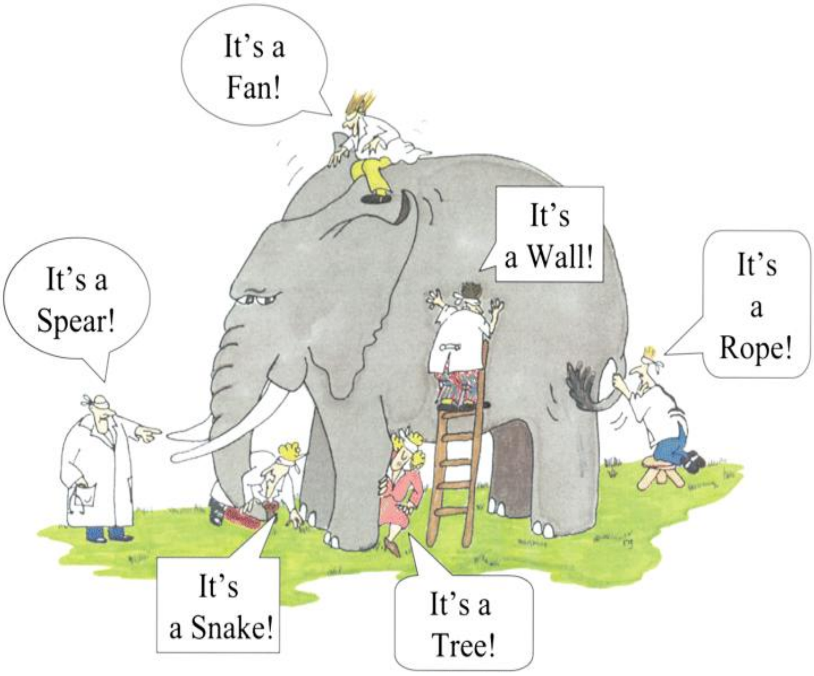
IJG Namibia Quarterly

"Strategic Positioning"

3Q13

12 July 2013



Source: Google Images

Country	Namibia
NSX Local Index	301.40
NSX Overall Index	872.51

% Change over Quarter	
NSX Local Index	5.91
NSX Overall Index	-8.78
IJG ALBI	-0.49
IJG Money Mkt Index	1.32

End-of-Quarter Rates	
N$/US$	9.88
Prime Lending Rate (%)	9.25

1Q13 Overall Index Trading Stats	
Volume (m)	27.3
Value (N$m)	1,211.4

Year-to-Date % Changes (quarter-end)	
NSX Local Index	13.34
NSX Overall Index	-9.49
IJG ALBI	0.37
IJG Money Mkt Index	2.66

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Quarterly Economic Review: IJG Investment Strategy

Business Cycle and Asset Returns

Empirical research has shown that there exist strong ties between the business cycle and returns of various asset classes. The figure below illustrates the key relationships that usually hold.

In our view (as is explained in the subsequent paragraphs) we currently find ourselves in a transition from the early expansion phase to the late expansion phase. This transition is traditionally characterised by the following table (where current market conditions are highlighted in light blue):

Business Cycle Traits	
Early expansion	**Late Expansion**
Macro Indicators	
Rising growth	Growth momentum
Low inflation	Steadily increasing inflation
Increasing business confidence	High business confidence
Improvement in employment levels	High employment levels
Easy monetary policy	Central banks limiting growth in money supply
Asset Returns	
Low volatility	Increased volatility
Flat or rising bond yields	Rising bond yields, steepening yield curve
Rising stock prices	Rising stock prices, but with increased risk
Timing tool (cycles within the business cycle)	
Low valuations	High valuations
High momentum	High momentum

Source: IJG

Macro indicators

Economic growth

US GDP growth rebounded from 0.4% in 4Q12 to 1.8% q/q SAAR in 1Q13. Bloomberg forecasts expect US GDP growth to be 1.9% in 2013 after which it is expected to step up to 2.7% in 2014 and 3.0% in 2015.

In South Africa growth is forecasted to increase from 4.2% in 2013 to 4.6% in 2014 and 5.0% in 2015.

Inflation

Inflation in the US has not gained real traction as the figure has been coming down ever since the 3.9% peak in September 2011 to current levels of 1.4%. Bloomberg consensus forecasts sees inflation on average at 1.5% in FY13, 1.9% in FY14 and 2.2% in FY15, still well within the Fed's QE targeted range of less than 2.5%.

In SA CPI forecasts remain within the SARB targeted range, with inflation forecasted to average 5.75% in 2013, 5.4% in 2014 and 5.3% in 2015, with a number of downward revisions coming through as of late.

Business confidence

In the US the ISM PMI has been following a gradual downward trend ever since the indicator peaked at 59.6 in February 2011.

The PMI rebounded in its most recent release, coming in at 50.9 after the previous months' drop below the critical 50 to 49.9 for the first time since November 2012, the lowest level in 46 months.

The latest increase was a function of gains in new orders (51.9 versus 48.8) and production (53.4 versus 48.6). These gains were however offset by the employment component (48.7 vs. 50.1) that fell to the lowest level since September 2009 (47.8), this could however be attributed to seasonal factors.

Going forward, strong private domestic demand and the need for companies to invest in capex should drive manufacturing in the second half.

Employment situation

The US economy has been a net creator of jobs for the past 32 consecutive months, adding on average 181k jobs every month. The unemployment rate has been coming down gradually, with the improvement being a function of the economy adding jobs and a decline in the labour force participation rate, currently at 63.5% compared to pre-crisis levels of 66.1%.The decrease in the labour force participation rate is also reflected in the employment-to-population ratio which remains stubbornly low, struggling to break through the 45 month high of 58.7%, compared to pre-crisis levels of 63.4%.

Monetary policy

At its June 2013 meeting the FOMC indicated that the Federal Reserve will continue to follow and easy monetary policy by continuing its asset purchasing programs and guaranteeing to keep the federal funds rate low.

The FOMC guarantees a low federal funds rate for as long as the unemployment rate remains above 6.5%, and inflation forecasts over the next two years remain below 2.5%. As it stands, the economic projections of the Federal Reserve Board Members foresee the unemployment rate lower than the 6.5% targeted level by 2015.

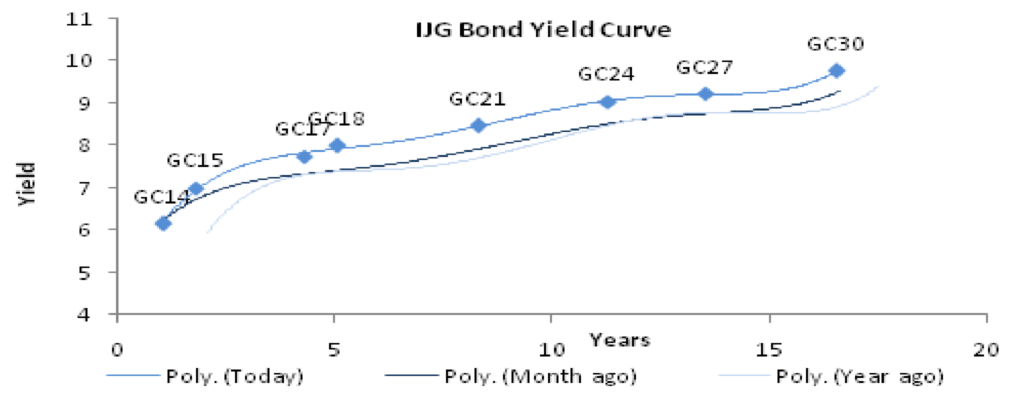
Asset Return

Volatility levels have not showed any significant increase as of late, with the volatility index (VIX) remaining firmly below 20 index points, currently at 15.1. Over the past year the VIX surpassed the 20 points level only on four occasions.

Equities continue to show an upbeat performance with global benchmarks posting attractive 12 month returns despite profit taking and the gradual risk off dragging near term returns lower.

Bond yields are suggesting the end of the of the "early expansion" and the beginning of the "late expansion" with yield curve reflecting a parallel shift of between 20 and 40bps compared to a year ago, while also becoming steeper compared to a month ago.

IJG Bond Yield Curve: current versus a month ago versus a year ago



Source: IJG

Timing Tool

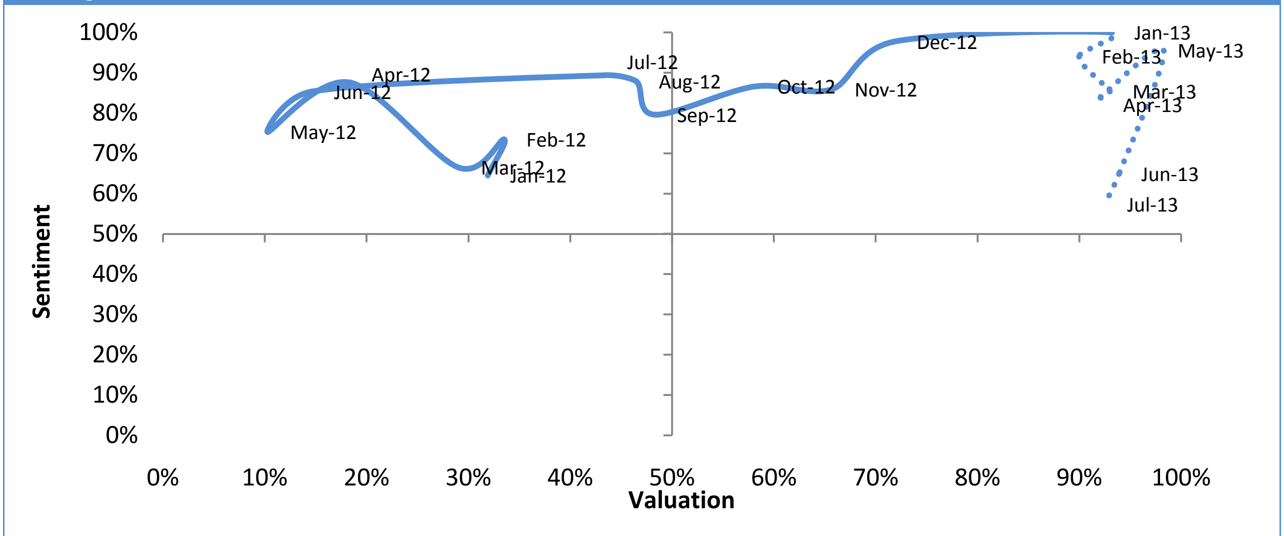
Our timing tool considers the market's sentiment and valuation in order to estimate a probability that the market would be up over the next three months. The timing tool tends to form cycles within the usual business cycle discussed above.

What we witnessed over the past 18 months is that market sentiment was fairly upbeat with more stocks trending higher than on average. At the same time we saw valuations moving into expensive territory and remaining fairly expensive so far during 2013, while the market's momentum lost a bit of steam (the dashed part of the line).

As at the start of July our timing tool still indicated that the market is still fairly expensive, however, sentiment has become more neutral. Coincidently, when the market is as expensive as it currently is (a PE higher than 16x), the highest subsequent three months return and the highest probability for an up market is at the current levels of sentiment. Historically when the market was at these levels subsequent three month returns averaged 3.4% with a 75% probability for an up market.

The elevated PE multiple can be attributed to optimistic earnings expectations with Bloomberg consensus forecasts projecting earnings growth of 53% over the next 12 months, effectively putting the market on a 12x forward PE. That being said, the critical factor to our timing tool is the upcoming earnings season with an on par or ahead of expectations earnings season likely to drive valuations cheaper with sentiment remaining upbeat and increasing the probability for positive returns. On the other hand, an earnings undershoot will keep valuations elevated and further dampen sentiment in which case the odds will start swinging against the market.

Timing Tool: Sentiment versus Valuation



Average Returns		PE Valuations: 12x and less	12x to 13x	13x to 14x	14x to 16x	16x and higher
Sentiment	80% to 100%	5.2%	5.5%	6.4%	4.3%	-1.0%
	60% to 80%	8.7%	5.6%	5.6%	5.5%	0.1%
	40% to 60%	10.0%	3.4%	4.2%	7.3%	3.4%
	20% to 40%	7.0%	2.9%	7.2%	4.5%	-3.7%
	0% to 20%	4.2%	-9.2%	-4.1%	-9.3%	-15.9%

Probability for up market		PE Valuations: 12x and less	12x to 13x	13x to 14x	14x to 16x	16x and higher
Sentiment	80% to 100%	86.7%	89.3%	84.2%	80.8%	43.8%
	60% to 80%	94.1%	75.9%	75.0%	85.7%	52.2%
	40% to 60%	100.0%	66.7%	73.7%	91.3%	75.0%
	20% to 40%	88.0%	57.1%	73.1%	75.0%	50.0%
	0% to 20%	65.8%	41.2%	38.5%	0.0%	0.0%

Source: IJG

Recommendation

In our view the global business cycle has initiated the transition from its early expansion phase into the late expansion phase. As a result we foresee that growth and inflation forecasts will start to see some upward revisions coming through (as opposed to a long streak of downward revisions) as the global economic momentum starts gaining traction.

Based on this view we anticipate that bond yields will move gradually higher over the medium term as the market starts pricing in the probability of central banks limiting money supply. However, we do not foresee a significant spike/overshoot in bond yields as it is important for central banks to keep managing the trend in order to avoid the detrimental impact of higher finance charges to the global economy. We recommend an **underweight in bonds** and income yielding instruments (with a limited growth profile). With the expected further steepening in the yield curve, we prefer shorter duration over longer duration.

We take a **neutral view on cash**, taking note of the asset class' negative real yield. We do, however, prefer it over bonds, but prefer equities over cash. We recommend tying a combination of floating rate notes and inflation linkers with the cash position to achieve some yield pickup.

Given our view that the late expansion is only commencing, we expect to see momentum in corporate earnings growth over the next 18 months, which in turn bodes well for equities. We recommend an **overweight in equities** with the view that the second half of the bull rally has only started and is likely to persist for at least another 12 to 24 months. We do, however, expect investor nervousness on the back of gradually increasing bond yields to result in an increase in market volatility.

