Newsletter | June 2025

Capricorn Asset Management
a member of **Capricorn Group**

Extra Peace of Mind: Two-Factor Authentication is Coming to Capricorn Online

From July, Capricorn Asset Management is taking another **sensible step** to keeping your investments safe. We're introducing **two-factor authentication (2FA)** for all Capricorn Online users. 2FA adds a second layer of security, making it significantly harder for fraudsters to access your account, even if they know your password.

Going forward you will now receive a **One-Time PIN (OTP)** via SMS every time you login to Capricorn Online in addition to your username and unique password.

Why OTPs Matter

An OTP is a randomly generated code that is valid for a single login session. Because it's constantly changing and sent directly to you, it acts as a real-time barrier against unauthorised access. Even if someone has your password, they won't be able to log in without the OTP, thus keeping your account safe and in your control.

Creating a Strong Password—Quick Tips

- **Use a passphrase:** Combine three or more unrelated words (e.g. sunlight-orange-piano)
- **Add variety:** Include capital letters, numbers, or symbols (e.g. Sunlight-Orange-P!ano9)
- **Keep it unique:** Don't reuse passwords across different platforms
- **The longer the better:** The password should be at least 8 characters
- **Store it safely:** Consider using a trusted password manager to securely save your login details and make signing in easier

Never Share Your OTP

Keep your OTP confidential. **Never** share it with anyone, even if they claim to be from Capricorn Asset Management. We will never ask for your OTP, especially if you didn't initiate the login. If you receive an unexpected OTP, do not use it and contact us immediately at our 24/7 dedicated fraud Line:

+264 (0) 61 299 1999 | +264 (0) 83 299 1999

If you are not yet registered for Capricorn Online, please send an email to **cam.service@capricorn.com.na**

Monthly Economic Overview

Overview

The geoeconomic turbulence is continuing which is largely shaped by geopolitical flash points. Currently an Israel-Iran ceasefire is in place, but fragile. We have seen financial markets being surprisingly calm, except for oil, which surged and then corrected, and trade frictions around tariffs may soon resurface. Namibia remains relatively resilient, while Botswana and South Africa remain fiscally constrained and economically subdued.

Aftermath

Throughout 1H25, the aftermath of the 2024 super election year has turned decidedly nasty in the form of regional flare ups in conflicts. Several newly formed administrations are slow to settle down amidst fragile alliances, shifting coalitions and global pressures. Namibia's new Government is still taking shape, while the Swapo Manifesto Implementation Plan (SMIP) adds to uncertainty because its N$87bn five-year price tag is fiscally untenable. South Africa's Government of National Unity (GNU) is holding, just. Botswana's new leadership faces a recessionary fiscal cliff.

Landing

Global growth expectations will continue to be shaved back, due to a sharp deceleration in trade. Landing outcomes will vary based on flexibility in global trade relationships and supply chains, as well as policy capacity. In the USA, forward-looking indicators signal a slowdown, but a soft landing is still the base case. Europe and the UK face a greater risk of hard landings, while China's economy is weak and flirting with deflation. SA is struggling to take off. GDP numbers are soft, and the leading indicator does not hold out much promise. Namibia registered 3.7% growth in 2024 and should maintain cruising altitude at 3%-4% pa, supported by energy sector developments. Botswana is in the midst of a hard landing since their recovery hinges on a diamond market turnaround, which is currently a dim prospect.

Commodities

Copper is rising to the top of its sideways trading range between $9,000 and $10,000, a hopeful indicator for global economic conditions. Gold is unexpectedly stable given geopolitics, hovering around the $3,350 level, but still up 28% ytd and 44% yoy. Oil surged by nearly a quarter when the bombing of Iran started, but has fallen sharply since a ceasefire came into view. Natural gas mirrored oil's movements with volatility in energy showing no sign of abating. Global grains prices are generally down – maize -10%

ytd and wheat -5% ytd. SA maize futures have plunged – white -30% and yellow -24% ytd. Uranium bounced by 9% mtd to $78.20, thanks to a positive shift in demand.

