Newsletter | June 2026

Capricorn Asset Management
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Namibia: Looking Beyond the Headlines

In the face of geopolitical tensions, Namibia has positioned itself for growth.

Namibia has moved out of the 2016-2021 stagnation phase into a resource-led recovery, over the course of 2022 to 2025 Gold and uranium are cushioning fiscal revenues while offshore oil, copper and green hydrogen create long-run optionality. The near-term challenge is inflation, debt-service costs and SACU volatility keep fiscal space tight.

Resource-led recovery, sticky inflation and a high-yield entry point

Namibia has moved out of the 2016-2021 stagnation phase into a resource-led recovery. Gold and uranium are cushioning fiscal revenues, while offshore oil, copper and green hydrogen create long-run optionality. The near-term challenge is that inflation, debt-service costs and SACU volatility keep fiscal space tight.

N$7.8bn
MINING FISCAL TAKE
+39% YoY taxes and royalties in 2025; gold and uranium offset diamond weakness.

14.0%
Mining share of GDP
Cumulative 2021-2024 net inflows, largely Orange Basin hydrocarbon driven.

5.8%
INFLATION BASE CASE
Average CPI projected for 2026 as oil and second-round effects pass through.

67.8%
PUBLIC DEBT
Debt-to-GDP projected for FY26/27; about 73.0% including guarantees.

9.36%
GC32 YIELD
Medium-term government bond yield as of 26 May 2026; GC50 at 11.52%.

N$114.9bn
FDI SURGE
Cumulative 2021-2024 net inflows, largely Orange Basin hydrocarbon driven.

The transformation of the mining sector

At the centre of Namibia'smedium term (26' to 30') outlook is a structural shift within the mining sector. Historically, diamonds dominated both exports and government revenues. That concentration created vulnerability to global demand cycles. Today, Namibia's dependence on diamond exports is decreasing. Gold and uranium have emerged as increasingly important contributors to economic growth, fiscal revenue and foreign exchange earnings. Even in an environment where global demand for natural diamonds has plummeted, stronger gold prices and rising uranium output have helped stabilise government revenues. This is important because diversification reduces volatility, improves resilience and positions the economy to benefit from rising demand in several key minerals, especially as the global economy invests more in the green energy transition. The latter is driving interest in potentially larger copper resources.

Positive

- The fiscal revenue from mining has shifted from diamonds toward gold anduranium. Metal ores made up 55.3% of mining GDP in 2025,while diamonds fell to 17.4%.
- Mining is a shock absorber. It helped offset a 24.1% fall in SACU receipts and supported N$23.97bn in local procurement.

Negative

- Inflation is the swing factor. The base case assumes an Iran deal by Q3 2026, but food, logistics, and tariff pass-through keep CPI elevated into 2027. South Africa's PPI index rose to 7.8% in May, from 4.8% in April. This is generally seen as a leading indicator of inflation. .
- Fiscal rigidity remains high: wages and interest absorb more than half of revenue, limiting

Beyond the medium term, fiscal pressure in Namibia remains, but government discipline is improving

Government still faces acute fiscal challenges. Public debt remains elevates, with personnel expenditure and debt service costs absorbing a significant share of national revenue. This limits fiscal flexibility and crowds out productive investment.

Economic risk dashboard

Positive / low risk

- Mining revenue: N$7.8bn tax and royalties
- Gold and uranium project pipeline
- Consumer and tourism recovery

Monitor / moderate risk

- Inflation: base case 5.8% in 2026
- Repo rate higher-for-longer
- SACU receipts remain volatile

Elevated risk / concern

- Fiscal deficits. Debt and guarantees near 73% of GDP.
- Geopolitical oil shock risk
- Precious metal prices have declined sharply

Last year, Namibia repaid its USD750 million Eurobond. Much of the immediate reaction focused on the increase in domestic borrowing that followed. However, by repaying external debt without issuing a replacement international bond, Namibia reduced its exposure to foreign currency risk and improved the structure of its balance sheet. The shift towards domestic funding has contributed to higher bond yields, increasing short-term funding pressure on government, but long-term sovereign resilience has increased.

