

## Namibia Equity Brokers (Pty) Ltd

# NEB Telegraph

### Investing in knowledge to create a better future!

#### The Bundle of Sticks Story

By Alfred Kamupingene



This time round we shall use a story from India as an anchor. The bundle of sticks story goes as follows: Once upon a time, there was a man who was blessed with three industrious sons. However, as one Bulgarian proverb goes "God does not place

two good things in one and the same place" or variously "God does not endow one and the same individual with two good attributes". There is a very good reason why what the proverb says is true, and that is because should the Almighty have done so, the individual with these attributes will start thinking that he/she is a god unto himself and forgets his/her creator.

Back to the bundle of sticks story. The nemesis of the villager's industrious sons was that they were always at odd with each other. Typical of a village set up, their squabbles became the talk of the village and that brought shame upon the family and dented the family standing. Word got to their father and he tried his best to forge harmony and understanding among them, unfortunately to no avail.

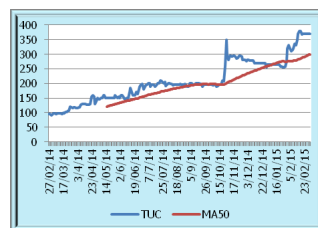
#### Trustco Group Holdings—Arise from the ashes

By Calvyn Kennedy



Gone are the days when investors overlooked this small cap stock just because of its size. The Trustco share price has shot up significantly especially in the last two years, which

indicates renewed investor confidence in the company. In the beginning, due to the uncertainty with the unknown, I was very skeptical about the company but my trust in Trustco is slowly growing. Despite some investor skepticism, it appears that management is getting a few things right, this time around.



Three positive developments over the last two years at Trustco.

...Continue on page 2

#### Inside this issue

- Feature Article
- Stock Pick
- Macro Economics
- Money Matters

#### Commodities & Currencies

Exchange Rates	
USD/N\$	11.536
GBP/N\$	17.773
EUR/N\$	12.917
N\$/JPY	10.352
EUR/USD	1.120
GBP/USD	1.541
Commodities	
Brent (\$/bbl)	60.56
Gold (\$/oz)	1209.20
Platinum (\$/)	1179.36
Uranium (\$/)	37.50

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## Stock Pick continues...

### 1) Property division

Trustco acquired a 100% of the issued share capital of Eisenheim Property Development for a purchase consideration of N\$220mln. The development consists of a residential and commercial housing estate on approximately 1186 hectares of land. Eisenheim development is the largest privately owned town development in Namibia. With this acquisition, the Group intends to address the shortage of housing in Namibia whilst utilizing the future proceeds of sales of erven to increase earnings in the group.

### 2) Banking License

On 21 August 2014, the Bank of Namibia granted authorization to Trustco to acquire Fides Bank Namibia Limited while the Competitions Commission Board also approved the acquisition on the same date. Since September 1, 2014, Trustco Bank Namibia Limited is fully operational. Fides Bank was struggling to make inroads in the country and was a loss making entity so only time will tell if it was the right strategy.

### 3) Establishment of ADR Program

Trustco Group Holdings has established a sponsored Level 1 American Depository Receipt (ADR) program. The ADR program facilitates a secondary market access in the U.S. OTC market for Trustco's shares. The program does not involve the issuance of new shares or raising of new capital by Trustco.

### Financial Highlights

Total Group revenue for the 9 months ended 31 December 2014 was N\$612mln (2013: N\$475mln) representing an increase of 28.8% from the prior comparative period. Total headline earnings for the 9 months ended 31 December 2014 was N\$125.3 million (2013: N\$53.9 million), representing a growth of 132.5% from the prior comparative period.

### Conclusion

Trustco is always seeking opportunities in different sectors of the Namibian economy and recently, the board of the company resolved to pursue opportunities in the resources sector during FY2016. Looking at the company's financial performance and growth, it looks like the strategy that the company employs, to diversify its portfolio, seems to be working. Their property division should do good going forward, considering the shortage of serviced land, demand for houses and the high property prices in the country. Although our analysts do not cover the stock, based on the group performance one has to take off one's hat for management for the efforts they apply to do everything in their power do enhance shareholders' value. This is definitely a small cap stock to watch out for.

