IJG Namibia Quarterly
4Q15

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Fixed Income

During the quarter from July through to September, demand for locally issued Government debt has continued to dry up. The lack of interest in local Government bonds has been weak since the second quarter of the year, starting in April. This drying up of demand coincided with the newly elected Government's expansionary budget which relies heavily on debt financing. According to the budget, a total of N$8.9 billion worth of debt would be raised locally. Since the start of the Government's financial year in April approximately N$1.05bn worth of debt has been raised through local Government bonds and N$2.1bn through treasury bill issuance (which mature within a maximum of 364 days after issued).

The lack of local demand has forced the Government and Bank of Namibia (BoN) to search for funds elsewhere. As the Ministry of finance already had a debt facility of N$3bn on the JSE this was the obvious route. At the time that the national budget was tabled only N$850m of debt had been issued through this facility. Government has since gone to market twice, raising N$800m in June and N$750m in September on the JSE. Totalling the year's issuance thus far brings us to roughly half of the projected budget deficit, although not all of it was raised locally and this would include the use of T-Bills which are to be repaid within 364 days of issuance. This puts Government on track to finance the budgeted deficit for the year.

At the time of writing government had gone to market with a new U$750 million Eurobond. The aim of the bond is to improve the foreign reserve position of Namibia as well as providing funding for the budget deficit. We expect some of the proceeds to be held in reserves, at least initially, as BoN continues to issue debt on the local market. Further to this issuance the Minister of Finance is cutting down on excess budgetary expenditure in order to minimise the deficit for the current year. Thus it would seem that government will successfully finance the budget for the year although risks of lower than expected SACU receipt and tax collections persist.

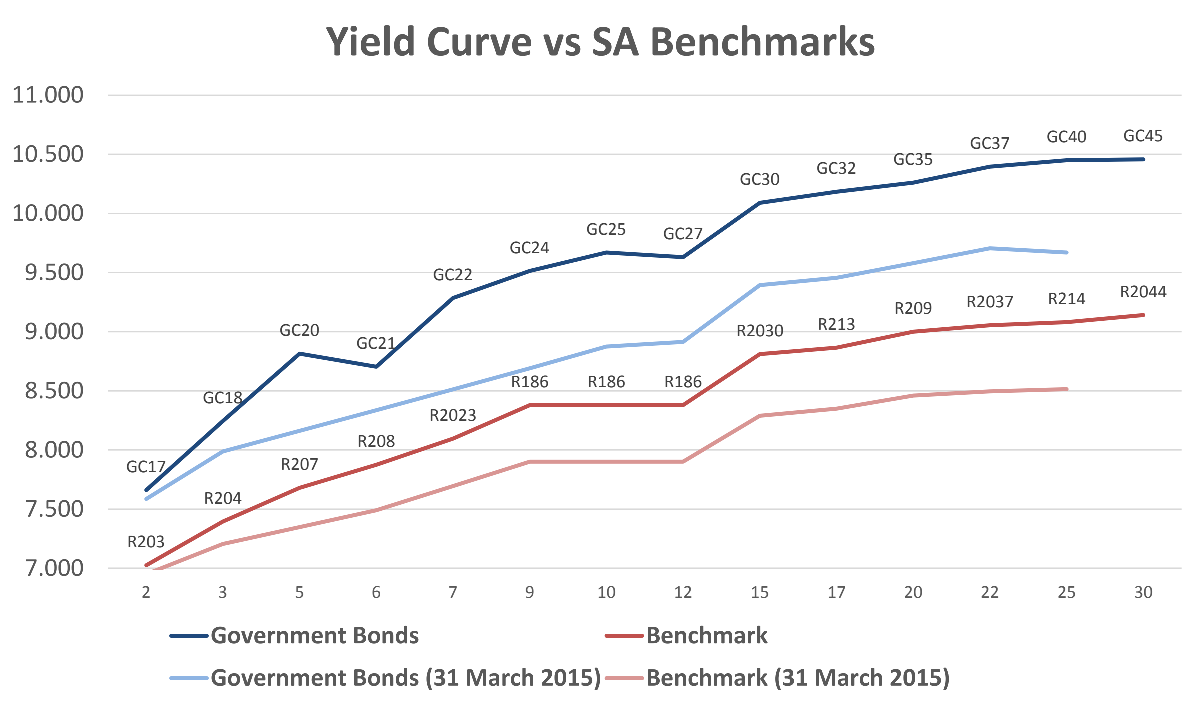
South African versus Namibian Issuance

The debt raised in South Africa via the NAM01 and NAM02 bonds is similar in maturity to the GC22 and GC20 bonds issued locally. Details are provided below:

Bond Code	NAM01	NAM02
Maturity Date	19-Nov-2022	29-Jun-2020
Coupon Rate	8.26%	9.595%
Yield to Maturity (24-Oct)	**9.95%**	**9.57%**
Current All in Price	95.17	103.21
Spread over Benchmark	**185bp**	**170bp**

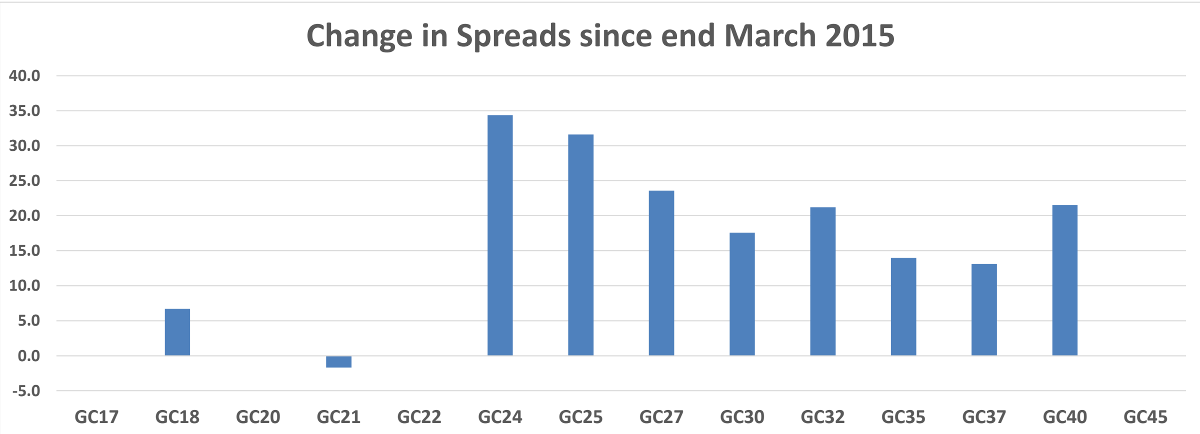
Bond Code	GC22	GC20
Maturity Date	15-Jan-2022	15-April-2020
Coupon Rate	8.75%	8.25%
Yield to Maturity (24-Oct)	**9.29%**	**8.82%**
Current All in Price	99.82	98.07
Spread over Benchmark	**119bp**	**113bp**

The difference in spreads between Namibian Government debt issued in South Africa and that issued locally is relatively large considering there is no material difference in sovereign risk and minimal difference in maturity. This effectively means that funds buying bonds with Namibian pension money in the local market are receiving inferior yields to South African funds buying similar Namibian debt in the SA market. From an issuer perspective, the Namibian Government is issuing more expensive debt in South Africa in Rand denomination (a currency Namibia cannot print, thereby increasing its risk to the issuer) than they are willing to issue in Namibia, which has infuriated many of the local pension fund managers. Simple supply and demand dynamics suggest that should spreads adjust upwards towards those at which the Namibian government is issuing at in South Africa, demand would pick up locally, thereby largely rendering the need for issuance of debt in South Africa null.

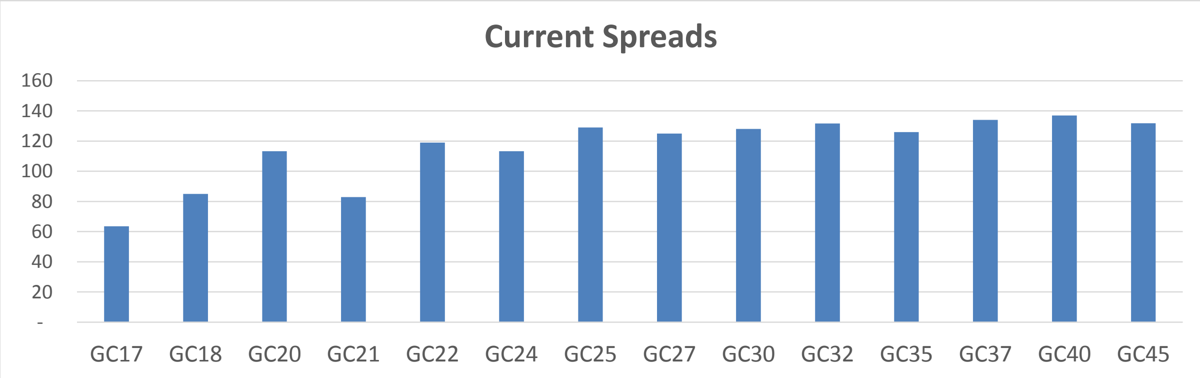


Source: IJG Securities (27 October 2015)

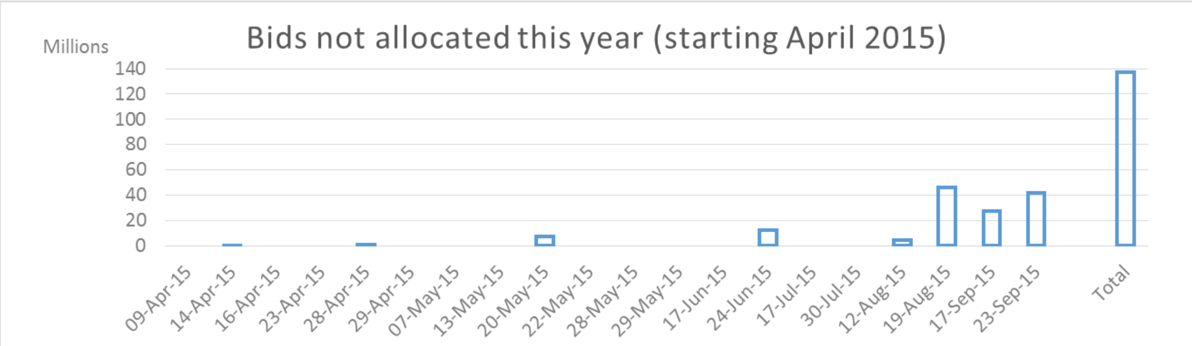
Should spreads be allowed to widen it could have asset allocation implications as well. The "risk free" nature of government debt becomes very attractive when yields move out by the spreads at which ZAR bond issuance has been placed, especially considering how low official inflation is at present. If local spreads were allowed to move out to the same levels as that of Namibian debt on the JSE it would arguably lead to an asset allocation shift towards bonds. More attractive risk adjusted returns would thus in theory provide government with the demand for debt that it seeks to place domestically. Namibian investors would also benefit from this in the process (which is the ultimate goal of a pension fund). While this would have a temporary impact on the marginal rate of borrowing for Government, it would have little impact on the average rate of borrowing.