Our most and least preferred stocks are as follows:

Most Preferred	Least Preferred
NSX Local Index	
FNB Namibia	Bidvest Namibia
Oryx Properties	
NSX Overall Index	
Oceana Group	Anglo American Plc
Old Mutual Plc	Truworths International Ltd
Investec Ltd	Standard Bank
Sanlam Ltd	Nedbank
JSE Top40 Index	
Mediclinic International Ltd	AngloGold Ashanti Ltd
Mondi	Gold Fields Ltd
Discovery Ltd	Impala Platinum Holdings Ltd
FinanciereRichemont	Anglo American Platinum Ltd
Aspen Pharmacare Holdings Ltd	Anglo American Plc
SABMiller Plc	Kumba Iron Ore Ltd
Naspers Ltd	Exxaro Resources Ltd
Remgro Ltd	Truworths International Ltd
Old Mutual Plc	Assore Ltd
Investec	Steinhoff International Holdings Ltd

Source: IJG

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Economic Data Snap Shot

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Inflation (y/y)	5.98%	5.82%	6.72%	7.10%	7.57%	6.34%	6.64%	6.20%	6.32%	6.08%	6.12%	*
Repo Rate	6.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Prime Rate	9.75	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
N$/US$	8.26	8.40	8.31	8.67	8.91	8.47	8.96	9.02	9.21	9.02	10.09	9.88
N$/AUD	8.67	8.67	8.63	9.00	9.29	8.80	9.34	9.22	9.59	9.27	9.66	9.03
N$/CAD	8.23	8.52	8.45	8.68	8.96	8.53	8.98	8.76	9.06	8.95	9.73	9.39
Vehicle Sales (y/y)	33.3	30.5	-3.6	-12.0	-14.7	-24.6	-8.4	-17.2	-16.5	-2.4	13.8	11.7
Passenger	20.2	46.6	-3.7	0.8	-1.6	-2.3	-12.2	-5.5	16.4	7.0	16.8	-0.5
Commercial	45.8	20.0	-3.6	-21.2	-23.4	-37.4	-5.1	-26.5	-16.6	-8.7	11.2	24.0
M2 Money Supply (y/y)	9.2	8.7	8.9	9.5	5.9	6.1	13.5	9.8	6.6	11.9	9.7	*
PSCE (y/y)	13.3	14.1	15.5	16.5	18.6	16.8	17.3	17.0	15.5	14.1	14.9	*
Business	12.7	17.7	21.1	25.2	30.2	26.3	22.1	19.0	17.3	14.5	16.3	*
Individuals	13.8	12.4	12.5	11.8	12.3	11.9	14.5	15.8	14.5	13.7	14.0	*

Source: NSA, BoN, Bloomberg, NAAMSA, IJG

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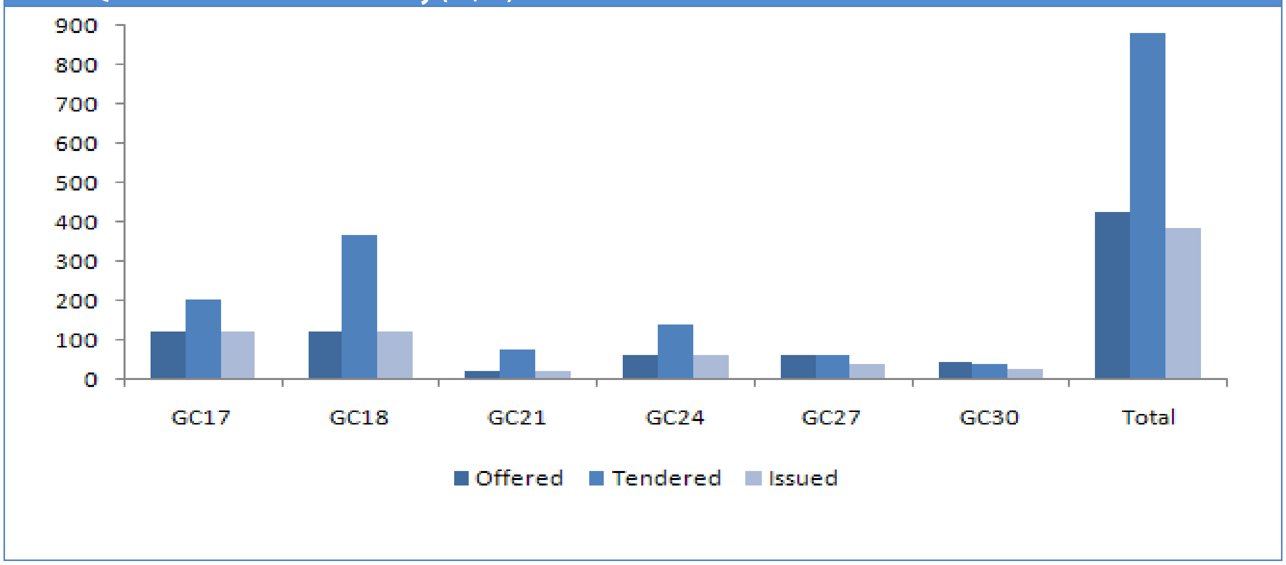
Capital Market Review: Bonds Cash Equities

Bonds

In line with the planned Bank of Namibia (BoN) bi-monthly auctions, the quarter saw six bond auctions amounting to a total of N$385.58m government bonds being issued. The amount issued fell short of the N$425.00m that went on auction, with the longer-dated bonds being the culprits. Only N$40m in GC27 ended up being issued of the planned N$60m; and only N$25.58m in GC30 was issued versus the offered N$45.00m (the amount tendered for only amounted to N$36.82m over 2Q13).

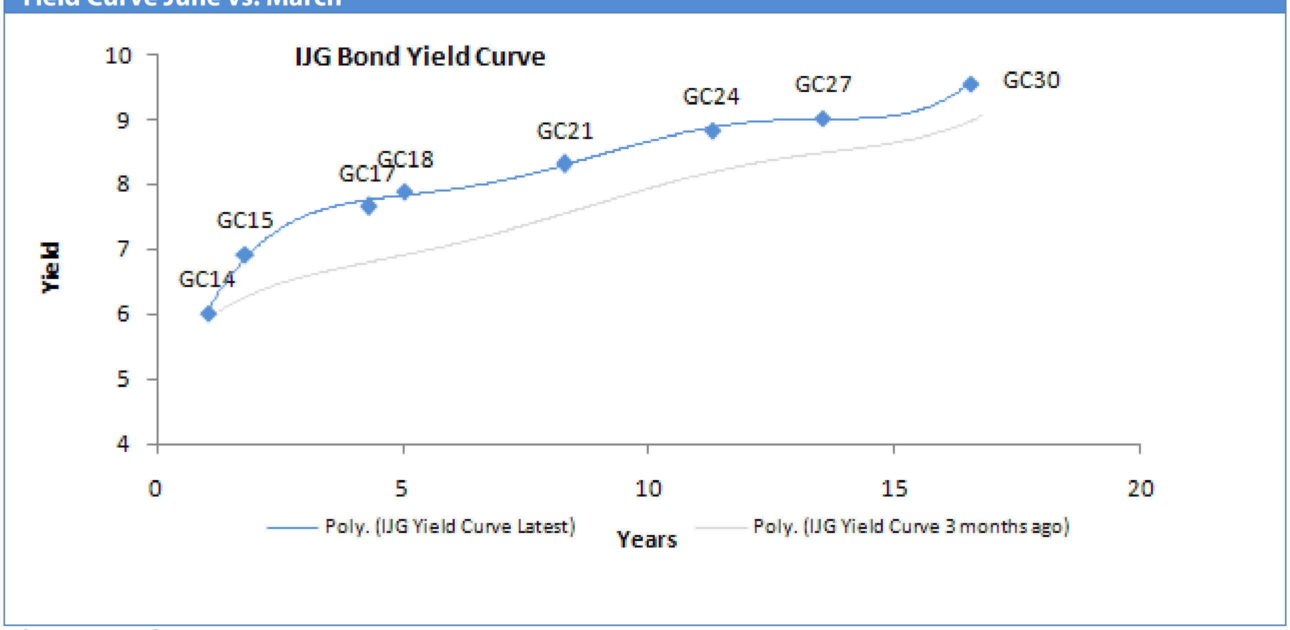
BoN 2Q13 Bond Auction Summary (N$m)



Source: BoN, IJG

These auction results depict higher demand for bonds on the shorter end of the curve, which is accompanied bya twist in the yield curve over the period under review.

Yield Curve June vs. March



Source: BoN, IJG

In order to get a better understanding of the drivers of the rise in yields witnessed during 2Q13, we examine the split between the portion attributed to the change in the benchmark and that attributed to the spread.

	Change in Yield		Change in Benchmark		Change in Spread	
	BP	%	BP	Attributable %	BP	Attributable %
GC14	-3.50	-0.58	-3.50	100.00	0.00	0.00
GC15	59.50	9.41	59.50	100.00	0.00	0.00
GC17	97.47	14.59	95.00	97.46	2.47	2.54
GC18	74.50	10.44	90.50	121.48	-16.00	-21.48
GC21	81.42	10.85	89.50	109.93	-8.08	-9.93
GC24	53.00	6.39	52.00	98.11	1.00	1.89
GC27	53.96	6.37	52.00	96.36	1.96	3.64
GC30	48.05	5.30	52.00	108.21	-3.95	-8.21

Source: Bloomberg, IJG

With the exception of the GC14 (now entering the money market space), yields across the curve rose, with the bulk of increase concentrated about the centre of the curve. Spreads on the lower end have remained unchanged over 2Q13 and as such, all the change is attributable to the benchmarks. At the centre of the curve (GC18 and GC21), spreads have actually strengthened, though the benchmark yields have risen to such an extent that this contraction was countered and the net effect was an increase in yields of more than 10bp for each bond. Towards the longer-dated end of the curve we see that the benchmark yields each increased by 52bp, however, the spreads weakened for the GC24 and the GC27; while the spread on the GC30 strengthened by almost 4bp.

As the Namibian bond market is quite illiquid, it is difficult to draw exact conclusions from movements in spreads. What we have noticed, however, is that the yield curve has steepened somewhat (specifically over the month of June). This, along with the muted demand that we have seen for longer-dated auctions, leads us to conclude that investors are starting to price in momentum in economic growth and the possibility of a rise in interest rates over the medium-run; and thus prefer to be short as opposed to long. Again, this enforces our view of the transition from early expansion to late expansion, where rising bond yields and a steepening of the curve are usually characteristic of the latter.

Corporate debt in issue rose by 5.5% q/q to N$3.23bn from N$3.06bn previously. This rise is on the back of Bank Windhoek coming to the market, with the issuance of two bonds on 15 April 2013. The BWJj16 is a N$70m floater, benchmarked against the 3 month Jibar at a premium of 110bp with a maturity date of 14 October 2016. The second bond issued was N$100m in BWFd16, benchmarked against the R157 at a premium of 140bp with a maturity date of 15 April 2016.

2013 started off with no secondary bond trades throughout the first quarter, a jinx that was broken during 2Q13 where market activity slowly came to life and we saw N$48.0m traded (across the GC17 to the GC24). This figure falls notable short of the N$277.1m traded in the first half 2012, and also of the N$163.0m traded during 2Q12. Subsequent to quarter-end we saw some more activity, where an additional N$80.4m traded on 5 July and another N$7.35m traded on 12 July,taking the total value of 2013 secondary bond trades to date to N$135.8m.

Bonds remain our least preferred asset class at this point in time. As the late expansion commences, we recommend being underweight in bonds and income yielding securities with a limited growth profile. Further, as we anticipate seeing the yield curve steepen even further as investors continue to price in growth and the anticipated hike in interest rates, we favour the shorter end of the curve above the longer end.

Bonds									
Instrument Code	YTM	Benchmark	Benchmark YTM	Premium Last Trade	Previous Premium	All-In-Price	Clean Price	Indicative NSX YTM	Modified Duration
Government Bonds									
GC14	6.110	R206	5.390	72	79	101.24	101.35	6.13	0.93
GC15	6.910	R157	6.070	84	74	112.99	109.92	6.84	1.55
GC17	7.645	R203	6.845	80	81	103.13	101.25	7.62	3.50
GC18	7.915	R204	7.085	83	83	106.33	106.46	8.00	3.81
GC21	8.400	R208	7.480	92	90	97.98	96.16	8.43	5.85
GC24	8.965	R186	8.025	94	93	113.19	110.71	8.96	6.64
GC25									
GC27	9.145	R186	8.025	112	112	91.11	91.22	9.14	7.56
GC30	9.699	R213	8.575	112	104	86.04	86.15	9.72	8.11
GC32									
GC35									
Eurobond	5.090	10YUSBond	2.624	247	246	103.840	102.740		6.57
ZAR Bond	8.687	R2023	7.700	98.7	106	98.540	97.250		6.30
ALBI (excl Eurobond)									3.51
Parastatal & Corporate Bonds									
SBKN14	7.320	GC15	6.910	41	33	105.64	103.46	7.26	1.17
SBKN15	6.200	3 month JIBAR	5.150	105	105	99.98	100.00	6.38	0.00
SBKN16	7.850	GC15	6.910	94	59	107.00	106.92	7.78	2.55
SBKN18	8.165	GC18	7.915	25	25	99.11	99.13	8.64	3.90
BWJh14	6.150	3 month JIBAR	5.150	100	100	101.12	100.06	6.17	0.10
BWJb15	6.300	3 month JIBAR	5.150	115	115	101.08	100.11	6.30	0.12
BWJd14	6.170	3 month JIBAR	5.150	102	102	99.93	100.01	6.15	0.01
BWFd16	7.470	R157	6.070	140	140	99.64	98.06	-	2.44
BWJj16	6.250	3 month JIBAR	5.150	110	110	99.93	100.01	-	0.01
BW19	7.515	R201	5.565	195	540	100.76	101.46	7.44	0.53
BW20	7.760	R157	6.070	169	174	106.80	103.10	7.73	1.82
FNBJ22	6.800	3 month JIBAR	5.150	165	165	100.74	100.47	6.80	0.21
FNBX22	8.145	GC17	7.645	50	50	104.78	102.28	8.12	3.06
RFA16	7.570	R157	6.070	150	148	103.87	104.42	7.54	2.16
NMP19N	8.045	GC18	7.915	13	1	111.19	109.52	8.24	4.66
NMP20	8.245	R207	7.345	90	90	110.12	105.84	n/a	4.95
TCN15	7.560	R157	6.070	149	149	107.54	105.08	7.53	1.57
TCN16	7.820	R157	6.070	175	175	110.14	105.70	7.79	2.15
TCNF01	6.660	3 month JIBAR	5.150	151	151	101.40	100.04	6.66	0.06
TN15	8.620	R157	6.070	255	163	104.50	100.98	8.36	1.82
TCNF02	6.640	3 month JIBAR	5.150	149	149	101.12	100.07	6.64	0.11

