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Economic Backdrop

Mid-Term Budget Review

Summary:

The Minister of Finance tabled his mid-term budget for the 2016/17 fiscal year on the 27th of October, 2016.

The budget was characterised by deep spending cuts, driven as a result of weaker than expected revenue collections in the first half of the year, and thus major downward revisions to full year revenue expectations. In total, revenue has been revised down by N$6.3 billion, of 10.9% in 2016/17, and has been revised down by an even larger N$9.3 billion or 14.6% in 2017/18. Revenue for 2016/17 is now expected to be 1.4% lower than the "preliminary" revenue for 2015/16, illustrating a revenue contraction. 2017/18 is still expected to see revenue growth, but only by 6.0%.

The weak revenue outturn has resulted from a number of macroeconomic factors, including but not limited to drought, increasing interest rates, lower government spending (feedback loop), the end of a construction boom, less foreign direct investment, commodity price weakness, less Angolan activity in the Namibian market and infrastructure challenges. As a result, most of the major revenue lines have been revised down as follows:

- Income Tax on Individuals, revised down N$4.3 billion, or 27.9%.
- Company Taxes revised down N$1.1 billion, or 12.5%.
- VAT + Additional Sales Tax + General Sales Tax revised down N$23 billion, or 15.6%.

Due to the low revenue, deep, and deeper than expected, expenditure cuts have been required so as to ensure that the ballooning debt stock does not continue to expand at an unsustainable rate. Following a number of years of large budget deficits, the country's debt to GDP ratio is now well beyond the target 35% threshold, having surpassed 40%. Thus, given the options available to the Ministry, these expenditure cuts were undoubtedly the right call.

Nevertheless, cuts of this magnitude will undoubtedly have a negative impact on the local economy going forward, and 2016/17 and 2017/18 are likely to prove extremely challenging years for Namibia. It should be noted that these challenging years come after six particularly good growth years, which cause a major rebasing in the size of the local economy. However, the magnitude of the current cuts, coupled with the various other macroeconomic challenges faced by the country, mean that a contraction is very likely in 2016, while 2017 growth will hinge on hopes for no further exogenous shocks, and the performance of the uranium industry, particularly.

While expenditure cuts will create challenges for the country, the more-orderly and strategic cutting of expenditure will mitigate growth risks to the greatest degree possible. In this regard, it is good to see that many of the cuts are targeted at consumptive or non-productive expenditure, and expenditure with limited multiplier effects. This is a positive move, and will hopefully help to limit long-term damage to the economy. However, an expenditure-to-revenue feedback loop certainly does exist, and thus, unless growth is sourced elsewhere, revenue may be on the brink of a contractionary cycle. This can be addressed by substituting for the reduction in Government expenditure through other economic activity. One such option, proposed by Finance, is to encourage private investment into some of the Government infrastructure and other projects.

Key metrics:

For the FY2016/17				
	2015/16 Budget	2015/16 Mid-Term Review	2016/17 Budget	2016/17 Mid-Term Review
GDP Growth 2016 (Real)	5.0%	5.5%	4.3%	2.5%
Revenue (N$bn)	63.1	56.0	57.8	51.5
Expenditure (N$bn)	71.2	71.2	66.0	61.5
Deficit (% GDP)	-4.6%	-8.7%	-4.3%	-6.3%
Debt to GDP	32.9%	29.2%	34.6%	42.4%

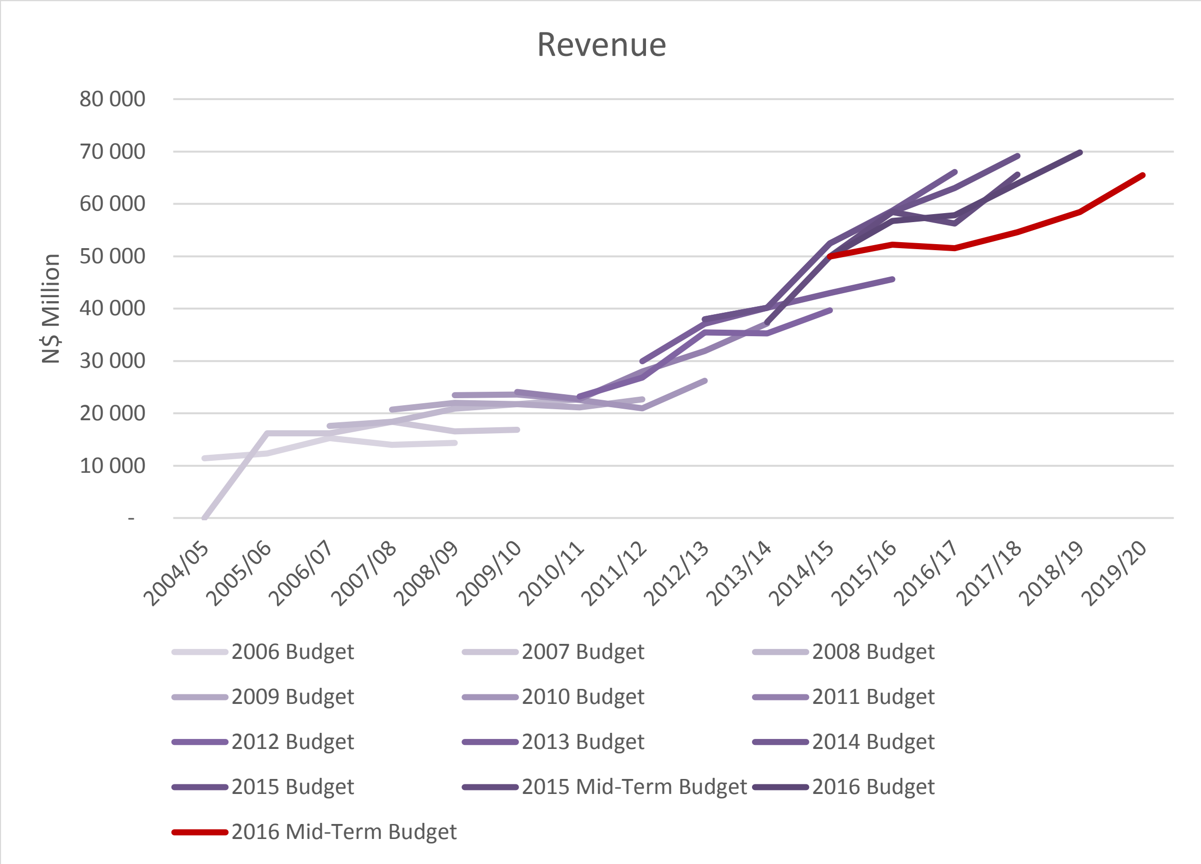
Source: MoF, IJG Securities

Key points in the speech

- The total revenue for 2015/16 stood at N$52.22 billion, 10.6% lower than the budgeted revenue, but a 4.6% increase from the previous year.
- Revenue for the FY2016/17 was revised down to an estimate of N$51.51 billion, from the previously expected/budgeted N$57.85 billion.
- Total spending for the FY2015/16 amounted to N$64.64 billion, reflecting an execution rate of 96.4%, compared to 97.5% in the previous year.
- Operational expenditure, including statutory expenditure, amounted to N$54.61 billion in 2015/16, representing an execution rate of 95.9%.
- Development budget spending for the same period amounted to N$10.02 billion, representing an execution rate of 90.8%.
- **The budget deficit for FY2015/16 has changed from the budgeted 5.3% to 8.3%, above the 5% target.**
- **The financing needs have increased as a result of the widening budget deficit. As such, public debt for FY2015/16 has increased from the budgeted 36.7% to 40.1% of GDP. Absent timely action, this would rise to 42.4% of GDP by the end of this financial year, seen against the threshold of 35%.**
- Interest payments will constitute approximately 7.5% of revenue by FY2016/17.
- The key policy objective over the next MTEF is the strengthening of hard-won macroeconomic stability and placing public finances on a sustainable path through the stabilization of public debt. To be achieved as follows:
    - Undertake expenditure reduction and suspend 2.8% of GDP from the current FY2016/17 budget;
    - **undertake cumulative expenditure reduction of about 6% of budgeted GDP, to be phased over the next MTEF to achieve a balanced primary budget by FY2018/19 and overall stabilization of growth in public debt by the end of the MTEF;**
    - reduce expenditure-to-GDP ratio from 40% of GDP to below 35% of GDP and gradually reduce the budget deficit threshold from 5% of GDP to below 3% of GDP;
    - accelerate implementation of measures to improve the quality of spending, tax administration and tax policy reforms, curbing the erosion of revenue base and introduction of alternative forms of revenue and an increased tax collection effort; and
    - implement measures to contain growth of the wage bill within acceptable levels and in line with international benchmarks.
- **In the framework of this policy stance, the reduction in the FY2016/17 budget would reduce the revised budget deficit from the estimated 7.8% to about 6.3%.**
- The indicative expenditure ceilings for the next two years as announced in the current MTEF are reduced by a cumulative 6.0% of GDP, with the **maximum ceiling for FY2017/18 revised from N$69.86 billion to N$59.85 billion** and, for FY2018/19 the ceiling is revised to N$62.29 billion and by the end of the MTEF, reach N$64.42 billion.
- Within this framework, total expenditure as a percent of GDP would average around 33%. The budget deficit would reduce to about 3% of GDP in FY2017/18 and average around 2.5% of GDP over the MTEF.
- Growth in public debt is projected to stabilize at about 42% of GDP in FY2018/19 before it starts gradually reducing by the end of the MTEF.

- **In February 2017 the minister of finance will table the Namibia Revenue Agency Bill to transform the Inland Revenue Department and Customs and Excise Directorate of the Ministry of Finance into an autonomous Revenue Agency.**
- During the coming budget the minister of finance intends to table:
  - the tax proposal for the introduction of the presumptive tax on small units;
  - proposals to eliminate various categories of tax exemptions, both of VAT and income taxes as well as tax deductibility of some of items not related to cost of production such as the resource rent; and
  - redesign the proposals for **Solidarity Wealth Tax into a high income-based Wealth Tax**, coupled with further expansion and strengthening the provisions of **Capital Gains Tax**.
- **With regards to the broader agenda for domestic resources mobilization, Regulation 28 will be amended to lift the threshold for local asset requirement from the current 35% of total assets to about 50% through a phased process.**
- With regards to the FY2016/17 Appropriation Amendment Bill, a total of N$5.50 billion was identified as expenditure cuts during the Mid-Year Budget Review.
- On the operational budget, the total operation budget is cut by N$2.82 billion. Non-interest expenditure is cut by N$1.82 billion.
- To support the consolidation effort, N$1 billion will be suspended from savings on the statutory expenditure.
- The development budget expenditure is cut by N$2.7 billion, with about 11% of the cut due from projects that have not been implemented, and others from projects that have to be phased over the MTEF.
- Out of the N$5.5 billion freed-up funds, the following is proposed:
  - An amount of N$4.5 billion expenditure, equivalent to 81.8% of the total budget cut is to be suspended,
  - The remaining N$1 billion is to be reallocated to urgent funding needs and priorities.

Revenue:



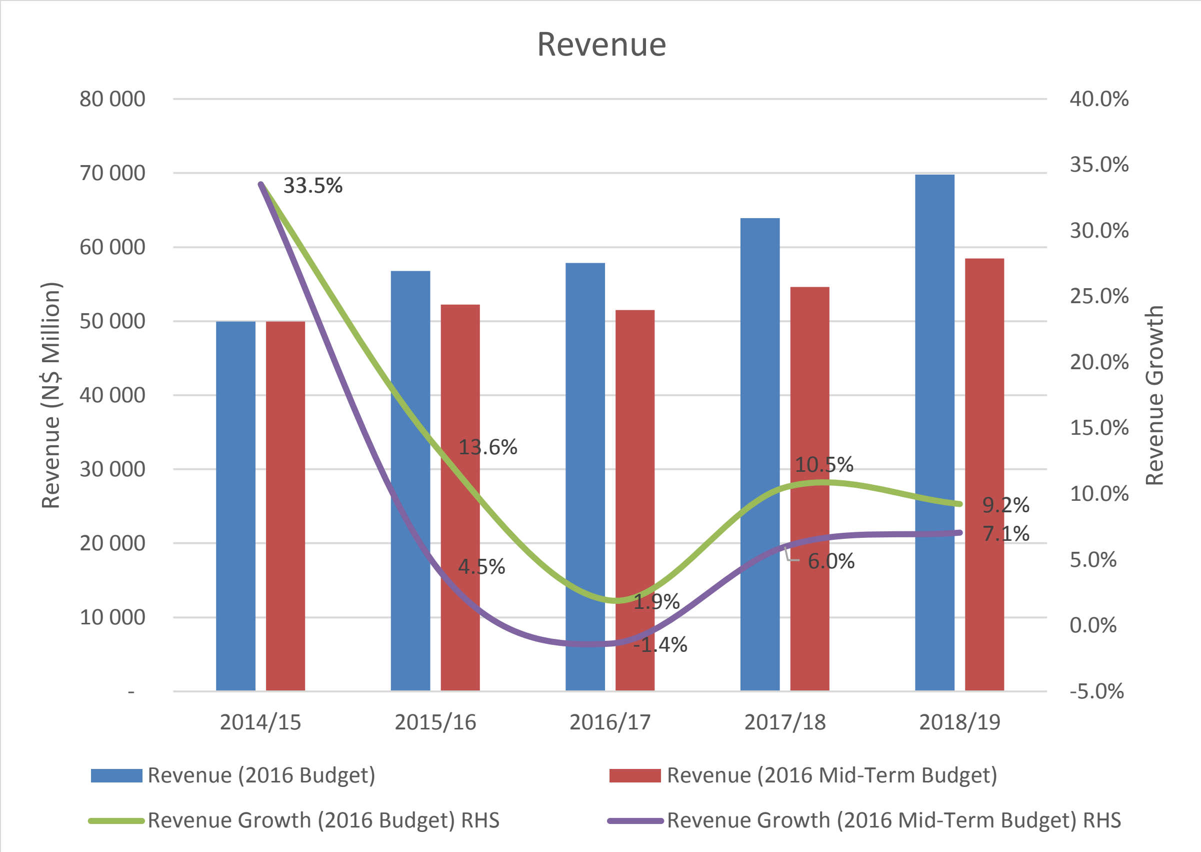
Source: MoF, IJG Securities

Revenue Outturn - 2015/16

In FY2015/16, total revenue amounted to N$52.22 billion, representing a 4.6% growth from N$49.97 billion collected in FY2014/15. However, this was a major reduction when compared to the February budget estimates of N$58.44 billion, reflecting weaknesses in projected nominal GDP growth and related overstatements in budgeted revenue estimates, especially in respect of Personal Income Tax.

Mid-Year - 2016/17

In respect to the current year, the mid-year revenue collection amounted to N$24.71 billion, equivalent to 42.7% of the budgeted revenue of N$57.85 billion, compared to 44.2% collection rate achieved in the previous corresponding period. The budget execution rate by the end of September 2016 stood at 40.4%, compared to 42.3% execution rate for the corresponding period of 2015/16.