The above figure illustrates the increase in spreads over the last two quarters or since the start of Government's financial year. Spreads of the on the run issues have increased by between 15 and 35 basis points over the period. This corresponds to an increase of close to 80 basis points on the NAM01 bond which was already trading at a spread premium of over 25 basis points over the GC24 at the start of the year.



Local demand drying up



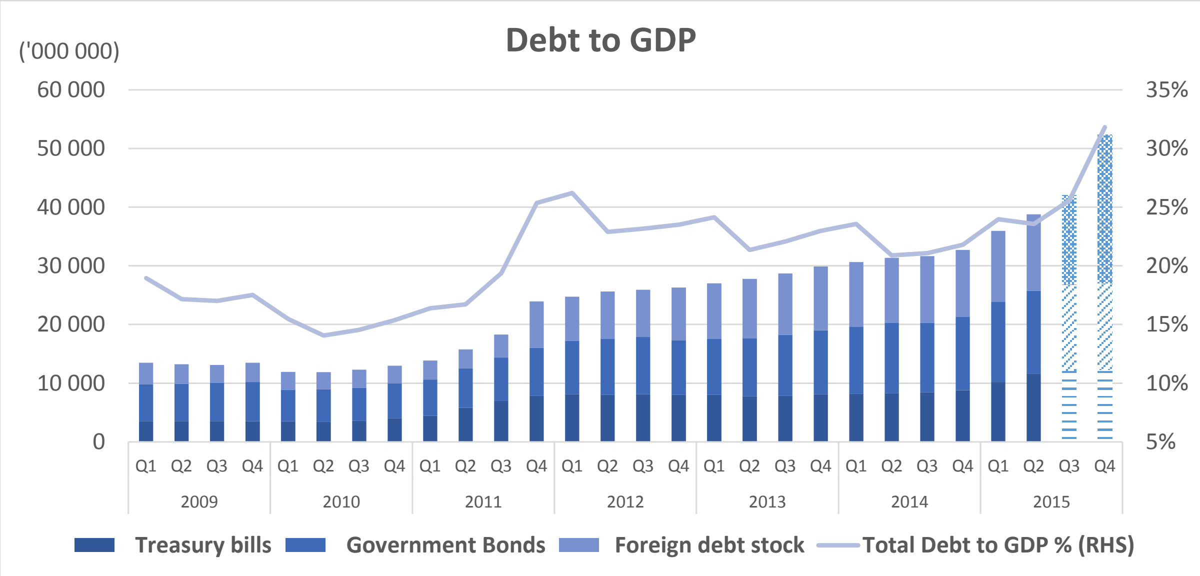
The above figure shows that a total of 137.6 million worth of allocable bids have been rejected by the Bank of Namibia since the start of Government's financial year. These bids have all been away from market but still cheaper than South African issuance. All these bids were allocable in the sense that they did not exceed BoN's stated available issuance per bond on the day of auction. Thus this excludes any amount overbid on any specific bond. Should one include overbidding on all issues then this number increases significantly. This suggests that demand is present but at prices that government will not accept (even if cheaper than JSE issuance) and on bonds where supply is limited.

Auctions are arguably not being conducted optimally for a couple of reasons. The first being the fact that BoN, on behalf of the Ministry of Finance, will not allow spreads to widen meaningfully while increasing supply. This is counterintuitive as one would expect risk to increase somewhat as government becomes more leveraged. It could be argued that spreads have widened throughout the year and that this captures the increased risk of a larger debt to GDP ratio. However South African investors seem to require a premium in excess of that available in Namibia and this should be due to the risk dynamics of a more leveraged Government position. While debt to GDP is relatively low by most standards, the rapid rate of growth of GDP and the fact that debt is growing even faster is reason to assume an increase in risk as servicing this debt eats into future earnings.

A second issue seems to be that there is demand at points on the curve where there is limited supply. On the long end, especially on the GC40 and GC45, demand has been strong even through this period of low overall demand, but there is a very limited amount on offer at this point on the curve. The current tender process does not allow for the allocation of bids over the offered amount. This has not been an issue in the past as demand has outstripped supply in general resulting in full allocations at auctions, but the reverse has been true for the greater part of 2015. While offer size has increased on the long end, it could be increased further capturing the excess demand at this point on the curve. These measures are however only necessary if Government seeks to raise all debt on the local market.

Eurobond & Implications

The Ministry of Finance has recently launched a second Eurobond. The US$750 million bond was heavily oversubscribed and drew considerable investor interest. Nevertheless, the 5.25% coupon bond was launched at a yield of 5.375% and price of 98.94, raising U$742 million or close to N$10 billion. For the time being these funds will be held in US Dollars and contribute to strengthening the international reserve position of the country. It is however likely that a portion of this money will be used to finance budget expenditure towards the end of Governments financial year. At the time of writing government had not hedged the Eurobond. Not hedging the previous Eurobond has cost the taxpayer heavily as the value of the Namibian dollar has depreciated by over 70% since issuance leading to increased interest costs and a significantly increased principal value to be paid (probably rolled) in the future.

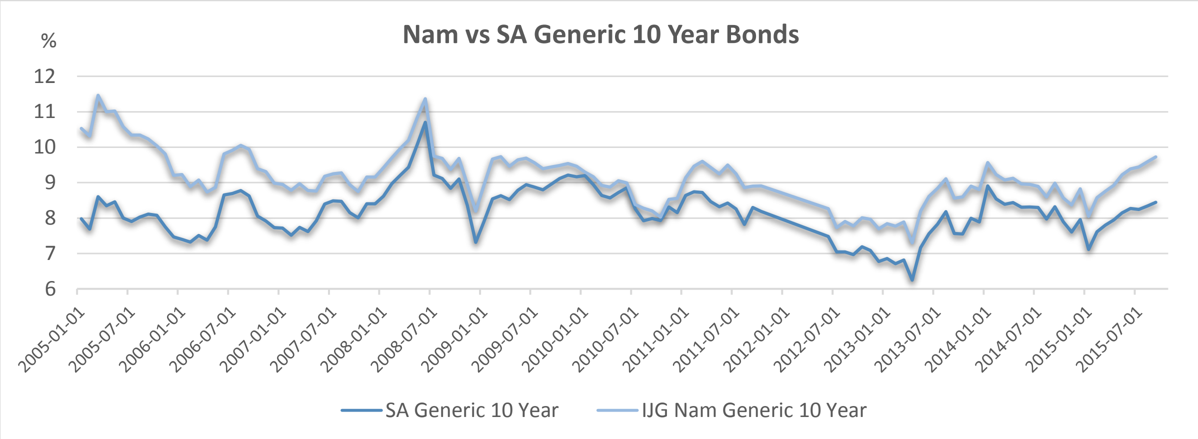


As the above debt to GDP figure illustrates, Namibia's foreign debt stock position has grown considerably with the issuance of this Eurobond and now makes up roughly half of Namibia's public debt. This includes bilateral and multilateral agreements and is dependent on the exchange rate. Thus while the currency may strengthen in the short term it is expected to continue to weaken in the medium to long term and should result in the Namibian Dollar value of this debt increasing over time, assuming that the proceeds are not held in hard currency. At present it would seem that this Eurobond was once again not hedged for currency risk which could prove costly should the funds be converted into Namibia Dollars. The previous Eurobond of US$500 million was raised in 2011 at an exchange rate of 7.9 N$/US$ raising N$3.9 billion. The US$500 million liability is worth N$6.8 billion at today's exchange rate and is costing close to 70% more in current coupon payments due to currency depreciation. A rough estimate of the annual cost of the 2011 Eurobond in Namibia Dollar terms is 15.7% per year (assuming no further depreciation of the Namibia Dollar vs. the US Dollar – should we see the same average annual depreciation over the next six years that we saw over the last past years, the annual cost will be approximately 25.3%), while the local 10 year bond would have cost the government 8.9%.

The substantial size of the Eurobond will reduce Government's reliance on local issuance to fund budgetary expenditure which could lead to stricter auctions going forward. This could at some point lead to BoN trying to reign in spreads on the local bonds. This is not likely to happen immediately but could transpire over the course of next year. The degree to which BoN is able to reign in spreads after the Eurobond issuance may be limited by current market conditions.

IJG Generic 10 Year Bond

We recently developed the IJG Generic 10 Year Bond with the aim of creating a benchmark risk free rate, largely for valuation purposes. The yield is derived by interpolating the yield exactly ten years out from bonds on either side of the ten year point. The below figure illustrates the yield movements over the last ten year period. As can be seen there is a strong correlation between the IJG Generic 10 Year Bond and the SA Generic 10 Year Bond. Going forward the IJG Generic 10 Year bond will provide a benchmark ten year yield for Namibia and therein lies its usefulness.



Economic Data Snapshot

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Inflation (y/y)	5.0%	5.0%	4.6%	4.5%	3.6%	3.4%	2.9%	3.0%	3.0%	3.3%	3.4%	3.3%
Repo Rate	6.00	6.00	6.00	6.00	6.25	6.25	6.25	6.25	6.50	6.50	6.50	6.50
Prime Rate	9.75	9.75	9.75	9.75	10.00	10.00	10.00	10.00	10.25	10.25	10.25	10.25
N$/US$	10.87	10.96	11.57	11.55	11.54	12.15	11.79	12.14	12.17	12.68	13.28	13.85
N$/AUD	9.60	9.37	9.46	8.97	9.00	9.30	9.44	9.28	9.38	9.26	9.45	9.72
N$/CAD	9.72	9.74	9.96	9.16	9.22	9.59	9.81	9.76	9.74	9.69	10.11	10.41
Vehicle Sales (y/y)	44.7	25.8	53.9	13.9	8.8	14.4	4.4	-3.2	-8.8	1.1	-6.0	-13.8
Passenger	18.9	3.7	45.1	6.4	11.1	0.2	8.3	-3.8	1.5	-4.5	-19.0	-10.7
Commercial	69.5	45.2	61.8	20.3	7.2	27.7	0.8	-2.7	-16.8	5.3	6.0	-15.9
M2 Money Supply (y/y)	5.0	9.8	7.8	9.8	3.0	3.0	0.0	1.4	13.1	10.3	8.6	*
PSCE (y/y)	16.4	16.0	16.5	16.1	16.6	16.5	15.7	15.8	14.8	15.9	15.8	*
Business	21.4	20.1	21.4	22.7	26.8	21.0	22.7	21.4	20.2	22.8	23.1	*
Individuals	13.2	13.3	13.3	12.0	10.0	13.5	11.2	11.9	11.1	11.4	11.0	*

