



Important Updates to Capricorn Investment Platform Fund Offerings

We are excited to share important updates to the Capricorn Investment Platform, reflecting our dedication to evolving our fund offerings in line with changing market opportunities and the needs of our investors.

Effective **01 December 2025**, the **Capricorn Global High Yield Fund** will be rebranded and renamed as the **Capricorn Global Bond Fund** and the **Capricorn International Fund** will change to the **Capricorn International Equity Fund**. This change is part of our strategic efforts to better represent the Funds' investment focus and management approach.



Capricorn Global Bond Fund

The core investment objectives and strategies remain steady. The Fund will continue to provide diversified exposure to the global fixed-income markets, with an emphasis on high-quality bonds and a focus on capital preservation and steady income.

Key Changes include:

- The investment universe will be adjusted to include a broader range of sovereign and investment-grade corporate bonds, reducing the focus on shorter-dated maturity securities.
- The Fund will maintain its flexible interest rate duration strategy, aiming for a balanced risk-return profile aligned with its new investment mandate.
- The pricing of the Fund would also shift to a single price, removing the dual pricing and initial charge previously levied.

The risk profile of the Fund will change slightly to include more interest rate risk and reduce credit risk previously permitted. This means that the Fund will attempt to unlock greater term premium with slightly greater fluctuations in capital during interest rate fluctuations.



Capricorn International Equity Fund

This change in name does not affect the Fund's mandate or permissible investments. The purpose is solely to enhance clarity regarding the Fund's risk profile, ensuring our investors have a better understanding of the Fund's investment strategy.

We are confident that these changes will enhance the Funds' appeal and better serve investors' investment goals by emphasising quality, stability, and consistent income generation.

Should you have any questions or require more information, please contact your wealth manager or our channel support team at cam.service@capricorn.com.na or +264 (61) 299 1950.



Capricorn Unit Trusts' Annual Financial Statements

The summarised report of the 30 June 2025 Annual Financial Statements of all the Capricorn Unit Trust Funds are available on our website under the "News Platform" section.

We are proud to announce that the Capricorn Unit Trusts returned a profit of N\$ 2.9 billion (an increase of 18% on the 2024 distribution of N\$ 2.4 billion) in the form of distributions to the Unit Holders. The audited Financial Statements and the auditor's report thereon are available for inspection at the company's registered office.



KYC Re-verification reminder:

Kindly note that you may have received communication from our administration department to update your KYC as per the Financial Intelligence Act requirements. Please note the due date in the communication to avoid any impact on your transactability.



In Focus: The Mid-Year Budget Review

We highlight the Namibian Mid-Year Budget Review (MYBR), tabled by the Minister of Finance (MoF) on October 22nd.

Fiscal policy, as outlined in the Budget process, is a key factor in maintaining macroeconomic stability. It results in a deficit that needs to be financed, which affects the returns investors receive on funds lent to the Government. These returns, in turn, set a benchmark for the cost of capital in the economy, serving as a

crucial hurdle rate that influences success or failure in many cases. The October MYBR acts as an important mid-year update on the fiscal position outlined in the February Main Budget.

Economic Conditions

The MoF presented a view that significantly lowers the economic outlook, but not catastrophically. Real GDP growth is now expected in the "mid-3's range," compared to earlier projections in the "mid-4's range." Nominal GDP growth has been generally reduced from over 10% to a mid-single-digit range of 5% to 7% (see Table 3).

Revenue

Slower than expected growth has necessitated downward revisions to Revenue estimates. The discomfort in the diamond industry weighs heavily on its ability to contribute to the fiscus. However, Corporate Income Tax (CIT) as a whole should not fall short of the Main Budget estimates. However, shortfalls in Revenue compared to the Main Budget are evident in Personal Income Tax (PIT, of N\$1.4bn), VAT (of N\$1.4bn), as well as Withholding Tax and Non-Tax Revenue, such as expected dividends and profit share. Overall, for FY26,

the fiscal year ending March 2026, a shortfall of N\$3.2bn is now estimated in the MYBR and the outlook is for several years of slow growth (see Table 1).

The MoF reaffirmed a slate of pending tax measures, several of which have circulated in draft for months.

- A ceiling on the housing allowance benefit.
- A cap on the commutable amount of retirement benefits
- Dividends from preference shares to be deemed interest income
- Exemption of grants received by SOEs
- Taxation of long-term insurance businesses to be aligned with corporate tax
- A 10% final tax on dividends
- Corporate tax rate to be lowered to 28%
- A tax rate of 20% in Special Economic Zones
- A tax rate of 20% on MSMEs
- Deductibility of environmental rehabilitation costs

A Medium-Term Revenue Strategy (MTRS) is being developed. In light of this, the MoF warned that more revenue measures will