Source: MoF, IJG Securities

Revenue Revisions

	2015 Mid-Term Budget	Revision	2016 Budget	Revision	2016 Mid-Term Budget	Revision
2014/15	49,968	-4.8%	49,961	0.0%	49,961	0.0%
2015/16	58,442	0.0%	56,765	-2.9%	52,230	-8.0%
2016/17	56,230	-10.8%	57,845	2.9%	51,511	-10.9%
2017/18	65,579	-5.2%	63,915	-2.5%	54,595	-14.6%
2018/19			69,816		58,445	-16.3%

Source: MoF, IJG Securities

Detailed Revenue Revisions

Revenue Head	2016/17			2017/18		
	Budget	Revised	Difference	Budget	Revised	Difference
TAX REVENUE	55,543	48,287	(7,256)	65,937	51,100	(14,837)
Income Tax on Individuals	15,481	11,163	(4,318)	19,092	11,567	(7,525)
Company Taxes	8,672	7,592	(1,080)	12,166	7,933	(4,233)
-Diamond Mining Companies	2,341	2,174	(167)	2,482	2,056	(426)
-Other Mining Companies	491	97	(394)	66	122	56
-Non-Mining Companies	5,840	5,322	(518)	9,619	5,755	(3,864)
VAT + Additional Sales Tax + General Sales Tax	14,597	12,318	(2,279)	16,350	13,373	(2,977)
SACU Revenue Pool Share	14,071	14,071	-	15,842	15,834	(8)
Other Tax revenue	2,722	3,143	421	2,487	2,393	(94)
NON - TAX REVENUE	2,122	3,032	910	2,052	3,319	1,267
Diamond Royalties	620	1,146	526	600	1,073	473
Other Non-Tax Revenue	1,502	1,886	384	1,452	2,246	794

Source: MoF, IJG Securities

Revenue Outlook - MTEF

The revised economic outlook by the Ministry of Finance estimates GDP growth for 2016 at 2.5%, significantly lower than the 4.3% projected in the budget and 5.3% recorded in 2015. Thus, total budget revenue for FY2016/17 has been revised down to N$51.5 billion, from the previously budgeted N$57.85 billion. The downward revisions reflects base effects from lower outturns from the previous budget year as well as reduced economic activity in 2016 impacting on various categories of tax revenue.

Over the MTEF, GDP growth is projected to pick up moderately to 4.5% in 2017 and average about 3.8% over the MTEF, which according to the Ministry of Finance is attributed to increased activity in the mining sector stemming from the coming onto production of the new mining investments. In our view, this outlook hinges heavily on the local uranium industry. This industry remains under enormous pressure at the spot price of uranium has more than halved since January 2016.

On account of this growth trajectory, the medium-term outlook on revenue reflects moderate growth, in line with improvements in economic activity. Thus, total revenue for FY2016/17 is estimated to decline to N$51.51 billion, from N$52.22 billion recorded in FY2015/16. Over the MTEF, revenue growth is projected to average 8.3%, increasing to N$54.60 billion in FY2017/18 and reach about N$65.47 billion by FY2019/20. As a proportion of GDP, revenue is estimated to slow to 32.5% in FY2016/17, from 35.5% in FY2015/16 and hover around 32.5% over the next MTEF.

However, we believe that the growth figures forecasted by the Ministry of Finance for 2016 and 2017 remain ambitious, and that expected revenue may too be ambitious, although more accurate than the February budget numbers.

As is usually the case, taxes make up by far the largest component of total revenue, representing some 93.5% of total revenue in the 2016/17 financial year. Within non-tax revenue, diamond and other mineral royalties, and dividends from SOEs, represent the lion's share.

Within tax revenue, taxes on income and profit represents the largest revenue source, at N$24.8 billion in 2016/17, followed by VAT (N$14.6bn) and SACU receipts (N$14.1bn). Generally, SACU receipts represent a larger share of total revenue than VAT, however as Namibia was overpaid by SACU in 2014/15, the country will now have to pay back just under N$3 billion in 2016/17.

Tax Policy, Revenue enhancement and Tax Administration Reforms

The current process of fiscal consolidation is not only focused on cutting expenditure, but also the improved mobilisation of domestic revenue sources.

By February 2017, the Ministry will table the Namibia Revenue Agency Bill to transform the Inland Revenue Department and Customs and Excise Directorate of the Ministry of Finance into an autonomous Revenue Agency.

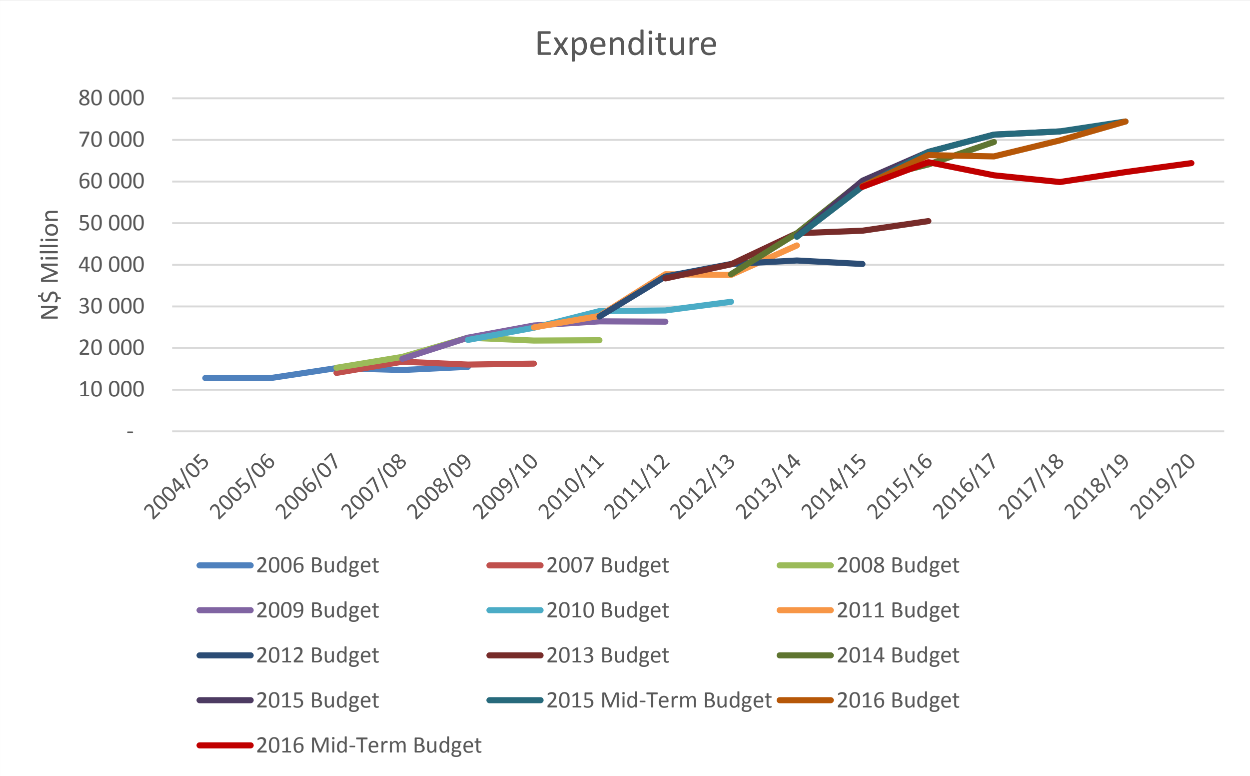
During the coming budget, it is the Ministers intention to table:

- A tax proposal for the introduction of the presumptive tax on small units;
- proposals to eliminate various categories of tax exemptions, both of VAT and income taxes as well as tax deductibility of some of items not related to cost of production such as the resource rent; and
- redesign the proposals for Solidarity Wealth Tax into a high income-based Wealth Tax, coupled with further expansion and strengthening the provisions of Capital Gains Tax.

In regard to the broader agenda for domestic resources mobilization, Regulation 28 is also to be amended to lift the threshold for local asset requirement from the current 35% of total assets to about 50% through a phased process. This will be undertaken in line with the initiatives in the Financial Sector Strategy to develop the domestic market alongside actions to grow bankable asset classes to accommodate the inflow of funds.

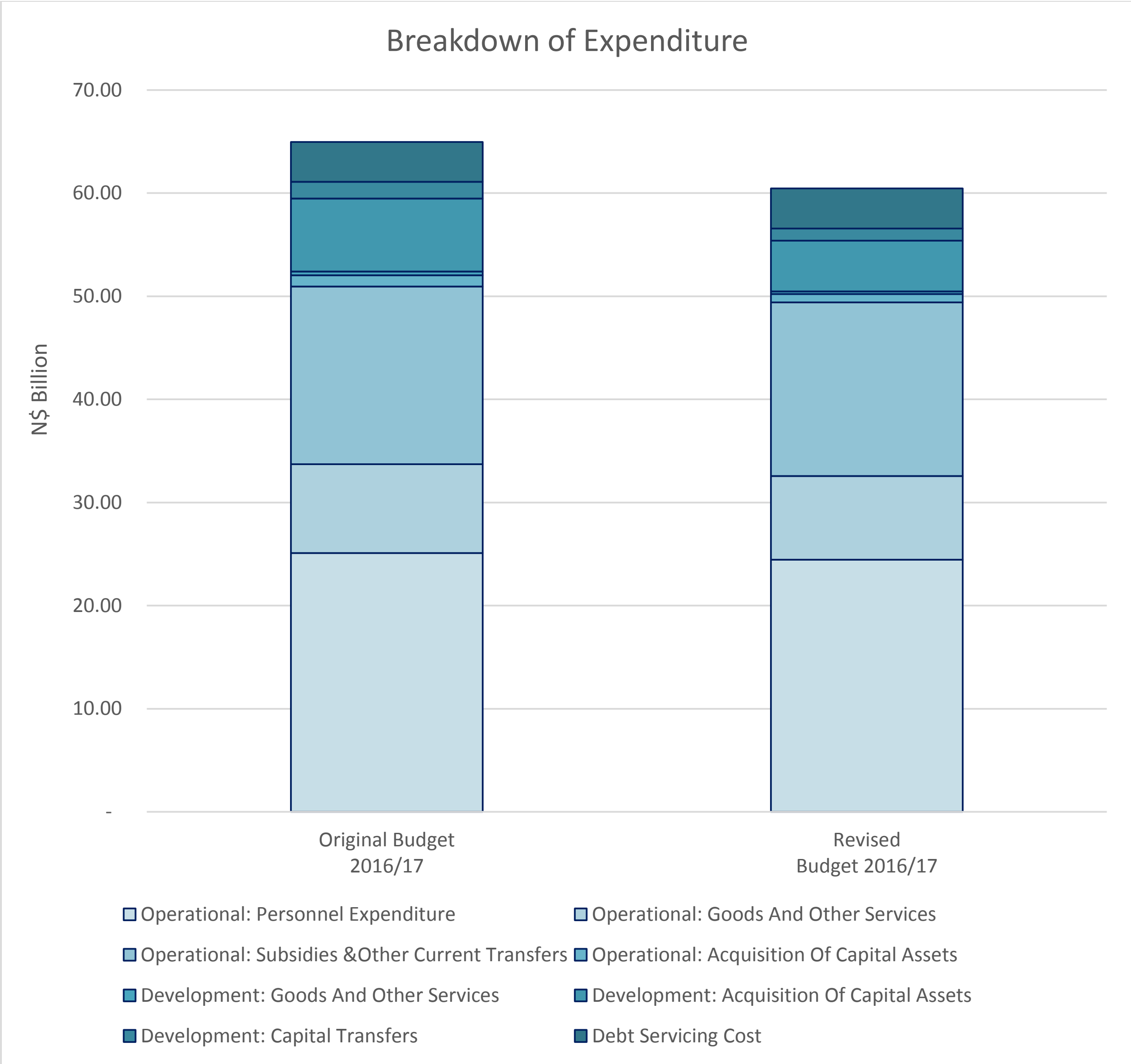
Expenditure

Total expenditure



Source: MoF, IJG Securities

Expenditure is expected to total N$61.5 billion in 2016/17 and to decrease to N$59.9 billion in 2017/18, before increasing to N$ 62.3 billion in 2018/19. The phased fiscal consolidation expenditure cuts have been frontloaded in the current financial year but consolidation will continue over the MTEF. Government will reduce total spending ceilings by a cumulative 6% of GDP over the MTEF. Expenditure cuts of N$10.0 billion are budgeted in the 2017/18 year while another N$12.12 billion can be expected in 2018/19. The Ministry of Finance is targeting expenditure as a percentage of GDP to drop from 38.8% for this financial year to 31.0% at the end of the MTEF, illustrating a substitution away from Government activity for future economic growth.



Source: MoF, IJG Securities

Execution thus far 2016/17

Source: MoF, IJG Securities

During the first half of the 2016/17 financial year, Government spending amounted to N$27.0 billion of the N$ 61.1 billion total budget. This translates into an execution rate of 44.2%, sharply increasing from last year's 37.2%.

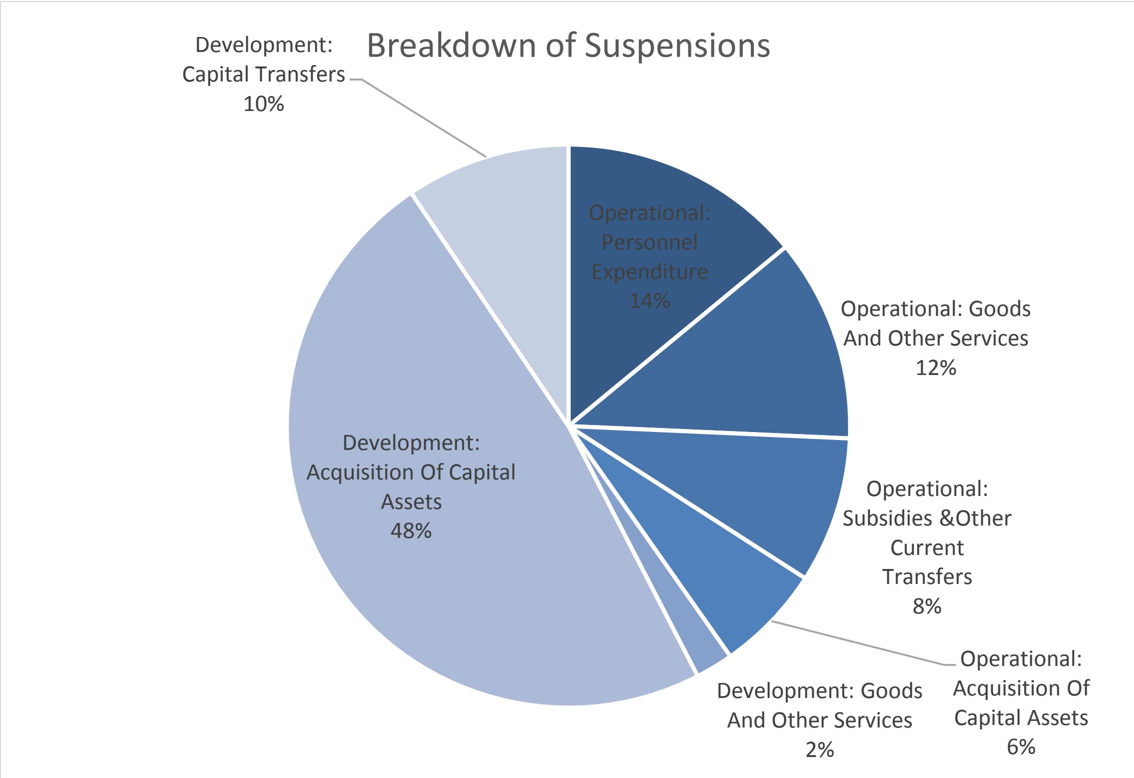
N$23.2 billion of the N$52.1 operation budget has already been spent. Much like the overall budget, the operational budget is also on track to see higher execution than the previous year with eight of the 36 Votes already past the 50% mark by midyear. These Votes will need to scale down on expenditure in the second half of the year so as to not overspend.

