



Record low short-term interest rates

Over the past year we have seen interest rates being cut by 375bps. This has had a direct impact on short-term interest rate investments.

We expect interest rates to remain low for the foreseeable future. We therefore recommend investors seeking higher returns to consider other risk appropriate investments.

When reviewing your investment portfolio it is important to take into account your unique risk tolerance and risk capacity in addition to your investment goals.

- **Risk required**
The level of risk required to be taken on investments to achieve your desired level of investment return.
- **Risk capacity**
The level of financial risk you can afford to take.
- **Risk tolerance**
The level of financial risk you are emotionally comfortable with or willing to take.

To ensure you are on the right track, we encourage you to take our risk assessment free of charge which is available on our website.

Take the risk assessment now by following this [link](#).

For more information on alternative investment products please contact our sales team at cam.service@capricorn.com.na

How to use Bank Windhoek Internet Banking to transact on your Capricorn Investment Portfolio

We offer various ways to access your Capricorn investment portfolio, which includes our digital platform Capricorn Online as well as the Bank Windhoek digital platforms namely Internet Banking and Mobile App.

All clients with a Bank Windhoek nominated bank account are able to link their Bank Windhoek Internet Banking account with their Capricorn investment portfolio.

This allows investors to submit deposit and withdrawal instructions on their Capricorn Unit Trust funds directly from their Internet Banking.

For **deposits**, simply make a payment and select the 3rd Party Payment account "CAM obo Clients". Include your unique client & account no as reference e.g. E*****A*****.

For **withdrawals**, your funds will be listed under your dashboard. Simply select the funds from which you want to withdraw from, enter the amount and submit.

If your Internet Banking is not yet linked, simply complete the **Bank Windhoek Electronic Channels Registrations Form (E-5)** and email it to us at cam.service@capricorn.com.na in order to link your accounts.

February 2021 Income Distributions

Please note: For the month of February 2021 the income distributions for the Capricorn Investment Fund, Capricorn Selekt Fund and Capricorn Corporate Fund was calculated from 01 Feb 2021 to 26 Feb 2021 and allocated on 01 March.

An additional income distribution was allocated on 02 March for the period of 27 & 28 February.

Should you have any questions, please do not hesitate to contact us at cam.service@capricorn.com.na

Namibia Fiscal Policy

With no room to manoeuvre, Iipumbu Shiimi, the Namibian Minister of Finance (MoF) tabled a contractionary Budget, against a background of continued uncertainty in the macro environment.

Expenditure (N\$68bn) is already too high, Revenue (N\$52bn) is shocked by a sharp drop in SACU revenue and the cumulative deficits over the years have pushed Debt to the limits of sustainability. The fiscal position remains precarious.

There is hope, though. Fiscal outcomes for the past, crisis-hit, year is much better than initially feared. Credit rating agencies are unlikely to downgrade Namibia further, for now, but will continue to issue warnings, while we wait for the recovery to materialise.

The yield curve will remain very steep, as funding pressures keep longer term rates high, but we do not expect a default by the Namibian state on its debt, foreign or domestic. The MoF is determined to redeem the Eurobond of N\$7.5bn (U\$500m) due in November and appears to have the wherewithal to do it.

Key aspects of the Namibian budget

- The deficit at N\$16bn, is lower than feared. As a % of GDP it is budgeted to decrease from 9.5 % last year to 8.6 % this year, FY22. Over the next two years it is seen at 8.1 % and 5.5 %.
- No tax hikes apart from the usual sin Taxes. A Corporate Tax rate cut is mooted by mid-year.
- Expenditure growth should largely be under control. Total Budgeted Expenditure is 5.8 %. The Wage Bill, 42 % of the total, is held steady. A N\$484m provision is made for the cost of the Covid-19 vaccine program.
- A bounce in nominal GDP growth of 5.6 %, on average, is expected for the next three years, following the past two years of contraction, which was the first such experience in Independent Namibia's history.
- The total funding requirement doubles. Over the past five years to FY20, the funding requirement was, on average N\$10bn p.a. Over the next five years, including Covid-19 hit FY21, the average is likely to be N\$20bn p.a. Funding needs are larger than the deficit due to maturities of existing debt that need to be rolled.
- Total Transfers and Subsidies must be cut by 8.6 % from the emergency levels of FY21. This will be a drag on the disposable income of households, already facing rising unemployment as well as rising inflation.
- Spending on goods and services must

be cut by 16 %, which puts a further dampener on the economy.

- The debt trajectory is worrying, and its attached interest bill will crowd out other spending. It used to take up 4 % to 8 % of Revenue but is projected to average of 17.5 % over the next five years, not crisis levels yet, but definitely problematic. We are calling on the MoF to set out healthy fiscal targets.
- Problems at Air Namibia will probably cost the state N\$2bn, while total capital investment amounts to only about 9.3 % of total Expenditure. We are heartened by the 2nd Harambee Plan, which seeks to address these issues of Governance and Socio-Economic advancement in a structured and transparent way.

Monetary Policy

In its latest meeting the Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) left interest rates unchanged.

The MPC foresees reasonable real economic growth of 3.8 % and inflation of 4.3 % for 2021 and considers the risks to both to be balanced. Their three-year projection of the inflation profile is at, or close to the mid-point of their target range, which implies very little change to interest rate settings.

The same goes for the Bank of Namibia. This means that Monetary Policy will remain accommodative for an extended period, seeking to assist in a meaningful economic upswing, which could make all the difference.

On the 25th of March Capricorn Group and EY Namibia held a Namibia National Budget Review Discussion with the MoF. Floris Bergh, our Chief Economist, joined the discussion panel as they reflected on the National Budget.

To view the recorded discussion follow this [link](#) to watch the YouTube recording.

Introducing the Class of 2033

This has been the fourth year that Capricorn Asset Management have partnered with Anusa, a project that stems from Beautiful Kidz, for our Class of 20XX project.

In supporting this initiative, as a true connector of positive change we not only help shape our future generation, but also support the community who are making the school uniforms to make a honorable living for themselves.

This year we were able to provide a set of school clothes to 475 Grade 1 learners across 12 different schools in Katutura. In addition to the clothes, they were also given a face mask.

The impact of Covid-19 has been evident in the schools, and we are grateful to be able to make a positive impact on the lives of these children as they start their educational journey.

If you want to learn more of this project or become involved in order to give these children a head-start in their school career and life, please do not hesitate to contact us at cam.info@capricorn.com.na

