Capricorn Asset Management
a member of Capricorn Group

Compliments & Complaints Procedure

Unrivaled customer service is of utmost importance to us as we continuously strive to meet the needs of our customers by addressing any issues that arise as well as considering any recommendations they may have.

We want to hear from you, our esteemed clients, on how we can improve our service, or even if you would like to shine a light on any outstanding service experiences, we will make sure that our dedicated team receives the praise.

To log a compliment or complaint:

- Email cam.cc@capricorn.com.na
- Log it via our website Contact Us
- 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.

Is your investment portfolio still in line with your goals?

As a part of our continuous efforts to ensure that you are utilising the best possible investment options to help you meet your investment needs, our Sales Team have reached out to you to conduct the Risk Assessment in order to review your unique risk profile and whether you investment portfolio is in line with your investment goals.

Our risk assessment can be done online, via our website, in the comfort of your own home.

Simply visit our website and select **"Risk Assessment"** on our home page. The assessment should take no longer than 5-10 min. Once completed, our sales team will contact you to help you assess your results and explain the recommended investment options that is in line with your unique risk profile.

The risk assessment serves as guideline for you to make an informed decision on which Unit Trust Fund you should invest in. Thus, enabling you to make sensible investments and reach your investment goals.

CLICK HERE to complete your risk assessment now.

Your Monthly Economic Update

Normalisation. Will the world ever be normal again?

It appears as if it will not. However, new equilibriums will be found. The war in Ukraine, raging inflation and hawkish central banks are uppermost in our minds right now, following close on the heels of the Covid-19 pandemic. However, remember that financial markets, or Mister Market, as we sometimes refer to it, has a set of twins – Fear and Greed. They each have their turn to push valuations to either side of normal. An investor that can maintain a sensible, calm approach, will usually emerge a winner, and if not, at least relatively unscathed.

When Fear rules, bearish (down) markets ensue and when Greed rules, bullish (up) conditions develop.

Our Banking Details

Account Name:	CAM obo Clients
Bank:	Bank Windhoek
Branch:	Windhoek (481-972)
Account Nr:	8001 430 531 (Cheque)
Reference:	E12345678A12345 (your unique Client & Account nr)

Please email your proof of payment to cam.service@capricorn.com.na

In rare instances, the two work together. For instance, in the oil market, the fear of shortages and the greed of traders, combine to create a bull market that is rarely seen. One could say that the oil price is now abnormally high and should stabilise at some lower, more normal level.

Normalisation is essentially a return to one's long-run expectations, which is in line with people's instinctive sense that something is not as it should be and, therefore must return some fair value. One of the best estimates that we have of this fair value is the historical long-term average of either a value or a trend. It is implicit that most of the fundamental factors have, at one time or another, been incorporated in generating this long-term average or fair value. In the case of oil, its price in US dollars has increased by an average of 14% pa over the past 25 years to an average of U$ 60 per barrel over this period. What is immediately apparent is the importance of the period chosen. The longer the period, the more likely that all cycles – adverse and favourable – are covered.

Over a more recent, but still long, period of ten years, the oil price rose on average 5% pa and averaged U$70. It includes an initial three year period when the oil price was as high as it currently is, followed by two sharp drops – the global growth scare of 2015 and the Covid-19 crash of 2020 – ending in the current surge. The latter constitutes a significant inflationary impulse for the world at large, resulting in abnormally high inflation.

This inflationary impulse caused Central Banks (CBs) to embark on a process of normalisation of interest rates. With a view to end the period of abnormally low rates and move to a neutral real interest rate (the difference between inflation and the main monetary policy rate). This real rate is currently deeply negative in the USA and the Fed is eager to lift its nominal interest rate to a more normal, neutral level, viewed as being about 2.5%.

This has already reverberated around the world's CBs, with the South African Reserve Bank (SARB) and the Bank of Namibia (BON) as no exceptions. The 20-year average of the SARB rate is 7.18% and that of BON is 7.21%. Even allowing for the structural downshift in rates over time, the current rates of 4.25% and 4.00%, respectively, are abnormally low, especially now that inflation is not so abnormally low anymore.

This means that policy determined rates are set to rise, at least up to the third quarter of this year. We foresee a BON rate of 4.75% and a prime rate of 8.50% by August. Further increases will depend on how the economic scenario unfolds. The Namibian economy has a chance at normalisation, if the current trends in Covid-19 holds – we foresee growth of 3% to 4% for 2022 and 2023, in line with its long term average pre-Covid-19 of 3.8% p.a.

However, the key will be the inflation trajectory. Hopefully, by late this year, it will be clear whether inflation has peaked, and whether the oil price will turn down. We foresee that Namibian inflation will peak at around 6.6% in the fourth quarter and then drift down to the mid-point of the target range of 4.5% by late 2023. Therefore, we believe BON should be patient if it is desirous to achieve a positive real rate over time. Being too aggressive will choke off the, hoped for, recovery.