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

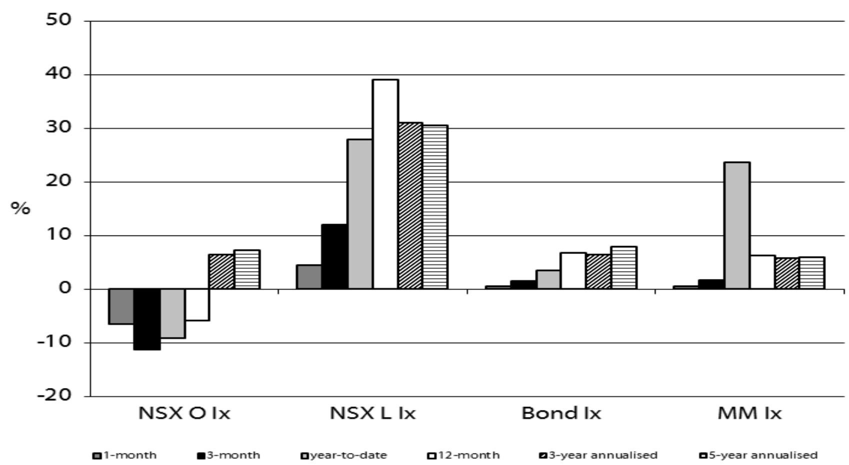
Namibian Asset Performance

The NSX Overall Index closed at 960.69 points in September down from 1037.45 points in August losing 6.55% on a total return basis in September compared to a 4.14% m/m decrease in August. The NSX Local Index increased 4.36% m/m compared to a 4.14% m/m increase in August Over the past 12 months the NSX Overall Index returned -5.92% against +39.01% for the Local Index. The best performing share on the Overall Index in September was Trustco at +20.79%, while Anglo American was the worst performer at -20.87%.

The IJG All Bond Index (including Corporate Bonds) rose 0.49% m/m in September after gaining 0.26% m/m in August. Namibian bond premiums relative to SA yields in August generally weakened with the GC17 premium unchanged at 64bp; the GC18 premium unchanged at 85bp; the GC20 premium unchanged at 110bp; the GC21 unchanged at 83bp; the GC22 premium weakening by 2bp to 119bp; the GC24 premium unchanged at 115bp; the GC25 weakening by 4bp to 129bp; the GC27 premium weakening by 6bp to 125bp; the GC30 premium weakening by 6bp to 128bp; the GC32 premium unchanged at 132bp; the GC35 premium weakening by 2bp to 126bp; the GC37 weakening by 1bp to 137bp; the GC40 premium weakening by 2bp to 137bp; and the GC45 unchanged at 123bp.

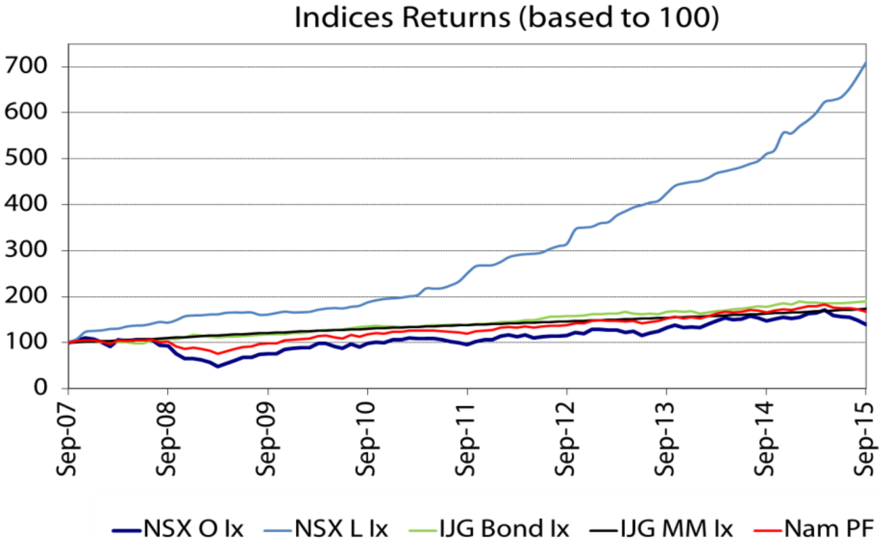
The IJG Money Market Index (including NCD's) increased by 0.53% m/m in September after rising 0.53% m/m in August.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

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

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	-6.55	-11.25	-15.23	-5.92	-9.20	6.32	7.20
NSX Local Index	4.36	11.97	18.23	39.01	27.85	31.06	30.50
IJG ALBI	0.49	1.48	1.31	6.76	3.48	6.37	7.83
IJG GOVI	0.48	1.45	1.21	6.77	3.45	6.48	7.73
IJG OTHI	0.55	1.83	2.24	7.03	4.00	5.93	8.48
IJG Money Market Index	0.52	1.59	3.16	6.29	4.72	5.80	5.90

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] - September 2015

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	-4.15	-12.16	-12.45	-18.51	-16.49	-15.67	-12.87
NSX Overall Index	-10.43	-22.04	-25.78	-23.34	-24.17	-10.34	-6.60
NSX Local Index	0.03	-1.65	3.51	13.28	6.76	10.53	13.70
IJG ALBI	-3.68	-10.86	-11.30	-13.00	-13.59	-10.29	-6.05
IJG GOVI	-3.69	-10.89	-11.39	-13.00	-13.61	-10.20	-6.13
IJG OTHI	-3.62	-10.56	-10.49	-12.78	-13.15	-10.67	-5.48
IJG Money Market Index	-3.65	-10.76	-9.68	-13.39	-38.85	-10.77	-7.73

** annualised*

Source: IJG

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

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			-5.07	-6.88	-11.02	12.42	1.20
banks			-6.92	-10.40	-12.83	12.49	-1.84
BWH	1,581	0.13%	0.30	-7.82	-12.11	14.25	23.29
FST	4,915	16.41%	-6.82	-6.97	-10.57	18.51	-0.15
FNB*	4,100	0.35%	2.50	26.25	52.45	69.95	58.76
NBK	21,970	4.46%	-6.54	-8.09	-5.75	4.82	-8.84
SNB	13,500	17.28%	-7.36	-15.07	-18.22	7.69	-2.87
insurance			6.41	5.77	2.69	10.65	7.73
SNM	22,600	0.85%	6.41	5.77	2.69	10.65	7.73
life assurance			-3.34	-3.01	-10.79	11.58	3.83
MMI	2,379	2.21%	-14.97	-20.01	-24.75	-4.23	-17.49
OLM	3,963	15.33%	0.07	3.41	-1.25	24.96	17.69
SLA	5,980	10.23%	-5.93	-8.95	-22.06	-5.05	-12.33
investment companies			3.52	26.76	29.90	17.54	19.87
NAM*	72	0.00%	3.52	26.76	29.90	17.54	19.87
real estate			1.27	4.99	-0.18	18.36	8.91
ORY*	2,000	0.08%	1.16	4.42	12.49	19.50	15.07
VKN	1,842	0.74%	1.28	5.05	-1.52	18.24	8.26
specialist finance			-1.17	-3.20	6.55	17.43	13.33
IVD	10,585	2.37%	-1.57	-2.59	5.27	15.47	11.91
KFS	794	0.19%	-5.19	-10.28	8.03	0.00	12.59
TUC	422	0.08%	20.79	-4.82	41.95	119.77	58.79
HEALTH CARE			0.00	0.00	0.00	0.00	0.00
health care providers			0.00	0.00	0.00	0.00	0.00
MDC	11,043	3.78%	3.71	0.00	0.00	0.00	0.00
RESOURCES			-39.58	-64.64	-72.15	-100.28	-84.54
mining			-40.44	-65.74	-73.47	-101.50	-85.71
ANM	11,560	12.83%	-20.78	-33.54	-37.49	-51.85	-43.95
PDN	160	0.11%	-16.67	-46.13	-55.92	-58.33	-51.37
FSY	139	0.01%	-10.90	-19.65	-43.03	-43.72	-26.46
DYL	10	0.01%	0.00	11.11	-23.08	-33.33	-23.08
BMN	30	0.00%	-21.05	-34.78	-36.17	-56.52	-55.22
MEY	4	0.00%	0.00	0.00	0.00	0.00	0.00
B2G	1,443	0.44%	-11.64	-24.29	-24.13	-37.86	-21.70
EOG	113	0.01%	-16.91	3.67	49.38	-50.22	-28.93
chemicals			18.39	10.47	17.11	-16.18	-4.63
AOX	1,505	0.20%	18.39	10.47	17.11	-16.18	-4.63
INDUSTRIAL			-3.66	-4.87	-0.33	43.53	12.71
GENERAL INDUSTRIALS							
diversified industrials			-11.19	1.87	-14.77	-14.96	-19.01
BWL	7,540	1.38%	-11.19	-20.97	-14.77	-14.96	-19.01
Suppport Services			0.56	-3.16	-17.11	-15.27	-17.20
BVN*	1,050	0.07%	0.56	-3.16	-17.11	-15.27	-17.20
NON-CYCLICAL CONSUMER GOODS							
beverages			7.40	8.53	10.93	38.89	21.97
NBS*	2,201	0.18%	7.40	8.53	10.93	38.89	21.97
food producers & processors			8.37	-6.02	1.53	51.88	8.37
OCG	9,640	0.36%	-0.09	0.35	-2.75	35.80	-5.65
CYCLICAL SERVICES							
general retailers			-2.87	0.38	12.64	144.57	75.03
NHL*	240	0.00%	0.00	-4.35	-8.33	n/a	-8.33
TRW	8,502	2.83%	-2.88	0.38	12.66	144.72	75.10
NON-CYCLICAL SERVICES							
food & drug retailers	0	0.00%	0.00	0.00	0.00	0.00	0.00
SRH	15,716	7.08%	-3.02	-8.91	-2.69	15.65	-5.00

