Newsletter

January 2025

2025 Macro Themes

For our 2025 outlook, we have formulated ten macro themes in which we expect the macro and investment landscape to unfold.

Aftermath

2025 will stand in the stormy political aftermath of the 2024 super election year when half the world voted. New administrations in the USA, Namibia and Botswana will have important effects on the macro and investment landscape, while European nations are struggling to establish Governments and South Korea is in crisis. The GNU (Government of National Unity) in South Africa is slowly taking hold. At the time of writing, President Netumbo Nandi-Ndaitwah is still to constitute a cabinet, which will likely be in March.

Landing

Various geographies are experiencing differing degrees of economic landing. The USA economy is still in a resilient phase – we foresee a soft landing, if any. However, we are watching the forward-looking indicators such as the yield curve and the leading indicator, for signs of a worsening economic outlook. Europe and the UK are in a soggy phase – a hard landing is likely unfolding already. China is in a downswing, bordering on a crisis – aggressive policy action is likely to prevent a hard landing. SA is in a hopeful phase of self-help reforms – but struggling to take off. Namibia is ok – maintaining cruising altitude. Botswana is in recession – an unexpectedly hard landing. In its January review of the World Economic Outlook (WEO), with its main publications in April and October, the International Monetary Fund (IMF) slightly upgraded its global growth expectation for 2025 to 3.3% from its initial expectation of 3.2%, which was the same as that of 2024. In line with the various "landings", domestic analysts are revising growth rates for various geographies – for the USA up, for Europe barely positive, for China below average, for SA up, for Namibia 3%-4%, and for Botswana contraction. Some recently published quarterly growth rates, using yoy % numbers are as follows: USA 3.1%, CAN 1.5%, UK 0.1%, GER 0.2%, FRA 0.4%, EU 0.3%, BRA 0.9%, RUS -2.6%, IND 6.5%, CHI 5.4%, JAP 0.3%, AUS 0.3%, RSA 0.3%, NAM 2.8%, BOT -4.3%.

Commodities

The energy complex is exhibiting diverging trends, while largely moving speculatively in view of the Trump tariff rhetoric and newly threatened sanctions on Iran and Russia. Oil is up 7% in January. Natural gas prices have spiked by 51% over the course of 2024, but range between 0% and 12% in early 2025, reflecting a range of products and trading venues. Gas plays an important part in Developed Markets (DM) inflation rates. In the food domain, some grain prices are rising sharply – over four months global maize is up +34% and domestic maize +42%. For Namibia the declining uranium price is not good news. It is down to $73 from $106 about a year ago.

Currencies

The US dollar is dominant. It is only 2% away from parity with the euro. Therefore, USDNAD developments are more a US dollar, or global, story rather than a rand, or domestic, story at the moment. We foresee USDNAD at 19.50 and 20.00 at year end 2025 and 2026, respectively – the relative stability is largely thanks to a healthy balance of payments position in SA. Notably, some SA economists maintain strong rand forecasts given the "self-help" narrative related to the GNU's hoped for reforms.

Inflation

IDM inflation seems stuck between 2% and 3%. Housing costs remains a thorn in the flesh for several countries. Services inflation in general remains sticky. Recent rates are– SA 2.9%, Namibia 3.4% and Botswana 1.7%. Emerging Markets (EM) inflation rates diverge widely. Some recently published yoy inflation rates are: USA 2.9%, CAN 1.9%, UK 2.5%, GER 2.6%, FRA 1.3%, EU 2.5%, BRA 4.8%, RUS 9.5%, IND 5.2%, CHI 0.1%, JAP 2.9%, AUS 2.8%. The movement of the oil price in NAD terms, of +10% ytd, if maintained, will push up fuel prices and, hence, domestic inflation, which by the end of the third quarter seems set to be uncomfortably close to the upper band of 6%.

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Fiscal Policy

It will show diverging responses, depending on economic cycles and manoeuvrability. USA policy appears set to remain stimulatory, while Europe is agonising about which way to go. China is likely to continue its consideration of how to use fiscal policy. SA faces a challenging fiscal spiral. We expect Namibia's Budget in March.

Monetary Policy

We foresee further interest rate cuts from the Fed, the SARB, the BoN and the BoB, that is by mid-2025 levels of 4.00% (current level 4.50%), 7.00% (current level 7.75%), 6.50% (current level 7.00%) and 1.65% (current level 1.90%), respectively, which implies prime rates of 7.00%, 10.50%, 10.25% and 5.76%. In time, these lower rates ought to raise disposable incomes and assist the economic growth. We reiterate that, in our view, the fixed exchange rate regime will be maintained for the foreseeable future. The global easing cycle is likely to be more extended than the domestic one. We foresee hikes by the Fed late in 2027, whereas the BoN and SARB is likely to start raising rates in 2026. This is due to an expected upturn in domestic inflation by late 2025. Just as inflation has surprised markets to the downside into 2024 year end, it is plausible that the opposite might be the case by year end 2025, which means the window for further easing is now quite small.

