Newsletter | November 2025

Capricorn Asset Management
a member of Capricorn Group

Our offices will close at 12:00 on **24 & 31 December 2025** and **2 January 2026.**

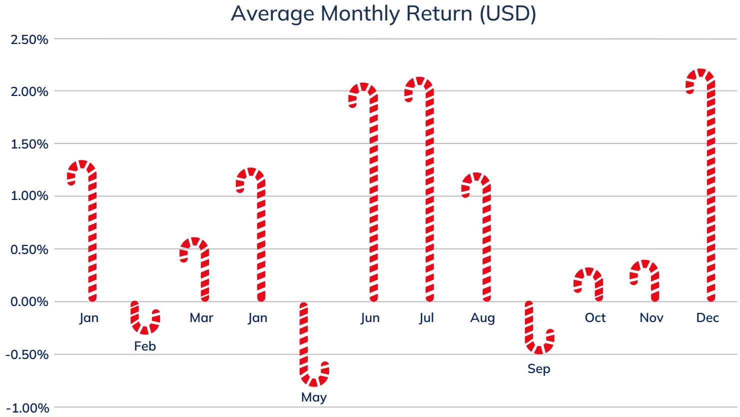
Is Santa Claus Coming to Town

As the year draws to a close and streets across the world light up with festive colours, investors often find themselves wondering whether markets will join in the cheer. Just as children wait for Santa to arrive with a sack full of surprises, market watchers keep an eye on December's performance, hoping for the familiar lift that has appeared so often in history. This seasonal pattern has become known as the "Santa Claus Rally," a moment when the market's mood seems to reflect the spirit of the holidays. While it may sound whimsical, the phenomenon is rooted in decades of observable data and investor behaviour, making it one of finance's most enduring year end talking points.

The term "Santa Claus Rally" is frequently referenced during this time of year, referring to the notion that equity markets tend to deliver stronger returns in December. While it may sound like seasonal storytelling, historical data illustrates a consistent pattern: December has historically been the strongest month of the year, averaging returns of around 2.2%, supported by typically constructive performance in October and November. In contrast, February, May and September have historically been the weakest contributors, reminding investors that markets remain cyclical and uneven throughout the year.

However, it is essential to clarify that we are not suggesting that markets will inevitably rise into the year-end. Past behaviour does not guarantee future outcomes, and market conditions can shift quickly.

S&P 500 Index 1929 - 2025
Average Monthly Return (USD)



Why does the Santa Claus Rally tend to occur?

- **Seasonal sentiment uplift:** Confidence and optimism often improve heading into year-end
- **Portfolio rebalancing and window dressing:** Asset managers align exposure to year-end performance and reporting requirements
- **Lower market liquidity:** Reduced participation can amplify price movements
- **Retail participation:** Holiday capital flows and year-end allocations
- **Less noise:** Policy and decision makers also take time off, which reduces data uncertainty and regulatory changes.
- **Higher positive sentiment:** Holidays, in general, bring about a good feeling and markets tend to share that positive outlook

While none of these factors guarantee performance, their collective influence has historically created favourable conditions for risk assets into December. Our base case remains unchanged: stay invested throughout the year. Markets tend to reward consistency, and you never know when Santa may decide to cut back on presents or put some coal in your stocking.

What does this mean for investors?
Although markets never move in a straight line, missing the market's strongest periods has a far greater long-term cost than participating through volatility. Attempting to time entry and exit points remains one of the most consistent destroyers of long-term returns, particularly when strong months often arrive unexpectedly and in concentrated bursts.

Conclusion
The "Santa Claus Rally" has statistical credibility and behavioural foundations rather than being a seasonal myth. Anomalies exist, but outcomes are never guaranteed. History reminds us that time in the market consistently outperforms attempts to time it. Stay invested, stay disciplined, focus on your investment goal and let the data do the heavy lifting while you enjoy the festive season.

KYC Re-verification reminder:

Kindly note that you may have received communication from our administration department to update your KYC as per the Financial Intelligence Act requirements. Please note the due date in the communication to avoid any impact on your transactability.