Source: IJG, NSX, JSE, Bloomberg

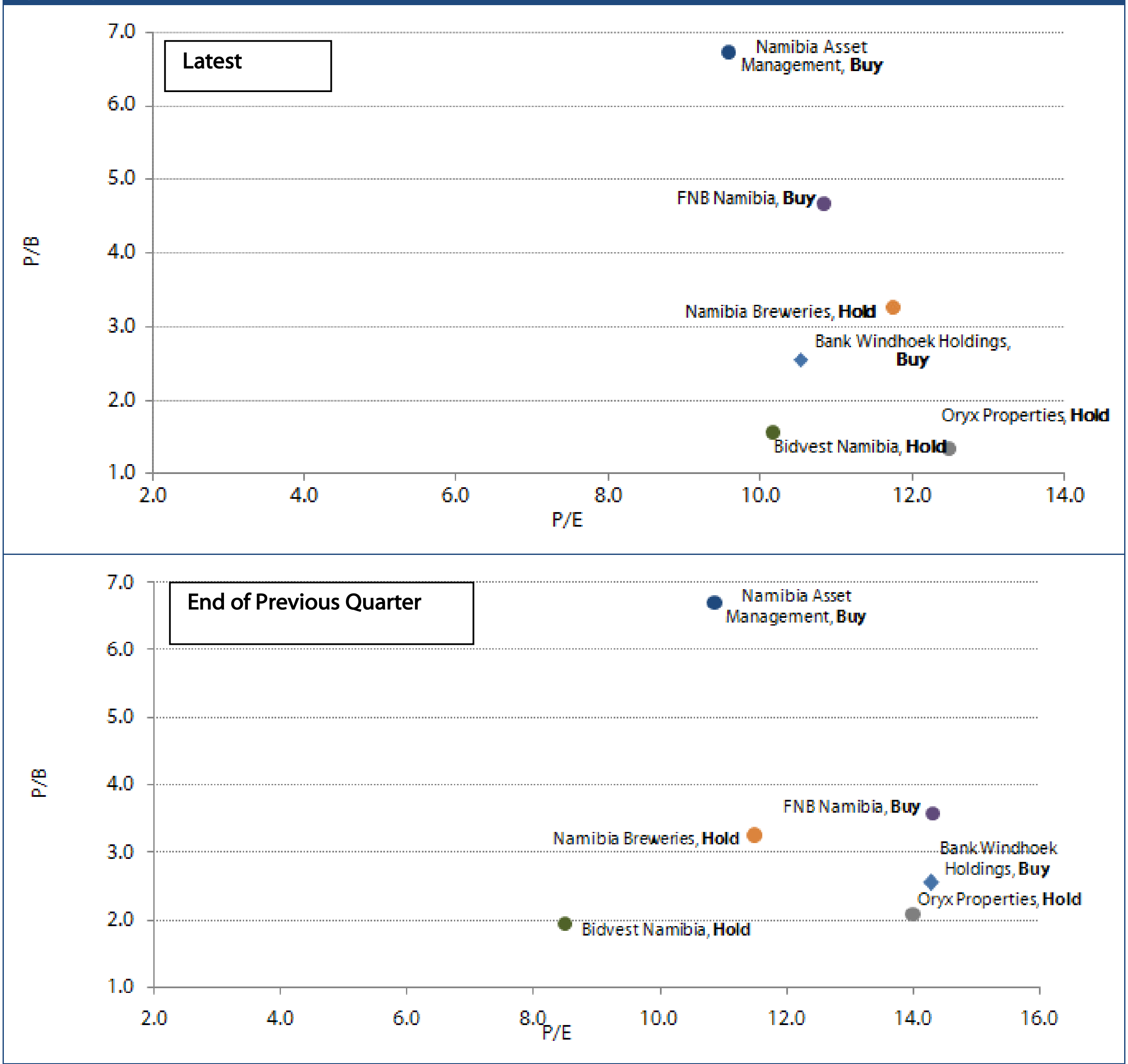
NSX Company Round-Up

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	7,988	1,581	10.5	8.9	150.0	178.0	BUY
FNB Namibia	FNB	10,971	4,100	10.9	9.3	377.6	442.0	BUY
Namibia Asset Management	NAM	144	72	9.6	8.1	7.5	8.9	BUY
Oryx	ORY	1,321	2,000	12.5	12.1	160.0	165.0	HOLD
Namibia Breweries	NBS	4,546	2,201	11.8	11.2	187.0	197.0	HOLD
Bidvest Namibia	BVN	2,226	1,050	10.2	10.1	103.2	103.6	SELL

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

P/B vs P/E



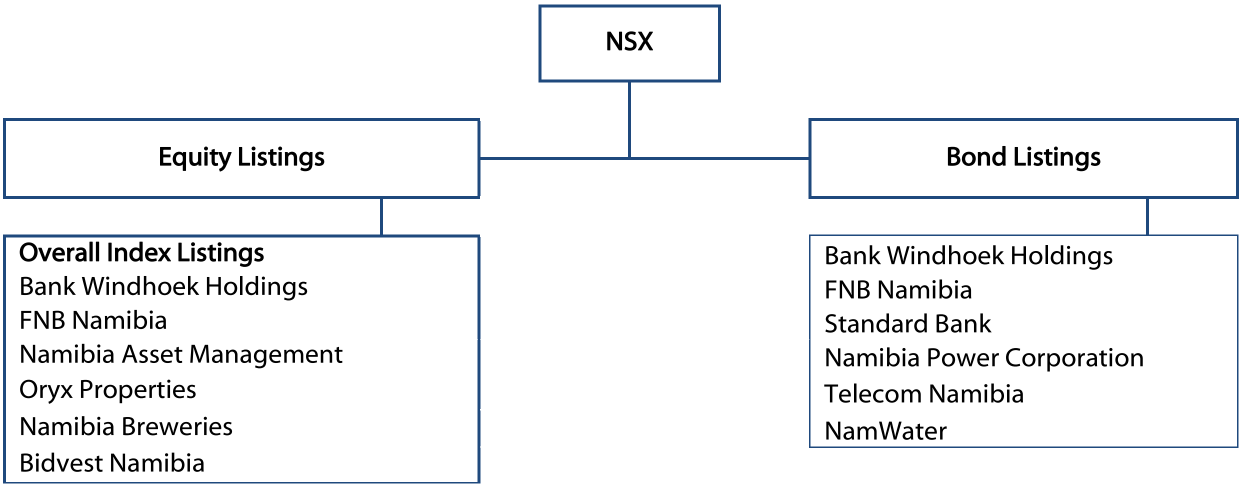
Source: NSX, IJG

Quarterly Recommendations Changes

Overall Index	Target Price (c)	Recommendation	Change from
Bank Windhoek Holdings	1770	BUY	
FNB Namibia	4720	BUY	
Namibia Asset Management	65	BUY	
Oryx Properties	1760	HOLD	
Namibia Breweries	2300	HOLD	SELL
Bidvest Namibia	1050	SELL	

Source: IJG

Coverage of Companies on NSX



Bank Windhoek Holdings

Recommendation: BUY, TP: 1770, Code: BWH

Nature of Business: Bank Windhoek Holdings (BWH) was created in 1982 from Volkskas' Namibian branches. BWH is a Namibian bank assurance business offering a wide spectrum of financial services via its subsidiaries and associates. The bank listed on the NSX on 20 June 2013.

Top Shareholders: Capricorn Investment Holdings (62.8%) Nammic Financial Services (10.5%)

BWH released its results for the year ended 30 June 2015. The firm recorded exceptional growth over the period, with profit before tax increasing by 21.5% year on year, to surpass the N$1 billion mark for the first time in the Bank's history. Profit after tax increased by 20.5% to N$753 million, surpassing our forecast by 7.9%. Earnings per share expanded by 20.6% to 150.4cps, while headline earnings per share expanded 24.4% to 150.5cps. Headline earnings growth exceeded our expectations by 8.3%. A dividend of 53cps was declared by the company, an increase of 20.5% over the previous year, and surpassing our expectation by 3cps, or by 6%.

Net interest income added 19.9% to N$1.267 billion on the back of a 16.7% increase in loans and advances, as well as an improvement in the net-interest margin as interest rate increases in Namibia resulted in a widening margin between South African interest rates (off which a portion of funding is priced) and Namibian rates (off which loans are priced). This income was notably better than forecast, with the company beating our net-interest income expectations by some N$60 million.

On the side of non-interest income, the company experienced growth of 19.4% to N$812 million. According to the Bank, this increase was driven by "strong growth in transaction volumes, and income from trading activities, cards and electronic channels" and comes about despite "the implementation of zero cash handling fees on certain accounts during the year under review."

From an operating expense position, the company continued to perform well, as the cost-to-income ratio improved from 53.6% to 51.6%. This was driven by cost containment despite a notable increase in operating income. All told, operating expenses increased by 13.9% to N$1.042 billion. According to the company, this increase was mainly due to higher staffing numbers, as well as an increase in transaction volumes, as well as investment in technological upgrades.

Over the year, the bank grew its assets by 17.6% to N$28.609 billion, largely off the back of the aforementioned loan book, which grew by 16.7% to N$23.622 billion. Deposits grew by 17.1% to N$21.994 billion, while debt securities in issue increased by 33.7%, to N$2.461 billion. While this increase will no doubt have negatively affected the marginal cost of funding, given the relatively minor relative contribution of debt securities to total funding, the average cost will not have been much affected. Following these developments, the bank's funding position has improved, with the loan-to-funding ratio improving from 98.2% to 96.6%

The overall health of the bank's balance sheet remains extremely good despite a doubling in total impairments on loans and advances in FY15 when compared to FY14. Total impairments remain minute, representing just 0.2% of total advances. The group remains well capitalised with a total risk based capital adequacy ratio of 15.8%, well above the minimum regulatory requirement of 10%

Target price and recommendation: For the purpose of valuing the company, we establish a required rate of return, or **cost of equity, of 14.12%.** Based on this cost of equity, a highly conservative **long-term growth rate for the company of 10.5%,** and a **dividend pay-out ratio of 36%**, broadly in line with historic pay-out ratios, we believe a **PE of 9.9x can be justified** on this share. Given **expected earnings growth of 18.3% in FY16**, taking **total earnings to c178/share**, we derive **a target price of c1770/share**. Coupled with an **expected dividend of 64cps**, we expect a **total return of 14.6% in FY16**. This price and dividend means a **dividend yield of 4.0%.** We thus **change our HOLD recommendation to a BUY recommendation for Bank Windhoek Holdings**.