Source: Bloomberg, IJG

Cash

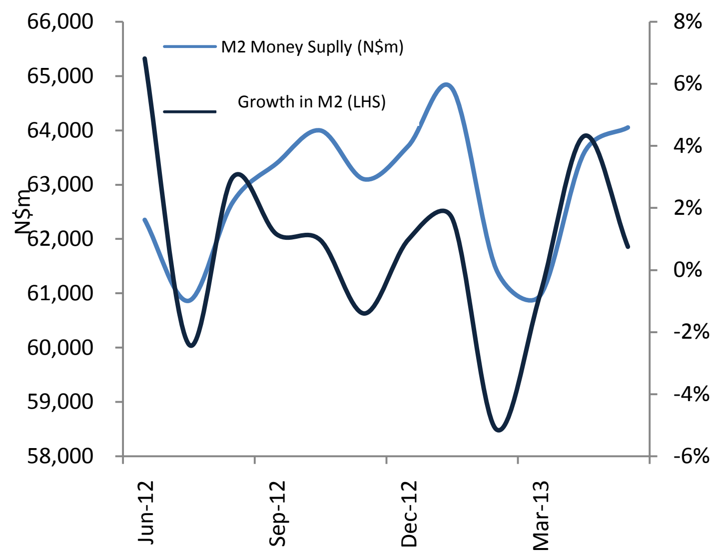
The quarter started off well with treasury bills (TB) being well bid for and yields fairly stable. However, during 2Q13 we saw a significant decline in demand, especially for the 182 day TB. The lack of demand was evident at the auctions and pushed yields up. A total of N$399m was unallocated across all TB's, where the majority of the shortfall can be attributed to the 182 day TB.

The flavour of the quarter was the 273 day TB, where we saw yields only increase by 0.04%. However, this was on the back of low supply. Other TB yields increased significantly as indicated by the table below.

Treasury Bill	91 TB's	182 TB's	273 TB's	364 TB's
Yield at start of Quarter (%)	5.3813	5.4632	5.5404	5.5708
Yield at end of Quarter (%)	5.6055	5.6749	5.5807	5.9236

Source: BoN, IJG

M2 Money Supply



Yields Over Quarter

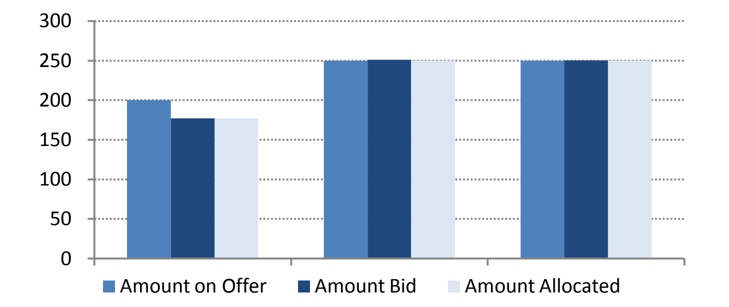
	Start of Quarter	End of Quarter
91 TB's	5.3813	5.6055
182 TB's	5.4632	5.6749
273 TB's	5.5404	5.5807
364 TB's	5.5708	5.9236

NCD Rates

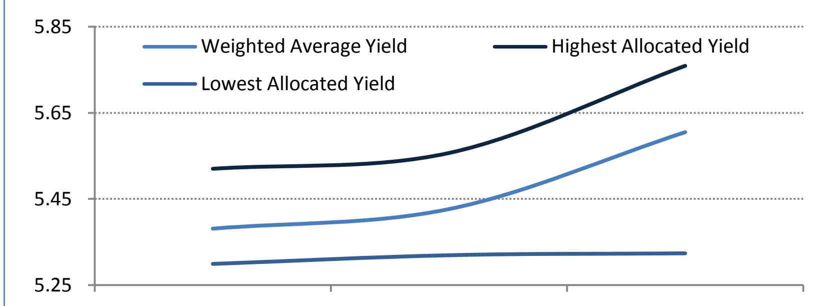
	Start of Quarter	End of Quarter
3 month	5.1150	5.0250
6 month	5.3250	5.3175
12 month	5.8425	5.6550

Source: BoN, IJG

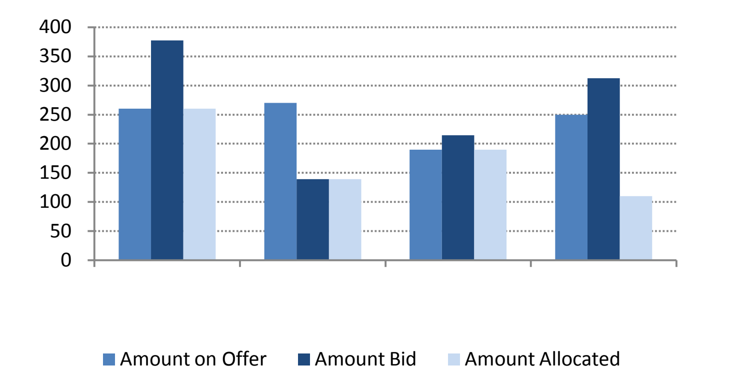
91 TB



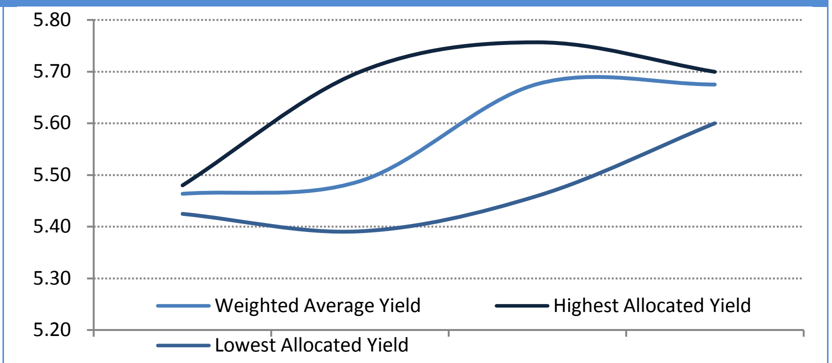
Yields



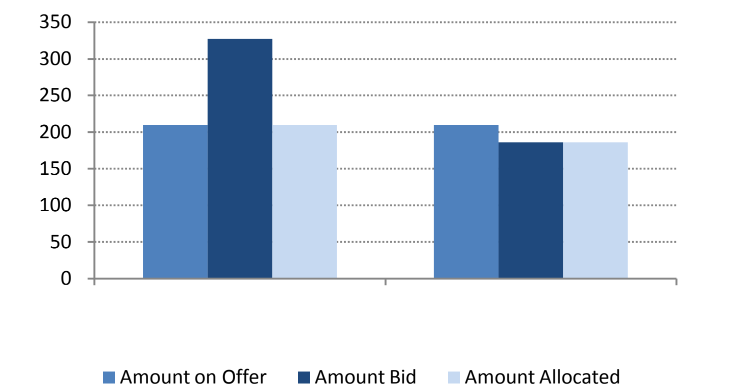
182 TB



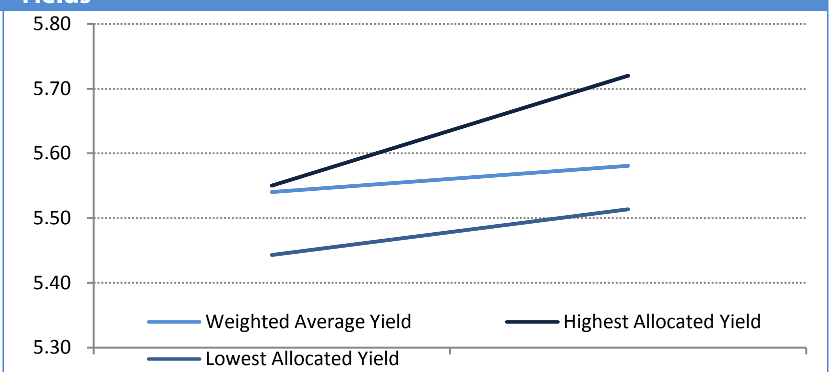
Yields



273 TB

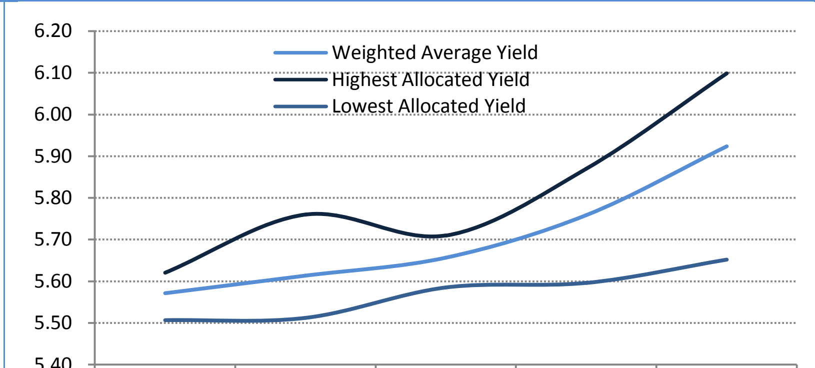


Yields



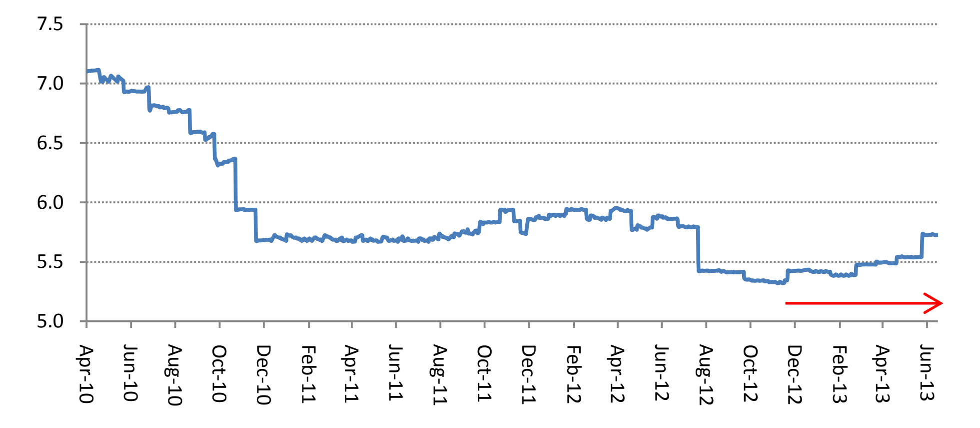
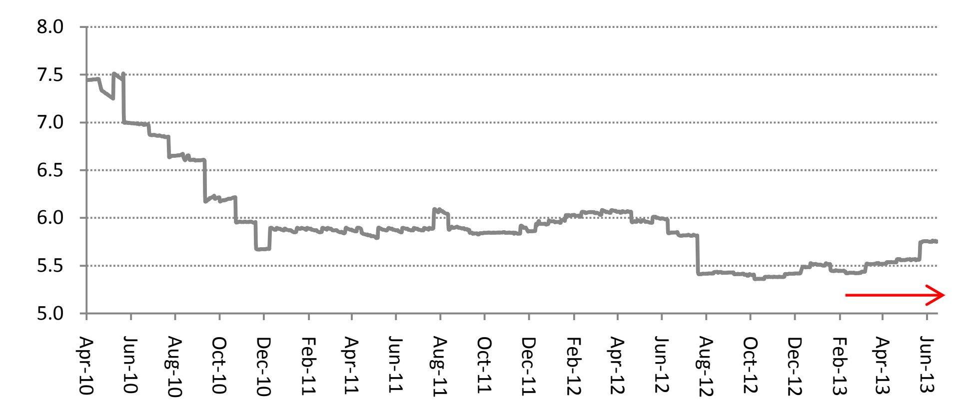
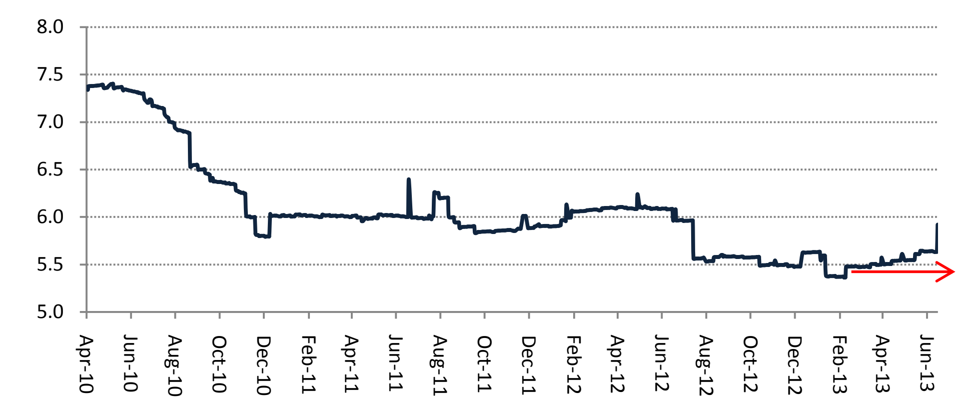
364 TB

Yields



Source: BoN, IJG

We do not expect current market conditions to persist and do expect TB yields to "normalize". Below are our expectations on the respective TB yields over the next quarter.