Monthly Economic Update

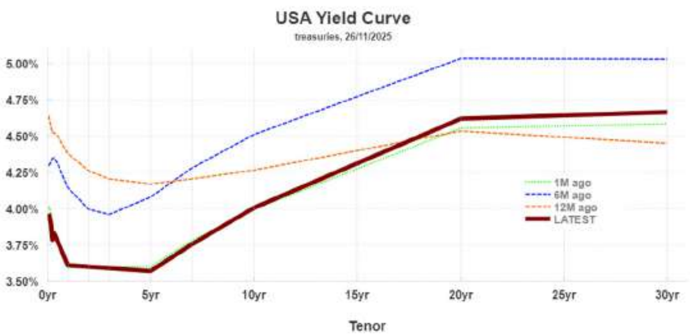
The last quarter of the calendar year is filled with economic policy related events. In mid-to-late October, we had the BoN MPC (the Bank of Namibia's Monetary Policy Committee) meeting and the MYBR (Mid-Year Budget Review) of the Namibian Minister of Finance (MoF). In mid-to-late November, we had the MTBPS (Medium-Term Budget Policy Statement) of the South African MoF, as well as the SARB MPC (the South African Reserve Bank's Monetary Policy Committee) meeting.

These followed closely on the heels of policy making meetings of some of the world's biggest central banks (CB's). Furthermore, in December, there will be a cluster of CB meetings – the Fed (USA's Federal Reserve), the ECB (Europe's Central Bank), the BOE (Bank of England), the BOJ (Bank of Japan), the BoB (Bank of Botswana), as well as the BoN. We believe there is a good chance that the outgoing Governor will leave us with a parting gift of another interest rate cut.

In summary, Budgets paint a picture of a lack of manoeuvrability in Fiscal Policy, while Monetary Policy is generally being relaxed, that is, CB's and investors expect lower interest rates as we close in on the new year.

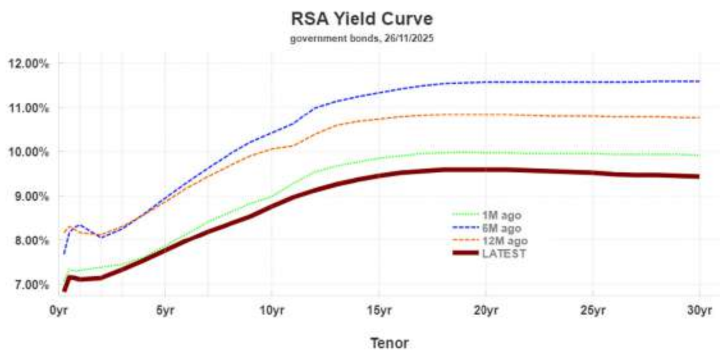
As always, we are especially interested in how the capital markets have reacted – in short, how the yield curves have shifted. Yield curves encompass the interest rate structure in an economy, ranging from the short end, where securities have a short lifespan (tenor), to the long end, where securities have many years (tenor) to maturity.

The following comments concern the following three markets, US Treasuries, SA bonds (SAGB's) and Namibian Government Bonds (GRNGC's). The way the yield curves behave provides important cues as to what the perceptions are of lenders to the Government, that is, of investors in Government issued debt.



The US curve shifted down decisively over the past 6 months in a parallel fashion – that is, the size of the shift was more or less equal across all tenors. Compared to 12 months ago, the curve has steepened from the short end up to around the 20-year tenor. This twist in the curve was largely the result of heightened expectations that the Fed will lower its rate to the current level of 4.00%. The shape of the short end up to the 5-year tenor indicates that the market expects further easing from the Fed of around 50bp.