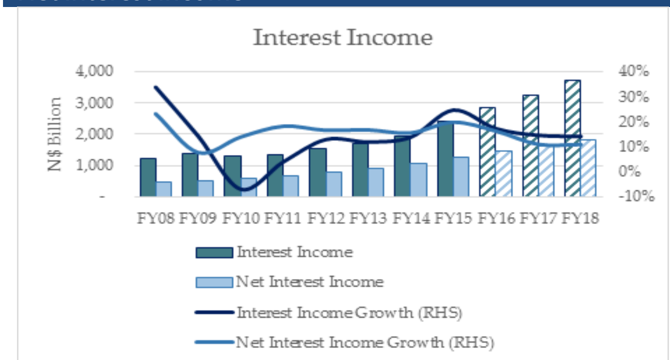
Bull Points:

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

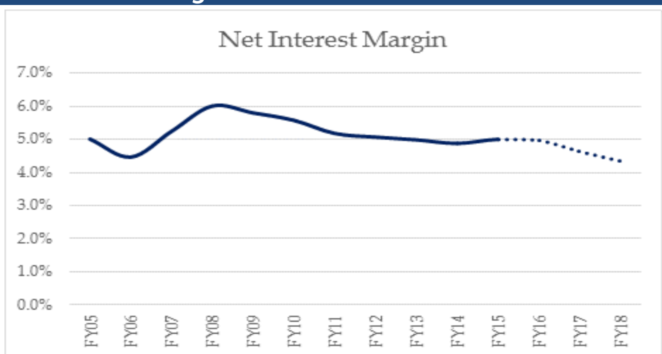
Bear Points:

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

Net Interest Income



Net interest margin



Fiscal Year End: June	2011	2012	2013	2014	F2015
Income Statement Extract (N$m)					
Net interest income	671	783	914	1,057	1,267
Fee and Commission Income	301	355	523	493	564
Operating expenses	643	707	763	915	1,042
Operating profit	404	515	755	793	978
Share of profit from jointly controlled assets	54.8	53.3	60.4	84.3	87.2
Profit before tax	462.6	570.0	816.5	878.3	1,067.1
Income tax (expense)\ credit	134.0	167.4	216.4	253.4	314.1
Net gains on available for sale financial assets	0.9	14.0	22.4	14.2	28.5
Total Comprehensive Income	329.4	416.6	622.5	639.2	781.5
Balance Sheet (N$m)					
Governemnt and other debt securities	1,194.8	1,523.8	1,493.2	2,104.9	2,587.5
Loans and advances	13,004.4	15,484.9	17,652.0	20,245.4	23,621.9
Due from other banks	362.2	211.0	251.4	473.0	740.3
Total Assets	15,984.8	18,921.1	20,938.6	24,318.3	28,608.8
Due to customers	9,852.7	12,126.6	16,915.7	18,782.4	21,994.0
Deposits from banks and others	247.0	237.6	167.0	282.7	130.2
Debt securities in issue	767.3	917.3	943.1	1,841.3	2,461.2
Total Liabilities	14,412.0	17,034.0	18,314.6	21,224.1	24,965.5
Total shareholders' equity	-	-	-	-	-
Growth Rates (%)					
Net interest income	18.2%	16.6%	16.8%	15.6%	38.5%
Loans and advances	14.9%	19.1%	14.0%	14.7%	33.8%
Due to customers	17.0%	23.1%	39.5%	11.0%	30.0%
Total Assets	10.6%	18.4%	10.7%	16.1%	36.6%
Financial Summary					
HEPS (c)	74.0	87.0	109.0	121.0	150.5
DPS (c)	90.0	100.0	32.8	44.0	54.0
NAV (c)	1,573	1,887	2,624	3,094	3,643
Weighted Average shares (m)	448.13	452.48	493.14	501.12	500.52
Key Statistics					
RoAA (%)	0.0%	0.0%	0.0%	0.0%	0.0%
RoAE (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation Metrics					
P/E (x)	21.0	17.9	14.3	12.9	10.3
P/BV (x)	3.0	2.5	14.7	13.2	10.6
Dividend Yield (%)	5.8%	6.4%	2.1%	2.8%	3.5%
Earning Yield (%)	4.8%	5.6%	7.0%	7.8%	9.7%

FNB Namibia Holdings

Recommendation: BUY, TP: 4720, Code: FNB

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

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

FNB Namibia released its results for the financial year ended 30 June 2015. The firm once again posted phenomenal results, with profit for the year up 27.3% to just under N$1 billion, 3.6% above our already aggressive expectation of N$964 million. Headline earnings per share climbed 28.0%, 3.2% ahead of expectations, to 377.6cps. Return on average equity rose to 32.2% from 30.9% in FY14, while return on average assets was 3.6%, up from 3.2% in FY14. On account of these strong results, FNB Namibia announced a final dividend of 112cps. This reflects a notable increase in the dividend payout ratio, which is now at 48.5%, up from 36.9% in FY14, reflecting the strong balance sheet position of the bank.

Net interest income (after impairments) grew by 27.7% on an annual basis, to N$1,453m, while non-interest income expanded by 15.9%, to N$1,260m. The growth in net interest income was driven by two factors, firstly, growth in loans and advances, which expanded by 14.2% over the year; and secondly, an improvement in the net interest margin, up from 4.4% in FY14 to 4.9% in FY15. This improvement comes about due to relatively more rapid increases in interest rates in Namibia vis-à-vis south Africa, as (some) deposits are priced off South African interest rates, while loans tend to be priced off Namibian rates. Non-interest income growth was driven by a number of factors, however is primarily ascribable to a notable increase in electronic transactions, which according to the company, grew 17% over the year. Moreover, the company notes that "traditional activities now contribute only 10% of total volumes". From a combined transactional volume perspective, transactions increased 15%, due to a 10% increase in customer numbers and an 8% increase in active accounts.

The bank's operating costs increased by 14.3%, to N$1.2 billion, however due to significantly stronger growth in income, the bank's cost to income ratio improved to 43.9%, from 46.9% in FY14. The main cost increases were driven by staff costs, which climbed 16.7%, due to wage increases and a larger staff complement. Operating costs also reflect continued investment in infrastructure, with new branches added at the Grove Mall and in Kuisebmund, while the Okahandja and Maerua Mall branches were relocated. In addition, 46 additional ATMs were installed though the year.

Despite a 170% increase in impairment losses, the ratio of these losses to total advances remains minute, at just 0.22%. Total impairment losses totalled N$49.9m in FY15, from N$18.4m in FY14. As mentioned, however, this is negligible when compared to total advances of N$22.8 billion. The ratio of non-performing loans to gross advances improved to 0.74%, from 0.80% in FY15. This represents an increase in non-performing loans of 4.8%, to N$171 million, from N$164 million in FY14, well below the increase in advances over the period. Thus, the asset quality of the bank remains excellent, as attested to by these highly favourable ratios, despite increasing interest rates.

Valuation: Based on a required **rate of return of 14.12%,** a highly conservative **long-term growth rate for the company of 10.0%,** and a **dividend pay-out ratio of 44%**, broadly in line with historic pay-out ratios, we believe a **PE of 10.7x can be justified** on this share. Given **expected earnings growth of 17.1% in FY16**, taking **total earnings to c442/share**, we derive **a target price of N$c4720/share**. Coupled with an **expected dividend of 194cps**, we expect a **total return of 15.6% in FY16**. This price and dividend means a **dividend yield of 4.1%.** We thus **maintain** our **BUY** recommendation on FNB Namibia, which remains our **most preferred locally listed stock**.

Bonds: FNB currently has N$390m nominal bonds in issue, N$280m in the FNBJ22 and N$110m in the FNBX22. The FNBJ22 is benchmarked against the 3-month JIBAR at a premium of 165bp and the FNBX22 trades at a premium of 50bp to the GC17.

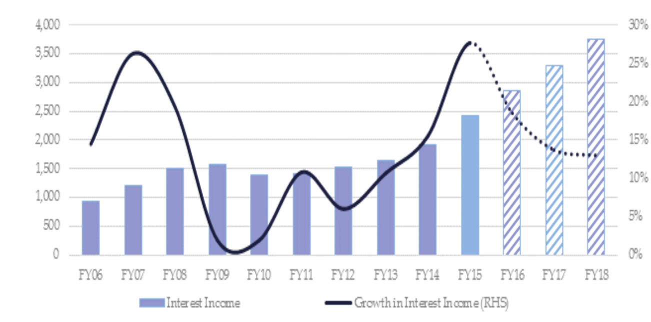
Bull Points:

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

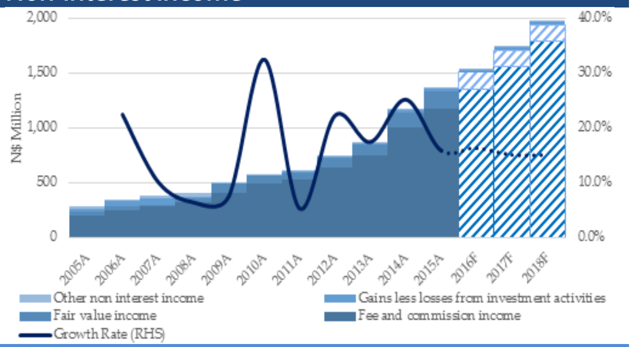
Bear Points:

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

Interest Income



Non-interest income



Cash and short-term funds	2010	2011	2012	2013	2014	F2015
Income Statement (N$m)						
Net interest income after impairments	744.7	851.8	931.8	961.6	1,119.6	1,403.0
Non-interest income	574.3	604.9	739.6	868.5	1,087.4	1,260.1
Net insurance premium income	56.2	71.9	84.5	99.7	125.8	153.9
Net claims and benefits paid	(38.3)	(41.4)	(41.0)	(50.9)	(71.1)	(82.3)
INCOME FROM OPERATIONS	1,334.6	1,486.5	1,719.3	1,879.0	2,261.6	2,734.7
Operating expenses	(718.7)	(768.9)	(884.1)	(944.3)	(1,069.4)	(1,222.0)
Income from associates	5.2	5.0	3.0	2.0	0.6	0.6
Profit before tax	621.1	722.5	838.2	936.7	1,192.8	1,513.3
Income tax (expense)\ credit	(218.0)	(258.3)	(299.6)	(329.0)	(408.2)	(514.6)
Minorites	29.6	42.7	9.9	11.0	11.4	14.6
Net Profit	458.9	539.0	772.0	607.6	784.6	998.7
Balance Sheet (N$m)						
Cash and short-term funds	455.2	428.1	1,002.1	690.3	867.6	795.2
Loans and advances	11,226.7	12,464.3	14,076.8	16,964.7	19,990.8	22,833.7
Due from other banks	851.2	763.1	1,925.7	1,889.0	1,766.3	1,585.0
Investment Securities	2,799.7	1,643.5	2,144.4	2,272.8	2,833.1	3,365.9
Total Assets	15,937.1	17,163.9	19,697.6	22,499.4	26,255.8	29,784.3
Deposits and current accounts	12,045.9	13,305.6	16,238.5	18,835.7	21,522.4	23,951.8
Due to banks and other fin institutions	54.3	43.9	48.4	319.1	813.0	1,020.0
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	26,395.5
Shareholders' equity	1,951.6	1,820.1	2,362.0	2,262.0	2,745.9	3,348.7
Minorities	199.5	165.7	21.6	27.7	31.3	40.2
Total shareholders' equity	2,151.1	1,985.8	2,383.6	2,289.7	2,777.2	3,388.9
Growth Rates (%)						
Income from operations	6.3%	11.4%	15.7%	9.3%	20.4%	20.9%
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%	11.3%
Assets	13.0%	7.7%	14.8%	14.2%	16.7%	13.4%
Financial Summary						
EPS (c)	166.1	191.8	294.3	230.2	297.7	377.6
HEPS (c)	165.7	191.6	203.1	229.4	294.7	377.6
DPS (c)	67.0	247.0	262.0	100.0	109.0	183.0
NAV (c)	755.1	703.6	912.0	872.6	1,057.0	1,290.9
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%	5.2%
RoA (%)	2.7%	2.8%	2.9%	2.9%	3.2%	3.6%
RoE (%)	20.6%	22.4%	24.7%	26.0%	31.0%	32.4%
Valuation Metrics						
P/E (x)	25.6	22.2	20.9	18.5	14.4	11.3
P/BV (x)	5.6	6.0	4.7	4.9	4.0	3.3
Dividend Yield (%)	1.6	5.8	6.2	2.4	2.6	4.3
Earning Yield (%)	3.9	4.5	4.8	5.4	6.9	8.9

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.

