their point of access footprint within the country. Initial spending should provide a strong base for the future and a decrease in this ratio in times to come.

SBN increased the amount of SBN ATMs in the country to 160, up from 152 in FY12. There was a corresponding increase in the number of points of representation from 47 to 52. This is part of an ongoing initiative to grow the SBN footprint.

Bonds: Standard Bank currently has four bonds in issue, namely the SBKN14, SBKN15, SBKN16 andSBKN18, amounting to N$643m listed on the NSX. SBKN14, SBKN15, SBKN16 and SBKN18 are currently trading at premiums over their respective benchmark notes of 41bp, 105bp, 94bp and 25bp, respectively.

Maturity dates for the bonds are as follows:

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

Bull Points:

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

Bear Points:

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

Industrial: PARASTATAL

Namibia Power Corporation

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

Top Shareholders: Namibian Government (100%)

FY13 Highlights

NamPower's total revenue increased by 29.4% for the FY13, coming in at N$3.3bn. Profit before tax rose by 133% y/y. Profit after taxation jumped by 276% up to N$565m from N$150m last year. This includes a tax break for the period of N$38m. Capital expenditure increased by 14% y/y to N$395m. This is slight compared to the 62% decrease last year, down from N$910 in FY11. Units sold have been on the rise, and came in at 3,861GWh for the financial year.

NamPower gross profit margin fell to 50% from 56% in the previous period. This was due to the increased cost of imported electricity not being captured by the increase of the local electricity tariff. The annual tariff increase of approximately 13% included a 1.5c/kWh Long Run Marginal Cost levy in favour of the 4.4% NEF levy during FY12. The overall cost of electricity increased by 48% from N$1.1 billion to N$1.7 billion in FY13, driven primarily by the high cost of imported electricity due to US Dollar denominated contracts and a weakening Namibian Dollar coupled with an increase in the amount imported.

Supply shortage continues to be a concern with NamPower importing 68.6% of supply during the period. This is largely due to drought conditions leading to a decrease in output from the Ruacana plant. Currently Escom is the largest contributor of imported power which is a concern as the South African supplier has been plagued by shortages and aging infrastructure. NamPower has prioritised development of the 800 MW Kudu gas-to-power plant with expected completion in 2018. This plant will be the single largest power producing facility in the country once complete. A steering committee comprising of all the Kudu development partners has been established to ensure that deployment is applied rapidly.

Fitch Ratings affirmed NamPower's long-term foreign currency Issuer Default Rating (IDR) in 2013 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 an90bp 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)

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**.**

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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