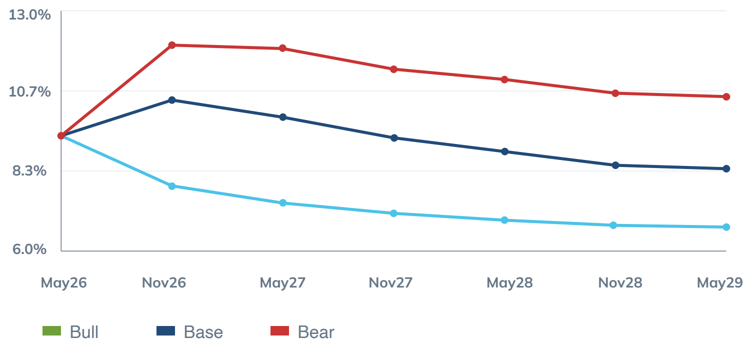
Beyond that, Namibia is approaching a potentially transformative phase. Offshore oil developments in the Orange Basin, together with large-scale green hydrogen projects, could fundamentally reshape the economic landscape over the next decade. Execution risks remain, and policy clarity, infrastructure investment and capital discipline will be critical.

The message for investors is balanced: cash is still defensive, while high bond yields provide carry and good entry points. Duration and inflation risk need active management.

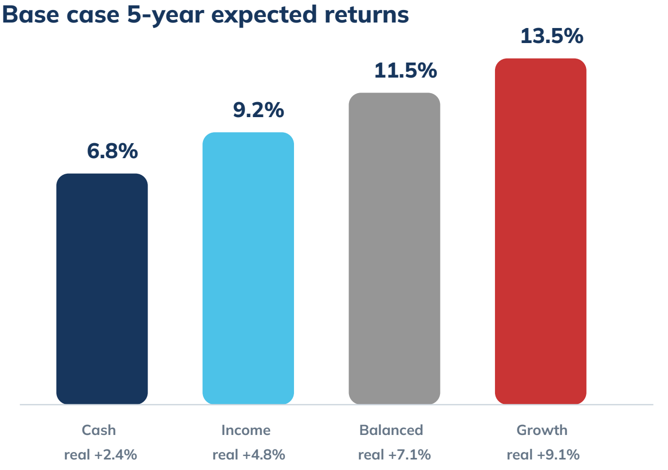
GC32 bond: 3-year scenario set (May 2026 - May 2029)

Bull	Oil USD 65-72/bbl; repo cuts to 4.75%	GC32: 6.70%	Interest: N$11.2bn
Base	Iran deal; sticky inflation; repo peaks 7.50%	GC32: 8.40%	Interest: N$15.8bn
Bear	Prolonged war + drought; repo peaks 8.50%	GC32: 10.50%	Interest: N$21.2bn

GC32 yield path under geopolitical scenarios



Base case 5-year expected returns



Portfolio positioning

- **Cash / money market**
  Nominal yields around 7.3% remain attractive for liquidity. Real returns compress as CPI rises, so cash should be a defensive allocation, not a long-term growth engine.

- **Income and bonds**
  Elevated yields create an attractive entry point. Prefer diversified bond exposure and measured duration; carry helps absorb moderate yield moves, but long-duration bonds remain volatile.

- **Balanced / growth**
  The medium-term resource pipeline supports earnings and FDI, but investors should keep offshore diversification and currency hedges in place.

What to watch

- Oil price and Iran conflict resolution or not.
- BoN/SARB policy rate to rise further.
- SACU receipts and domestic liquidity pressure.
- Mining project commissioning: Tumas, Etango, Twin Hills, Omitiomire.
- Food inflation and drought risk exacerbated by El Nino predictions.
- FID (Final Investment Decision) in oil exploration by TotalEnergies.

Why We Ask for Proof of Source of Funds

When making a new investment or additional contribution, you may be asked to provide information and documentation confirming the source of your funds.

While this may feel like an extra administrative step, it is an important part of protecting you as an investor, Capricorn Asset Management, and the integrity of Namibia's financial system.

As a regulated financial institution, Capricorn Asset Management is required to comply with Namibia's Financial Intelligence Act, 2012 (Act No. 13 of 2012), as well as related anti-money laundering and combating the financing of terrorism requirements. These laws require financial institutions to identify clients, understand the nature of transactions, and verify the origin of funds being invested.

What is Source of Funds?

Source of Funds refers to the specific origin of the money being invested.

Simply put, it answers the question:

Where did the money for this investment come from?

Providing this information helps financial institutions confirm that funds originate from legitimate and lawful sources and assists in the prevention of financial crime.

Common Sources of Funds

Depending on your circumstances, we may request supporting documentation for one or more of the following:

Why Is This Important?