This goes for other CBs too. There is now a definite risk of policy error, which is overly anxious policymakers that want to re-establish their inflation-fighting credentials amidst a tenuous recovery of an economy emerging scarred and bruised from the pandemic. US bonds are already pricing a rising risk of a recession on the horizon.

Normalisation is not an unequivocal blessing in all instances. Indebted households and firms will feel the pinch from the normalisation of rates, and financial asset classes can be affected in unpredictable ways.

Conservative investors in money market can expect improving yields as interest rates rise, while investors that need to maintain exposure to more risky asset classes will have to fasten their seatbelts for a bumpy ride. Accumulation – a steady buying strategy over time – is advisable, as opposed to attempts to time the bottom based on headlines.

Global bonds – an asset class that we avoid in our strategies – has had a terrible reaction to the prospect of higher inflation and higher interest rates. At the time of writing, the total return for the US 10-year bond is -8.3% year-to-date (ytd) in USD, on the back of its yield spiking from 1.5% to 2.5%, a 66% increase. In Namibia Dollar (NAD) terms the loss amounts to -15.5%.

In contrast, domestic bonds have held up quite well. The RSA Government 10-year bond total return is marginally positive at 1% ytd. Over the past twelve months, it has delivered about 11%. We believe the domestic market has benefited from switches away from Russia in the Emerging Markets space. The market ought to continue to deliver around its normal return of 10.5%, which is its long-term average. Bonds are somewhat undervalued at the current yield of 9.7%, compared to their long-term average of 8.5%. But large fiscal deficits and the prospect of rising inflation are keeping yields elevated.

The total return from listed property is -2.4% ytd but still a positive 26% over the past twelve months. The exceptional returns over the past year follows three horrific years that could be termed an existential crisis for the sector which culminated in the Covid-19 standstill of 2020 when distributions were largely withheld. And yet, eventually, distributions have started to grow again as at least a degree of normalisation started to set in. The dividend yield has recovered to 7.9%, in line with its long-term average of 7.7%. Capital values are still about a third lower than the peak reached at the end of 2017, but, looking forward, investors in this asset class can expect an attractive yield that should grow over time. We estimate that the sector has a 20% exposure to Eastern Europe, including Poland and Hungary which borders on Ukraine.

The global equity market has rallied over the past three weeks but is still down -5% ytd in USD. Combined with the exchange rate that appreciated by around 8%, it resulted in -13% in NAD terms. Equity investors are wrestling with the likely impact of rising interest rates and inflation. It is not a blanket positive or negative. The margins of some will be severely squeezed as production inflation far exceeds consumer inflation, while others with pricing power will benefit from rising inflation. Having enjoyed exceptionally good returns of 22%+ p.a for two years, it is likely that normalisation for global equities means a year or two of around 8% p.a in USD terms, which is more in line with its long-term average, as valuations return closer to fair value.

Having dropped on the Ukraine invasion news, the total return of domestic equities (the JSE), is positive by 2% ytd, and 15.4% over the past twelve months, exactly in line with its long-term average return. For this asset class, normalisation has meant much improved returns, following a few years of below-average performance. The JSE was a winner in the recent global scenario due to high commodity prices and capital switching away from Russia thanks to extreme sanctions and from China thanks to its adversarial regulatory actions. Valuations are still attractive. The forward PE ratio is at 9 times, compared to its long term average of 11.5 times and the forward dividend yield is at 5.5%, compared to its long-term average of 4.5%. These seem like small margins, but for normalisation, every little bit counts.

Introducing the Class of 2034

2022 marks the fifth year that we have partnered with Anusa, a project that stems from Beautiful Kidz, for our Class of 20XX project.

By supporting this initiative, we strive to be true connectors of positive change by not only helping to shape Namibia's future generations but also by supporting the community responsible for making these school uniforms so that they too can make an honourable living.

This year we were able to provide a set of school clothes to 476 Grade 1 learners across 9 different schools in Katutura and Khomasdal.

The impact of Covid-19 has been dire in these schools and the lives of their learners and we are so grateful to be in a position that enables us to make a positive impact on their lives by giving them a positive start to their academic careers as they begin their educational journey.

Not only does this project have a great impact on the learners it is focused on, but also on our staff who volunteer to go out and meet many of these wonderful children, who are truly the ones leaving a lasting impact on the hearts of our employees. Seeing so much happiness and excitement in these children's eyes for something so normal that most people take for granted truly drives home the issue that we should all strive to be connectors of positive change and together build a better Namibia for our future generations.

If you want to learn more about this project or become involved 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