



THE NATIONAL INVESTMENT TRUST LTD (NITL)

Outperforming the MSE....

The NITL portfolio grew 11% to MWK12.9bln, outperforming the MSE which rose 7.08% in 2020. The portfolio which is 100% invested in MSE listed equities, with cash resources amounting to just MWK277mln had a fair value (FV) gain of MWK1.4bln, compared with MWK1.7bln in the prior year. This ultimately affected the PAT growth rate.

P & L performance ...

Dividend income was up 32% to MWK342mln, giving a dividend income yield of 3% while interest and other inflows were down 55% to MWK21mln. In FY19, NITL had non-recurring 'other income' of MWK40mln hence the distortion. Total portfolio income was up 19% to MWK363mln.

Operating expenses rose 15% to MWK173mln comprising in the main of management fees, which are a function of the portfolio size. NITL's expense ratio improved 700bps to 51%, mainly due to the increase in income. The lower FV gain alluded to above resulted in a 12% decline in the PBT to MWK1.7bln, which worsened to 17% at PAT level to MWK1.5bln.

Time for change of focus ...

NITL's principal objective is to "provide a vehicle to facilitate broad public participation in a diverse portfolio of investments."

With 100% investment in MSE shares, there is no diversity of investments. Furthermore, NITL does not have board representation on any of its investee companies, and so is unable to influence decisions and policies. Hence, there is limited participation of the public. Retail investors hold less than a third of NITL shares, meaning that the original goal was never met.

On the other hand, NITL's investments in well-established and mature companies have no impact on the development of Malawi. After nearly 20 years of existence, it is time for a special entity like NITL to change its focus towards a more developmental role, supporting IPOs and other capital raisings. NITL has the capacity to play this role by unlocking value – US\$16mln - from its current investments, raising fresh capital and becoming an anchor investor for growing businesses. Its portfolio should comprise mainly of unlisted medium sized companies.

Neither here nor there ...

NITL is not a standard Exchange Tradeable Fund (ETF) and holds the same MSE shares that investors can purchase directly. Hence, with the exception of differences in weights, - with NITL having almost 30% of the portfolio in NBM – *buying, holding or selling NITL and reinvesting directly on the MSE* - is neither here nor there. **HOLD.**

Price (MWK)	94.94
DPS (MWK)	1.30
P/E (x)	8.67
P/B (x)	0.99
DPS Yield (%)	1.00
Market Cap (MWK mln)	16 608
Recommendation	HOLD

	Dec-20	Dec-19	YoY
Dividend Income	342	259	32%
Interest Income	21	47	(55%)
Total Income	363	306	19%
Opex	(173)	(151)	15%
EBIT	190	155	23%
Portfolio FV Gain	1,427	1,691	(16%)
PBT	1,617	1,846	(12%)
Tax	(138)	(66)	109%
PAT	1,479	1,780	(17%)
Cash & near	277	82	238%
Debtors	65	9	622%
Equity Portfolio	12,865	11,614	11%
Total Assets	13,207	11,705	13%
Payables	2,124	2,183	(3%)
Capital/NAV	12,960	11,583	12%
Payout Ratio	12%	6%	
Expense Ratio	51%	58%	
Taxation Rate	9%	4%	
ROE	12%	17%	
EPS	10.96	13.19	
NAV	96.00	85.80	
DPS	1.30	0.75	
Share Price	94.94	80.00	
P/E (x)	8.67	6.07	
P/B (x)	0.99	0.93	
DPS Yield	1%	1%	

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