Bonds

Interest bearing asset markets have started the year on the back foot. Global bonds have been shaken by the political aftermath, struggling to digest Trump's policy statements and the fraying of politics in Europe. US 10 year Treasuries are up from 3.6% in September to 4.6%, resulting in a -5.0% return in 3Q24 and 0% over 12 months as well as ytd. Similarly, the UK 10 year gilt climbed from 3.4% to 4.7%, resulting in losses. The SA 10 year Government bond registered positive returns, but the All Bond Index was down for the month and the quarter. In the current uncertainties, we remain of the opinion that Namibian bonds offer attractive value with real returns in the 6.5% ballpark.

Property

We make a distinction between direct property and listed property. Namibia's directly held residential property market is in the early stages of an upswing. In certain, not all, segments of the market rentals are escalating at around 15% yoy. House prices have also started to pick up, escalating at 7% in 3Q24, albeit with wide regional divergences. The listed property market has done very well, delivering a 29% return in 2024. However, its valuation has become stretched showing a dividend yield of 5.6% vs. its long-term average of 7.7%. Relative to bonds the yield amounts to 0.61 vs. its long-term average of 0.88.

Equity

The global stock market has done exceptionally well over the past two years, delivering 21.8% pa in USD terms, largely driven by the USA equity markets that delivered returns ranging from 26% pa on the S&P500 to 37% pa on the Nasdaq. Valuations are very stretched with forward PE of 19 times, compared to a long-term historical average of 16 times. Admittedly, the skewing of the "Magnificent Seven" of returns and valuations need be taken into account.

For the year 2024 as a whole, the returns of the major asset classes, in Namibia dollar terms, were as follows:

Global Equities	23.0%	MSCI World
Domestic Equities JSE	13.0%	JSE All Share
Domestic Equities NSX	11.8%	NSX Local Index
Domestic Property	29.0%	JSE SAPY Index
Domestic Bonds RSA	17.2%	Reuters All Bond
Domestic Bonds NAM	14.1%	IJG Namibian ALBI
Domestic Cash RSA	8.5%	RSA STEFI
Domestic Cash NAM	9.7%	Capricorn Enhanced Cash Fund
Commodities: Gold	32.7%	Bloomberg Gold Total Return Index
Commodities: Overall	8.7%	Bloomberg Commodity Total Return Index

Important Notice: **Client Reverification Required**

As an accountable institution, we are required to adhere to the Financial Intelligence Act (FIA) 13 of 2012 of the Republic of Namibia. To ensure compliance and enhance security in response to the increasing levels of fraud globally and locally, our administration team proactively conducts reverification of all clients.

If you receive a reverification letter or email from our team, we kindly request your prompt cooperation in providing the necessary documentation.

Please note that if the required documents are not submitted by 15 February 2025, the transactability on your investment portfolio will be impacted.

For enhanced security, only submit your documents via the following means:

- **Email:** cam.reverification@capricorn.com.na
- **In Person:** Capricorn Asset Management office
- **At any Bank Windhoek branch:** Attention Capricorn Asset Management

We appreciate your understanding and assistance in this matter. Thank you for helping us maintain the highest standards of security and compliance.

Review Your Investment **Goals Regularly for Continued Success**

Regularly reviewing your portfolio is key to staying aligned with your goals and risk tolerance and unlocking your investment success. Life is full of changes — from career shifts and family milestones to retirement planning — all of which can impact your investment strategy, so it's important to reassess your portfolio periodically.

At CAM we have a range of different funds each designed to meet a specific investment goal. Take our **Free Risk Test** to evaluate your current risk capacity and ensure your portfolio supports your financial success.

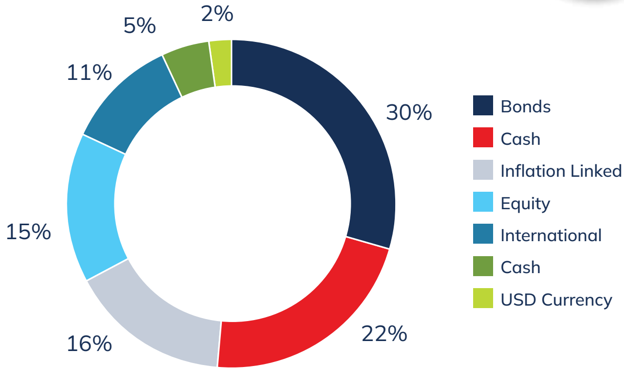
The Capricorn Premier Fund

One of the Capricorn Unit Trusts that we have on offer is the Capricorn Premier Fund which is part of our Managed Funds Series.

The Fund is designed for investors seeking a balanced approach to investments, providing moderate returns with controlled risk. This Fund targets a return of Namibian inflation + 4% over any 2-year rolling period, aiming to offer growth while minimizing exposure to market volatility. With a focus on stability, the blend of growth assets and income generating assets, provides a solution to investors looking to diversify their portfolio with a lower equity exposure whilst maintaining lower downside risks.

Asset Allocation

The Fund's asset allocation is guided by a carefully constructed strategic longer-term structure. The Fund follows a diversified allocation model to capture growth from different asset classes such as both local and international equities, income from bonds, and a limited exposure to commodities and property. The Fund is thus designed to be flexible and responsive to market conditions while keeping risk under control by reducing reliance on any single market segment and helping mitigate risk in volatile conditions.