	Market Cap (N\$m)	Current Price	EPS	DPS	PE	EY	DY	1 Yr High	1 Yr Low
Last 12 M	2779.71	360	30.97	5.75	11.62	8.6	1.6	90	393

## The Bundle of Stick Story continues...

As the villager's age advanced, his health also started failing. Cognisant of his ailing health and tormented by the family feuds, he for the umpteenth time, called his sons together and pleaded with them to unite and support each other. To his disappointment his feuding sons disdained what he was calling for. Driven by the lofty affection that he had for his sons and worried by the shame their behavior brought on the family, he opted for another approach that

would get them to realize the harm they were doing to the family. He called all of them together and gave them a bundle of sticks and first asked them to brake a single stick from the bundle and promised that he who would do so faster would be duly rewarded. Although the instruction was promptly executed, it further fanned the ambers of loath as each son contended that he had broken the stick faster. As the sons carried out each instruction to brake

a bundle with a specific numbers sticks in it, the old man kept on increasing the number of sticks in the bundle. There came a point when none of them could smash the bundle. At that point, the old man said: "My dear sons, you have noticed, first hand, that as the number of sticks in the bundle increased it became increasingly difficult to smash the bundle. This means that each one of you is weaker on his own, while if you bury hatchet and unite, nobody can cause any harm to you or defeat you. I re-

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quest you to be united, because therein lies your strength, your invincibility”.

In light of the letters that we have been seeing in the local press, especially the e-mail messages in the Namibian Newspaper of late, this story befits our Namibian situation

and we believe it is instructive as we approach our 25<sup>th</sup> independence anniversary. The story also reiterates the call we made in our earlier feature article, NEB Telegraph Volume 5, Issue 1, to implant a Namibian heart in all our people so that their hearts can start resonating with the Namibian agenda and not with ethnic agendas.



## Macro Economics

By Alfred Kamupingene

### NCPI

- ◆ The aggregate y/y NCPI marginally eased to 4.5% in January '15 from 4.6% in December '14.
- ◆ The five categories with the highest inflation numbers in January '15, in a descending order, were:
  1. Alcoholic Beverages & Tobacco (7.5%)
  2. Miscellaneous Goods & Services (6.6%)
  3. Food & Non-Alcoholic Beverages (6.5%)
  4. Recreation & Culture (4.9%)
  5. Education (4.4%)
- ◆ M/m the NCPI increased to 0.8% after being at -0.2% in December '14 .



### FUEL PRICE DECISION

- ◆ The Brent price per barrel averaged US\$58.01 in February '15, compared to US\$49.52 in January '15, showing an increase of 17.14% between the two months.
- ◆ The MME reduced the petrol - and diesel prices by N\$1.00/l and N\$1.20/l, respectively.
- ◆ The average NAD to the US\$ for February '15 was N\$11.59, compared to N\$11.57 in January '15.
- ◆ The BDI averaged 541 in February '15, compared to 726 in January '15.
- ◆ The over-recoveries, which were realized in January '15, had the following magnitude: ULP95 172.716c/l; Diesel (0.05% S) 166.512c/l and Diesel (0.005% S) 197.728c/l.
- ◆ The fuel transport levy was increased by 10c/l on all petroleum products to accommodate TransNamib's request.

### VEHICLE SALES

- ◆ The y/y growth for January '15 was 14.5% to 1,716 units, compared to a y/y growth of 53.9 % in December '14.
- ◆ The vehicle sales recorded a contraction of 6.3% in January '15 from 1,831 in December '14.
- ◆ The Passenger vehicle units bought were 742 units, thereby registering a 2.90% y/y growth.
- ◆ The Commercial vehicle units were 973, which represents a growth of 25.2% compared to January '14.
- ◆ The XHV 3-m moving average decreased to 41 units, whereas it was 53 units in December '14.
- ◆ The PASS 3-m moving average reduced to 777 units, from 810 units in December '14.
- ◆ Partly of the high spending on the purchase of vehicles, the MPC of the Bank of Namibia increased the repo rate by 25 basis points in February 2015.



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## Money Matters

Janeta Potgieter

During the Bank of Namibia's monetary policy meeting, held 18 February 2015, it was decided to increase the Repo rate by 0.25 percentage points to 6.25%. The next meeting will be held on 14 April 2015.