91 TB	Comment
	We expect the 91TB yield to decline back to around the 5.25% level on the back of increased liquidity.
182 TB	**Comment**
	We expect the 182TB yield to decline back to around the 5.45% level.
364 TB	**Comment**
	We expect the 364TB yield to decline back to around the 5.60% level.

Source: BoN, IJG

Equities

In light of the current macro-economic environment, we view equities as the best positioned asset class and recommend an overweight. The steepening of the yield curve is associated with the economy gaining momentum and with higher expected growth and interest rates. All these factors play together well for stocks and we expect to see the current bull market to continue in the medium-term.

The JSE All Share PE de-rated somewhat in June from 19.8x end of May to 18.6x by the end of June, remaining above the upper one standard deviation line. We are not too concerned over the market's relative expensiveness as long as we do not experience any negative earnings surprises. The subsequent 12m return in November 2009 (previous time market valuation was this expensive) was 12.5%, thus we are not too concerned over the relative expensiveness of the JSE, with market sentiment still keeping up and suggesting that there is still a degree of momentum in the current rally.

Recommended Portfolio – July 2013

2Q13 PORTFOLIO ALPHA RETURN REALTIVE TO IJG DUAL LISTED INDEX 1.30%

Share	IJG Ranking		Relative Weight	Action	No of shares	Weight Portfolio	Weight Benchmark	Price Earnings	Dividend Yield
OCEANA GROUP LTD	1		OVERWEIGHT	-4,287	17,057	1.6	0.9	17.1	4.0
OLD MUTUAL PLC	2		OVERWEIGHT	+26,362	605,760	17.4	10.0	14.0	3.5
INVESTEC LTD	3		OVERWEIGHT	+10,808	93,323	6.3	3.7	11.8	3.5
SANLAM LTD	4		OVERWEIGHT	+3,215	351,324	16.9	10.0	15.7	4.6
MMI HOLDINGS LTD	5		OVERWEIGHT	+23,052	436,215	10.2	6.3	12.6	8.1
SANTAM LTD	6	↑	OVERWEIGHT	+6,213	13,605	2.7	1.8	19.5	3.3
SHOPRITE HOLDINGS LTD	7	↑	OVERWEIGHT	+32,327	68,055	13.3	10.1	29.8	1.7
BARLOWORLD LTD	8	↓	OVERWEIGHT	-26,566	62,003	5.3	4.8	11.0	3.0
AFRICAN OXYGEN LTD	9	↑	UNDERWEIGHT	+2,282	31,251	0.5	0.8	23.0	2.2
FIRSTRAND LTD	10	↓	UNDERWEIGHT	-208,596	224,124	6.8	10.0	11.4	3.8
VUKILE PROPERTY FUND LTD	11	↓	UNDERWEIGHT	-77,256	68,802	1.2	2.2	12.3	7.9
NEDBANK GROUP LTD	12		UNDERWEIGHT	-773	25,975	4.7	9.6	10.8	4.3
STANDARD BANK GROUP LTD	13		UNDERWEIGHT	-266	39,008	4.5	9.8	11.6	4.1
TRUWORTHS INTERNATIONAL LTD	14		UNDERWEIGHT	-2,373	48,001	4.5	10.3	15.7	4.0
ANGLO AMERICAN PLC	15		UNDERWEIGHT	+4,240	21,297	4.2	9.9	-	3.9

Source: Bloomberg,IJG

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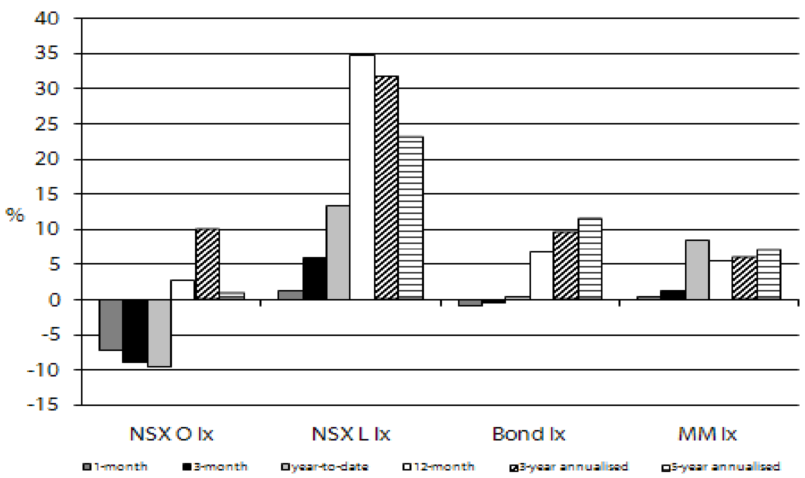
Namibian Asset Performance

The **NSX Overall Index** closed at 872.51 in June, down from 966.21 in March. The NSX Overall Index fell8.78% q/q in June compared to a 0.78% q/qdecrease in March. The NSX Local Index increased 5.91% q/q compared to a7.02% q/qincrease in March. The NSX Overall Index returned +2.71% over a 12-month period against +34.77% for the Local Index. The best performing share on the Overall Index on a total return basis during the quarter was Namibia Asset Managementat +63.81%, while Trustcowas the worst performer at -44.29%.

The IJG All Bond Index (including Corporate Bonds) lost0.49% q/q in June after rising 0.87% q/q in March. The IJG All Bond Index is up 6.89% over the last 12months. Namibian bond premiums relative to SA yields in June showed a steepening in the curve, with the GC17 premium contracting 0.4bp to 81bp; the GC18 premium strengthening 5.9bp to 83bp; the GC21 premium contracting 3.5bp to 92bp; the GC24 rising 0.8bp to 94bp; the GC27 premium rising 0.4bp to 112bp; and the GC30 rising 8.3bp to 112bp. The premiums of the GC14 and the GC15 remained unchanged at 72bp and 84bp, respectively.

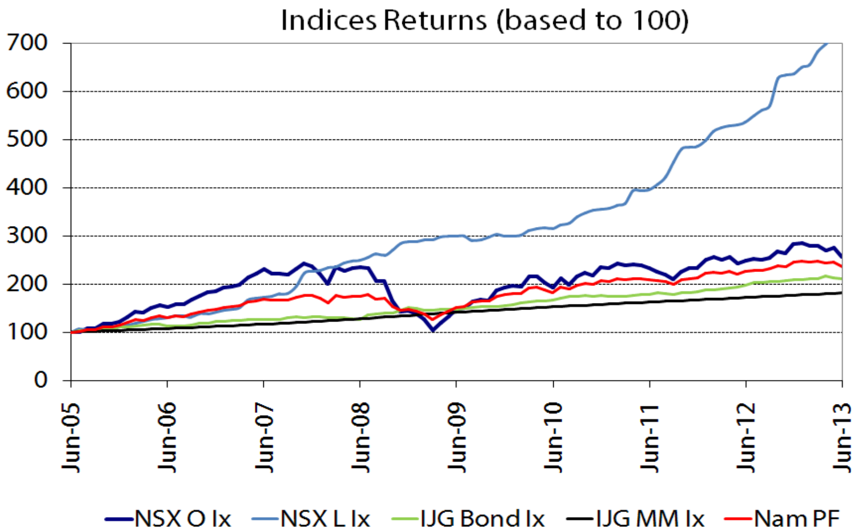
The IJG Money Market Index (including NCD's) increased by 1.32% q/q in June after rising 1.32% q/q in March. Over 12-months the IJG Money Market Index increased by 5.52%.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG

Namibian Returns by Asset Class [N$,%] –June 2013

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	-7.17	-8.78	-9.49	2.71	-9.49	9.92	0.99
NSX Local Index	1.25	5.91	13.34	34.77	13.34	31.77	23.24
IJG ALBI	-0.74	-0.49	0.37	6.89	0.37	9.69	11.53
IJG GOVI	-0.64	-0.33	0.69	7.19	0.69	9.51	11.44
IJG OTHI	-1.22	-1.25	-1.16	5.45	-1.16	10.81	12.07
IJG Money Market Index	0.43	1.32	2.66	5.52	2.66	5.97	7.11

** annualised*

Source: IJG

Namibian Returns by Asset Class [US$,%] –June 2013

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US$ Strength/(Weakness)	2.13	-6.78	-14.17	-17.37	-14.17	-8.28	-4.55
NSX Overall Index	-5.20	-14.97	-22.32	-15.12	-22.32	0.82	-3.61
NSX Local Index	3.40	-1.28	-2.72	11.37	-2.72	20.87	17.63
IJG ALBI	1.37	-7.24	-13.85	-11.67	-13.85	0.61	6.45
IJG GOVI	1.47	-7.09	-13.57	-11.42	-13.57	0.45	6.36
IJG OTHI	0.88	-7.95	-15.16	-12.86	-15.16	1.64	6.97
IJG Money Market Index	2.57	-5.55	-11.89	-12.80	-15.94	-2.80	2.24

** annualised*

Source: IJG

IJG Money Market Index Performance [average returns, %] -as at June 2013

	this month	3 months	6 months	12 months	YTD	3* years	5* years
Money Market Index	0.43	1.32	2.66	5.52	2.66	5.97	7.11
Call Index	0.37	1.12	2.23	4.57	2.23	4.92	6.05
3-month NCD Index	0.41	1.24	2.47	5.14	2.47	3.65	6.33
6-month NCD Index	0.43	1.29	2.58	5.43	2.58	3.96	6.65
12-month NCD Index	0.45	1.38	2.81	5.86	2.81	4.26	7.06
NCD Index incl. call	0.43	1.33	2.69	5.57	2.69	3.83	6.68
3-month TB Index	0.44	1.34	2.66	5.51	2.66	5.82	7.09
6-month TB Index	0.44	1.34	2.67	5.62	2.67	6.00	7.25
12-month TB Index	0.43	1.33	2.69	5.60	2.69	6.23	7.50
TB Index incl. call	0.43	1.30	2.61	5.45	2.61	5.93	7.18

**annualised*

Source: IJG

Individual Equity Total Returns [N$,%] June 2013

Back

	Month end price (c)	NSX Market Cap.	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS			**-4.24**	**-4.87**	**0.59**	**19.70**	**0.59**
banks			-1.40	-7.15	-5.15	8.17	-5.15
BWH	1,015	0.00%	19.41	n/a	n/a	n/a	n/a
FST	2,880	10.49%	-2.06	-9.93	-5.46	15.16	-5.46
FNB*	1,925	0.17%	3.05	11.07	24.06	44.82	24.06
NBK	17,553	3.90%	-3.04	-6.97	-4.85	4.86	-4.85
SNB	11,085	15.12%	-0.57	-5.40	-5.28	4.30	-5.28
insurance			7.86	1.20	3.64	20.82	3.64
SNM	19,289	0.72%	7.86	1.20	3.64	20.82	3.64
life assurance			-7.69	-1.86	8.88	39.21	8.88
MMI	2,217	2.36%	-6.38	-2.66	3.52	32.12	3.52
OLM	2,755	12.76%	-11.23	-1.80	14.55	45.29	14.55
SLA	4,600	8.37%	-2.67	-1.73	3.25	33.50	3.25
investment companies			-14.78	22.65	28.63	36.63	28.63
NAM*	21	0.00%	-14.78	22.65	28.63	36.63	28.63
real estate			-4.63	-12.81	-2.98	5.02	-2.98
ORY*	1,500	0.05%	1.42	6.53	13.63	23.38	13.63
VKN	1,605	0.62%	-5.14	-14.22	-4.25	3.65	-4.25
specialist finance			-11.22	-0.37	9.57	36.84	9.57
IVD	6,399	1.69%	-10.87	0.27	10.23	37.28	10.23
TUC	65	0.02%	-40.13	-44.29	-36.61	-1.71	-36.61
RESOURCES			**-35.78**	**-38.25**	**-48.98**	**-54.05**	**-48.98**
mining			-36.10	-38.56	-49.38	-54.58	-49.38
ANM	19,185	27.80%	-18.19	-19.38	-25.11	-27.87	-25.11
PDN	762	0.59%	-20.38	-19.87	-15.14	-21.77	-15.14
FSY	543	0.05%	-14.49	-10.54	-25.31	-15.68	-25.31
DYL	30	0.04%	-23.08	-34.78	-43.40	-23.08	-43.40
BMN	56	0.01%	-17.65	-28.21	-30.86	-44.55	-30.86
MEY	3	0.00%	-40.00	-62.50	-57.14	-76.92	-57.14
XEM	33	0.00%	-2.94	3.13	10.00	17.86	10.00
B2G	1,856	0.82%	-26.64	-34.97	-37.08	-19.93	-37.08
EOG	462	0.02%	0.65	9.74	79.77	-4.35	79.77
chemicals			-3.28	-7.44	-9.65	17.71	-9.65
AOX	2,100	0.31%	-3.28	-7.44	-9.65	17.71	-9.65
INDUSTRIAL			**2.60**	**1.19**	**-10.21**	**16.48**	**-10.21**
GENERAL INDUSTRIALS							
diversified industrials			-5.80	2.48	-5.36	3.10	-5.36
BWL	8,150	1.69%	-5.80	-14.39	-5.36	3.10	-5.36
Suppport Services			0.10	1.34	2.52	22.94	2.52
BVN*	1,251	0.09%	0.10	1.34	2.52	22.94	2.52
NON-CYCLICAL CONSUMER GOODS							
beverages			1.87	6.58	13.17	21.16	13.17
NBS*	1,401	0.12%	1.87	6.58	13.17	21.16	13.17
food producers & processors			-1.83	8.93	20.61	77.98	20.61
OCG	8,420	0.35%	-1.83	8.93	20.61	77.98	20.61
CYCLICAL SERVICES							
general retailers			0.29	-2.37	-18.89	0.54	-18.89
NCT	110	0.00%	1.08	-22.02	-22.65	-73.29	-22.65
NHL*	240	0.00%	0.00	0.00	n/a	n/a	n/a
TRW	8,695	3.39%	0.29	-2.36	-18.91	0.69	-18.91
NON-CYCLICAL SERVICES							
food & drug retailers			5.42	1.99	-8.56	25.28	-8.56
SRH	18,550	8.46%	5.42	1.99	-8.56	25.28	-8.56