Expenditure Cuts

A total of N$5.5 billion has been identified as spending cuts during this year's Mid-Year budget review. Of this, N$2.82 billion will be cut from the operational budget, while N$2.70 billion will be cut from the development budget. N$1.0 billion of the savings will be reallocated to urgent priorities, bringing the cumulative decrease in expenditure to N$4.5 billion for the 2016/17 financial year.

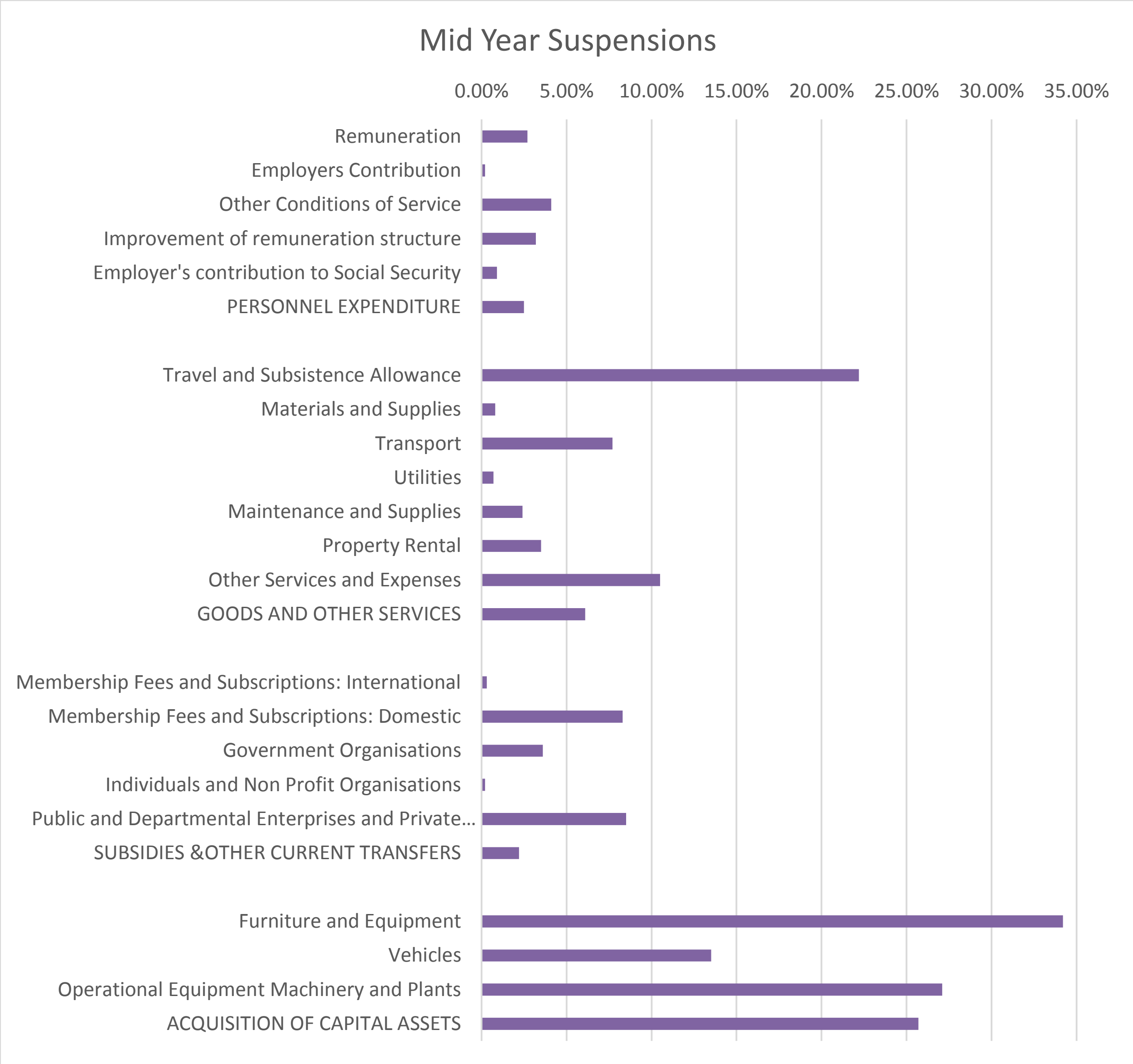
This constitutes a suspension of 3.5% and 29.8% of expenditure of each budget respectively. Total suspensions are spilt roughly 40% from the operating budget and 60% from the development budget.

As a result, the development budget now represents below 10% of total expenditure, well below the 20% target.



Source: MoF, IJG Securities

Operational Budget



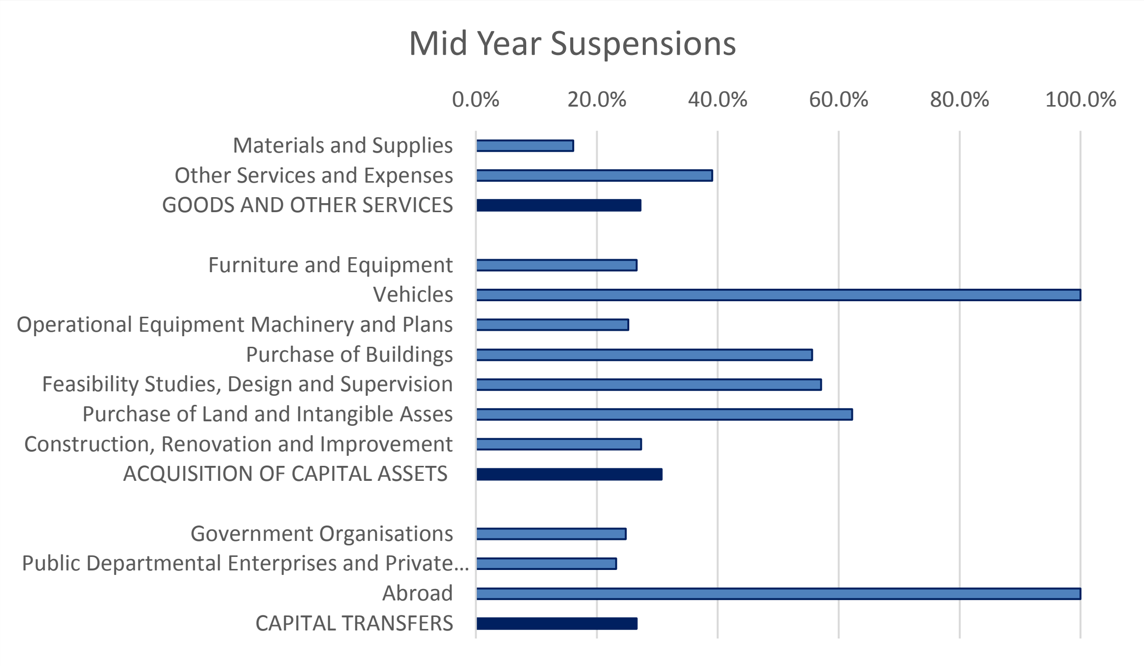
Source: MoF, IJG Securities

For the operational budget, non-interest expenditure is cut by N$1.82 billion. The savings will arise from:

- Personnel expenditure, which is being cut by 2.5% or N$633.39 million, this largely being due to the 2.7% reduction (N$554.40 million) in remuneration expense;
- goods and other services being reduced by 6.1% or N$527.87 million;
- subsidies and other current transfers being decreased by 2.2% or N$379.57 million; and
- acquisitions of capital assets being cut by 25.7% or N$278.01 million.

A further N$ 1.0 billion in budgeted savings are to be realised from a reduction in interest payments. How the interest payments will be reduced by such a large amount remains enigmatic.

Development Budget



Source: MoF, IJG Securities

Development budget cuts are as follows:

- Goods and other services are decreasing by 27.2% or 97.52 million;
- acquisition of capital assets is being cut by 30.7% or 2.175 billion; and
- capital transfers are being cut by 26.6% or 426.54 million.

Developmental budget expenditure cuts are made on projects with zero or low implementation rates to date, including any feasibility studies on new projects. A moratorium has been placed on the construction of new office buildings including the new Parliament building and office of the Prime Minister. New projects will only be considered once the fiscal situation of the country has improved.

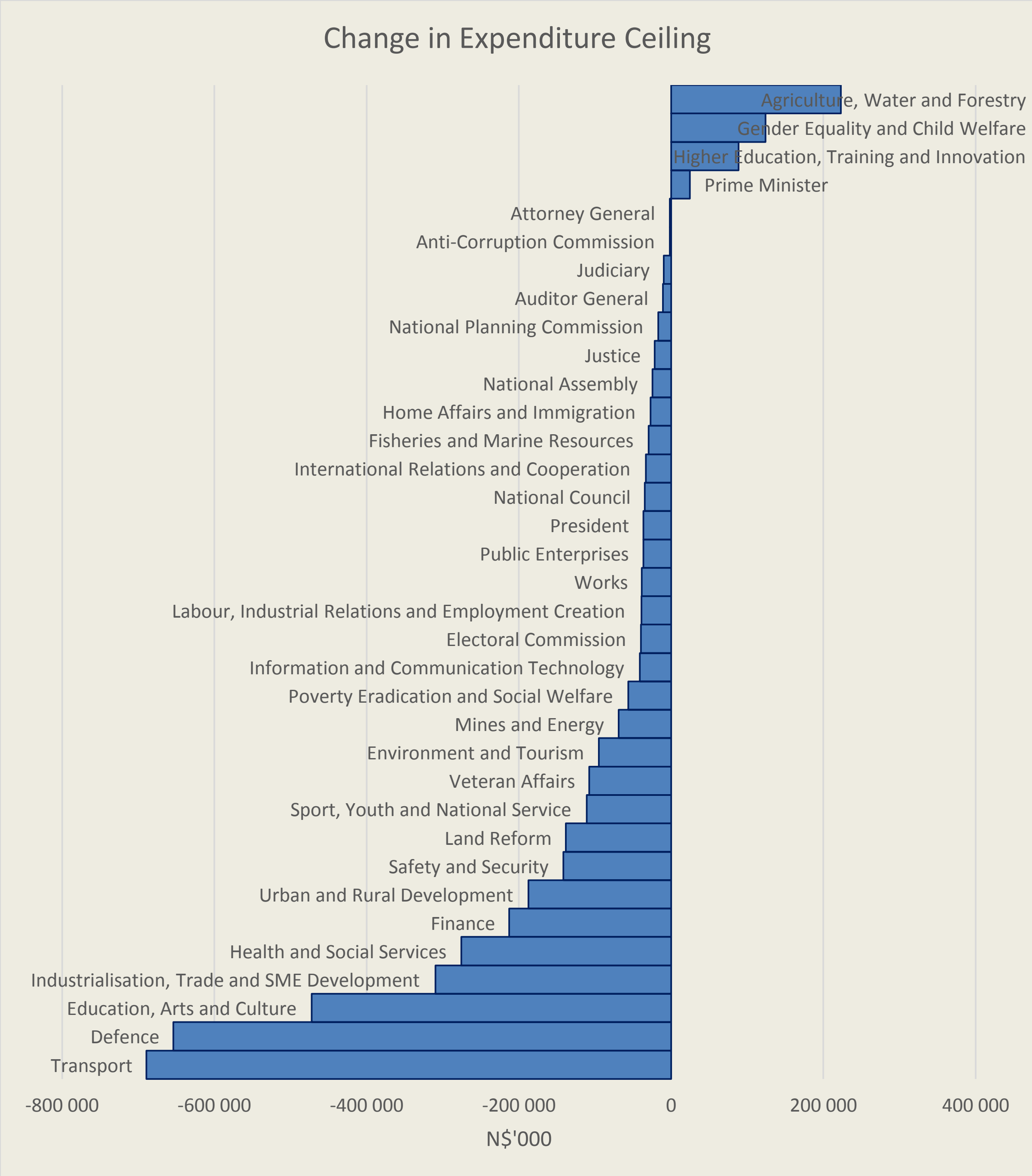
The severity of these cuts cannot be overemphasised. The knock-on effect that falling government expenditure will have on the rest of the economy will be severe. One of the hardest sectors hit will likely be the construction industry, which will see over N$1.5 billion less government spending in the current financial year alone.

Reallocation

Of the N$5.5 billion of freed up funds, an amount of N$4.5 billion is to be suspended permanently to restore financial sustainability and market confidence, while the other N$1.0 billion will be reallocated to urgent priories as follows:

- N$ 350 million for the completion of the Neckartal dam
- N$ 150 million for the drought relief programme
- N$ 150 million for the Orphans and Vulnerable children programme
- N$ 50 million for the Visa Stickers project
- N$ 100 million for the settlement of mass housing contracts
- N$ 100 million allocated to UNAM
- N$ 100 million allocated to NUST

Budget Cuts by Ministry



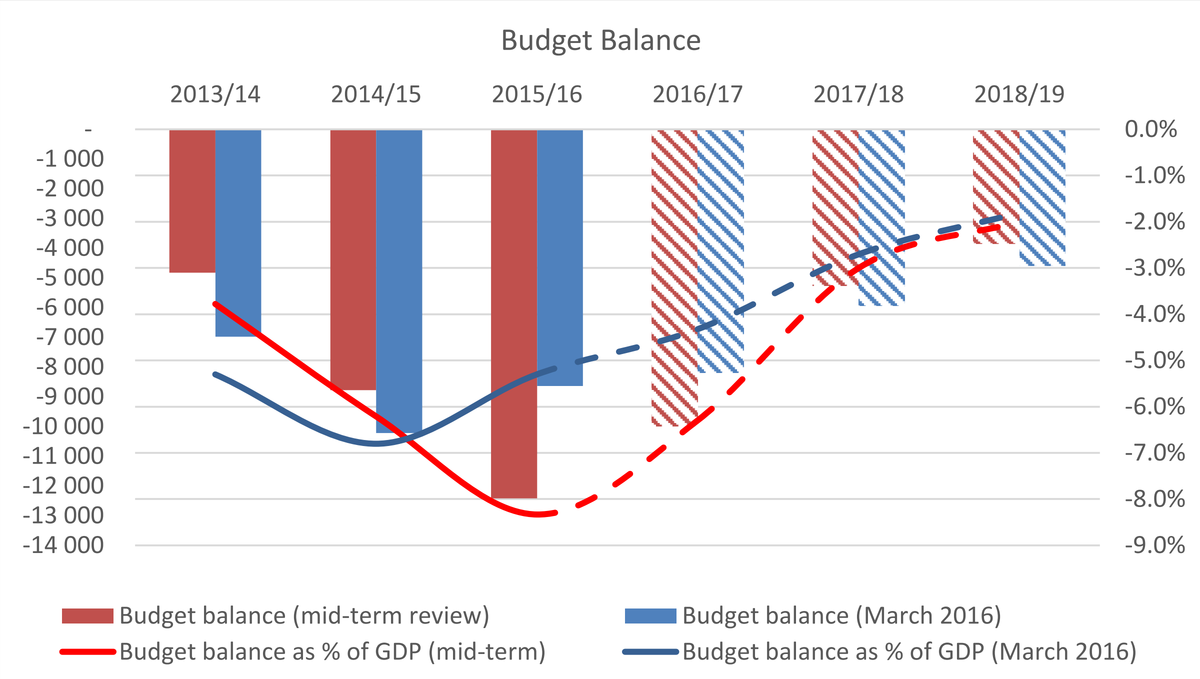
Source: MoF, IJG Securities

The largest losers due to the spending cuts in absolute terms are the Transport, Defense and Education, who are losing N$689 million, N$ 654 million and N$472 million respectively. The Ministries of Agriculture, Water and Forestry, Higher Education, Training and Innovation and Gender Equality and Child Welfare all have increasing budgets, but adjusting for the targeted reallocations, they are losing N$ 127 million, N$ 26 million and N$ 111 million elsewhere, respectively. On a relative basis, Public Enterprises is seeing its budget nearly halve, while the Ministry of Industrialisation, Trade and SME Development is seeing its expenditures drop by 37%.