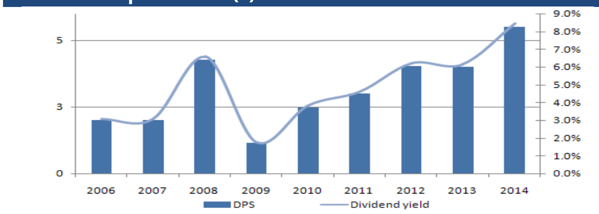
Outlook: In the results statement, NAM highlighted that the outlook on the macroeconomic environment remains uncertain although recent US economic statistics have positively surprised. However, risks around Europe and China continue to increase and recent data confirms that growth is slowing. The Namibian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

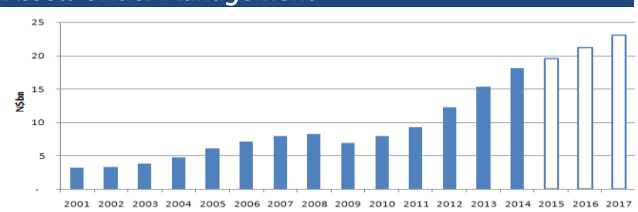
Bull Points:
- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

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

Oryx Properties

Recommendation: HOLD, TP: 1760c, Code: ORY

Nature of Business: Oryx Properties (Oryx) is a property loan stock company listed in the Real Estate sector on the NSX. Retail makes up 62% of the portfolio (mainly from Maerua Mall shopping centre in Windhoek) while Industrial contributes 28% to the portfolio and Offices contribute 10%.

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

FY15Highlights: Oryx Properties Limited (Oryx) released its results for the financial year ended 30 June 2015, reporting 7.1% distribution growth to 158.5 cpu from 148.0 cpu reported for FY14, and 5.7% above our estimate of 149.9 cpu. Over the same period EPU increased by 35%, from 331.75c to 448.11c, largely on account of an increase in the fair value of investment properties. As such, the property portfolio is now independently valued at N$2.2 billion, up from N$2.0 billion as at the end of June 2014. HEPU fell by 1.6% to 159.54c from 162.16c in FY14 due to a larger share base being employed to calculate the figure. Thus, headline earnings are up modestly on the back of better than expected net rental income.

Net rental income increased by 19% y/y to N$193.9m, supported by above average occupancy levels and a low interest rate environment for most of the period. Rental expenses increased by 80% to N$75.5m, largely on the back of the bulk metering of electricity. Oryx reported a profit for the period of N$191.3m up 79% y/y, from N$106.9m, largely as a result of a revaluation of the property portfolio.

Vacancies as a percentage of lettable area fell to 0.7% for the year compared to 0.9% in FY14. 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. The vacancy rates are still well below our projections of 1.5%. Strong lease agreement renewals were once again exhibited as management continues to build on creating an attractive environment for tenants.

Net asset value per liked unit increased by 16.6% to 1,915 cents per unit compared to 1,643 cents per unit in FY14. The property valuation process is conducted on a relatively conservative manner according to Oryx management. The net asset value of 1,915 cents per share gives Oryx a current price to book value of approximately 1.0x.

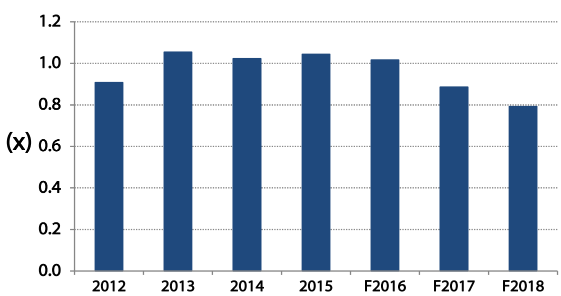
The weighted average interest rate paid on the company's debt has remained at 8.7% for FY15, as Oryx management continue to fix rates amid the current interest rate hiking cycle. The weighted average interest rate of variable rate borrowings has increased to 9.4% from 8.4% in FY2014, while the weighted average interest rate of fixed rate borrowings (fixed via swap agreements) is 8%. The ratio of fixed rate debt to variable rate debt was 46:54 at FY2015.

Valuation: We retain our HOLD on Oryx although we have changed our target price to 1,760 cents per share. While distribution yields are currently low in comparison to government debt, the conservative and reasonable nature of the property valuation process goes far in reassuring us that Oryx will continue to grow distributions at a steady rate. The current share price is overdone however and this negatively affects the distribution yield during the period under review. The average yield on the IJG Generic 10 year bond over the last year has been 9%. Should this be substituted for the required distribution yield on Oryx we calculate a target price of 1,760 cents per share. The same calculation done over a five year average results in a price of 1,825 due to a lower average yield of 8.7% on risk free debt. We believe that the one year price of 1,760 is more reflective of the current risks in the market due to Government's external position and the liquidity issues facing the country at present. This is thus our target price for the current valuation.

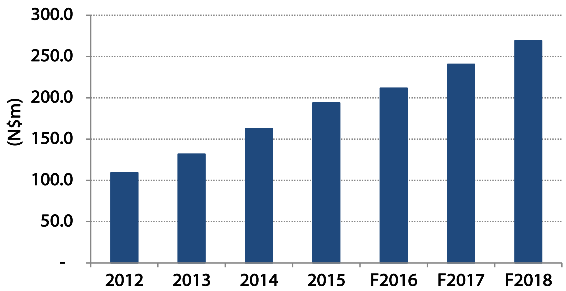
Bull Points:
- Very low vacancy levels
- Location of properties
- Quality tenant profile
- Value adding acquisitions

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

Price to Book



Net Rental Income



Fiscal Year End	2011	2012	2013	2014	2015	F2016
Income Statement (N$m)						
Revenue	115.3	132.8	160.6	204.8	269.4	294.7
Rental expense	21.7	23.6	28.9	41.9	75.5	83.1
Net rental income	93.6	109.2	131.7	162.9	193.9	211.6
Investment income	0.4	1.2	0.8	0.9	0.9	1.1
Amortisation of debenture premium	2.8	2.8	3.2	7.7	11.2	25.6
Fair value changes	90.9	41.1	5.5	71.5	179.4	107.5
Other expenses	(6.6)	(8.6)	(10.4)	(10.6)	(11.7)	(12.5)
Finance cost	(21.5)	(28.3)	(37.9)	(52.1)	(76.1)	(64.1)
Debenture interest	(64.7)	(70.5)	(76.8)	(97.8)	(104.7)	(129.3)
Profit before tax	95.0	36.4	20.0	111.7	192.5	139.9
Income tax expense	0.2	(1.3)	4.6	4.8	1.2	5.0
Net Profit	94.9	37.7	15.4	106.9	191.3	135.0
Balance Sheet (N$m)						
Cash and other liquid assets	4.9	3.0	3.6	14.3	9.8	4.0
Investment properties	1 041.5	1 239.7	1 447.3	1 924.6	2 149.9	2 257.4
Trade and other receivables	10.8	11.7	18.7	22.2	24.1	26.5
Total Assets	1 084.1	1 284.2	1 507.3	2 015.0	2 248.6	2 347.4
Linked unitholders for distribution	33.6	36.5	39.8	53.4	57.3	64.9
Debentures	247.1	247.1	247.1	296.6	296.5	355.9
Long-term borrowings	256.2	395.7	590.4	815.6	872.1	660.0
Total Liabilities	607.7	770.1	978.2	1 379.0	1 421.3	1 477.1
Total shareholders' equity	476.4	514.2	529.1	636.1	827.4	870.3
Growth Rates (%)						
Revenue	19%	15%	21%	28%	32%	9%
Rental expense	8%	9%	23%	45%	80%	10%
Net rental revenue	22%	17%	21%	24%	19%	9%
Investment properties	-93%	211%	-39%	18%	-4%	26%
Assets	18%	18%	17%	34%	12%	4%
Liablilities	13%	27%	27%	41%	3%	4%
Financial Summary						
HEPU (c)	117	128	139	162	160	165
DPU (c)	118	128	140	148	159	164
NAV (c)*	1 397	1 461	1 483	1 759	1 915	1 968
Weighted Average shares (m)	55	55	55	62	66	79
**realisable NAV*						
Key Statistics						
Vacancies (as % of GLA)	2.6%	0.6%	0.5%	0.9%	0.7%	1.5%
Property expenditure/revenue	19%	18%	18%	20%	28%	28%
Debt/Equity	0.5	0.8	1.1	1.3	1.1	0.8
Valuation Metrics						
P/E (x)	17.0	15.6	14.3	12.3	12.5	12.1
P/BV (x)	0.8	0.9	1.1	1.0	1.0	1.0
Distribution Yield (%)	10.5%	9.7%	8.9%	8.2%	7.9%	8.2%
Earning Yield (%)	10.5%	9.7%	8.9%	9.0%	8.0%	8.3%

Namibia Breweries Limited

Recommendation: HOLD, TP: 2300, 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.

FY15 Results

Namibia Breweries (NBS) released results for the year ended 30 June 2015. The full year results reflect a stable operational performance with operating profit up 12.2% y/y. Basic EPS increased 26.0% y/y to 125.4c and HEPS is up 17.6% from 159.1c to 187.1c. The board declared a final dividend of 37cps, taking the total dividend for the year to 74cps, up 8.8% on last year.

Sales and Volumes

NBS managed to increase local sales volumes, however, export sales declined with the migration of RTD production to Sedibeng Brewery. Revenue increased by 5.1% y/y to N$2.434 billion, with total sales of goods up by 4.9% y/y, while royalty income rose 9.0%. Locally, sales volumes continued to increase on the back of beer sales, which was led by Tafel Lager and Windhoek Draught. As RTDs are generally a lower margin business than the core, beer, business, the drop in RTD volumes lead to an increase in the operating margin and cushioned the blow on the bottom line.