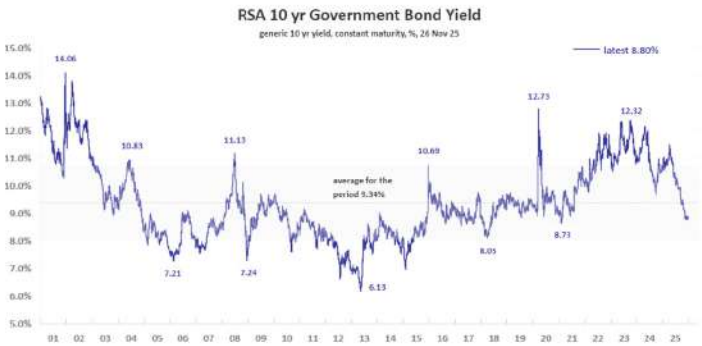
The short end of the yield curve is mostly reflective of the market's views on how monetary policy is expected to evolve, while the long end is largely driven by the projected fiscal trajectory, that is, the borrowing requirement and debt position, as well as the inflation outlook. When investors become more comfortable with the long-term inflation outlook, the long end tends to move down, which is positive for holders of long-term paper.



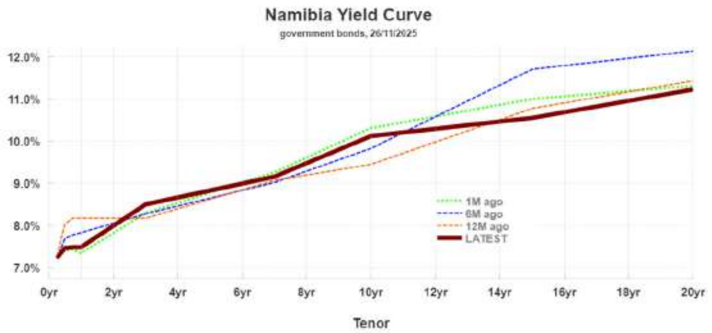
Similarly, the market has turned very bullish on SAGB's. It means that the market believes that the SARB will be successful in achieving the lower, tighter inflation target of 3%, while keeping the repo rate at current levels and perhaps even lowering it further. Hence, the downshift in the short end. Achieving the target in the long run will result in investors accepting lower nominal yields while still achieving the same, or better, real yields – the difference between nominal yields and inflation. Hence, the downshift in the long end.

Overall, several factors contributed to the bullish sentiment regarding SAGB's. First, there was the official adoption of the new inflation targeting regime by the SA MoF in the MTBPS. This removed lingering uncertainty. Second, the fiscal trajectory is turning out somewhat more positive than recently feared, largely due to better than expected revenue collection. Third, SA exited the grey listing – a positive signal of improving

governance, and fourth, a credit rating upgrade by S&P, albeit not yet reaching investment grade status. Lastly, positive sentiment towards EM's and the erosion of the US dollar safe haven status helped.

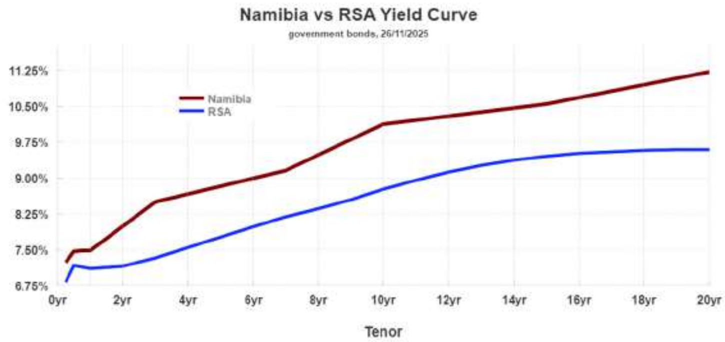


By comparison, the relatively small movements in the Namibian yield curve are indicative of expectations that remained largely unchanged over the course of the year. We discussed the MYBR in last month's newsletter. It is sufficient to say that the fiscal narrative has deteriorated. The MoF presented a view that lowers the economic outlook noticeably, but not disastrously. Below, we reiterate some of the comments from our previous monthly note.



Slower-than-expected growth has necessitated downward revisions to Revenue estimates. Overall, for FY26, the fiscal year ending March 2026, a shortfall of N$3.2bn was estimated in the MYBR and the outlook is for several years of slow Revenue growth.