Budget Deficit and Financing

2015/16 Outturn

The total revenue for 2015/16 stood at N$52.22 billion, 10.6% lower than the budgeted revenue for the fiscal year, but a 4.6% increase from the previous year. Total spending for the FY2015/16 amounted to N$64.64 billion, reflecting an execution rate of 96.4%, compared to 97.5% in the previous year. The total budget deficit for the fiscal year was thus N$12.41 billion or 8.3% of GDP versus expectations of 5.3% of GDP from the full year budget released earlier this year. This highlights the extent to which revenue collection disappointed.



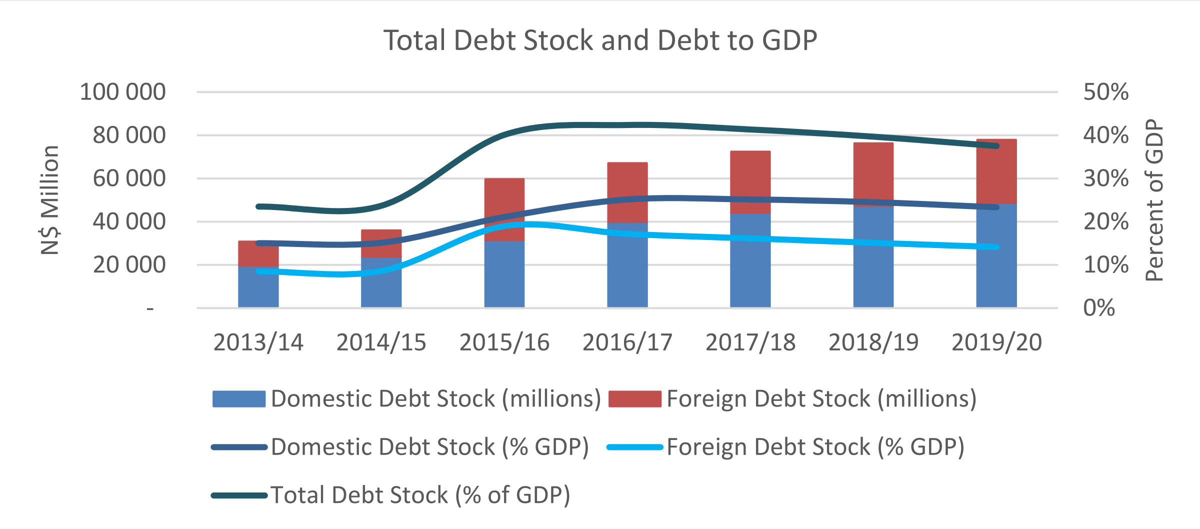
Source: MoF, IJG Securities

2016/17

Revenue for FY2016/17 was revised down to an estimate of N$51.51 billion, from the previously budgeted N$57.85 billion. The medium-term budget has seen expenditure cuts and consolidation resulting in revised total expenditure of N$61.50 billion and a budget deficit of N$9.99 billion, or 6.3% of GDP. It should also be noted that GDP expectations for 2016/17 have been revised down to N$158.62 billion from the previously expected N$179.84 billion thus the deficit as a percentage of GDP is inflated due to a lower denominator as well as a larger numerator.

The net borrowing requirement for 2016/17, according to the February budget, was N$8.69 billion, including N$536 million worth of foreign debt repayments and other adjustments. Considering that the revised budget deficit is N$9.99 billion this would necessitate debt issuance in excess of the current borrowing plan.

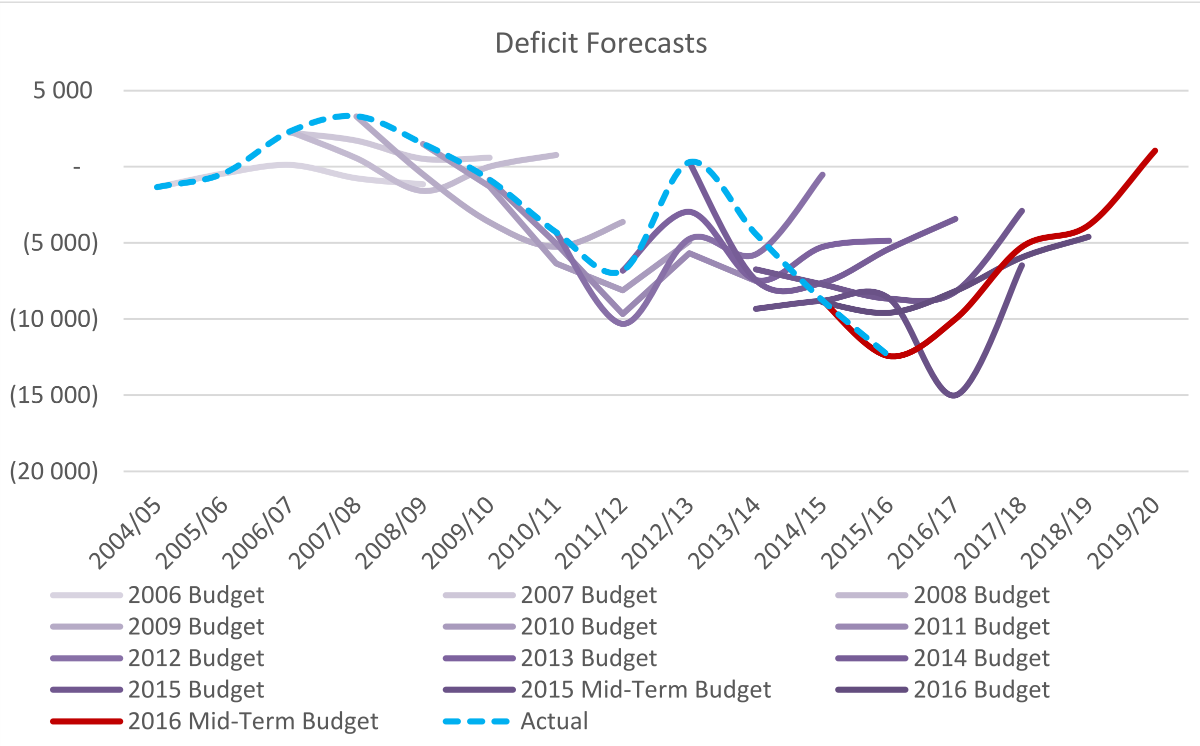
According to the mid-year budget documents the half-year cumulative debt stock by September 2016 amounted to N$62.8 billion and full year debt issuance is budgeted at N$67.18 billion, indicating that a net of N$4.38 billion is to be raised during the second half of the year. The breakdown of foreign debt stock to domestic debt stock indicates however that foreign debt stocks will decline and that domestic debt stock will increase toward year end. Thus the expected domestic issuance for the second half of the year would be in excess of the net figure indicated above although an amount is not expressed in the budget document. **We thus expect the release of a revised borrowing plan during the coming weeks with further detail regarding this.**



Source: MoF, IJG Securities

2017/18

The budget balance for 2017/18 is forecasted at N$5.26 billion, or 3% of GDP, slightly lower than the figure forecast in the full year budget review earlier this year despite subdued revenue growth, and largely due to further cuts in expenditure. The financing of this deficit seems to be made up primarily of domestic issuance which is in line with comments made by the President Geingob earlier this year. The debt to GDP ratio is forecast to remain above 40% for the period although declining slightly from 42.4% from FY2016/17.



Source: MoF, IJG Securities

Conclusion

Fiscal consolidation was emphasized in the mid-term budget today and the budgeted figures reflect accordingly. Depressed revenue collection has forced more realistic GDP and revenue growth expectations which are visible in the revised expenditure figures for 2016/17 and beyond. We welcome the forecasted reductions in the budget deficit as well and although this comes at a bad time for the economy, it is necessary to contain debt issuance and bring the rate of growth in the debt stock and the debt-to-GDP ratio back under control.

Nevertheless, a number of peculiarities in the figures, such as the expected N$1 billion in debt cost savings make us somewhat concerned as to whether the targeted consolidation will be possible. It should be noted as well, that we expect 2016 to see little growth, or even a contraction in GDP, with 2017 relying heavily on uranium output for growth. Should the latter not materialize, the debt-to-GDP ratio will increase far faster than the Ministry of Finance is currently forecasting, and returning to sub-40% ratios will not be possible.

Economic Data Snapshot

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Inflation (y/y)	3.4%	3.3%	3.7%	3.7%	5.3%	6.1%	6.1%	6.7%	6.7%	7.0%	6.8%	6.9%
Repo Rate	6.50	6.50	6.50	6.50	6.75	6.75	7.00	7.00	7.00	7.00	7.00	7.00
Prime Rate	10.25	10.25	10.25	10.25	10.50	10.50	10.75	10.75	10.75	10.75	10.75	10.75
N$/US$	14.44	15.03	15.61	15.89	15.87	14.77	14.23	15.71	14.79	14.15	14.50	13.89
N$/AUD	9.94	10.17	10.40	11.25	11.34	11.31	10.83	11.36	9.08	10.62	10.89	10.61
N$/CAD	10.79	11.15	11.51	11.36	11.72	11.36	11.34	12.00	9.47	10.75	11.06	10.58
Vehicle Sales (y/y)	-15.5	-13.6	-13.5	-19.1	-30.7	-29.1	-15.1	-4.2	-13.9	-18.8	-14.1	-23.9
Passenger	-13.8	-23.0	-25.4	-26.5	-26.2	-20.0	-21.8	-9.1	-29.0	-16.5	-18.0	-25.5
Commercial	-16.7	-7.7	-3.9	-13.4	-33.9	-35.7	-8.4	-0.1	0.7	-20.3	-11.3	-22.8
M2 Money Supply (y/y)	11.8	8.9	10.2	8.3	7.9	8.8	12.1	9.8	8.2	7.3	8.1	4.3
PSCE (y/y)	14.9	14.5	15.4	15.4	13.3	13.1	12.8	11.2	11.7	11.1	10.8	11.1
Business	20.8	16.7	14.9	14.2	12.2	15.2	13.5	11.0	12.9	12.8	11.7	12.7
Individuals	11.0	12.9	12.5	13.4	12.9	11.5	11.9	11.2	10.9	9.7	10.4	9.7

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

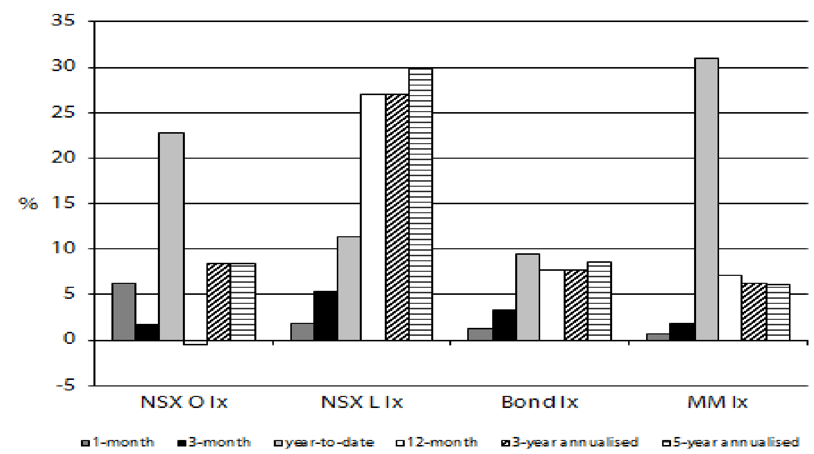
Namibian Asset Performance

The NSX Overall Index closed at 1027.13 points in September up from 1004.73 points in August gaining 3.13% on a total return basis in September compared to a 3.36% m/m decrease in August. The NSX Local Index increased 1.54% m/m compared to a 1.32% m/m increase in August. Over the last 12 months the NSX Overall Index returned 10.71% against +20.26% for the Local Index. The best performing share on the Overall Index in September was Anglo American at +14.77%, while Paladin was the worst performer at -12.39%.

The IJG All Bond Index (including Corporate Bonds) rose 1.89% m/m in September after losing 0.70% m/m in August. Namibian bond premiums relative to SA yields in September generally weakened with the GC17 increasing with 13bps to 134bps; the GC18 premium unchanged at 88bps; the GC20 premium increasing by 4bps to 141bps; the GC21 unchanged at 110bp; the GC22 premium increasing by 34bps to 145bps; the GC24 premium increasing 10bp to 124bp; the GC25 premium increasing by 7bps to 132bps; the GC27 premium increasing 15bps to 165bps; the GC30 premium increasing by 22bp to 168bps; the GC32 premium increasing 13bps to 170bp; the GC35 premium increasing by 5bps 144bps; the GC37 premium increasing 2bps to 162bp; the GC40 premium increasing by 14bp to 180bps; and the GC45 premium increasing by 4bps to 149bps.