Source: IJG, NSX, JSE, Bloomberg

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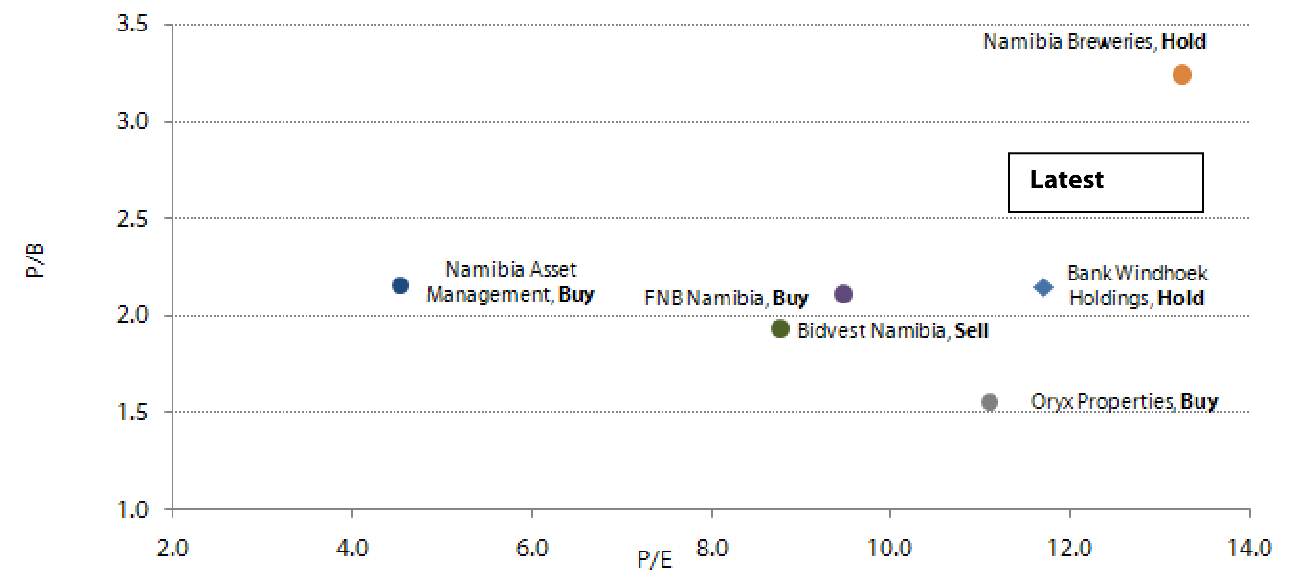
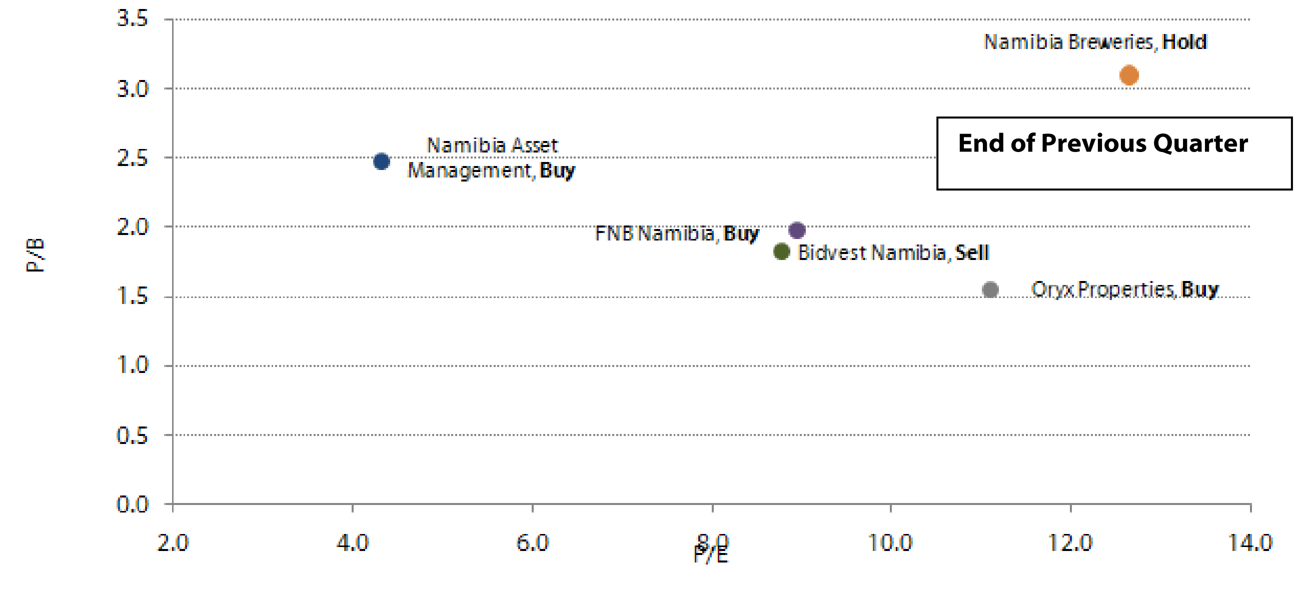
NSX Company Round-Up

Company	Code	Price (c)	Mkt Cap (N$m)	P/E* (A)	P/E (F)	HEPS (A)	HEPS (F)	Recommendation
Overall Index								
Bank Windhoek Holdings	BWH	1,018	5,058	11.7	9.4	87.00	108.00	HOLD
FNB Namibia	FNB	1,925	5,151	9.5	8.4	203.1	228.1	BUY
Namibia Asset Management	NAM	21	42	4.5	3.5	4.6	6.1	BUY
Oryx Properties	ORY	1,460	804	11.1	10.2	131.8	142.8	BUY
Namibia Breweries	NBS	1423	2,939	13.2	11.4	107.5	124.4	HOLD
Bidvest Namibia	BVN	1251	2,652	8.8	10.4	140.3	119.9	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	1020	HOLD	BUY
FNB Namibia	2010	BUY	
Namibia Asset Management	40	BUY	
Oryx Properties	1575	BUY	
Namibia Breweries	1450	HOLD	
Bidvest Namibia	1160	SELL	

Source: IJG

Coverage of Companies on NSX

NSX

Equity Listings

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

Bond Listings

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

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Financials: Banks

Bank Windhoek Holdings

*Recommendation: **HOLD**, TP: **1020c**, Code: **BWH***

Nature of Business: Bank Windhoek Holdings (BWH) was created in 1982 from Volkas' Namibian branches. BWH is a Namibian bancassurance 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 Limited (57.6%), Nammic Financial Services (9.6%)

Initiating coverage: Although BWH's subsidiaries and associates represent a number of exciting Namibian companies, the core of BWH and flagship brand remains Bank Windhoek. In FY12 Bank Windhoek contributed 95.3% of BWH total revenue, 85.3% of total comprehensive income and 89.4% of the group's net asset value.Bank Windhoek's contribution to revenue and income is projected to decline slightly in FY14 on account of the Capricorn Unit Trust Management (CUTM) acquisition and relatively strong growth in BWH (Santam and Sanlam); however the bank is set to remain the crux of BWH.

BWH increased its interest income at a compounded annual growth rate (CAGR) of 13.2% over the past nine years from N$499m in 2004 to N$1,526m in 2012. This performance was despite a macro environment which entailed generally lower interest rates, thus growth mainly resulted from strong growth in interest-earning assets (loans and advances, and investment securities), increasing at a CAGR of 17.0% from 2004 to 2012.Non-interest income grew 7.8% in 2011 and 15.0% in 2012 amounting to N$463m in 2012. BWH total FY12 income stood at N$1.246bn and is projected to increase by 16.8% to N$1.455bn in FY13 and 17.5% to N$1.710bn in FY14. Non-interest income is expected to contribute 5.8pps to the 16.8% increase in FY13 and 9.3pps to the 25.2% increase in FY14.

BWH has seen reasonable increases in costs over the past couple of years with operating expenses increasing by 11.3% and 9.8% in FY11 and FY12, respectively, compared to Namibian inflation of 5.3% and 5.6% over the same periods. However when compared to the industry, growth in costs is generally comparable. It should also be noted that significant non-recurring expenses occurred in period ending 31 December 2011. This is evident through a slowdown in operating expenses in the interim period.

BWH managed to grow its market share of advances significantly over the past decade to 31.2% as at FY11. When stating BWH loans and advances as at December 2012 as a percentage of private sector credit outstanding as at December 2012, BWH's market share has improved further to 31.6%.

Outlook: Current economic trends are expected to bode well for BWH. The combination of PSCE figures depicting strong growth in credit and the tax relief that came into effect this year is expected to support future earnings growth potential and make the BWH forecasted future earnings well attainable.

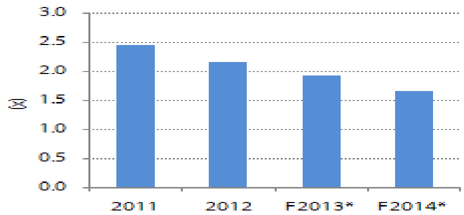
Valuation: Based on a justified price to book ratio of 1.67x applied on FY14 NAV of N$6.12 per share, we derive a target price for BWH of N$10.20 per share. The share has already rallied 16.3% since listing, and we therefore downgrade our initiating Buy to a Hold recommendation.

Bonds: Bank Windhoek currently has N$770m nominal bonds in issue, N$100m in each of the BWJh14, BWJb15; BWJd14; BWFd16 and BW19, N$70 in the BWJj16 and N$200m in the BW20. The BWJh14, BWJd14, BWJb15 and BWJj16 are benchmarked against the 3-month JIBAR at premiums of 100bp; 102bp; 115bp and 110bp, respectively. The BWFd16 trades at a premium of 140bp to the R157 and the BW19 is trading at a premium of 195bp to the R201 as at quarter end. The BWFd16 and BW20 are currently trading at 140bp and 169bp to the R157.

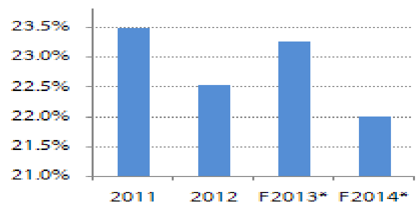
Bull Points:
- Controlled credit growth
- Diversification of income streams
- Improved efficiencies

Bear Points:
- Increasing cost base
- Margin pressure
- Government pressure to reduce banking fees

Price to Book



RoE



Fiscal Year End: June	2010	2011	2012	F2013*	F2014*
Income Statement Extract (N$m)					
Net interest income	567.7	671.3	783.1	920.0	1,039.4
Fee and Commission Income	262.7	301.2	355.2	535.4	670.2
Operating expenses	(578.0)	(643.3)	(706.5)	(780.0)	(911.6)
Operating profit	340.6	403.8	514.6	648.6	767.3
Share of profit from jointly controlled assets	34.3	54.8	53.3	66.8	68.0
Profit before tax	328.5	402.6	491.9	578.7	0.0
Income tax (expense)\ credit	(98.6)	(134.0)	(167.4)	(223.4)	(256.6)
Net gains on available for sale financial assets	1.0	0.9	14.0	15.4	7.7
Total Comprehensive Income	282.5	329.4	416.6	507.3	586.4
Balance Sheet (N$m)					
Governemnt and other debt securities	1,069.0	1,194.8	1,393.5	9,153.7	10,090.4
Loans and advances	11,320.3	13,004.4	15,484.9	104,123.4	119,131.4
Due from other banks	403.7	362.2	211.0	1,144.2	976.5
Total Assets	14,451.1	15,984.8	18,921.1	127,134.8	144,664.8
Due to customers	8,419.8	9,852.7	12,126.6	83,162.6	95,475.2
Deposits from banks and others	3,970.8	3,435.9	3,636.3	24,379.2	27,148.7
Debt securities in issue	352.1	767.3	917.3	6,379.6	7,274.3
Total Liabilities	13,109.1	14,412.0	17,034.0	124,548.4	141,687.4
Total shareholders' equity	1,342.0	1,572.9	1,887.1	2,586.5	2,977.4
Growth Rates (%)					
Net interest income		18.2%	16.6%	17.5%	13.0%
Loans and advances		14.9%	19.1%	572.4%	14.4%
Due to customers		17.0%	23.1%	585.8%	14.8%
Total Assets		10.6%	18.4%	571.9%	13.8%
Financial Summary					
HEPS (c)		74.0	87.0	108.0	115.0
DPS (c)		23.0	25.0	33.0	39.0
NAV (c)		417.0	474.0	527.0	612.0
Weighted Average shares (m)		451.4	454.0	458.6	505.3
Key Statistics					
RoAA (%)		2.1%	2.2%	2.3%	0.7%
RoAE (%)		23.5%	22.5%	23.3%	22.0%
Valuation Metrics					
P/E (x)		13.8	11.7	9.4	8.9
P/BV (x)		2.4	2.1	1.9	1.7
Dividend Yield (%)		2.3%	2.5%	3.2%	3.8%
Earning Yield (%)		7.3%	8.5%	10.6%	11.3%

Source: BWH, IJG
**BWH Forecasts*

Financials: Banks

FNB Namibia Holdings

*Recommendation: **BUY**, TP: **2010c**, Code: **FNB***

Nature of Business: FNB Namibia Holdings (FNB) is one of the largest financial services groups in Namibia with a total asset base of N$20.2bn 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%)

1H13 Highlights: FNB Namibia released its results for the six months ended 31 December 2012. The firm delivered good results on the back of advances growth, increased non-interest revenue and also cost containment. HEPS rose 12.0% y/y to 121.3c and the group declared a dividend of 46cps.