Who Should Invest in This Fund?

The Fund is suitable for investors who are looking for:

- **Moderate growth** with a focus on inflation-beating returns.
- **Reduced equity exposure** to minimize risk during market downturns.
- **Stability and income** from fixed income securities and bonds.
- **Diversification** across multiple asset classes for balanced risk management.
- A fund that **actively balances risk and return** while targeting consistent performance over time.

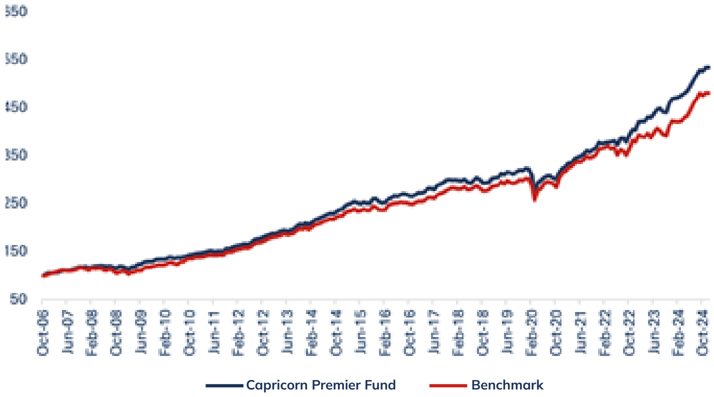
Ideal for:

- **Conservative Investors:** Seeking steady growth with limited exposure to equity markets.
- **Diversification Seekers:** Wanting to reduce overall portfolio risk by adding a low-equity, diversified fund to their portfolio.
- **Medium term investors:** Time horizon of longer than 3 years.

Performance

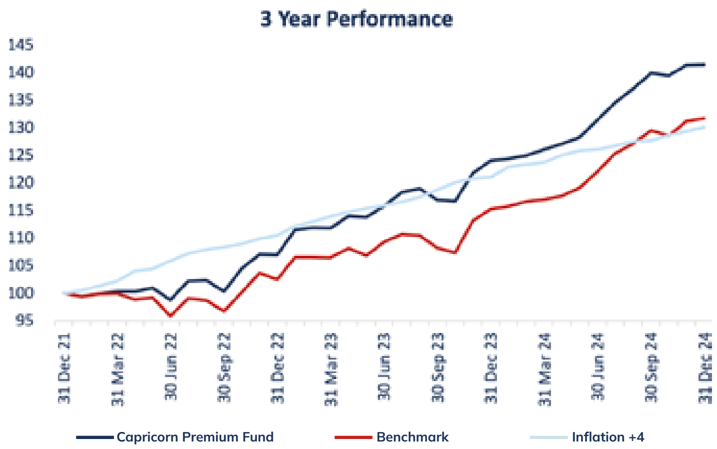
The Fund is designed to offer more consistent returns with reduced volatility compared to more aggressive equity funds. While it may not offer the same high returns as equity-heavy funds over longer periods, its balanced approach helps protect capital during market downturns and provides steady growth over time.

The graph below indicates the historic return since the Fund's inception compared to its benchmark.



	1 Year	2 Year	3 Year	5 Year	SI
Capricorn Premier Fund	14.05%	14.98%	12.26%	10.54%	9.66%
Composite Benchmark	13.71%	12.60%	9.75%	9.73%	9.03%
NCPI	3.39%	4.34%	5.19%	4.48%	5.38%

Over the past three years, the Fund delivered a strong annualized return of 12.26%, comfortably exceeding its return target (NCPI +4%) by 2.9%. Assets under management (AUM) surpassed N$1 billion, reflecting an impressive 53.6% growth over the past year, driven primarily by client inflows.



Over the past 12 months, the SA Listed Property sector led the way, posting an exceptional return of 29.0%. Global equities followed with a solid 20.0% gain, supported by strong market performance and some currency depreciation. Fixed-rate bonds also delivered robust returns, gaining 17.2% as benchmark bonds rallied in response to a favorable South African election outcome.

For more information on our Capricorn Unit Trusts visit our website for the detailed Fund Fact Sheets or contact our sales team at cam.service@capricorn.com.na.

Make a Deposit

You can make a deposit into your Investment via:

- Capricorn Online (automated debit order for N$ 1 mill and under)
- Electronic Funds Transfer (amounts over N$ 1 mill)

Our official bank details are available on these platforms:

- Our website at **www.cam.com.na**
- Capricorn Online accessed via our website
- Bank Windhoek Internet Banking Platform via Third Party payments

Always verify our banking details on these platforms.

Please only use your unique Client and Account number as reference to ensure the correct allocation of funds e.g. E***A*****.**

Once you make a deposit, please always **email your proof of payment** and **documentary proof of source of funds** to cam.service@capricorn.com.na

Our team may contact you telephonically to request or confirm your proof of source of funds. Only submit this via email or in person as indicated above. If you have any doubts or fraudulent concerns, contact our official office number, 061-299 1950, to verify the validity of the contact.

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