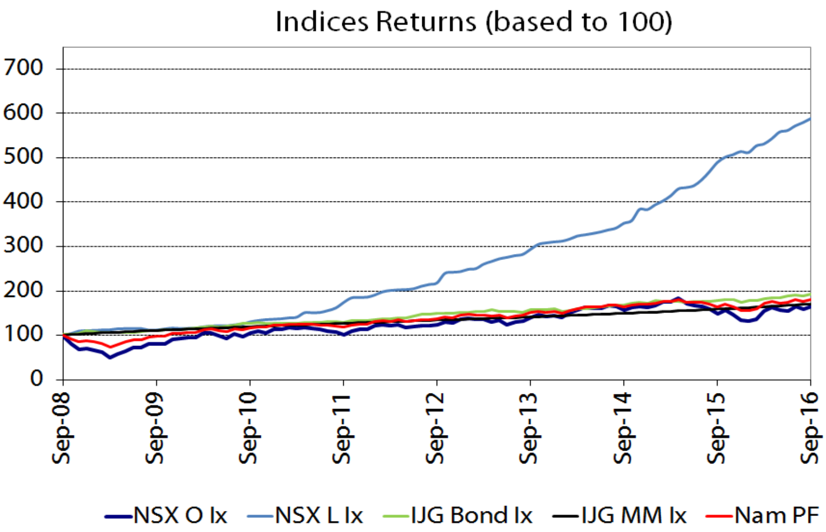
The IJG Money Market Index (including NCD's) increased by 0.62% m/m in September after rising 0.64% m/m in August.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

Namibian Returns by Asset Class [N$,%] - September 2016	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	3.13	5.89	5.54	10.71	22.34	5.17	9.98
NSX Local Index	1.54	4.79	10.76	20.26	14.51	26.17	27.75
IJG ALBI	1.89	2.44	5.86	8.21	10.74	7.21	8.59
IJG GOVI	1.89	2.39	5.78	8.10	10.70	7.19	8.59
IJG OTHI	1.90	2.92	6.64	9.24	11.14	7.54	8.76
IJG Money Market Index	0.62	1.90	3.75	7.28	5.53	6.35	6.01

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] - September 2016	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	16.78	6.02	7.56	-0.25	12.02	-10.11	-10.23
NSX Overall Index	20.44	12.27	13.52	10.43	37.05	-5.46	-1.27
NSX Local Index	18.59	11.10	19.14	19.96	28.28	13.42	14.68
IJG ALBI	6.37	8.61	13.87	7.93	24.06	-3.62	-2.52
IJG GOVI	6.37	8.56	13.78	7.82	24.01	-3.64	-2.52
IJG OTHI	6.37	9.12	14.70	8.96	24.50	-3.33	-2.37
IJG Money Market Index	-1.81	10.40	13.55	-1.75	12.52	-5.17	-8.38

** annualised*

Source: IJG

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

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			2.23	5.45	-0.48	3.26	10.68
banks			5.16	10.99	6.82	6.08	23.08
BWH	1,740	0.16%	0.01	1.84	4.41	14.00	5.08
FST	4,750	12.19%	6.16	7.76	1.48	1.72	17.45
FNB*	4,800	0.26%	0.33	2.04	8.90	21.56	13.74
NBK	22,235	3.63%	6.35	20.93	17.29	6.35	22.29
SNB	14,067	14.46%	4.16	11.49	8.69	9.31	28.39
insurance			2.79	-1.02	-2.03	4.42	23.12
SNM	22,400	0.63%	2.79	-1.02	-2.03	4.42	23.12
life assurance			-1.25	-0.39	-8.09	1.19	-2.15
MMI	2,240	1.94%	-0.37	-0.05	-7.71	-0.95	5.74
OLM	3,602	14.43%	-2.65	-5.12	-10.17	-4.97	-10.21
SLA	6,380	9.48%	0.71	6.74	-5.02	11.00	8.51
investment companies			3.61	5.34	5.34	13.38	10.55
NAM*	75	0.01%	3.61	5.34	5.34	13.38	10.55
real estate			7.92	10.55	11.51	8.27	13.86
ORY*	2,151	0.09%	1.88	3.68	6.44	15.98	10.50
VKN	1,870	0.94%	8.50	11.21	12.00	7.53	14.19
specialist finance			-1.06	-5.49	-19.13	-16.19	-20.19
IVD	8,437	1.79%	-0.54	-5.77	-22.43	-17.66	-21.54
KFS	693	0.20%	-1.13	-0.81	1.36	0.00	-10.02
TUC	320	0.08%	-12.39	-10.59	4.26	-22.60	-14.76
HEALTH CARE			-15.80	-21.54	-12.64	0.00	39.31
health care providers			-15.80	-21.54	-12.64	0.00	39.31
MDC	16,575	6.87%	-15.80	-21.54	-12.64	0.00	39.31
RESOURCES			13.35	20.35	49.54	58.95	148.78
mining			13.50	20.33	49.93	59.17	149.80
ANM	17,141	19.18%	14.77	21.95	51.00	53.57	153.16
PDN	164	0.17%	-12.77	-25.11	-42.46	2.50	-50.90
FSY	68	0.01%	-18.07	-1.45	-32.00	-51.08	-54.97
DYL	4	0.00%	0.00	0.00	-50.00	-60.00	-63.64
BMN	30	0.00%	3.45	7.14	-9.09	0.00	-28.57
MEY	4	0.00%	0.00	0.00	0.00	0.00	0.00
B2G	3,711	1.21%	-2.80	1.14	46.74	157.17	126.97
EOG	0	0.00%	0.00	0.00	-100.00	-100.00	-100.00
chemicals			0.28	21.70	16.09	39.78	60.67
AOX	2,050	0.24%	0.28	21.70	16.09	39.78	60.67
INDUSTRIAL			-2.02	8.18	3.29	15.45	23.12
GENERAL INDUSTRIALS							
diversified industrials			0.44	15.11	12.56	15.25	38.72
BWL	8,327	1.55%	0.44	15.11	12.56	15.25	38.72
Suppport Services			-0.19	-0.07	0.03	0.39	0.41
BVN*	1,029	0.04%	-1.45	-0.92	0.21	2.43	1.42
CLN	1,970	0.23%	3.94	6.69	0.00	0.00	15.88
NON-CYCLICAL CONSUMER GOODS							
beverages			0.24	8.94	23.25	29.05	25.53
NBS*	2,758	0.24%	0.24	8.94	23.25	29.05	25.53
food producers & processors			-1.44	1.63	-7.26	22.48	-0.02
OCG	11,402	0.33%	-1.44	1.63	-7.26	22.48	-0.02
CYCLICAL SERVICES							
general retailers			-6.32	-16.07	-25.86	-11.93	-19.06
NHL*	240	0.00%	0.00	0.00	-4.76	n/a	-16.67
TRW	7,100	2.56%	-6.33	-16.08	-25.89	-11.94	-19.08
NON-CYCLICAL SERVICES							
food & drug retailers			-1.12	15.76	11.64	24.71	36.10
SRH	19,139	7.06%	-1.12	15.76	11.64	24.71	36.10

Source: IJG, NSX, JSE, Bloomberg

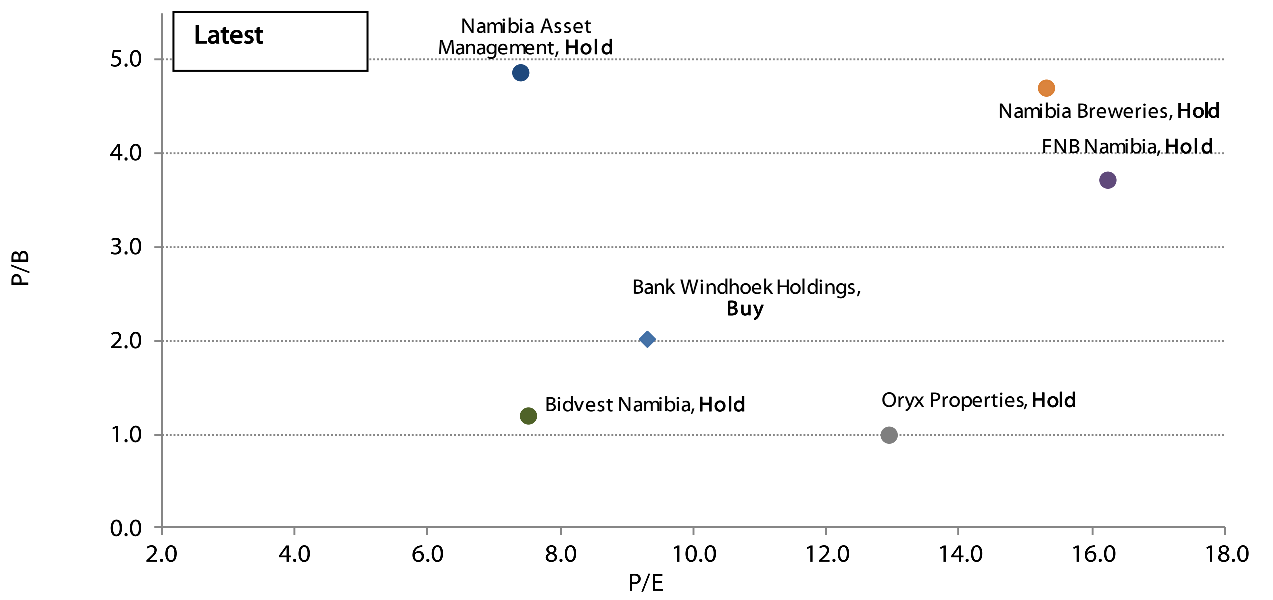
NSX Company Round-Up

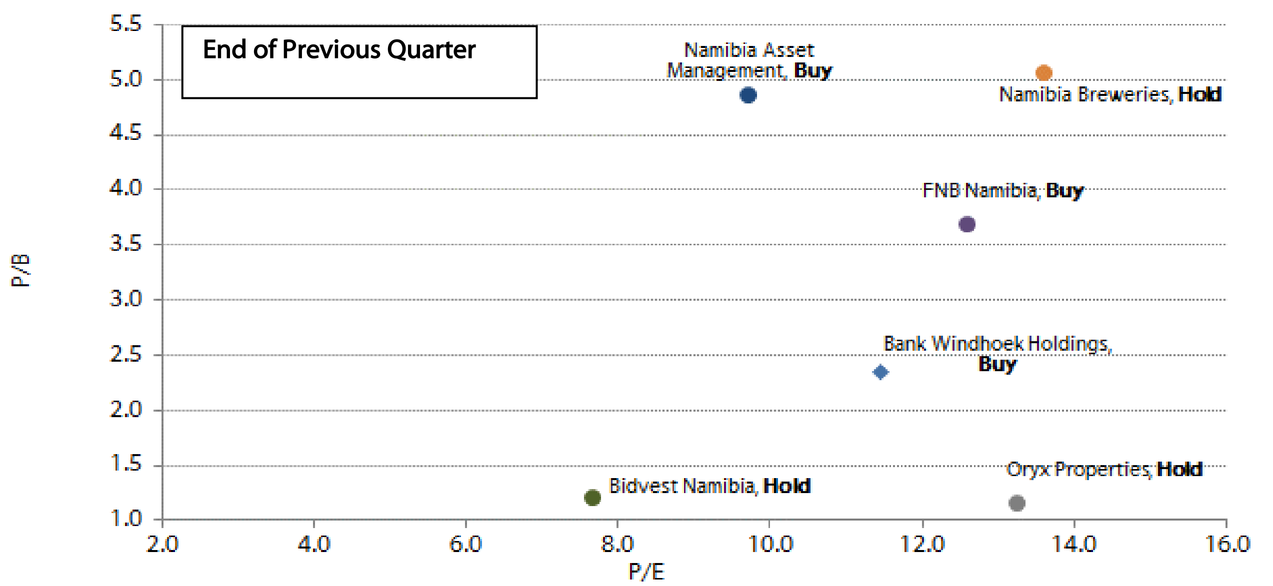
NSX Company Round-Up

Company	Code	Mkt Cap (N$m)	Share price (c)	P/E (A)	P/E (F)	HEPS (A)	HEPS (F)	Rec
Bank Windhoek Holdings	BWH	1 730	8 741	9.3	8.1	181.2	208.3	BUY
FNB Namibia	FNB	4 790	12 818	16.3	12.7	294.7	377.6	HOLD
Namibia Asset Management	NAM	75	150	7.4	7.2	10.1	10.4	HOLD
Oryx	ORY	2 117	1 648	13.0	13.1	163.0	161.2	SELL
Namibia Breweries	NBS	2 787	5 756	15.3	15.8	185.7	180.8	HOLD
Bidvest Namibia	BVN	1 028	2 179	7.5	13.1	103.2	78.7	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
Capricorn Investment Group	1820	BUY	
FNB Namibia	4980	HOLD	
Namibia Asset Management	88	HOLD	
Oryx Properties	1680	SELL	
Namibia Breweries	2790	HOLD	
Bidvest Namibia	1000	SELL	

Source: IJG

Coverage of Companies on NSX

NSX

Equity Listings

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

Bond Listings

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

Capricorn Investment Group

Recommendation: BUY, TP: 1820, Code: CGP

Nature of Business: Capricorn Investment Group, formerly known as Bank Windhoek Holdings (BWH) was created in 1982 from Volkskas' Namibian branches. CGP 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 (55%) Nammic Financial Services (9.4%), Namibia Strategic Investments (8.7%)

CGP, formerly known as Bank Windhoek Holdings (BWH), released its results for financial year ending 30 June 2016. The firm recorded excellent growth, beating our earnings expectations. This performance is particularly impressive given the increasingly challenging macroeconomic climate in the country.

The company recorded growth in profit of 20.2% when compared to FY15, while earnings per share grew 20.4% and headline earnings expanded by 20.3%. The company declared a final dividend of 36cps, which when combined with the interim dividend of 30cps, gives a total for the year of 66cps, up from 53cps in FY15. As such, very attractive dividend growth of 24.5% was seen between the two years. Based on the current share price, this shows a reasonably attractive trailing dividend yield of 3.9%. The results were slightly better than our forecasts, with earning beating our expectations by 1.2%.

Net interest income expanded by 15.1%, to N$1.46 billion, beating our forecasts by 1.1%. Interest income grew by 22.2%, while the interest expense expanded by 29.9%. Total interest income stood at N$2.96 billion, compared to our forecast of N$2.94 billion, while the interest expense was N$1.51 billion, compared to our forecast of N$1.50 billion.

Impairment losses increased from N$58.3 million to N$60.8 million, compared to our forecast of N$57.3 million. Thus, impairments represent just 0.2% of the loan and advances book. Non-performing loans as a percentage of loans and advances increased from 1.09% to 1.32%.

Non-interest income expanded by 17.4%, to N$953 million, beating our forecasts of N$916 million by 4.1%. This was mainly due to growth in transaction-based fee income and trading income which increased by 8.1%.

Operating expenses grew by 13.2%, to N$1.18 million. This resulted in a further improvement in the cost-to-income ratio of the bank, which improved from 51.6% to 50.2% between FY15 and FY16. The increase in costs was largely driven by increased staff costs.

The group remains well capitalized with a total risk-based capital adequacy ratio of 15.8%, unchanged from 2015. The ratio of Tier I capital to risk weighted assets now stands at 14.3%, up from 13.7%, while the ratio of Tier II capital to risk weighted assets fell to 1.5% from 2.1%. Thus, the ratio of core capital to total capital improved over the period. Going forward, the Bank of Namibia has announced its intention for Basel III to be fully implemented by 2021.

To value the company, we establish a required rate of return, or **cost of equity, of 12.46%,** Based on this cost of equity, **long-term growth rate for the company of 8.4%,** and a **dividend pay-out ratio of 36%**, broadly in line with historic pay-out ratios, we believe a **PE of 8.76x can be justified** on this share. Given **expected earnings growth of 18.3% in FY17**, taking **total earnings to c208/share**, we derive **a target price of c1820/share**. Coupled with an **expected dividend of 75cps** or **dividend yield of 4.5%**, we expect a **total return of 12.5% in FY16**.