Revenue per Category	FY14	FY15	y/y % Δ
Beer	2,105,731	2,266,443	7.6%
Softs	121,247	133,911	10.4%
RTDs	82,808	29,146	-64.8%
Other	7,146	4,677	-34.6%
Total	**2,316,932**	**2,434,177**	**5.1%**

Export Markets

Volumes produced by NBS and sold to the DHN Drinks joint venture (JV) in South Africa increased slightly in FY15, however the total value of export sales to South Africa, including products sold to Heineken and Diageo decreased 8.9% or N$91.8 million, largely on account of the migration of production volumes to the Sedibeng Brewery in South Africa, which according to management is in line with the volume migration plan, together with the fact that Diageo is selling out of the JV. Most of the migration was from the RTD products, which in value terms, decreased by N$53.7 million or 64.8% for NBS. Export sales continued to decline as a percentage of total sales of goods, as production was moved from the local plant to the Sedibeng Brewery. Export sales to South Africa were recorded at 39.8% of total sales, down from 45.9% a year ago.

DHN Drinks JV

The equity loss from the JV increased to N$127.5 million in FY15, from N$120.3 million in FY14, with the increase attributed to a fiercely competitive environment in South Africa and timing differences relating to marketing and operational spend. On 27 July 2015, NBS entered into an agreement to acquire 25% of the issued share capital of Sedibeng Brewing (Pty) Ltd and an additional 9.5% of the issued share capital of DHN Drinks (Pty) Ltd from Diageo Highlands Holdings. The total estimated investment required is N$610.0 million, which according to the company will be "financed out of operations and by way of a medium term loan to the amount of N$200.0 million".

Intrinsic Value: We use a dividend discount model to assess the intrinsic value of the company. Our required rate of return of 14.1%, is based on a risk free rate of 8.22% (GC25), equity risk premium of 4.6%, a beta of 1.0, and a long-term sustainable growth rate of 10.5%. Based on these assumptions and our forecasted dividends for NBS, we value the company at an intrinsic value of N$18.45 per share.

Valuation: Using a justified PE multiple of 14.0x, however, we set a target price for NBS of N$23.00 per share. This implies an expected total return of 7.8% over the next twelve months. Generally, we are notably more optimistic as to the future of the company following the restructuring of the JV and after NBS gained a share of the Sedibeng Brewery, which was critical to the JV's success from an NBS perspective. We remain cautious as to the effect SAB will have on the company's market share domestically going forward, as well as the impact of the potential water challenges the company may experience in FY16 and FY17. Nevertheless, we change our SELL recommendation to HOLD, based on the company's improved outlook following the JV change.

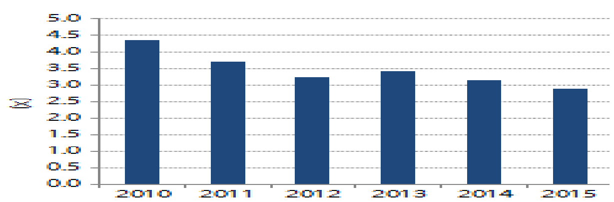
Bull Points:

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

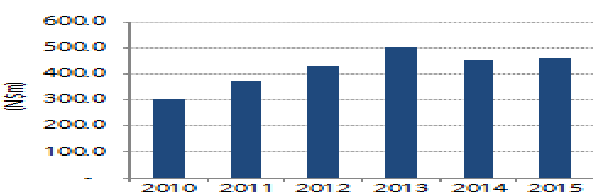
Bear Points:

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

Price to Book



Operating Profit



Fiscal Year End	2010	2011	2012	2013	2014	2015	2016
Income Statement (N$m)							
Sales Revenue	1,731.1	1,797.1	2,160.1	2,383.4	2,316.9	2,328.7	2,370.0
Operating Profit	303.0	375.3	429.0	500.1	451.3	460.7	446.5
Net interest income(expense)	6.3	6.9	(0.9)	(3.3)	(2.6)	(5.2)	14.9
Profit before tax	230.9	307.3	336.0	199.7	328.7	335.5	361.3
Income tax expense	(71.1)	(96.0)	(114.0)	(126.8)	(122.9)	(107.4)	(115.6)
Net Profit	159.8	211.3	222.0	72.9	205.9	228.2	245.7
Balance Sheet (N$m)							
Cash and other liquid assets	177.0	91.7	91.9	267.8	55.9	647.6	716.5
PPE	474.1	668.6	799.8	827.7	874.9	832.3	832.7
Intangible assets	2.7	4.6	6.4	12.2	11.5	2.7	0.9
Investment in JV	553.4	121.4	118.1	13.6	-	118.1	118.1
Inventories	124.5	151.1	203.2	285.9	209.6	240.5	270.7
Total Assets	1,609.7	1,406.7	1,672.5	1,714.2	1,541.2	2,086.8	2,251.1
Interest bearing debt	159.1	189.4	270.2	275.4	114.6	200.0	200.0
Current liabilities	380.8	304.9	356.1	672.8	397.1	461.6	415.7
Non-current liabilities	529.7	310.1	409.2	180.9	212.4	395.0	413.7
Total Liabilities	910.5	615.0	765.2	853.7	609.6	856.5	829.4
Total shareholders' equity	677.5	791.7	907.3	860.5	931.6	1,018.7	1,194.0
Growth Rates (%)							
Sales	10.5%	3.8%	20.2%	10.3%	-2.8%	0.5%	1.8%
Opertaing Profit	18.1%	23.9%	14.3%	16.6%	-9.7%	2.1%	-3.1%
Cash and other assets	165.3%	-48.2%	0.3%	191.4%	-79.1%	1057.7%	10.6%
Interest Bearing debt	2020.4%	19.1%	42.6%	2.0%	-58.4%	74.5%	0.0%
Inventories	-33.0%	21.4%	34.4%	40.7%	-26.7%	14.8%	12.5%
Assets	6.4%	-12.6%	18.9%	2.5%	-10.1%	35.4%	7.9%
Financial Summary							
EPS (c)	77.4	102.3	107.5	35.3	99.5	125.4	119.0
DPS (c)	45.1	49.0	54.0	62.0	68.0	74.0	71.6
NAV (c)	3.28	3.83	4.39	4.17	4.51	4.93	5.78
Valuation Metrics							
P/E (x)	28.4	21.5	20.5	12.4	22.1	17.6	18.5
P/BV (x)	4.3	3.7	3.2	3.4	3.2	2.9	2.5
Dividend Yield (%)	2.0	2.2	2.5	2.8	3.1	3.4	3.3
Earning Yield (%)	3.5	4.6	4.9	8.1	4.5	5.7	5.4

Bidvest Namibia

Recommendation: SELL, TP: 1050, 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%)

FY15 Results

BVN released disappointing results for the 2015 financial year. As we expected, the firm's results reflect the difficulties the fishing division finds itself in. FY15 Basic EPS increased by 17.8% y/y to 136.5 cents per share, which was due to the sale of one of the fishing vessels at approximately N$100.0 million, while the severe margin pressure contributed towards an 11.0% y/y fall in HEPS to 103.2 cents per share. At N$3.535 billion, revenue is down 4.6% from last year, however, trading profit shrunk 17.1% to N$415.6 million. A final cash dividend of 34cps was declared, taking the total dividend to 56cps for the year, thus the company cut dividends by 11.1% when compared to FY14.

Margin Pressure

Trading profit shrunk by 17.1% y/y to total N$415.6 million. Of this N$85.7 million decrease, N$61.6 million is attributed to a decrease in trading profit in the fishing division. As usual, the fishing division supplied the largest share of trading profit, coming in at N$345.5 million or 83.1%. This figure is 15.1% lower than the N$407.1 million seen in FY14, reflecting depressed margins resulting from lower quota allocation from the Ministry of Fisheries and Marine Resources (MFMR) and higher quota rental fees. The FY15 trading profit margin for the fishing division fell to 22.9% from 24.5% reported in FY14.

Freight and Logistics performed poorly, with lower project activity in the oil and gas industry as mining and oil exploration slowed down in Namibia. This division reported an 18.5% decrease in trading profit and made up 8.6% of trading profit, down from 8.8% in the previous year.

Food and Distribution contributed 2.3% of total trading profit, down from 4.9% last year as trading profit fell 61.1% y/y to N$9.5 million, highlighting a very poor second half as BVN reported trading profit for this division of N$15.2 million during the first half of the year. Trading profit was largely affected by the loss of the contract for distribution of Namibia Poultry Industry products.

Uncertain outlook for Bidfish

The outlook for the fishing division remains challenging according to company's management, given uncertainties surrounding quota allocations and regulatory changes. Additionally, we expect the market price for horse-mackerel to 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:

The stock is currently trading on a FY16 dividend yield of 5.6% based on expected full year dividends of 59cps, due to expected earnings per share of 106.8c and an assumed 55% payout ratio. This is in line with its average yield of 5.8% over the last five years, but is relatively unattractive to cash yields that are on the rise.

The 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 and regulatory changes will negatively affect the company's bottom line, thus revenue and trading profit margins are expected to contract further through FY16. In addition, quota and price uncertainty have notably decreased earnings visibility beyond 2016.

We have adjusted our earnings forecast and target price following a detailed analysis of the full year results. We forecast FY16 earnings of N$1.07 per share and calculate a target price of N$10.50 per share based on a justified PE ratio of 9.8 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 with acquisitions such as Novel Motors. In addition, however we do not expect the stock to trade much lower from current levels given the illiquidity of such and the possibility that once sold stock may be difficult to rebuy in future. Nevertheless, due to the current challenges faced by the company and limited earnings visibility, we have left our recommendation on SELL.