The Financial Intelligence Act requires accountable institutions such as asset managers, banks, and insurers to apply customer due diligence measures and understand the nature and source of funds used in financial transactions.

These requirements help to:

- Protect investors and the financial system from financial crime.
- Detect and prevent money laundering and terrorist financing.
- Maintain Namibia's compliance with international financial standards.
- Ensure investments can be processed efficiently and securely.

Sources of Funds	Examples of Supporting Documents
Salary or employment income	Recent payslip, employment contract, or bank statement reflecting salary deposits
Personal savings	Bank statements showing accumulated savings
Sale of property	Sale agreement, transfer documents, or proof of proceeds received
Sale of investments	Investment statement, withdrawal confirmation, or proof of payment
Inheritance	Letter from the executor, estate documentation, or proof of receipt
Business income	Financial statements, dividend declaration, company resolution, or bank statements
Pension or retirement benefits	Pension payout letter or benefit statement
Insurance settlement	Insurance claim settlement letter and proof of payment
Gift or donation	Signed gift declaration and proof of transfer

Helping Us Process Your Investment Faster

To help avoid delays, we encourage investors to submit their proof of payment together with any relevant source of funds documentation when making a new investment or additional contribution.

If you are unsure which documents may be required, our team will gladly assist you.

Invest Sensibly. Invest with confidence.

Funds Distributions Explained

A fund distribution occurs when the fund pays out accrued income (interest and/or dividends) to its unitholders/investors. This is typically done in the form of allocation of new additional units of the fund or cash payment, if the unit holder elected to get the distribution in cash instead of new units.

Income distribution occurs when the fund generates income (e.g., interest from bonds or dividends from stocks), this is then also distributed to the unitholder/investors.

Effect on NAV (Net Asset Value)

When a fund distributes earnings to its unitholders, the NAV per unit generally drops by the amount of the distribution. This happens because the distribution reduces the total value of the fund's assets, and since the NAV is calculated as the total value of assets minus liabilities, the NAV per share will adjust downward accordingly.

Example: If a fund has an NAV of N$105 and distributes N$5 per share to its unitholders, the NAV would typically drop to N$100 per unit after the distribution.

Reinvestment of Distributions

Reinvestment occurs when investors choose to use their distribution, instead of taking it as cash, to buy additional units of the fund. Many investors opt for automatic reinvestment plans, which allow them to purchase more units with the distribution than they would have otherwise received as cash.

Effect on the NAV on the Fund as a whole (not per unit):

- In the short-term, reinvestment does not affect the total value of the fund's assets. The cash that was distributed is used to buy more units, so the total asset value remains the same, and new units are issued to the investors.
- Impact on NAV: Since the fund's total value is not changing, just the ownership of the distribution, the NAV may remain the same immediately after the reinvestment.

Summary

Distributions reduce the NAV per unit when paid out because they decrease the fund's total assets.

Reinvestment allows the unitholder/investor to purchase more units with the distribution, and it therefore does not affect the total value of their investment.

The distribution calculation is determined by the Unit Trust Control Act (previously) and the Financial Institutions and Markets Act (newly introduced legislation) and is standard convention.

If a change in market value of the investments occurred on a distribution day, it would be as a result of the underlying assets price movements for that day, this could be positive or negative.

Withholding tax happens outside the Unit Trust. If a fund declares and pays a distribution, the distribution consists of an interest and dividend portion. The portion of interest has a component of tax-free interest and a portion of taxable interest. If the unitholder is a Namibian individual or Trust, then the unitholder is liable for 10% withholding tax on the taxable interest component. The Income Tax act requires the administrator of the fund to deduct this Withholding tax and pay it over to the Receiver of Revenue. This withholding tax is a final tax.

If the unitholder is not a Namibian individual or Trust, for instance a Company or Closed Corporation, then no Withholding Tax is deducted and this interest should form part of their normal taxable income.

KYC Compliance Update:
Keeping Your Investments Active

Capricorn Asset Management continues to assist clients in updating their Know Your Client (KYC) information to meet Financial Intelligence Act requirements. Clients are encouraged to check their "FIA Compliant" status on their monthly statement or via Capricorn Online. If your status reflects "No", some account restrictions may apply until the required documentation is submitted and verified. Our team is ready to assist, and we thank all clients who have already completed the process for helping keep their accounts secure, compliant, and fully operational.