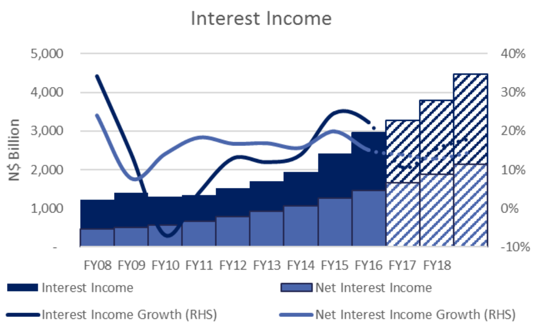
Bull Points:

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

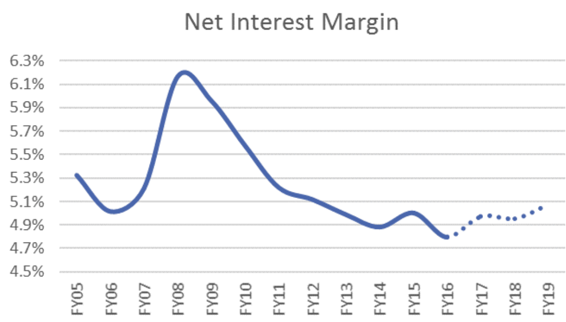
Bear Points:

- New entrants in the banking space
- Cooling property market
- Regulatory focus on non-interest income

Interest Income



Net interest margin



Fiscal Year End: June	2012	2013	2014	2015	2016	F2017
Income Statement Extract (N$m)						
Net interest income	783	914	1,057	1,267	1,458	1,660.3
Fee and Commission Income	355	416	493	564	607	708
Operating expenses	(707)	(763)	(915)	(1,042)	(1,180)	(1,290)
Operating profit	515	648	793	979	1,171	1,316
Share of profit from jointly controlled assets	53.3	60.4	84.3	87.2	97.1	111.7
Profit before tax	570.0	709.7	878.3	1,067.1	1,269.5	1,429.4
Income tax (expense)\ credit	(167.4)	(216.4)	(253.4)	(314.1)	(364.5)	(388.8)
Net gains on available for sale financial assets	14.0	22.4	14.2	28.5	33.5	22.5
Total Comprehensive Income	416.6	515.6	639.2	781.5	938.5	1,063.1
Balance Sheet (N$m)						
Governemnt and other debt securities	1,523.8	1,493.2	2,104.9	2,587.5	2,408.2	2,730.9
Loans and advances	15,484.9	17,652.0	20,245.4	23,621.9	26,598.0	29,278.7
Due from other banks	251.4	251.4	251.4	473.0	740.3	987.8
Total Assets	18,921.1	20,938.6	24,318.3	28,608.8	32,333.7	35,615.7
Due to customers	15,673.7	16,915.7	18,782.4	21,994.0	23,724.1	25,984.1
Deposits from banks and others	237.6	167.0	282.7	130.2	144.0	159.3
Debt securities in issue	768.9	943.1	1,841.3	2,461.2	2,215.3	2,534.5
Total Liabilities	17,034.0	18,314.6	21,224.1	24,965.5	28,059.6	30,653.2
Total shareholders' equity	1,887.1	2,624.1	3,094.2	3,643.4	4,274.0	4,940.0
Growth Rates (%)						
Net interest income	37.9%	16.8%	15.6%	19.9%	15.1%	13.9%
Loans and advances	36.8%	14.0%	14.7%	16.7%	12.6%	10.1%
Due to customers	4351.1%	7.9%	11.0%	17.1%	7.9%	9.5%
Total Assets	30.9%	10.7%	16.1%	17.6%	13.0%	10.2%
Financial Summary						
HEPS (c)	87.0	109.0	121.0	150.5	181.2	208.3
DPS (c)	100.0	32.8	44.0	54.0	66.0	75.0
NAV (c)	417	532	617	728	856	993
Weighted Average shares (m)	452.48	493.14	501.12	500.52	499.53	499.53
Key Statistics						
RoAA (%)	2.3	2.5	2.8	2.8	3.0	3.1
RoAE (%)	23.3	21.9	21.9	22.4	22.9	22.5
Valuation Metrics						
P/E (x)	19.4	15.5	13.9	11.2	9.3	8.1
P/BV (x)	3.2	3.2	2.8	2.3	2.0	1.7
Dividend Yield (%)	5.9%	1.9%	2.6%	3.2%	3.9%	4.5%
Earning Yield (%)	5.2%	6.5%	7.2%	8.9%	10.8%	12.4%

FNB Namibia Holdings *Recommendation: HOLD, TP: 4980, 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 year ending 30 June 2016. The company saw good growth given the current macroeconomic climate, with profit up 21.9% for the year, beating our expectations by 3.4%. Profit was, however, bolstered by the a once-off property sale to the value of N$67.3 million. As a result, headline earnings grew at a lower rate of 15.7%. Headline earnings per share just missed our expectations, coming in short by 2.1%. However, as we had not forecast the once of item, earnings per share beat our expectations by 3.2%. The company's income was split 48.4% to 51.6% between non-interest income and net-interest income (after impairments). Overall, net interest income has shrunk as a percent of total income, from 52.7%, while non-interest income has increased from 47.3%. Over the year, net interest income (after impairments) expanded by 14.5%, while non-interest income is up 19.4%.

From a net-interest income perspective, interest income saw healthy growth of 18.9%, while the interest expense increased dramatically, by 26.6%. This increase in interest expense has been seen across much of the sector, driven by the current challenging funding conditions in the country, stretched loan to funding ratios, government crowding out and increased competition for funding. Over the year, the average rate of interest on loans (excluding interbank lending) was 11.81%, while the average funding costs (including the two debt instruments, accounted for as tier two liabilities, but excluding interbank borrowing) was 4.70%. This compares to an average lending rate of 11.27% and an average funding rate of 4.15% in the previous year. The value of loans outstanding increased by 12.9% over the year, driving overall asset growth of 14.8%. Deposits expanded by 16.0%. As such, the overall tightening of the net interest margin was driven by increased cost and volumes of deposits vis-à-vis advances. Surprisingly, given the current environment, impairment losses contracted when compared to last year, falling by 4.1%, from N$49.9 million to N$47.9 million. This was notably better than our forecast of N$78.7 million.

Non-interest income growth was driven by a number of factors. The largest growth in non-interest income came from "other non-interest income" under which the aforementioned sale of property was classified. However, on a weighted basis, the strongest growth was seen in net fee and commission income, which expanded by 13,5%, or by some N$144.8 million. According to the bank this was due to increased transaction volumes and accounts, particularly through electronic channels.

The groups operating expenses increased, but by a lesser amount than revenue, resulting in continued compression in the cost to income ratio, which now stands at 43.7%, from 43.9% in FY15. The bulk of the 16.0% increase was driven by staff costs (up 15.0%), as well as a major increase in depreciation thanks to the new head office in Windhoek.

FNB remains well capitalized with a total capital adequacy of 17.8% (tier 1 capital of 15.1%)., up from 17.4% in FY15, and well above the regulatory requirement of 10%.

Valuation: For the purpose of valuing the company, we establish a **cost of equity, of 12.20%**, down from 14.12% in FY15, largely on account of a major deterioration in the growth environment in the country, and thus the equity risk premium. Based on this cost of equity, a highly conservative **long-term growth rate for the company of 7.75%**, and a **dividend pay-out ratio of 44%**, we believe a **PE of 9.9x can be justified** on this share. Given **expected earnings growth of 9.2% in FY16**, taking **total earnings to c503/share**, we derive a **target price of N$c4980/share, down from our earlier price target of N$c5230**. Coupled with an **expected dividend of 221cps**, we expect a **total return of 8.6% in FY17**. We thus **revise our previous BUY** recommendation to a **HOLD** recommendation for FNB Namibia.

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

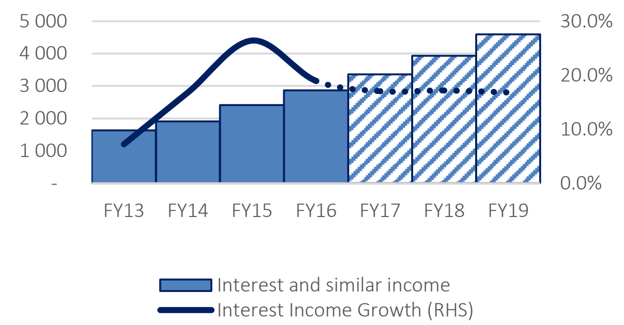
Bull Points:

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

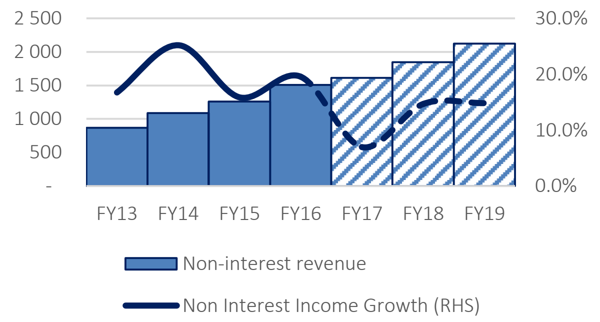
Bear Points:

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

Interest Income



Non-interest income



Cash and short-term funds	2013	2014	2015	2016	F2017
Income Statement (N$m)					
Net interest income after impairments	961.6	1,119.6	1,403.0	1,605.8	1,825.9
Non-interest income	868.5	1,087.4	1,260.1	1,506.7	1,675.3
Net insurance premium income	99.7	125.8	153.9	189.3	218.3
Net claims and benefits paid	(50.9)	(71.1)	(82.3)	(102.8)	(116.4)
INCOME FROM OPERATIONS	1,879.0	2,261.6	2,734.7	3,198.9	3,603.1
Operating expenses	(940.4)	(1,069.4)	(1,222.0)	(1,417.6)	(1,540.3)
Profit before tax	940.5	1,192.8	1,513.3	1,782.6	2,064.1
Income tax (expense)\ credit	(310.6)	(386.2)	(488.0)	(533.0)	(644.2)
Net Profit	610.2	784.6	998.7	1,217.6	1,384.7
Balance Sheet (N$m)					
Cash and short-term funds	690.3	867.6	795.2	2,119.9	2,395.7
Loans and advances	95.0	92.0	158.6	209.5	226.7
Due from other banks	1,889.0	1,766.3	1,585.0	1,772.3	1,969.1
Investment Securities	2,272.8	2,833.1	3,365.9	3,236.9	3,645.9
Total Assets	22,499.4	26,255.8	29,784.3	34,185.5	37,606.1
Deposits and current accounts	18,835.7	21,522.4	23,951.8	27,793.8	30,017.3
Due to banks and other fin institutions	319.1	813.0	1,020.0	801.0	852.6
Policyholder liabilities	50.5	63.0	69.8	67.8	74.6
Debt	392.6	392.6	392.6	392.7	390.0
Total Liabilities	20,209.7	23,478.7	26,395.5	30,145.0	32,845.5
Shareholders' equity	2,262.0	2,745.9	3,348.7	3,989.7	4,709.8
Total shareholders' equity	2,289.7	2,777.2	3,388.9	4,040.5	4,760.5
Growth Rates (%)					
Income from operations	40.8%	20.4%	20.9%	17.0%	12.6%
Loans and advances	-99.2%	-3.1%	72.4%	32.1%	8.2%
Deposits	56.4%	14.3%	11.3%	16.0%	8.0%
Assets	41.2%	16.7%	13.4%	14.8%	10.0%
Financial Summary					
EPS (c)	297.7	377.5	230.2	297.7	377.6
HEPS (c)	191.6	203.1	229.4	294.7	377.6
DPS (c)	247.0	262.0	100.0	109.0	183.0
NAV (c)	703.6	912.0	872.6	1057.0	1290.9
Weighted Average shares (m)	267.6	267.6	267.6	267.6	267.6
Key Statistics					
Net interest margin (%)	5.6%	5.4%	4.7%	4.7%	5.2%
RoA (%)	2.8%	2.9%	2.9%	3.2%	3.6%
RoE (%)	22.4%	24.7%	26.0%	31.0%	32.4%
Valuation Metrics					
P/E (x)	25.0	23.6	20.9	16.3	12.7
P/BV (x)	6.8	5.3	5.5	4.5	3.7
Dividend Yield (%)	5.2	5.5	2.1	2.3	3.8
Earning Yield (%)	4.0	4.2	4.8	6.2	7.9

Namibia Asset Management *Recommendation: HOLD, TP: 88c, 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%).

FY16 Financial Results

Namibia Asset Management (NAM) released its condensed results for the financial year ended 30 September 2016. Operating profit and profit after tax were flat at N$21.9 million and N$23.5 million respectively. Basic EPS increased by 9.3% to 10.1 cps while diluted EPS increased by 6.3% to 9.7cps.

NAM declared a final dividend of 7.5 cps, bringing its dividend yield to 10%. The last day to trade the share cum dividend is 11 November 2016 and the dividend will be paid 28 November 2016.

Although net profit was stagnant, the buyback of 16 million shares by the Orban Street Trust pushed EPS higher. The shares were repurchased from Coronation Investment Management for a consideration of N$8.4 million, or a price of 52.5 cps, on 1 April 2016.

Revenue decreased by 15.6% due lower asset management fees as a result of portfolio outflows. Net outflows amounted to N$2.1 billion, comprising of N$806 million from the retail business and N$1.3 billion from institutional clients.

Due to underlying asset performance, total assets under management decreased only marginally, by N$79.9 million to N$20.0 billion. Management cited client rebalancing to comply with new regulations as the main reason for the outflows.

The unit's trusts did not perform particularly well during the review period. With the exception of the Strategic Income Fund, which created alpha of 0.1%, all the unit trust portfolios underperformed their benchmark over a one year horizon.

However, over a 5-year period the opposite was true, with only the Balanced plus slightly below benchmark. Management reiterated their long-term value driven investment philosophy and solid track record in the release. Furthermore, NAM added a money market portfolio to expand their product offering to the retail market, which now consists of five unit trusts.

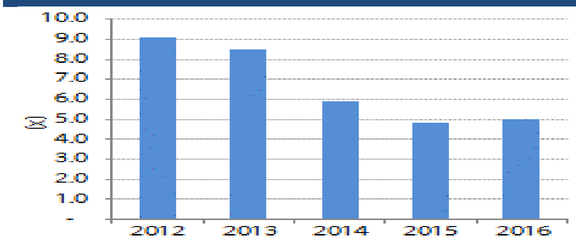
Valuation and recommendation

We are currently reviewing our NAM valuation model and leave our recommendation unchanged at a BUY, pending further research. This being largely due to the strong track of the company's investment performance and its attractive relative valuation versus its South African peers. The dividend yield of 10% is also a decisive factor and should make a decent contribution to total return. We will release a detailed report pending discussion with management and the release of the full integrated annual report.