A Medium-Term Revenue Strategy (MTRS) is being crafted. In light of this, the MoF has warned that additional revenue measures will be announced in the upcoming Budget for FY27. At the same time, much is made of Public Expenditure Reviews (PER's). One hopes that the combination of Revenue and Expenditure measures leads to better outcomes, that is, less pressure to tax and borrowing and more productive spending results, a goal that remains more aspirational than assured.



Meanwhile, the deficit in FY26 will amount to N$16.7bn, or 6.4% of GDP, which is disappointingly large. The bigger deficit adds to funding pressure, but it is only half the picture. This year, the State effectively funded two deficits, the usual fiscal gap as well as the repayment of the US$750m Eurobond. Therefore, the funding pressure on the domestic capital market is high in FY26. The MoF calculates that it amounts to N$22.3bn. We believe that the amount is more than this, likely around N$30bn, as it has become evident that the build-up of the sinking fund was inadequate to cover the maturity of the Eurobond, which meant that more needed to be borrowed on the domestic market. In the upcoming Budget year, the MoF estimates that N$14.6bn is to be borrowed on the domestic market, which is about half as much as this year.

The effect of a slightly deteriorating fiscal trajectory for Namibia, contrasted with an improving fiscal trajectory in SA, is aptly demonstrated in the difference between the yield curves in the two markets. The strong bullish move in SA has not filtered through to Namibian yields due to the funding pressure on the domestic capital market. One can therefore say that Namibian bonds trade at a premium to SA right across the curve.

We emphasise that FY26 was and still is a tricky year to navigate, both for the borrower, the Namibian Government and for Namibian investors in GRNGC's and we quote: "The fiscal trajectory has deteriorated, compared to recent favourable expectations, but not disastrously. Credit ratings are unlikely to improve. Funding pressure remains high, as SOE's join the queue. The resulting high yield curve will remain steep and attractive for investors and, in our assessment, will still be anchored by low default risk. That degree of comfort is strengthened given that offshore debt will now be considerably lower in the wake of the maturity of the Eurobond."

Staying Safe from Festive Season Scams

The festive season brings celebration, travel and well-deserved rest, but it is also a time when fraudsters become more active. Globally and in Namibia, reported scam activity tends to rise over November and December as people shop more, travel more and shift into holiday mode. Staying alert helps protect your finances and ensures your season remains focused on what matters most.

Be cautious of phishing attempts
Scammers often imitate banks, couriers or retailers through emails, SMS messages or WhatsApp. They may ask you to click a link, update details or share an OTP. Reputable institutions will never request your password or One Time Pin. If something feels unusual, contact the organisation directly using an official number rather than responding to the message.

Shop smart online
Fake online stores and too good to be true holiday deals multiply at this time of year. Stick to trusted retailers, check for website security indicators and avoid making EFT payments to unfamiliar individuals. A few seconds of verification can prevent long-term financial loss.

Protect your cards and digital banking
Keep your card in sight when making payments, enable transaction notifications and avoid using public Wi-Fi for banking. These small habits significantly reduce the risk of unauthorised activity.

Verify travel and accommodation offers
Holiday rush periods attract scammers offering discounted flights or accommodation. Before paying, confirm bookings through official hotel or airline channels. Genuine providers will always allow you to verify details.

Be alert to investment related scams
Year-end bonuses and financial goal setting create opportunities for unlicensed operators to target individuals. Be cautious of promised high returns or pressure to act quickly. When investing, always work with regulated and licensed financial service providers. As your trusted investment partner, Capricorn Asset Management provides transparent, well-governed solutions backed by a strong regulatory framework and a disciplined investment philosophy.

A final festive reminder
Scams often rely on pressure and urgency. Slowing down to verify information is one of the simplest ways to protect yourself and your loved ones. With sensible caution and awareness, you can enjoy a safe, peaceful and uplifting festive season.

24/7 Contact us at our 24/7 dedicated fraud Line: **+264 (0) 61 299 1999 | +264 (0) 83 299 1999**

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