Bull Points:

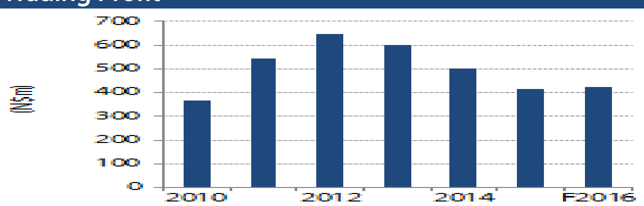
- Exchange rates
- Strong brands in the industries in which BIDNam operates
- Oil price

Bear Points:

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

Price to Book

Trading Profit



Fiscal Year End	2010	2011	2012	2013	2014	2015	F2016
Income Statement (N$m)							
Sales Revenue	1608	1919	2731	3355	3703	3535	3596
Cost of sales	(1102)	(1207)	(1890)	(2488)	(2832)	(2783)	*
Gross Profit	506	712	841	867	872	752	*
Operating expenses	(159)	(186)	(209)	(281)	(385)	(360)	*
Trading Profit	369	545	647	601	501	416	439
Net interest income(expense)	1.3	6.1	17.6	13.0	16.3	27.1	8.0
Income from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	353	568	672	615	517	545	447
Income tax expense	(116)	(184)	(211)	(188)	(174)	(133)	(134)
Minorites	72	126	162	161	98	123	86
Net Profit	237	384	469	444	349	425	313
Balance Sheet (N$m)							
Cash and other liquid assets	591	780	785	853	782	908	*
Propert, Plant and Equipment	549	569	764	830	842	829	*
Intangible assets	39	31	31	35	31	28	*
Goodwill	69	69	102	120	119	119	*
Inventories	217	230	324	376	400	432	*
Total Assets	1725	1940	2469	2779	2765	3025	*
Interest bearing debt	50.2	0.0	0.0	0.0	2.6	0.1	*
Current liabilities	417	390	517	586	455	526	*
Non-current liabilities	151	149	239	233	245	220	*
Total Liabilities	569	539	757	820	699	747	*
Shareholders' equity	1156	1402	1712	1959	2065	2278	*
Total shareholders' equity	1725	1940	2469	2779	2765	3025	*
Growth Rates (%)							
Sales	16%	19%	42%	23%	10%	-5%	1.7%
Trading Profit	30%	48%	19%	-7%	-17%	-17%	5.5%
Cash and other assets		32%	1%	9%	-8%	16%	
Inventories		6%	41%	16%	6%	8%	
Assets		13%	27%	13%	-1%	9%	
Financial Summary							
EPS (c)	86	125	143	130	116	137	107
HEPS (c)	0	120	140	130	116	103	107
DPS (c)	36	54	63	69	63	56	59
Weighted Average shares (m)	192	207	210	212	212	212	212
Key Statistics							
Operating margin (%)	22%	29%	24%	18%	14%	15%	12%
Current ratio (x)	2.5	3.3	3.0	3.0	3.9	3.6	*
Debt/Equity	2.9%	0.0%	0.0%	0.0%	0.1%	0.0%	
RoE (%)	32.4%	36.7%	37.0%	29.8%	22.1%	24.4%	22.1%
Valuation Metrics							
P/E (x)	12.28	8.42	7.37	8.11	9.07	7.70	9.84
P/BV (x)	2.01	1.82	1.55	1.41	1.32	1.19	1.45
Dividend Yield (%)	3.4%	5.1%	6.0%	6.6%	6.0%	5.3%	6.0%

Maintenance Coverage

Stimulus Investments

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

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

FY14 Highlights:

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

The firm advised that the size of the investment portfolio (excluding cash) experienced organic growth, stemming from a combination of corporate action and growth in the 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

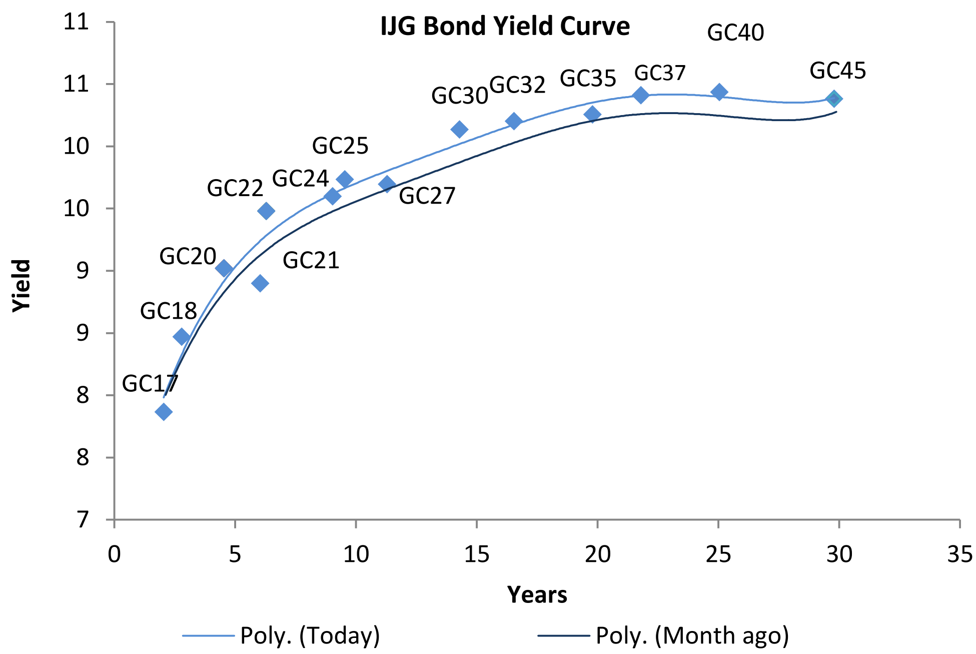
Bear Points:

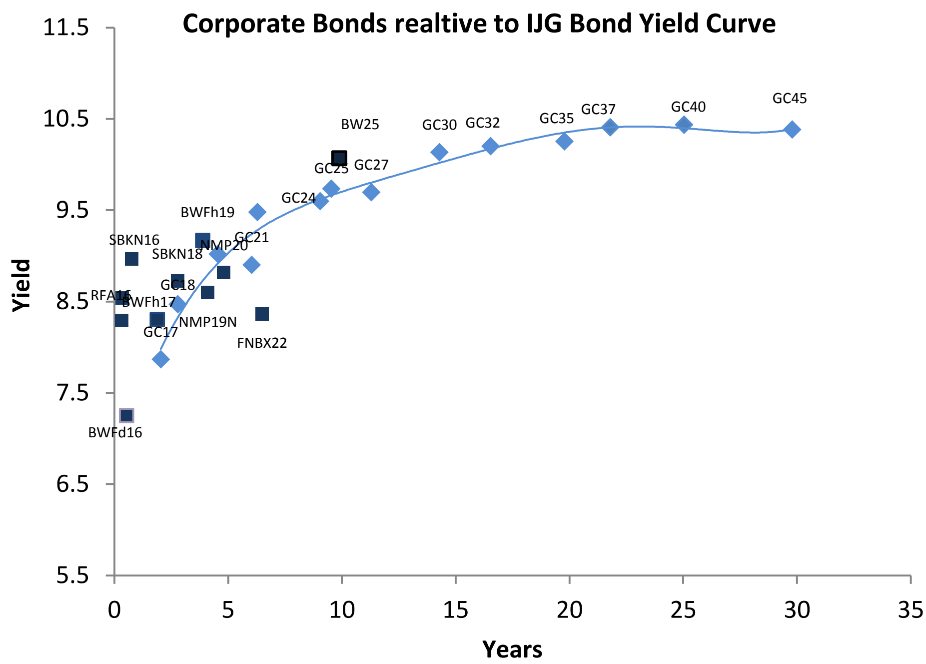
- Financial skills shortage

Bond Listings

- Bank Windhoek Holdings
- FNB Namibia
- Standard Bank Namibia
- Namibia Power Corporation
- Telecom Namibia

<u>30 September 2015:</u>





Standard Bank Namibia

Nature of Business: Standard Bank Namibia is one of the largest financial services groups in Namibia with a total asset base of N$21.8bn as at FY14. Standard Bank offers a full range of banking services as well as insurance broking, asset management, unit trusts and safe custodianship services.

Top Shareholders: Standard Bank Group (100%)

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

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

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

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

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

Maturity dates for the bonds are as follows:

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

Bull Points:

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

Bear Points:

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

Namibia Power Corporation

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

Top Shareholders: Namibian Government (100%)

FY14 Highlights

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

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

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

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

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

Bonds: NamPower currently has two bonds, NMP19N and NMP20N, to the amounts of N$250m and N$500m respectively, listed on the NSX. The NMP20 bond has a coupon rate of 9.35% and is trading at a 90bp premium to its benchmark (R207), while the NMP19N has a 10.00% coupon and trades 13bps over the GC18.

Bull Points:

- Financial support from Government
- Electricity generation and transmission monopoly in Namibia
- Cheap electricity generative fuels (diesel & coal)
- Future generation prospects receiving the necessary attention

Bear Points:

- High electricity demand from mining sector
- High reliance on imported electricity

Telecom Namibia

Nature of Business: Telecom Namibia Limited (Telecom) is the national telecommunications operator and sole fixed line service provider in Namibia. Telecom provides mobile telephony (Switch) and broadband – data network in addition to fixed line telephony.

Top Shareholders: Namibia Post and Telecommunication Holdings (100%).

FY13 Highlights:
Telecom's FY13 saw a 7.25% increase in revenue to N$1.31bn from N$1.22bn previously. Operating profit was reported at a loss of N$140.2m for the financial period, down from the last year's restated amount of N$116.8m which represents a decrease of 220%. Group profit after tax fell to a negative N$167.1m down from a profit of N$52.3m in FY12. The group posted an uncharacteristic profit in FY12 as losses of N$87.4m and NS122.2m were posted in FY11 and FY10 respectively. This growth was attributable to the increased uptake of the broadband offerings (up 500% from 2009 to 2012) following the capital investment amounting to N$746m since 2009, but seems to have been unsustainable.

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

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

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

Bonds: Telecom currently has five bonds in issue, the TCN15, TCN16, TCNF01, TN15 and TCNF02, with a total nominal amount of N$347m. The TCN15, TCN16, TCNF01, TN15 and TCNF02 are trading at premiums of 149bps, 175bps, 151bps, 91bps and 149bps relative to their respective benchmarks. All of these will be maturing before the end of 2016.

Bull Points:

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

Bear Points:

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

Important Company Dates

Company	Share code	Fin year	Interims	Finals
Bank Windhoek Holdings	BWH	30-Jun	28-Feb	30-Sep
FNB Namibia	FNB	30-Jun	28-Feb	30-Sep
Namibia Asset Management	NAM	30-Sep	30-Jun	30-Nov
Trustco Group Holdings	TTO	31-Mar	31-Dec	30-Jun
Oryx Properties	ORY	30-Jun	28-Feb	29-Aug
Bidvest	BVN	30-Jun	31-Mar	30-Sep
Namibia Breweries	NBS	30-Jun	31-Mar	30-Sep
Nictus	NCT	31-Mar	31-Dec	30-Jun
Paladin Energy	PDN	30-Jun	31-Dec	30-Sep
B2Gold	B2G	31-Mar	30-Sep	28-May
Eco (Atlantic) Oil & Gas	EOG	31-Mar	31-Dec	30-Jun
Deep Yellow	DYL	30-Jun	31-Dec	30-Sep
Bannerman	BMN	30-Jun	31-Dec	30-Sep
Forsys Metal Corporation	FSY	31-Jan	30-Sep	30-Apr
Marenica	MEY	30-Jun	31-Dec	30-Sep

Source: NSX, Company reports

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

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