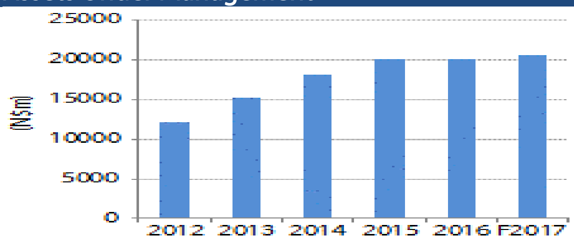
Bull Points:
- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

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

Price to Book



Assets Under Management



Fiscal Year End: September	2012	2013	2014	2015	2016	F2017
Income Statement (N$m)						
Revenue	41.6	63.8	80.5	85.8	72.4	86.6
Other income	0.0	0.0	0.4	0.7	0.3	0.3
Net finance income	0.7	1.2	1.2	1.5		
Operating expenditure	31.0	50.3	63.3	64.2		
Profit before tax	11.4	14.8	18.8	23.8	23,472.6	23,604.0
Income tax (expense)\ credit	(3.8)	(4.7)	(6.1)	(8.1)	7.9	7.6
Net Profit	7.7	10.1	12.6	15.7	1.6	1.6
Balance Sheet (N$m)						
Assets under management	12,200.0	15,300.0	18,155.9	20,102.3	20,022.5	20,623.1
Cash and short-term funds	8.8	9.7	27.9	35.3	44.9	-
Total Assets	26.2	28.6	50.6	59.7	46.5	47.2
Debt	-	-	-	-	-	-
Total Liabilities	26.2	26.9	50.6	59.7	46.5	38.0
Total shareholders' equity	16.1	17.2	24.7	30.1	23.0	23.0
Growth Rates (%)						
Revenue	-8%	53%	26%	7%	-16%	20%
Assets under Management	31%	25%	18%	11%	0%	3%
Assets	22%	9%	77%	18%	-22%	1%
Financial Summary						
EPS (c)	3.8	5.1	6.3	7.9	9.1	7.7
HEPS (c)	4.6	6.0	7.5	9.2	10.1	10.4
DPS (c)	4.0	4.0	5.5	7.5	7.5	7.8
NAV (c)	9.7	10.2	14.6	17.7	14.9	20.8
Weighted Average shares (m)	200	200	200	200	200	200
Valuation Metrics						
P/E (x)	3.9	5.3	8.7	7.8	7.4	7.2
P/BV (x)	9.1	8.5	5.9	4.9	5.0	
Dividend Yield (%)	6%	13%	8%	10%	10%	10%

Oryx Properties

Recommendation: SELL, TP: 1680c, 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 61% of the portfolio (mainly from Maerua Mall shopping centre in Windhoek) while Industrial contributes 28% to the portfolio and Offices contribute 11%.

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

FY16 Results Review: Oryx Properties Limited (Oryx) released its results for the financial year ended 30 June 2016, reporting 5.4% distribution growth to 167cpu from 158.5cpu reported for FY15. The distribution was supported by a 1c dividend per unit which is included in the 167cpu. Over the same period EPU decreased by 29%, from 448.11c to 316.64c, largely due to lower fair value adjustments on the property portfolio. HEPU rose by 2.1% to 163.01c in FY16.

Net rental income increased by 1.5% y/y to N$196.7m, in stark contrast to the 19% increase in FY15 as a result of a negative straight line basis adjustment, and higher than anticipated rental expenses. Rental expenses increased by 21% to N$91.5m, close to, but exceeding IJG's expectations. Oryx reported a profit of N$105.6m for the period, down 45% y/y, as a result of lower valuation gains on the property portfolio which is reasonable in the current economic climate.

At FY16 the property portfolio was valued at N$2.326bn, up 8.4% from FY15. This is a less aggressive upward revision in the value of the portfolio than seen in FY15. We are less optimistic about the short term growth potential of the property portfolio than the Oryx management team due to a slowdown in the economy and we expect to see less aggressive valuations of the property portfolio in FY17 and FY18.

Vacancies as a percent of lettable area grew to 2.1% for the year compared to 0.7% in FY15. The office portfolio accounted for the bulk of the vacancies with 1.1%, retail added 0.6% and industrial 0.4%. The spike in office vacancies was due to a large government tenant relocating to new offices while the Joule Street tenant contributed to the industrial vacancies. At the time that the financials were released vacancies had decreased to 0.5%. Given the economic climate we forecast revenue for FY17 using a 2% vacancy rate.

Net asset value per liked unit increased by 6.2% to 2,034 cents per unit compared to 1,915 cents per unit in FY15, according to the company financials. The Oryx share price is thus trading at a 4.5% premium to net asset value.

The weighted average interest rate paid on the company's debt has increased to 9.4% as at the end of FY16 from 8.7% at the end of FY15. Financial gearing has dropped to 29% due to the successful rights issue in October 2015 and as a result unutilised borrowing facilities now stand at N$286m. Decreasing relatively more expensive debt by issuing cheaper rights could prudent at present as high yielding opportunities are rare but may become more numerous as the economy moves through this downswing.

Valuation: A FY17 distribution yield of 7.6% represents a further decline from the previous period's 7.9%, and is based on forecasted distributions of 161.2cpu. The average yield on the IJG Generic 10-year bond over the last 14 years is 9.65%. We have decided to use this as a reasonable benchmark with which to calculate our target price of N$16.80 for FY17, a 21% discount to the current price of N$21.25. **We therefore change our recommendation from a hold to a SELL.**

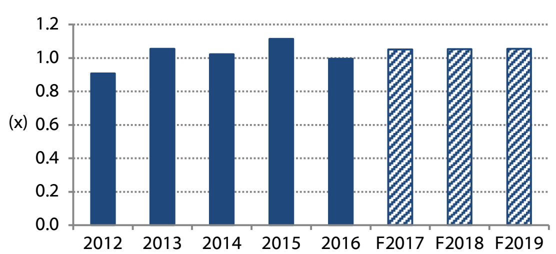
Bull Points:

- Very low vacancy levels
- Location of properties
- Quality tenant profile

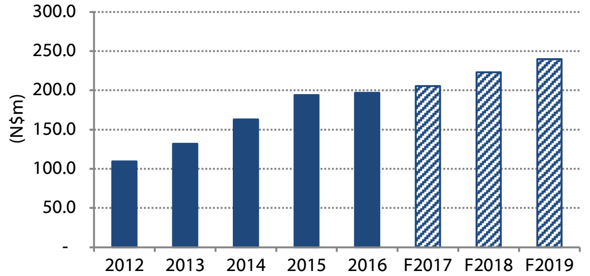
Bear Points:

- 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	2012	2013	2014	2015	2016	F2017
Income Statement (N$m)						
Revenue	132.8	160.6	204.8	269.4	288.3	301.7
Rental expense	23.6	28.9	41.9	75.5	91.5	96.1
Net rental income	109.2	131.7	162.9	193.9	196.7	205.6
Investment income	1.2	0.8	0.9	0.9	3.0	3.0
Amortisation of debenture premium	2.8	3.2	7.7	11.2	20.8	24.4
Fair value changes	41.1	5.5	71.5	179.4	90.8	-
Other expenses	(8.6)	(10.4)	(10.6)	(11.7)	(15.9)	(15.9)
Finance cost	(28.3)	(37.9)	(52.1)	(76.1)	(67.0)	(67.2)
Debenture interest	(70.5)	(76.8)	(97.8)	(104.7)	(129.2)	(125.5)
Profit before tax	36.4	20.0	111.7	192.5	102.0	24.4
Income tax expense	(1.3)	4.6	4.8	1.2	(3.7)	3.0
Net Profit	37.7	15.4	106.9	191.3	105.6	21.4
Balance Sheet (N$m)						
Cash and other liquid assets	3.0	3.6	14.3	9.8	9.7	8.7
Investment properties	1 239.7	1 447.3	1 924.6	2 149.9	2 276.2	2 286.0
Trade and other receivables	11.7	18.7	22.2	24.1	29.3	32.2
Total Assets	1 284.2	1 507.3	2 015.0	2 248.6	2 399.1	2 406.1
Linked unitholders for distribution	36.5	39.8	53.4	57.3	69.8	56.5
Debentures	247.1	247.1	296.6	296.5	349.4	349.4
Long-term borrowings	395.7	590.4	815.6	872.1	695.9	725.7
Total Liabilities	770.1	978.2	1 379.0	1 421.3	1 461.1	1 446.7
Total shareholders' equity	514.2	529.1	636.1	827.4	938.0	959.4
Growth Rates (%)						
Revenue	15%	21%	28%	32%	7%	5%
Rental expense	9%	23%	45%	80%	21%	5%
Net rental revenue	17%	21%	24%	19%	1%	4%
Investment Income	211%	-39%	18%	-4%	248%	0%
Assets	18%	17%	34%	12%	7%	0%
Liabilities	27%	27%	41%	3%	3%	-1%
Financial Summary						
HEPU (c)	128	139	162	160	163	161
DPU (c)	128	140	148	159	167	161
NAV (c)*	1 461	1 483	1 759	1 915	2 143	2 030
Weighted Average shares (m)	55.0	55.0	61.7	66.1	74.2	77.9
**realisable NAV*						
Key Statistics						
Vacancies (as % of GLA)	1%	1%	1%	1%	2%	2%
Rental Expense/revenue	18%	18%	20%	28%	32%	32%
Debt/Equity	0.8	1.1	1.3	1.1	0.7	0.8
Valuation Metrics						
P/E (x)	10.4	11.2	11.1	12.5	13.0	13.1
P/BV (x)	0.9	1.1	1.0	1.0	1.0	1.0
Distribution Yield (%)	9.7	8.9	8.2	7.9	7.9	7.6
Earning Yield (%)	9.7	8.9	9.0	8.0	7.7	7.6

Namibia Breweries Limited

Recommendation: HOLD, TP: 2790, 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.

FY16 Results Namibia Breweries (NBS) released results for the year ended 30 June 2016. The full year results reflect a stable operational performance with operating profit up 6.7% y/y. Basic EPS increased 43.8% y/y to 180.3c and HEPS decreased 0.75% from 187.1c to 185.7c. The large increase in basic EPS was largely attributable to the write back of a deferred tax asset in the new associate. The board declared a final dividend of 40 cps, taking the total dividend for the year to 80cps, up 8.1% on last year.

Heineken South Africa NBS now holds a 25% stake in Heineken South Africa which is a merger of DHN Drinks and the Sedibeng Brewery. Heineken International now holds a direct stake of 75% in Heineken South Africa.

Sales and Volumes Total revenue for the 2016 financial year decreased by 0.3% from the previous period. The lower revenue figure was largely a product of the contractual migration of production volumes from Windhoek to the Sedibeng brewery in Johannesburg.

Revenue per Category	FY15	FY16	y/y % Δ	FY15 Contribution	FY 16 Contribution
Beer	2,266,443	2,240,987	-1.1%	93.1%	92.4%
Other	167,734	184,989	10.3%	6.9%	7.6%
Total	**2,434,177**	**2,425,976**	-0.3%	100.0%	100.0%

Export Markets Due to the volume migration, exports to south Africa decreased by 41.7%. Total beer volumes sold to export markets (excluding South Africa) declined by 5% in comparison with the prior reporting year. African export sales showed mixed results. While Zambia and Mozambique detracted from overall performance, Tanzanian volumes doubled for the third consecutive year, and still show further promise. International sales volumes (ex-Africa), made up primarily of the UK, Germany and Australia, remained flat year on year.

Local Procurement Local procurement made up 38% percent of commodity inputs and the group is continuously increasing their support to local procurement partners. Locally, 1800 tons of barley was produced in the financial year, and used exclusively to produce King Lager.

Deferred Tax Asset A deferred tax asset of R89.2 million was recognised in the books of NBS, being their share of the Heineken South Africa accumulated losses, now deemed recoverable. The recognition of this asset has translated into a profit per share of 43.2c.

Valuation

Using a EBITDA multiple method, assuming an exit multiple of 9.50x and discounted cash flow analysis on a 50/50 weighting, we set a target price of 2790cps. Based on the 28.5% appreciation in price over the last year, we believe the current price of the security has become somewhat demanding.

Based on our target price and estimated dividend, we expect a one year total return of 0.8%. While this is a below-cash return, the nature of the Namibian investment environment, characterised by an undersupply of investable assets, particularly in the equity space, and the illiquidity that results, means that the sale of the security may make its repurchase challenging. We thus continue to recommend a HOLD on this security, with the expectation of improved earnings in the future.

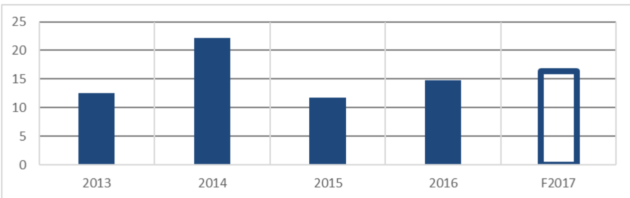
Bull Points:

- Gaining a share of the Sedibeng brewery
- Product line that keeps up with consumer trends
- Well established in Namibia

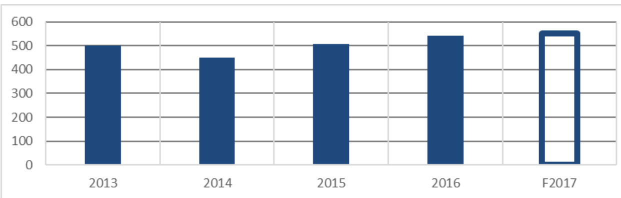
Bear Points:

- Increased competition in the Namibian Market
- Decrease in local revenues due to volume migration
- Risk of water shortage

Price to Earnings



Operating Profit



Financial Year End	2012	2013	2014	2015	2016	F2017
Income Statement (N$m)						
Sales Revenue	2,160.1	2,383.4	2,316.9	2,434.2	2,425.9	2,453.6
Operating Profit	429.0	500.1	451.3	506.5	540.7	550.4
Profit before income	336.0	199.7	328.7	395.1	508.1	533.3
Income Tax Expense	(114.0)	(126.8)	(122.9)	(136.1)	(135.6)	(170.7)
Profit attributable tc	222.0	72.9	205.9	259.0	372.5	362.6
Balance Sheet (N$m)						
Property, plant & eq	799.8	827.7	874.9	871.1	983.4	983.4
Intangible assets	-	12.2	11.5	16.7	25.5	25.5
Investement In Asso	-	-	-	-	610.5	557.6
Inventories	203.2	285.9	209.6	226.6	268.1	271.2
Trade and other rece	453.1	306.9	383.3	325.6	384.2	388.6
Cash and cash equiva	91.9	267.8	55.9	264.2	198.4	211.9
Total Assets	1,666.1	1,714.2	1,541.2	1,737.1	2,470.2	2,438.3
Interest bearing loar	265.7	9.2	8.8	13.8	479.7	419.0
Current liabilities	356.1	672.8	397.1	472.0	519.7	475.8
Non-current liabilitie	409.2	180.9	212.4	221.1	692.7	629.5
Total Liabilities	765.2	853.7	609.6	693.1	1,212.4	1,105.3
Total Shareholders E	907.3	860.5	931.6	1,044.1	1,257.8	1,402.4
Growth Rates						
Sales	20.2%	10.3%	-2.8%	5.1%	-0.3%	1.1%
Operating Profit	14.3%	16.6%	-9.7%	12.2%	6.7%	-5.0%
Cash and cash equiva	0.3%	191.4%	-79.1%	372.3%	-24.9%	6.8%
Interest bearing loar	43.4%	-96.5%	-4.8%	57.3%	3371.1%	-12.7%
Inventories	34.4%	40.7%	-26.7%	8.1%	18.3%	1.1%
Assets	18.8%	2.9%	-10.1%	12.7%	42.2%	-1.3%
Financial Summary						
EPS	149.5	177.8	159.1	187.1	185.7	180.8
DPS	54	62	68	74	80	83
NAV	439.3	416.6	451.1	505.5	609.0	679.0
Valuation Metrics						
P/E	17.1	14.3	16.0	13.6	15.3	15.8
P/B	3.2	3.4	3.2	2.8	4.7	4.2
DY	2.1	2.4	2.7	2.9	2.8	2.9
EY	5.8	7.0	6.3	7.4	6.5	6.3

Bidvest Namibia *Recommendation: SELL, TP: 1000, Code: BVN*

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

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

FY16 Results

Bidvest Namibia results for the 2016 financial year disappointed once again. As we expected, the firm's results reflect the difficulties the fishing division finds itself in. EPS decreased 36.2% to 86.9 cents per share, while HEPS fell 16.5% to 86.2 cents per share. At N$3.859 billion, revenue is up 9.2% from last year, mainly due to the acquisition of Novel Motor Company during the financial year, which added N$755.2 million to revenue. However, BVN's trading profit shrunk 43.0% to N$235.1 million, primarily as a result of significantly lower horse mackerel quota available to Namsov. A final cash dividend of 18 cents per share was declared, taking the total dividend for the year to 38 cents per share, thus the company cut dividends by 36.2% when compared to FY15.

