



20/20 Foresight, the secret to investment success

Now that 2019 is in the past and one focus on 2020 it is important to take a pause and reflect on the past to understand what one can learn from it.

Hindsight is 20/20, a common saying used to explain that "It's easy to know the right thing to do after something has happened, but it's hard to have predicted it." This is especially true for investments.

One thing however that is certain, is that if you are not willing to save you will definitely not create any wealth for the future. It is as simple as that and does not take any foresight to realise this. Another historic fact is that over the longer term a well diversified portfolio invested in cash, bonds, property and shares would over almost all time periods have outperformed an investment only in the money market. What the past thus teaches us is to not only save but also to take on reasonable levels of investment risk.

For example, should you have started 20 years ago with a conservative monthly investment of N\$ 1000 in a product such as the Capricorn Managed Fund, and only adjusted your debit order with inflation, it would have been worth more than N\$ 1.4 million today. On the other hand if this money was all invested only in the money market it would only have been worth approximately N\$ 850 000.

Therefore it is very important not only to start to invest as early as possible but also to use the past experience of different asset classes in your favour. If you then look back in 10 to 20 years, you will see how your sensible choices enabled you to be a successful investor who created your own financial independence.

20/20 Foresight may be the secret to achieving your investment success.

Speak to your financial advisor, contact any Bank Windhoek branch or visit our offices to review your investment portfolio and ensure you are investing with 20/20 foresight.

Economic Update

The new year started off with a bang – literally – a bang in Bagdad. Since then, mixed geopolitical headlines have dominated the news. As we stated in our 2020 Outlook note, it appears that a global mini up-cycle is underway. Therefore, while global growth expectations are being shaved back a bit, 2020 is still expected to be an improvement on 2019. Central Banks have turned to more stimulatory monetary policy, there has been a thawing in the trade war and the Brexit process has taken a somewhat more sensible turn.

Against this backdrop, we foresee that the Namibian economy should achieve marginally positive growth in 2020. However, we will be fortunate if it is much above 1%, following on a 2% contraction in 2019. Similarly, in SA, the outlook is not

great. Economic growth is likely to be marginally positive this year and next, but not enough to change the overall sense that recessionary conditions will persist.

Inflation remains stubbornly low globally. Namibian inflation has also been very subdued. It registered 2.6% in December 2019, after bottoming in November as we expected. It will gradually rise in 2020 to just above 4%. In 2021, it is likely to remain in the 4% to 5% range. If we are wrong, inflation is likely to be lower rather than higher. The housing component, 28% of the total, surveyed in January, will be key.

The Federal Reserve, the USA central bank, is likely to hold interest rates steady for 2020. This means that elsewhere, where there is room to move, monetary easing is likely to continue via the lowering of interest rates. The Namibian economy is very weak, inflation risk is low and no, we do not expect Namibia to exit the slump convincingly. We therefore expect the Bank of Namibia to lower rates further through the course of 2020.

Over the next two months, the National Budgets of both SA and Namibia will come into view. We fear that fiscal slippage will worsen. By this we mean that Government Revenues will likely be severely constrained by general economic weakness, whereas the demands on the Fiscus to spend more will be high. The Namibian deficit is likely to be 5.5% of GDP rather than the

budgeted 4.3 % and in SA 6.0 % + rather than 4.5 %. Creditworthiness of both nations will be dented further as debt levels soar amidst weak growth and parastatals remain a drain. However, we do not foresee defaults by either Namibia or South Africa anytime soon.

Investing for your Business

At the start of a new decade one tend to reflect on the past and it becomes quite evident that the past recession has had a major impact on Namibian businesses. While some have prospered others were unfortunately not so lucky. In hindsight 20/20 it becomes clear that for any business to maximise their profits, it is crucial not to let any cash lie idle. It is thus important to diligently plan for your business goals and to maximise the after-tax return of your business's cash.

Whether your business is big or small, the **Capricorn Corporate Fund** offers you a cost effective and tax efficient solution.

We understand that as a business it would not be sensible to take on additional risk on your cash, thus the Capricorn Corporate Fund is a low risk money market fund which provides a stable and secure after-tax return without the volatility generally associated with equity, property and international markets.

The Fund is highly liquid and available on demand.

To invest in the Capricorn Corporate Fund, contact your financial advisor, visit any Bank Windhoek branch or contact our sales team at cam.info@capricorn.com.na or 061 - 299 1950.

Know your FIA Compliance Status

In terms of the Financial Intelligence Act 13 of 2012, we are required to perform ongoing actions with regards to the business relationships and their information held with us. This includes re-verification of information

submitted to us in the past. By law we are required to obtain and verify your personal information.

In order to comply with the aforementioned requirements, we will conduct an annual update of information and source of funds/ income.

Failure to be FIA compliant will unfortunately result in your investment being restricted for transactions such as withdrawals and deposits. You will however still receive interest and statements.

Should you be FIA non-compliant you will be notified by our office to supply us with the relevant documents which can be delivered directly to our office or to any Bank Windhoek branch for verification purposes.

If you are uncertain about your FIA compliance status you may contact us at cam.service@capricorn.com.na or +264 61 299 1950.

Compliments & Complaints Procedure

It is important for us to provide you with dedicated and unrivaled service. Therefore we would like to hear from you how we can improve our service and also invite you to comment on excellent service you receive from our dedicated team.

To log a compliment or complaint,

- Email us at cam.cc@capricorn.com.na
- Log it via our website: Select Contact Us, complete the requested fields, select the **compliment & complaints** topic, type your message/ feedback and send or;
- Complete the register available at our office reception.

The Compliments & Complaints received will be reviewed by our management team and resolved or commended as per our process guidelines.