Net interest income added 11.2% to N$495m. This double digit growth should be viewed in light of the low interest rate environment and certainly reflect very positively for the firm. Impairments continued to contribute positively to performance with a reversal of N$1m. Non-interest income totalled N$432m, up 20.7% y/y and contributed 45.4% to income from operations, up from the 41.9% contributed in 1H12. This increased contribution was expected as the RMB Namibia business supports revenue generation focused towards the corporate client side of banking operations.

Operating expenses added 9.0% to N$460m and the firm reports a cost to income ratio of 48.2%, up from 44.6% reported in 1H12, but down from the 52.4% reported in FY12. Profit for the period rose by 4.2% to N$320m. Profit from continued operations, however, rose a more significant 13.9% y/y, as the effects of the Momentum sale are curbed.

Advances grew by an impressive 11.2% during the interim period to N$15.7bn. This compares to growth in Private Sector Credit Extensions over the same period of 8.9%, or N$4.3bn. FNB grew advances by 1.6bn, thus capturing an impressive 36.9% of the total market.

Outlook: In relation to its competitors, FNB has managed to be a top and consistent performer over the years and has certainly been admirable in exhibiting innovation and in re-engineering conventional banking channels so as to provide for a more cost effective and time efficient means of service delivery. Taking this all into consideration, we expect FNB to continue delivering good results in the foreseeable future.

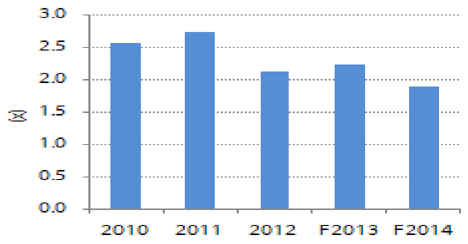
Valuation: We value FNB using a Residual Income methodology, with a risk-free rate of 8.3%, a risk premium of 5.0% and a beta of 1.0, which yields an intrinsic value of N$19.50, a premium of 8.3% over the current market price of N$18.00. Based on a terminal Price to Book ratio of 2.01x, we derive a target price for FNB Namibia of N$20.10 per share and expect a total return of 9.6% to 1H14, following the 6.1% price rally since our last report. We will review our target price upon the release of FY13 results and maintain our BUY recommendation for now.

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.

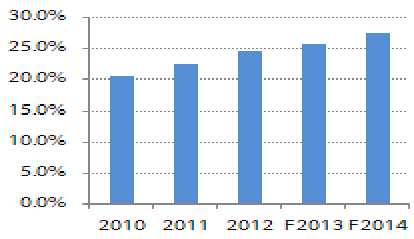
Bull Points:
- Solid strategy and management
- Stable advances growth
- Excess capital available for investments into new products
- Wider investment and life product range

Bear Points:
- Competitive Namibian banking market

Price to Book



RoE



Fiscal Year End: June	2010	2011	2012	F2013	F2014
Income Statement (N$m)					
Net interest income after impairments	744.7	851.8	931.8	988.5	1,125.7
Non-interest income	574.3	604.9	739.6	865.3	934.5
Net insurance premium income	56.2	71.9	84.5	91.2	98.5
Net claims and benefits paid	(38.3)	(41.4)	(41.0)	(44.2)	(47.8)
INCOME FROM OPERATIONS	1,334.6	1,486.5	1,719.3	1,900.8	2,111.0
Operating expenses	(718.7)	(768.9)	(884.1)	(972.5)	(1,069.8)
Income from associates	5.2	5.0	3.0	-	-
Profit before tax	621.1	722.5	838.2	928.3	1,041.2
Income tax (expense)\ credit	(218.0)	(258.3)	(299.6)	(329.7)	(359.6)
Minorites	29.6	42.7	9.9	7.7	8.8
Net Profit	458.9	539.0	772.0	598.6	681.6
Balance Sheet (N$m)					
Cash and short-term funds	455.2	428.1	1,002.1	673.8	746.5
Loans and advances	11,226.7	12,464.3	14,076.8	16,188.3	18,454.6
Due from other banks	851.2	763.1	1,925.7	2,133.7	2,364.2
Investment Securities	2,799.7	1,643.5	2,144.4	2,376.0	2,632.6
Total Assets	15,937.1	17,163.9	19,697.6	21,824.9	24,182.0
Deposits and current accounts	12,045.9	13,305.6	16,238.5	17,212.8	18,761.9
Due to banks and other fin institutions	54.3	43.9	48.4	53.4	58.9
Policyholder liabilities	1,043.0	41.7	45.1	50.0	55.4
Debt	269.6	270.6	392.6	569.6	826.5
Total Liabilities	13,786.0	15,178.1	17,313.9	20,634.5	22,578.7
Shareholders' equity	1,951.6	1,820.1	2,362.0	2,242.9	2,655.8
Minorities	199.5	165.7	21.6	21.6	21.6
Total shareholders' equity	2,151.1	1,985.8	2,383.6	2,264.5	2,677.4
Growth Rates (%)					
Income from operations	6.3%	11.4%	15.7%	10.6%	11.1%
Loans and advances	7.1%	11.0%	12.9%	15.0%	14.0%
Deposits	13.6%	10.5%	22.0%	6.0%	9.0%
Assets	13.0%	7.7%	14.8%	10.8%	10.8%
Financial Summary					
EPS (c)	166.1	191.8	294.3	228.1	259.8
HEPS (c)	165.7	191.6	203.1	228.1	259.8
DPS (c)	67.0	247.0	262.0	93.1	106.0
NAV (c)	755.1	703.6	912.0	865.9	1,025.3
Weighted Average shares (m)	267.6	267.6	267.6	267.6	267.6
Key Statistics					
Net interest margin (%)	5.2%	5.6%	5.4%	4.9%	4.9%
RoA (%)	2.7%	2.8%	2.9%	2.9%	3.0%
RoE (%)	20.6%	22.4%	24.7%	25.8%	27.6%
Valuation Metrics					
P/E (x)	11.6	10.0	9.5	8.4	7.4
P/BV (x)	2.5	2.7	2.1	2.2	1.9
Dividend Yield (%)	3.5	12.8	13.6	4.8	5.5
Earning Yield (%)	8.6	10.0	10.6	11.9	13.5

Source: FNB, IJG

Financials: Investment Companies

Namibia Asset Management

*Recommendation: **BUY**, TP: **40c**, 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%).

1H13Highlights: Namibia Asset Management (NAM) released its interim results for the six months ended 31March 2013. The company reported increased profitability with EPS and HEPS both rising by 38.8%y/y to 2.97c. We highlight the salient points.

Revenue saw a steep rise of 40.0% to N$26.6m, attributed to a rise in AUM. Operating expenditure followed suit, adding 42.6% to N$19.9m, somewhat eroding the increase in operating profit to 34.4% y/yto N$6.7m. A substantial increase in finance income boosted the rise in profit before tax to 38.3%, while a drop in the effective tax rate to 31.2% from 32.4% previously resulted in a 40.8% y/y rise in profit attributable to shareholders to N$5.0m.

The asset base strengthened compared to 1H12, rising from N$17.7m as at 1H12 to N$21.8m. Trade and other payables rosea notable 36.9% y/y to N$7.8m.

NAM reports a 25.0% increase in AUM to N$11.1bn, accompanied by strong performance across all of its portfolios. Institutional AUM added 22.8% y/y to N$12.4bn as at 1H13, attributed to good inflows from clients; and also from good returns generated. Retail AUM also grew, rising a substantial 44.2% y/y, albeit off a low base, to N$1.2bn.

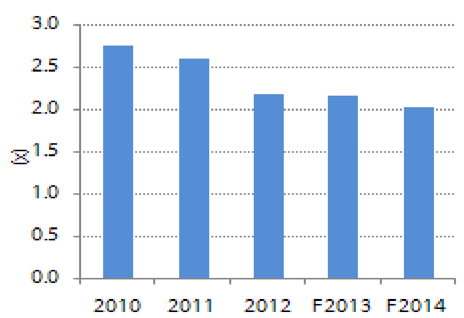
Outlook:NAM acknowledged that the investment environment is "likely to remain volatile and challenging". The company remains focussed on a long-term investment horizon. We view this focus as positive.

Valuation: We continue valuing NAM by applying a relative P/E valuation. 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 price of 40cps. Coronation Fund Managers is currently trading at a P/E of 22.17x. At 21cps,NAM is trading at a very substantial discount to our target price at a PE of 3.8x (12m earnings to 31 March 2013). Therefore,we maintain our **Buy** recommendation.

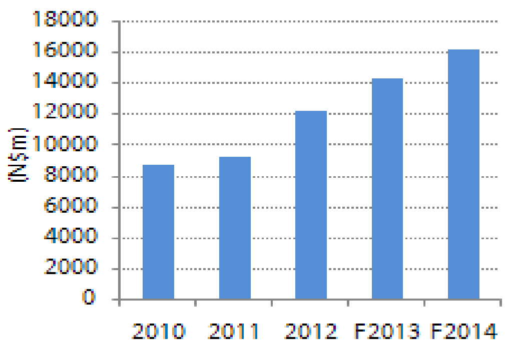
Bull Points:
- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

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

Price to Book



Assets Under Management



Fiscal Year End: June	2010	2011	2012	F2013	F2014
Income Statement (N$m)					
Revenue	28.8	45.5	41.6	55.2	62.5
Other income	0.0	0.1	0.0	0.0	0.1
Net finance income	0.9	0.5	0.7	0.9	1.0
Operating expenditure	22.9	38.9	31.0	41.4	46.8
Profit before tax	6.9	7.2	11.4	14.8	16.8
Income tax (expense)\ credit	(1.2)	(2.4)	(3.8)	(4.7)	(5.2)
Net Profit	5.7	4.8	7.7	10.1	11.6
Balance Sheet (N$m)					
Assets under management	8,800.0	9,300.0	12,200.0	14,320.3	16,198.4
Cash and short-term funds	6.8	8.1	8.8	9.3	10.2
Total Assets	22.2	21.5	26.2	26.5	27.7
Debt	-	-	-	-	-
Total Liabilities	6.9	8.1	10.1	10.3	10.5
Total shareholders' equity	15.3	13.5	16.1	16.2	17.2
Growth Rates (%)					
Revenue	22%	58%	-8%	33%	13%
Assets under Management	9%	6%	31%	17%	13%
Assets	21%	-3%	22%	1%	5%
Financial Summary					
EPS (c)	2.9	2.9	4.6	6.1	7.0
HEPS (c)	2.9	2.9	4.6	6.1	7.0
DPS (c)	2.5	3.0	4.0	5.1	5.8
NAV (c)	7.6	8.1	9.7	9.8	10.4
Weighted Average shares (m)	200	166	166	166	166
Valuation Metrics					
P/E (x)	7.4	7.3	4.5	3.5	3.0
P/BV (x)	2.8	2.6	2.2	2.2	2.0
Dividend Yield (%)	11.8	14.3	19.0	24.1	27.7
Earning Yield (%)	13.6	13.7	22.1	28.9	33.3

Source: NAM, IJG

Financials: Real Estate

Oryx Properties

Recommendation: ***BUY***, *TP:* ***1575c***, *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 54% of the portfolio (mainly from Maerua Mall shopping centre in Windhoek) while Industrial contributes 37% to the portfolio and Offices contribute 9%.

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

1H13 Highlights: Oryx Properties Limited (Oryx) released its results for the six months ended 31 December 2012, reporting 8.9% distribution growth to 67.25cpu from 61.75cpu reported for the previous corresponding period. Over the same period EPU fell by 21.1% to 98.29c but HEPU rose by 12.6% to 72.65c

The company displayed another period of good operational performance, with revenue increasing by 18.4% y/y to N$76.8m, supported by above average occupancy levels (reported at 99.6%), rental streams on the property acquired in South Africa during the first half of 2012 as well from strong renewals characteristic of the period under review. Rental expense added 15.2% to N$13.2m. Oryx reported a profit of N$17.1m (down 50.6% y/y), mainly as a result of a 57.5% lower change in the fair value of investment property of N$13.8m (1H12: N$32.5m).

Oryx released an announcement pertaining to, and lifting, the cautionary announcement previously published. An agreement has been reached that will see Oryx acquiring the entire shareholding of Growthpoint Properties limited in Tuinweg Property Investments for an amount of N$220m. Tuinweg is the owner of the Gustav Voigts Centre that comprises 13,200m² retail and 11,625m² hotel space. The acquisition is still subject to the approval of the Competition Commission, which is estimated to be concluded towards the end of August/September after which the transaction is expected to follow the 1st of September/October. At N$220m, the transaction has been structured at a forward yield of 12%, which implies an income component of N$26.4m over the subsequent 12 months, of which N$19.8m will be realised in FY14. The additional 24,825m² will increase ORY's total GLA by 12.2% to 227,489m² (this figure is post the Maerua expansion) and as a result Gustav Voigts will represent approximately 10.9% of ORY's total GLA.

Outlook: On the back of the acquisition, we have increased our FY14 distribution per share forecast by 1.2% from 160.6c previously to 162.5c currently. The increase is a function of the step up in rental income, partially offset by increases in the rental expense and finance charges.

Valuation: As a result of the increase in our forecasted distribution, we increase our target price to N$15.75 per share. At a distribution of 162.5cps for FY14, ORY is trading at a forward yield of 11.1%, which compares favourably to the GC24 at 8.83% and the JSE Listed Property Index at 6.09%, thus we maintain our BUY recommendation on ORY.