Currencies

The USD, which has traded between $1.06 and $1.22 per EUR over the past ten years, is sitting at $1.16, down by 12% ytd, having lost some of its safe haven shine. The weak USD led to a firm NAD, which appreciated by 6% ytd, the ZAR being supported by a healthy balance of payments position in SA, as well as favourable terms of trade. We expect USDNAD to reach 19.50 by year-end, 20.00 by end-2026.

Inflation

Oil will continue to be the proverbial tail that swings the dog. The initial surge in oil, shifted inflation expectations up notably. Now it is all about the behaviour of the warring parties. Meanwhile, we pencilled in hikes in fuel prices in July and August. In SA, Namibia and Botswana, inflation is now likely to converge to around 4.5% by end-2025 and drift up further in 2026. In the USA, inflation is sticky at 2.4%, but the PCE deflator – a key Fed metric – is at 2.1%, near target. Oil's fluctuations, lower grain prices and Chinese deflation are key to the global inflation outlook.

Fiscal Policy

Overall debt dynamics remain troubling. Overindebtedness translates into heavy interest bills and a lack of manoeuvrability. The US downgrade by Moody's highlights the risks of large structural deficits and rising interest costs. The Namibian trajectory is promising, therein that the debt-to-GDP ratio is set to decline. However, funding pressures persist, with maturities, most notably the Eurobond, making this year especially tricky to navigate. Botswana's position is more precarious. Due to the sharp decline in their diamond revenue and a weak capital market, borrowing has become increasingly challenging under current conditions. South Africa's fiscal spiral continues, but we don't foresee defaults.

Monetary Policy

Given the oil shock and its ramifications for inflation, in our view, the Bank of Namibia (BoN) is at the end of its cutting cycle. Its MPC is likely to hold rates until 2Q26 when hikes are again likely. Similarly, Bank of Botswana (BoB) will likely hold until rising inflation forces them into lifting rates by the end of 2Q26 or a bit later. Elsewhere, we expect cuts in 2H25 from the Fed (two) and the South Africa Reserve Bank (SARB) (one). Policy rates expected by year end 2025 are as follows: Fed 4.00%, SARB 7.00%, BoN 6.75% and BoB 1.90%. The SARB's new, tighter inflation targeting framework will remain on the agenda until an announcement is made by the SA Ministry of Finance, possibly in the February 2026 Budget. We do not foresee changes to the NAD fixed exchange rate regime.

Bonds

The asset class 12-month total return to May is +22.5%. Global bonds were mixed. Over the past three months, Europe has done well, while US Treasuries were negative at -3.1%. The SA-US 10-yr bond spread narrowed to 5.6%, while the real spread sits at 7.2% in SA and 6.3% in Namibia. Domestic bonds remain an attractive asset class, in our view, offering real yields and low volatility in a jittery global backdrop.

Property

The asset class 12-month return to May is +30.4%. Property continues its recovery trajectory. Valuation metrics are mixed with yields low (property expensive), but price-to-book values are very low (property cheap). We sense improving fundamentals and some fat squirrelled away in the books.

Domestic Equity

The asset class 12-month return to May is +25.7%. We are positive domestic equity (JSE) over global equity (MSCI World). The JSE has gained 21% ytd in USD terms. Earnings revisions are positive – earnings 18 months out have been revised upward by 9% over the past six months. Valuations are attractive – the forward PE is at 9.6 times. EPS growth of 22.5% is expected and DPS growth of 20.5%.

Global Equity

The asset class 12-month return to May is +14.2% (USD). The global market delivered 5.2% ytd despite wars and rumours of wars. The promise of fiscal generosity in Euroland, fuelled the German market to deliver 30% (USD) over the past 12 months. The forward PE of the MSCI World Index has risen again to 19.3 times, compared to its long-term average of 16.4 times. Earnings revisions have been negative, trimming expectations to 7.0% growth, a tad above the long-term average of 6.4%.

Watchpoint

Some key near-term watchpoints:

- Middle East developments and oil prices
- Final tariff decisions
- Chinese deflation risk
- European fiscal stimulus
- SARB's inflation targeting mandate
- Diamond market trends
- Geopolitics