Fishing

Performance by the fishing division was particularly poor. Firstly, lower horse mackerel quota was allocated directly to BVN by the Ministry of Fisheries and Marine Resources together with the fact that quota contributing partners exited from Trachurus Joint Venture, resulting in the tons of horse mackerel sales falling. Secondly, the hard currency prices of horse mackerel fell, down 21.0% year on year. Thirdly, the entire industry reported poor pilchard catches during the fishing season, consequently, BVN reached an agreement with Etosha Fishing to do all the canning, while BVN's United Fishing vessels were used to catch pilchards. Lastly, broken down vessels in Angola also contributed to lower landings, therefore lower volumes sold. **Freight and Logistics**

Lower activity in the oil and gas industry as mining and oil exploration slowed down in the country is one of the main reasons for lack luster performance in this division. Given the integrated nature of the Freight and Logistics business, projects have spin-offs to all areas in the division. Therefore all entities in this division are facing challenging times. There are currently no projects underway for the next few months, therefore no expectation of an improved result for 1H17 and possibly the full financial year ahead.

Food and Distribution

The FY17 results for Taeuber & Corssen (T&C), and therefore the entire food and distribution division was poor for various reasons, namely less consumer spending, stock shortages due to non-supply by principals and generally fewer products being sold. The results were also affected to a large extent by the loss of the contract for distribution of Namibia Poultry Industry products in 2015.

Commercial and Industrial Products and Services

Various high-frequency indicators, such as new vehicle sales and private sector credit extension, are already pointing towards a slowdown in consumer spending in Namibia. Growth is therefore not to be expected in the in the Commercial and Industrial Products and Services division for FY17, unless in the form of acquisitions or expansion.

Automotive

We saw exceptionally strong vehicle sales growth through 2014 and 2015, fueled by a strong consumer base supported by expansionary fiscal policy and real wage growth. However, the latest figures show that this trend is losing momentum. We expect to see a decrease in vehicle sales as purchases of vehicles by Government will be reduced this year. Further downside risks to this are rising interest rates which may limit marginal lenders from qualifying for financing as well as banking sector liquidity which may limit the availability of loans to finance vehicle purchases. In our view the acquisition of Novel Motors is a positive development to reduce risk as the company is heavily weighted towards the fishing Industry, however the timing of the acquisition at what seems to be top of the industry's earnings cycle might weigh on the near term performance.

Valuation and Recommendation

The stock is currently trading on a FY17 dividend yield of 3.8% based on expected full year dividends of 39 cents per share at an assumed 50% payout ratio. This is well below its average yield of 5.6% over the last five years, and is relatively unattractive to cash yields that are significantly higher and still on the rise. We have adjusted our earnings forecast and target price following a detailed analysis of the full year results. We forecast **FY17 earnings of 78.7 per share** and calculate a **target price of N$10.00 per share** based on a **justified PE ratio of 12.7x**. We are concerned about the possibility of dividend being cut further 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 expected change in regulation with regards to the Pension Funds Act and the Long-Term Insurance Act and the possibility that once sold stock may be difficult to rebuy in future. Nevertheless, due to the current challenges faced by the company and limited earnings visibility, we have maintained our **Sell recommendation**.

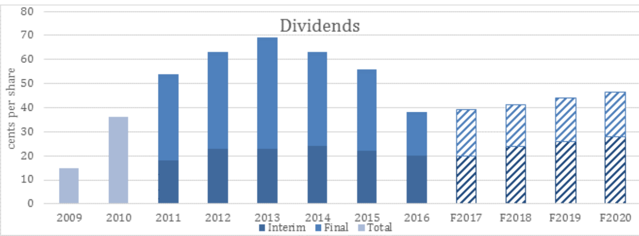
Bull Points:

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

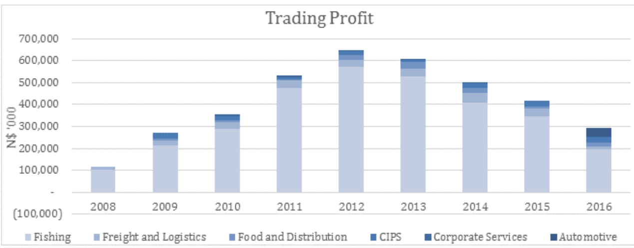
Bear Points:

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

Dividends



Trading Profit



Fiscal Year End	2010	2011	2012	2013	2014	2015	2016	F2017
Income Statement (N$m)								
Sales Revenue	1608	1919	2731	3355	3703	3535	3859	3746
Cost of sales	(1102)	(1207)	(1890)	(2488)	(2832)	(2783)	(3127)	*
Gross Profit	506	712	841	867	872	752	731	*
Operating expenses	(159)	(186)	(209)	(281)	(385)	(360)	(449)	*
Trading Profit	369	545	647	601	501	416	295	283
Net interest income(expense)	1.3	6.1	17.6	13.0	16.3	27.1	17.1	8.0
Income from associates	0.0	0.0	0.0	0.0	0.0	0.0	2.9	0.0
Profit before tax	353	568	672	615	517	545	323	291
Income tax expense	(116)	(184)	(211)	(188)	(174)	(133)	(88)	(84)
Minorites	72	126	162	161	98	123	51	40
Net Profit	237	384	469	444	349	425	259	207
Balance Sheet (N$m)								
Cash and other liquid assets	591	780	785	853	782	908	744	*
Propert, Plant and Equipment	549	569	764	830	842	829	864	*
Intangible assets	39	31	31	35	31	28	48	*
Goodwill	69	69	102	120	119	119	244	*
Inventories	217	230	324	376	400	432	487	*
Total Assets	1725	1940	2469	2779	2765	3025	3160	*
Interest bearing debt	50.2	0.0	0.0	0.0	2.6	0.1	0.0	*
Current liabilities	417	390	517	586	455	526	651	*
Non-current liabilities	151	149	239	233	245	220	205	*
Total Liabilities	569	539	757	820	699	747	856	*
Shareholders' equity	1156	1402	1712	1959	2065	2278	2304	*
Total shareholders' equity	1725	1940	2469	2779	2765	3025	3160	*
Growth Rates (%)								
Sales	16%	19%	42%	23%	10%	-5%	9%	-2.9%
Trading Profit	30%	48%	19%	-7%	-17%	-17%	-29%	-4.0%
Cash and other assets		32%	1%	9%	-8%	16%	-18%	
Inventories		6%	41%	16%	6%	8%	13%	
Assets		13%	27%	13%	-1%	9%	4%	
Financial Summary								
EPS (c)	86	125	143	130	116	137	87	79
HEPS (c)	0	120	140	130	116	103.2	86	78.7
DPS (c)	36	54	63	69	63	56	38	39
Weighted Average shares (m)	192	207	210	212	212	212	212	212
Key Statistics								
Operating margin (%)	22%	29%	24%	18%	14%	15%	8%	8%
Current ratio (x)	2.5	3.3	3.0	3.0	3.9	3.6	0.0	*
Debt/Equity	2.9%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	
RoE (%)	32.4%	36.7%	37.0%	29.8%	22.1%	24.4%	12.2%	12.6%
Valuation Metrics								
P/E (x)	12.01	8.23	7.21	7.93	8.87	7.5	11.83	13.1
P/BV (x)	2.01	1.82	1.55	1.41	1.32	1.19	1.15	1.47
Dividend Yield (%)	3.5%	5.3%	6.1%	6.7%	6.1%	5.4%	3.7%	3.8%

Maintenance Coverage

Stimulus Investments

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

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

FY14 Highlights:

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

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

Stimulus Investments currently has the following investments:

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

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

Bull Points:

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

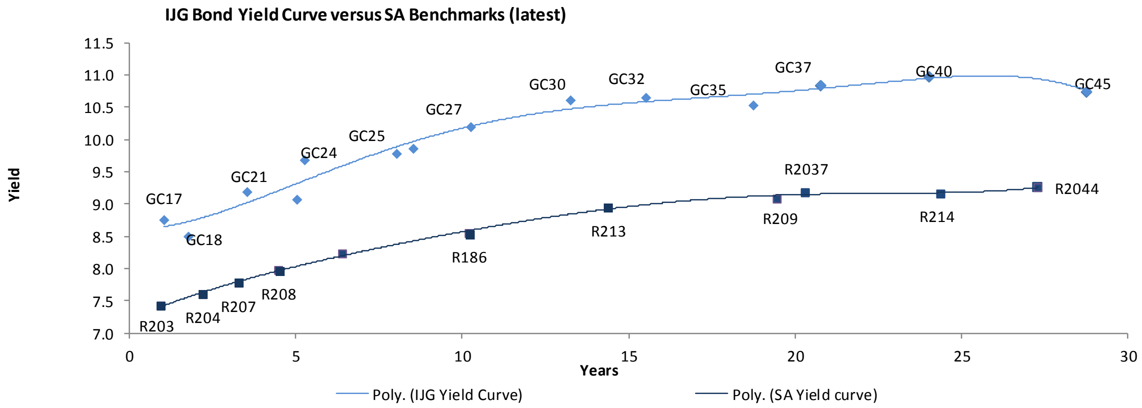
Bear Points:

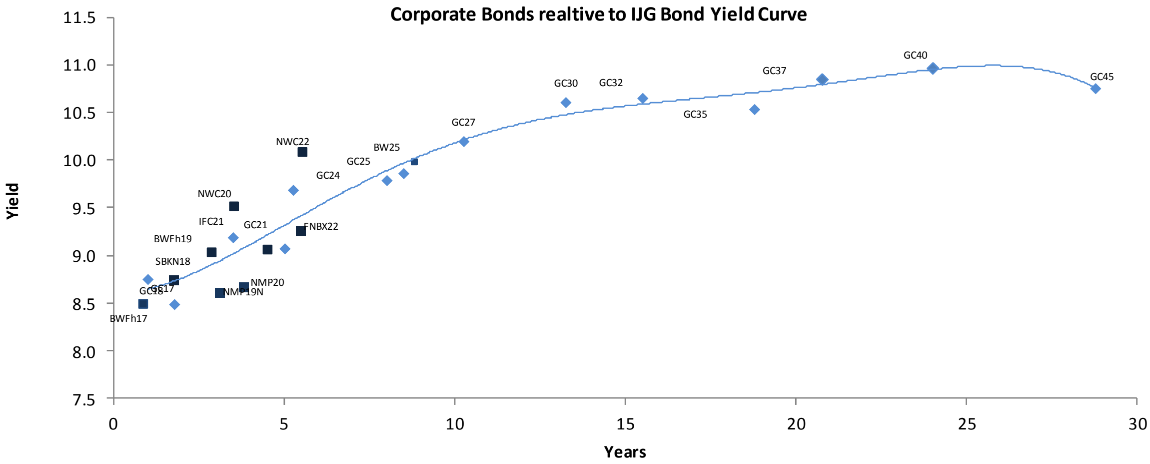
- Financial skills shortage

Bond Listings

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

30 September 2016:





Standard Bank Namibia

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

Top Shareholders: Standard Bank Group (100%)

FY15 Highlights:
Standard Bank Namibia's reported profit for FY 15 by 45% and loans and advances by 11%. The group return on equity (ROE) has improved to 23.56% from 17.67% in 2014. Total income grew by 20% and expenses grew by 13% reflecting a delicate balance between cost management and the need for continued investment to be made in our systems and infrastructure to remain relevant to our customers and introduce innovation to our service offering.

The group's tier I capital was N$2 300 million at 31 December 2015 (2014: N$1 703 million) and total capital, including unappropriated profit was N$2 674 million at 31 December 2015 (2014: N$2 012 million). The change in the Group's capital was primarily due to an increase in retained earnings. The group maintained a well-capitalised position based on tier I capital, total capital adequacy and leverage ratios as set out below.

Standard Bank continues to show improvements in credit impairments, seeing a reduction in our credit loss ratio to 0.5% from 0.8% in 2014. This is partly due to the continued growth in the economy, but also related to our robust and stringent application process which protects both the customer and our bank.

The outlook for 2016 is uncertain given the significant fluctuations in the value of the Namibia Dollar and its uncertain impact on inflation levels in 2016. The expected increases in interest rates in 2016 add to these uncertainties, compounded by the continued low levels of commodity prices and the drought experienced in the last three years.

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:

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%)

FY15 Highlights

Electricity sale volumes increased by 1.1% (2014: 0.8% decrease) from 3 827 GWh in 2014 to 3 870 GWh in 2015. Maximum demand increased to 657 MW from 629 MW registered in June 2014, an increase of 4.5%. The rate of growth in electricity sales lagged that of peak demand due to reduction in bulk water pumping, customers' increased use of renewable sources of energy such as solar water heating and rooftop solar photovoltaics, and higher energy efficiencies in the mining sector which was forced by decreased commodity prices. NamPower continues to encourage customers to apply all such economising measures.

Group revenue increased by 13% (2014: 20%) to N$4.5 billion for the year under review, primarily driven by the annual tariff increase of 13%, and augmented by customer contribution for construction of customer required assets as well as electricity sales to other regional utilities on the Short Term Energy Market (STEM) during times of excess domestic supply.

Despite the increase in revenue, the gross profit margin fell from 46% in 2014 to 40% in the year under review, driven mainly by the high cost of electricity imports. Of the total 4254 GWh units of electricity into the Namibian system during the year under review, 64% (2014: 66%) was imported. The country experienced lower levels of rainfall than has historically been the case, with the low flow of the Kunene River resulting in levels of power dispatch from NamPower's flagship Ruacana hydro station lower than projected. Increases in the unit cost of energy under power purchase agreements with neighbouring countries, along with the depreciation of the Namibian Dollar against the United States Dollar (in which energy sales are denominated under some of those agreements) combined to hike the overall cost of electricity during the year under review by roughly 25%, from N$2.2 billion to N$2.7 billion.

Group profit before tax for the year decreased by 8.7% from N$773 million to N$706 million mainly as result of the increase in other operating expenditure and reduction in gross profit margin. Included in this figure is depreciation and amortisation, amounting to N$534 million (2014: N$530 million).

Net cash generated from operating activities increased by 2.9% (2015: N$1,336 million) from N$1,297 million reported during the period ended 30 June 2014, while capital expenditure for the Group amounted to N$790.5 million (2014: N$738.1 million) for the year under review. Total assets increased to N$23.7 billion from N$23.1 billion.

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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