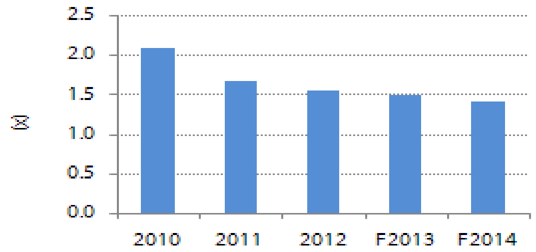
Bull Points:

- Very low vacancy levels
- Location of properties
- Quality tenants profile
- Tenant retention
- Value adding acquisitions and future developments
- Expansion into other markets (i.e. SA industrial portfolios)
- Strategic positioning of Gustav Voigts Centre

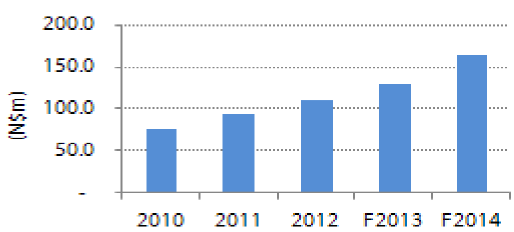
Bear Points:

- Unexpected interest rate increases
- Lack of good expansion opportunities (especially in the Namibian market)
- Low liquidity
- High exposure to a single property (Maerua Mall)

Price to Book



Net Rental Income



Fiscal Year End	2010	2011	2012	F2013	F2014
Income Statement (N$m)					
Revenue	96.7	115.3	132.8	158.1	205.3
Rental expense	20.1	21.7	23.6	28.3	40.4
Net rental income	76.5	93.6	109.2	129.8	164.9
Investment income	6.0	0.4	1.2	1.4	1.5
Amortisation of debenture premium	2.8	2.8	2.8	2.8	2.8
Fair value changes	92.2	90.9	41.1	22.2	22.6
Other expenses	(5.7)	(6.6)	(8.6)	(9.3)	(10.0)
Finance cost	(17.4)	(21.5)	(28.3)	(43.3)	(67.0)
Debenture interest	(60.1)	(64.7)	(70.5)	(78.6)	(89.5)
Profit before tax	95.8	95.0	36.4	25.0	25.4
Income tax expense	15.3	0.2	(1.3)	0.6	0.6
Net Profit	80.5	94.9	37.7	24.4	24.7
Balance Sheet (N$m)					
Cash and other liquid assets	2.2	4.9	3.0	4.0	4.0
Investment properties	883.1	1,041.5	1,239.7	1,290.7	1,526.6
Trade and other receivables	11.2	10.8	11.7	10.0	10.0
Total Assets	918.3	1,084.1	1,284.2	1,331.8	1,567.7
Linked unitholders for distribution	30.1	33.6	36.5	38.3	40.2
Debentures	247.1	247.1	247.1	247.1	247.1
Long-term borrowings	187.3	256.2	395.7	535.7	764.0
Total Liabilities	536.8	607.7	770.1	906.4	1,140.7
Total shareholders' equity	381.5	476.4	514.2	538.5	563.3
Growth Rates (%)					
Revenue	7.0%	19.2%	15.2%	19.0%	29.9%
Rental expense	14.3%	7.7%	8.7%	20.0%	42.7%
Net rental revenue	5.2%	22.3%	16.7%	18.8%	27.1%
Investment properties	252.7%	-93.4%	211.3%	10.0%	10.0%
Assets	18.6%	18.1%	18.5%	3.7%	17.7%
Liabilities	-2.4%	13.2%	26.7%	17.7%	25.8%
Financial Summary					
HEPU (c)	107.1	118.1	131.8	142.8	162.5
DPU (c)	109.3	117.5	128.0	142.8	162.5
NAV (c)*	693.2	865.6	934.1	978.4	1,023.3
Weighted Average shares (m)	55.0	55.0	55.0	55.0	55.0
**realisable NAV*					
Key Statistics					
Vacancies (as % of GLA)	0.8%	2.6%	0.6%	0.5%	1.5%
Property expenditure/revenue	20.8%	18.8%	17.8%	17.9%	19.7%
Debt/Equity	0.5	0.5	0.8	1.0	1.4
Valuation Metrics					
P/E (x)	13.6	12.4	11.1	10.2	9.0
P/BV (x)	2.1	1.7	1.6	1.5	1.4
Distribution Yield (%)	7.5	8.0	8.8	9.8	11.1
Earning Yield (%)	7.3	8.1	9.0	9.8	11.1

Source: Oryx, IJG

Non-Cyclical Consumer Goods: Beverages

Namibia Breweries Limited

*Recommendation: **HOLD**, TP: **1450c**, 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.

1H13 Highlights: NBS released results for the six months ended December 2012 and managed to grow revenue by 13.9% y/y to N$1.22bn, with growth stemming from sales of goods, up 13.0% y/y, and royalty income, up 46.0% y/y.

Locally, sales grew by double digits with beer sales volumes up 13%, while RTD sales declined slightly. An analysis of the beer industry's pricing shows that the SAB is the price setter in Namibia with Namibia Breweries following. NBS is set for a 10% boost to domestic sales in FY14 from prices alone. The macro environment is also very favourable to drive growth in volumes for the foreseeable future. Volumes produced and sold by NBS to DHN Drinks in South Africa increased 6% compared to 1H12. This growth is partly attributable to RTDs as Diageo is experiencing production problems at its Durban plant and as a result has outsourced production to NBS. The agreement is expected to last another 18 months. The Windhoek trademark is performing exceptionally well in SA as is evident from growth in royalty income, up 46% y/y.

We are of the view that operating margins will come under a bit of pressure as a result of the weakening exchange rate. However, this impact will be mostly offset by the change in geographical split of revenue. We expect sales to the higher margin domestic market to grow at a faster pace in the near future.

At this stage we cannot form a clear cut investment opinion about the proposed transaction due to the limited information available. At the right price the deal can unlock significant value, but this could be to the detriment of free cash flows and ultimately lead to shareholder dilution.

Outlook: Management advised that the major capital investment is part of a five-year development program to boost exports. The uncertainty pertaining to the DHN Drinks acquisition makes forecasting the future performance of the company difficult.

Valuation: Fundamentally, NBS offers attractive value that could justify a buy recommendation on the stock, however, the potential downside risks (price and free cash flow dilution) to the DHN/Sedibeng deal is making us wary. We forecast a target price for NBS of N$14.50 per share, based on a justified PE multiple of 11.5x, with an implied expected total return of 6.6% to 1H14, therefore, we recommend a Hold on the stock.

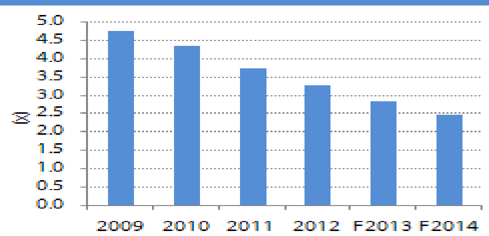
Bull Points:

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

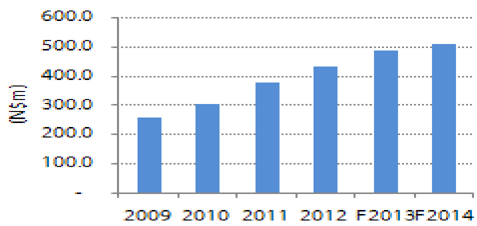
Bear Points:

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

Price to Book



Operating Profit



Fiscal Year End	2009	2010	2011	2012	F2013	F2014
Income Statement (N$m)						
Sales Revenue	1,566.5	1,731.1	1,797.1	2,160.1	2,463.5	2,631.1
Operating Profit	256.6	303.0	375.3	429.0	486.0	507.4
Net interest income(expense)	8.3	6.3	6.9	(0.9)	3.2	15.3
Profit before tax	229.3	230.9	307.3	336.0	389.2	422.7
Income tax expense	(70.9)	(71.1)	(96.0)	(114.0)	(132.3)	(139.5)
Net Profit	158.4	159.8	211.3	222.0	256.8	283.2
Balance Sheet (N$m)						
Cash and other liquid assets	66.7	177.0	91.7	91.9	234.0	393.2
PPE	431.7	474.1	668.6	799.8	895.8	940.3
Intangible assets	0.6	2.7	4.6	6.4	4.6	2.7
Investment in JV	469.4	553.4	121.4	118.1	118.1	118.1
Inventories	185.8	124.5	151.1	203.2	218.4	232.0
Total Assets	1,513.0	1,609.7	1,406.7	1,672.5	1,947.4	2,193.4
Interest bearing debt	7.5	159.1	189.4	270.2	265.7	200.9
Current liabilities	330.6	380.8	304.9	356.1	426.2	401.3
Non-current liabilities	562.9	529.7	310.1	409.2	373.4	395.6
Total Liabilities	893.4	910.5	615.0	765.2	799.6	796.9
Total shareholders' equity	619.6	677.5	791.7	907.3	1,044.2	1,194.1
Growth Rates (%)						
Sales	17.7%	10.5%	3.8%	20.2%	14.0%	6.8%
Opertaing Profit	41.3%	18.1%	23.9%	14.3%	13.3%	4.4%
Cash and other assets	-56.4%	165.3%	-48.2%	0.3%	154.7%	68.0%
Interest Bearing debt	-67.9%	2020.4%	19.1%	42.6%	-1.6%	-24.4%
Inventories	56.6%	-33.0%	21.4%	34.4%	7.5%	6.2%
Assets	11.1%	6.4%	-12.6%	18.9%	16.4%	12.6%
Financial Summary						
EPS (c)	81.9	77.4	102.3	107.5	124.4	137.1
DPS (c)	43.1	45.1	49.0	54.0	62.2	66.8
NAV (c)	300.0	328.1	383.3	439.3	505.6	578.2
Valuation Metrics						
P/E (x)	17.4	18.4	13.9	13.2	11.4	10.4
P/BV (x)	4.7	4.3	3.7	3.2	2.8	2.5
Dividend Yield (%)	3.0	3.2	3.4	3.8	4.4	4.7
Earning Yield (%)	5.8	5.4	7.2	7.6	8.7	9.6

Source: NBS, IJG

Industrials: Support Services

Bidvest Namibia

*Recommendation: **SELL**, TP: **1160c**, 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 (44.7% of revenue, 84.4% of trading profit), freight services, distribution, business support and tourism industries. The group operates through two holding companies, Bidfish and Bidcom. Bidcom operates through the Bidfreight, Bidserv, Bidfood and Bid Industrial and Commercial Products operating divisions.

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

1H13 Highlights: BVN released its results for the six months ended 31 December 2012. The firm's performance came in below our expectations on the back of severe margin pressure, contributing towards a 22.0% y/y fall in EPS and HEPS to 54.3cps and 54.2cps, respectively.

While BVN managed to grow revenues by an impressive 35.8% y/y to N$1.6bn, mainly attributed to the T&C business, cost of sales grew at 53.8% and operating costs by an even larger 80.0% to N$143.4m from the N$79.7m reported for 1H12. The additional costs are partially attributed to the high volume low margin business profile inherent to T&C. An additional cost booster, however, came in the form of the quota rentals fees BVN had to pay up in order to counter the impact of its lower direct quota allocation.

Trading profit shrunk by a substantial 20.8% y/y to total N$250.6m. As usual, the fishing division supplied the largest chunk of trading profit, coming in at N$211.4m or 84.4%. This figure is 24.6% lower than the N$280.3m seen in 1H12, despite the division's individual revenue falling by only 4.1% y/y, reflecting depressed margins resulting from the quota rental fees – 1H13 trading profit margin fell to 30.4% from 38.7% reported in 1H12.

An interim cash dividend of 23cps was declared, in line with that declared in 1H12, as the company increased the payout ratio to 42% from 33% in 1H12 in order to keep dividends unchanged.

On 23 May an article in the Namibian highlighted that the Minister of Fisheries and Marine Resources, Bernard Esau, indicated that an announcement with regards to the reserve allocation is to be expected soon, although the Minister did not specify an exact date. The Minister also indicated that the reserve quota will only be allocated to existing right holders, while none would be allocated to the "new right holders". Should this be in fact the case it could potentially lead earnings revisions higher.

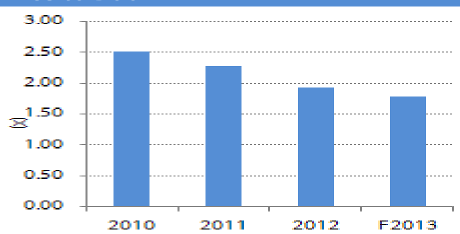
Outlook: The total TAC for horse mackerel for 2013 was announced at 350,000t, up from the 320,000t announced for 2012, though the ministry is reportedly yet to award 84,000t thereof. Should the minister allocate the TAC's in accordance with our expectation, the benefit would be two fold, with BVN absolute TACs increasing and the direct allocation as a percentage of total TACs also increasing, thus this move will be positive for both revenue and margins.

Valuation: While we adjust our FY13 EPS and DPS upwards by 3.4 % each; and our FY14 EPS and DPS up by 3.1% and 1.6%, respectively, we remain bearish on the stock in light of the earnings uncertainty which in our view justifies a de-rating in the company's valuations multiples. We therefore maintain our target price of N$11.60 and the accompanying SELL recommendation.