91 DAY TREASURY BILL				
DATE	AVERAGE YIELD	HIGHEST YIELD	AMOUNT ISSUED	NO. OF BIDS
08/01/2015	6.15540%	6.19500%	250 000 000	20
29/01/2015	6.13137%	6.22000%	202 240 000	16
Next	Tender date	12/03/2015		
182 DAY TREASURY BILL				
DATE	AVERAGE YIELD	HIGHEST YIELD	AMOUNT ISSUED	NO. OF BIDS
29/01/2015	6.66019%	6.69750%	346 120 000	23
19/02/2015	6.77321%	6.80000%	270 010 000	25
Next	Tender date	19/03/2015		
273 DAY TREASURY BILL				
DATE	AVERAGE YIELD	HIGHEST YIELD	AMOUNT ISSUED	NO. OF BIDS
05/02/2015	6.79819%	6.875000%	270 000 000	20
19/02/2015	6.92717%	6.970000%	200 000 000	26
Next	Tender date	05/03/2015		
364 DAY TREASURY BILL				
DATE	AVERAGE YIELD	HIGHEST YIELD	AMOUNT ISSUED	NO. OF BIDS
29/01/2015	7.00521%	7.05000%	270 000 000	30
26/02/2015	7.10247%	7.15000%	280 000 000	29
Next	Tender date	12/03/2015		

The movements on the TBs average interest rates were:-  
 91 TB ↓0.24030  
 182 TB ↑0.11302  
 273 TB ↑0.1289  
 364 TB ↑0.0973

The TB tenders were over-subscribed as follows:-  
 182 TB with N\$202,430,000  
 273 TB with N\$370,000,000  
 364 TB with N\$208,770,000

The 91 TB tender was under-subscribed with N\$67,760,000



Fixed Deposits Rates	Private Clients	Companies
3 months	5.95%	6.00%
6 months	6.70%	6.85%
12 months	7.15%	7.22%

Private Clients	Companies
Daily Call Interest Rates	
<N\$1m @ 5.58%	@ 6.32%
>N\$1m @ 5.93%	Non-Taxable Institutions @ 6.43%

### IRS RESULTS

DATE	STOCK	AMOUNT ON OFFER	AMOUNT TENDERED	AMOUNT ISSUED	HIGHEST YIELD ALLO-CATED	LOWEST YIELD ALLO-CATED	AVERAGE PRICE	Movements Highest yields
04/02/2015	GC17	60,000,000	118,500,000	60,000,000	6.97500%	6.93500%	102.52256	↓0.37500
11/02/2015	GC18	50,000,000	88,000,000	50,000,000	7.60000%	7.55500%	105.67961	↑0.03500
12/02/2014	GC21	10,000,000	37,700,000	10,000,000	9.21050%	9.20050%	92.10680	No auctions
04/02/2015	GC24	30,000,000	50,000,000	30,000,000	7.99000%	7.95000%	116.8302	↓0.45500
11/02/2015	GC25	50,000,000	72,000,000	50,000,000	8.65500%	8.55000%	99.24667	↑0.05500
04/02/2015	GC27	30,000,000	49,100,000	30,000,000	8.29000%	8.29000%	97.78903	↓0.55000
11/02/2015	GC30	20,000,000	10,000,000	10,000,000	9.13500%	9.09500%	90.99577	↓0.20000
04/02/2015	GC32	20,000,000	61,160,000	20,000,000	8.47500%	8.71000 %	102.29136	↓0.92500
11/02/2015	GC35	10,000,000	10,000,000	10,000,000	9.37500%	9.32500%	101.28407	↑0.01000
07/01/2015	GC37	10,000,000	7,500,000	7,500,000	9.59000%	9.59000%	99.18121	↓0.26150
11/02/2015	GC40	10,000,000	23,000,000	10,000,000	9.45000%	9.38000%	103.74680	↓0.64000

### GOVERNMENT STOCK NEWS FLASH

- ◆ The next GC tenders will be held on 4 and 11 March 2015.
- ◆ Of the nine bonds on tender only the GC30 was undersubscribed.
- ◆ In total an amount of N\$280,000,000 was put out on tender, an amount of N\$481,760,000 tenders were received and only N\$270,000,000 was allotted.
- ◆ Book Closure for GC15, GC17, GC21, GC24, GC25, GC32 and GC40 will be on Friday, 13 March 2015.
- ◆ To make up for the borrowing shortfall of N\$400,000,000 for the 2014/2015 fiscal year, a new 273-day and 364-day TB tender of N\$200,000,000 each will be issued.

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