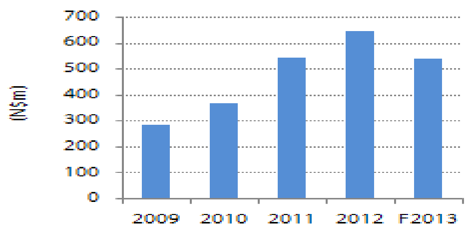
Bull Points:
- Exchange rates
- Strong brands in the industries in which BIDNam operates

Bear Points:
- Fishing industry conditions and regulation
- Oil price
- Margin contraction
- Low economic growth
- Quota allocation uncertainty

Price to Book



Trading Profit



Fiscal Year End	2009	2010	2011	2012	F2013
Income Statement (N$m)					
Sales Revenue	1388	1608	1919	2702	3120
Cost of sales	(951)	(1102)	(1207)	(1861)	*
Gross Profit	436	506	712	841	*
Operating expenses	(156)	(159)	(186)	(209)	*
Trading Profit	284	369	545	647	540
Net interest income(expense)	3	1	6	18	8
Income from associates	0	0	0	0	0
Profit before tax	289	353	568	672	548
Income tax expense	(105)	(116)	(184)	(211)	(168)
Minorites	53	72	126	162	125
Net Profit	183	237	384	469	379
Balance Sheet (N$m)					
Cash and other liquid assets	228	591	780	785	*
Propert, Plant and Equipment	307	549	569	764	*
Intangible assets	49	39	31	31	*
Goodwill	69	69	69	102	*
Inventories	179	217	230	324	*
Total Assets	1073	1725	1940	2469	*
Interest bearing debt	0	62	0	0	0
Current liabilities	345	417	390	517	*
Non-current liabilities	72	151	149	239	*
Total Liabilities	417	569	539	757	*
Shareholders' equity	818	956	1135	1537	1849
Minorities	146	200	267	354	*
Total shareholders' equity	656	1156	1402	1712	*
Growth Rates (%)					
Sales	33%	16%	19%	41%	15%
Trading Profit	84%	30%	48%	19%	-17%
Cash and other assets	20%	159%	4%	34%	
Inventories	77%	21%	6%	41%	
Assets	27%	61%	13%	27%	
Financial Summary					
EPS (c)	86	125	143	120	134
HEPS (c)	79	87	120	140	120
DPS (c)	15	36	54	63	60
NAV (c)	312	497	548	647	701
Weighted Average shares (m)	163	192	207	210	212
Key Statistics					
Operating margin (%)	21%	22%	29%	24%	17%
Current ratio (x)	1.8	2.5	3.2	3.0	*
Debt/Equity	1%	6%	0%	0%	0%
RoE (%)	40.2%	32.4%	36.7%	37.0%	26.7%
Valuation Metrics					
P/E (x)	15.68	14.61	10.02	8.77	10.43
P/BV (x)	4.00	2.52	2.28	1.93	1.78
Dividend Yield (%)	1.2%	2.9%	4.3%	5.0%	4.8%
Earning Yield (%)	0.0%	0.0%	6.7%	1.8%	1.8%

Source: BVN, IJG

Maintenance Coverage

Financials: Investment Companies

Stimulus Investments

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

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

FY13 Highlights:

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

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

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

Stimulus Investments currently has the following investments:

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

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

Bull Points:

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

Bear Points:

- Financial skills shortage

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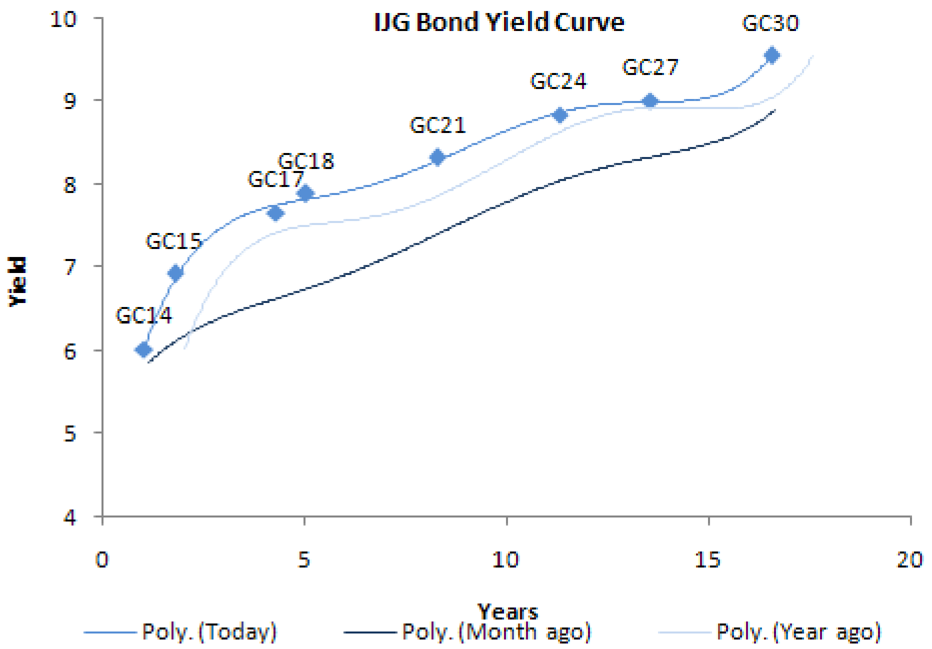
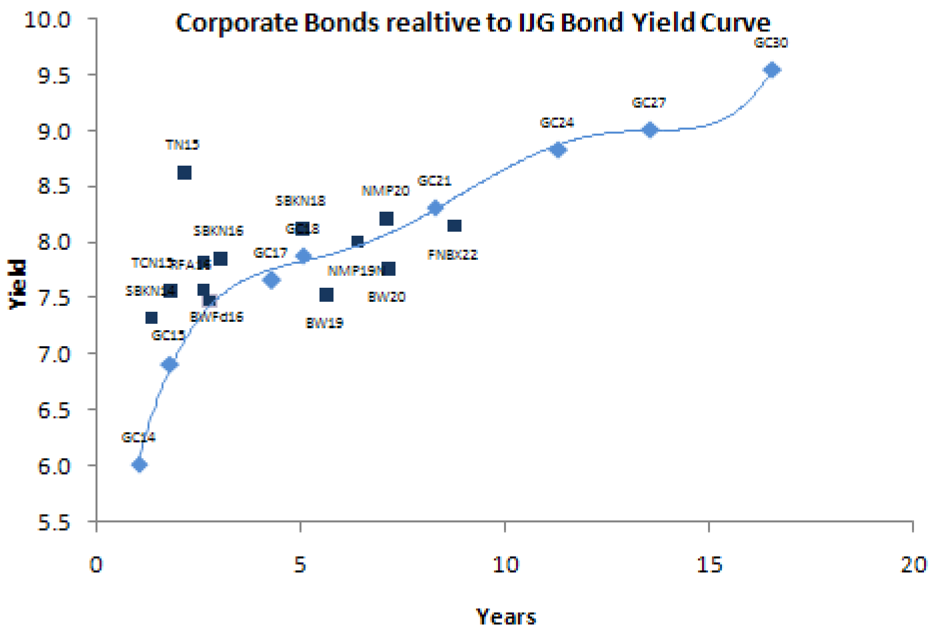
Bond Listings

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

<u>28June 2013:</u>





Financials: Banks

Standard Bank Namibia

Nature of Business: Standard Bank Namibia is one of the largest financial services groups in Namibia with a total asset base of N$16bn as at FY11. 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%)

FY11 Highlights:

Standard Bank Namibia reported that profit for 2011 rose 25% to N$333m. Revenue increased 6% to N$1.04bn while total assets grew by 13% to just over N$16bn. During the period, Standard Bank's loans and advances increased by 16% to N$10,1bn, while the funds in its current and deposit accounts grew by 14% to N$13,9bn

Standard Bank issued senior and unsecured notes, the SBKN15 and SBKN18, amounting to N$307m and 26m respectively. SBKN15 is a 3 year floating bond while the SBKN18 is a six year fixed paper. The SBKN 18 is benchmarked against the GC18, while the SBKN 15 is benchmarked against the 3-months Jibar rates.

Outlook: Despite the outlook for lower interest rates, the bank expected credit growth to be moderate over 2012.

Bonds: Standard Bank currently has four bonds in issue, namely the SBKN14, SBKN15, SBKN16 andSBKN18, amounting to N$643m listed on the NSX. SBKN14, SBKN15, SBKN16 and SBKN18are currently trading at premiums over their respective benchmark notes of 41bp, 105bp, 94bp and25bp, respectively. We view these bonds as being fairly priced at current rates.

Maturity dates for the bonds are as follows:

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

Bull Points:

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

Bear Points:

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

Industrial: PARASTATAL

Namibia Power Corporation

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

Top Shareholders: Namibian Government (100%)

FY12 Highlights

NamPower'stotal revenue increased by 10.7% for the FY12, coming in at N$2.6bn. Profit before tax rose by 84.1% y/y, albeit coming off a low base after a fall of 66.9% in the previous financial year. The company has a negative taxation charge (as opposed to a tax break in FY11), and resultantly, profit after tax dropped by 14.8% y/y. Capital expenditure has been on the decline, where the FY 12 figure came 61.9% below that of FY11 and 80.4% below the FY10 figure.Units sold has been on the rise, and came in at 3,726GWh for the financial year.

Nampower reported that during the yearunder review, the Ministry of Mines and Energy introduced a National Energy Fund levy as part of the tariff increase,equivalent to 4.4%. This was included in the total tariff increase of 18.3% announced by the Electricity Control Board. The effective tariff increase awarded to NamPower excludingthe levy was thus 13.9%. As a result of the delays experienced in announcing the tariff increase, the new tariffs came into effect only on 1 September 2011, impacting negatively on Group revenue.

The commissioning of the ANIXAS Power Station in December2011 and Ruacana Fourth Unit that came into operation in March 2012 provided additional local generation capacity during the second half of the year. We expect to see this filter through to additional energy generation in FY13.

The power utility is soliciting a bid for the construction of the much-delayed 800MW Kudu gas-to-power plant, according to the Namibian, citing Business Day. The Kudu project near Oranjemund involves pumping gas from the Kudu filed about 170km offshore to a combined cycle gas power plant.

Fitch Ratings affirmed NamPower'slong-term foreign currency Issuer Default Rating (IDR) in April 2012 at 'BBB-' and Short-term IDR at 'F3'. Fitch has also affirmed NamPower's National Long-Term rating at 'AA-(zaf)' and its Short-Term rating at 'F1+(zaf)'. Both Long-term ratings have Stable Outlooks. The affirmation continues to reflect the alignment of NamPower's ratings with those of the Namibian sovereign ('BBB'/Stable).

Bonds: NamPower currently has two bonds, NMP19N and NMP20N, to the amounts of N$500m and N$250m 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

Bear Points:

- Expensive electricity generative fuels (diesel & coal)
- High electricity demand from mining sector
- High reliance on imported electricity

Industrial: PARASTATAL

Telecom Namibia

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

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

FY12 Highlights:
Telecom's FY12 saw a 7% increase in revenue to N$1.22bn from N$1.14bn previously. Operating profit was reported at N$123.1m for the financial period, which represents an increase of 65.9% from the FY11 figure of N$74.2m. Company profit after tax rose to N$60.8m from N$50.6m in FY11. The group posted a profit of N$56.3m from the loss after tax of N$87.4m in FY11, and the even larger loss of N$122.2m reported in FY10.This growth is mainly 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.

A deal to divestment in the 44% held associate MundoStartelwas concluded during the financial period, and will result in cash payments of N$2m and the issuance of N$12m in preference shares, to be redeemed over 10 years, Telecom advises.

Telecom Namibia announced on 28 November that the Communication Regulatory Authority of Namibia (CRAN) has formally cleared the Company's completed acquisition of Powercom (Pty) Ltd, trade name Leo, the country's second mobile operator. The transaction was already approved by the Namibia Competition Commission (NaCC) on 27 April 2012. CRAN's approval marks the final approval required for Telecom Namibia's overall transaction with Guinea Fowl Investments Two (Pty) Ltd to acquire 100% equity stake in Powercom (Pty) Ltd T/A Leo; effectively placing the Company under the full control of Telecom Namibia; and is described by the group as "imminent".

Following the acquisition of the mobile operator, Leo, Telecom Namibia announced that Chinese firm ZTE Corporation will upgrade the Telecom and Leo network at a cost of N$46m, according to the Namibian. The agreement with ZTE is reportedly expected to lead to the building of a unified mobile network that will provide Telecom and Leo with a fully transformed 2G/3G/4G networks.

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, 255bps and 149bps relative to their respective benchmarks**.**

Bull Points:

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

Bear Points:

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

Industrial: PARASTATAL

Road Fund Administration

Nature of Business: The Road Fund Administration (RFA) was established on1April 2000 by the Road Fund Administration Act, Act No.18 of 1999. The objective of the RFA is to manage the road user charging system, to secure and allocate sufficient funding for a safe and efficient road sector in Namibia. Funding is primarily made available to the Roads Authority and Local Authorities for the construction, rehabilitation and maintenance of the national road network.

Top Shareholders: Namibian Government (100%)

Operational Highlights: The most recent financial results in our possession for the RFA are for the year ended 31 March 2010. The RFA reported a net surplus of N$1.0bn, down from N$1.1bn as at March 2009. Revenue increased by 12.9% y/y to N$1.2bn and operating expenses increased by 5.5%, primarily due to the increase in fuel levy refunds. At the end of the period under review, cash and cash equivalents stood at N$226.9m, up from N$59.3m reported as at the end of FY09.

Bonds: The RFA has N$330m nominal in RFA16 bonds in issue. The RFA16 has a coupon of 9.5% and is currently trading at a 150bp premium to the R157.

Bull Points:

- Powers to levy road user charges
- Government Guarantee on loan stocks
- Monopoly in collecting road user charges
- Good country rating by Fitch Ratings
- Well developed road network

Bear Points:

- High debt ratio
- Declining profit margins

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	TUC	31-Mar	31-Dec	30-Jun
Oryx Properties	ORY	30-Jun	31-Mar	31-Aug
Bidvest Namibia	BVN	30-Jun	31-Mar	30-Sep
Namibia Breweries	NBS	30-Jun	31-Mar	30-Sep
Truworths	TRU	30-Jun	30-Dec	30-Sep
Paladin Energy	PDN	30-Jun	31-Dec	30-Sep
B2Gold	B2G	30-Dec	30-Jun	31-March
Deep Yellow	DYL	30-Jun	31-Dec	30-Sep
Bannerman	BMN	30-Jun	31-Dec	30-Sep
Forsys Metal Corporation	FSY	31-Jan	31-Oct	30-Apr
Xemplar Energy Corporation	XEM	31-Dec	30-Sep	30-Mar
Marenica	MEY	30-Jun	31-Mar	30-Sep
Eco (Atlantic) Oil & Gas	EOG	30-Jun	31-Dec	31-Aug

Source: NSX, IJG

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