Table 1 Revenue Summary

y/e March, N\$m	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Personal Income Tax	14,147	13,768	14,629	16,197	18,560	19,287	20,374	21,474	22,333	23,896
% ch	4.1	(2.7)	6.3	10.3	15.0	3.9	5.6	5.4	4.0	7.0
% tot	24.2	23.8	26.4	25.0	22.8	21.7	22.8	23.7	23.8	24.6
Corporate Tax	7,257	7,559	7,485	8,161	11,038	12,599	14,537	13,119	13,359	14,299
% ch	(0.9)	4.2	(1.0)	9.0	35.3	14.1	15.4	(9.8)	1.8	7.0
% tot	12.4	19.1	13.5	12.7	13.5	14.1	16.3	14.5	14.2	14.7
VAT	12,999	9,760	13,174	15,523	18,860	21,072	23,829	24,910	25,062	25,332
% ch	3.6	(24.9)	35.0	17.8	21.5	11.7	19.1	4.5	0.6	1.1
% tot	22.2	16.9	23.8	24.1	23.1	23.7	26.6	27.5	26.7	26.1
SACU	18,922	22,252	14,751	14,660	24,870	28,05	21,796	23,150	24,737	24,790
% ch	8.9	17.6	(33.7)	(0.6)	69.6	15.0	(23.8)	6.2	6.9	0.2
% tot	32.4	38.5	26.7	22.7	30.5	32.1	24.4	25.6	26.4	25.5
Other	5,099	4,501	5,311	9,969	8,159	7,481	8,883	7,813	8,373	8,900
% ch	0.9	(11.7)	18.0	87.7	(18.2)	(8.3)	18.7	(12.0)	7.2	6.3
% tot	8.7	7.8	9.6	15.5	10.0	8.4	9.9	8.6	8.9	9.2
Total	58,424	57,840	55,351	64,450	81,487	89,044	89,419	90,466	93,864	97,217
% ch	4.5	(1.0)	(4.3)	16.4	26.4	9.3	0.4	1.2	3.8	3.6
% of GDP	32.6%	32.8%	29.2%	30.5%	34.5%	35.9%	34.1%	32.3%	31.4%	30.2%



be announced in the upcoming Budget for FY27. At the same time, much is made of Public Expenditure Reviews (PERs). One hopes that the combination of Revenue measures and Expenditure measures leads to better outcomes, that is, less pressure to tax and borrow and more productive spending results. This goal remains more aspirational than assured.

Expenditure

The MoF announced that she received an additional N\$11.1bn of requests. However, she did not allow it. Spending items that exceed the FY26 Main Budget estimates are to be compensated for by underspending elsewhere, essentially a re-shuffling. The overruns in FY26 amount to N\$1.4bn which includes N\$640m on Interest costs, N\$360m on Goods & Services and N\$400m on Subsidies & Transfers.

It is very commendable that the MoF held the line, refusing to expand the overall N\$106 billion envelope. (see Table 2) Nevertheless, not being able to lower spending in line with lower income means that the Revenue shortfall adds directly to the bottom line, the deficit.

Deficit

The culmination of the Revenue and Expenditure trends means the deficit in FY26 will amount to N\$16.7bn, or 6.4% of GDP, which is disappointingly large. Over the past 15 years, there have been only two occasions on which the deficit was below the healthy rule of thumb size of 3% of GDP, and the average over this period is nearly 6%. This is the core driver of the inexorable upward march of indebtedness in N\$ terms as well as the rising debt-to-GDP ratio.

Funding

The bigger deficit adds to funding pressure, but it is only half the picture. This year, the State effectively funded two deficits, the usual fiscal gap as well as the repayment of the US\$750 million Eurobond. Therefore, the funding pressure on the domestic capital market is high in FY26. The MoF calculates that it amounts to N\$22.3bn. We believe that it may amount to more, as it has become evident that the build-up of the sinking fund was inadequate to cover the maturity of the Eurobond. In the upcoming Budget year, the MoF estimates that N\$14.6bn is to be borrowed on the domestic market.

Table 2 Expenditure Summary

y/e March, N\$m	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Wage Bill	29,570	28,681	30,209	31,472	32,393	35,482	37,028	36,593	37,410	39,243
% ch	0.6	(3.0)	5.3	4.2	2.9	9.5	4.4	(1.2)	2.2	4.9
% tot	43.8	39.4	42.4	41.7	37.0	35.3	34.9	35.0	34.8	36.2
% of Revenue	50.6	49.6	54.6	48.8	39.8	39.8	41.4	40.4	39.9	40.4
Goods & Sevices	6,653	8,965	8,038	8,370	10,217	11,436	12,920	12,564	12,743	13,368
% ch	3.9	34.8	(10.3)	4.1	22.1	11.9	13.0	(2.8)	1.4	4.9
% tot	9.9	12.3	11.3	11.1	11.7	11.4	12.2	12.0	11.8	12.3
Interest	6,951	7,421	7,737	9,466	11,832	13,100	14,369	13,971	14,390	15,110
% ch	10.2	6.8	4.3	22.3	25.0	10.7	9.7	(2.8)	3.0	5.0
% tot	10.3	10.2	10.9	12.6	13.5	13.0	13.5	13.4	13.4	13.9
% of Revenue	11.9	12.8	14.0	14.7	14.5	14.7	16.1	15.4	15.3	15.5
Subsidies & Transfers	16,775	18,811	18,075	19,501	24,204	29,618	28,846	27,986	28,485	29,909
% ch	4.8	12.1	(3.9)	7.9	24.1	22.4	(2.6)	(3.0)	1.8	5.0
% tot	24.9	25.8	25.3	25.9	27.7	29.5	27.2	26.8	26.5	27.6
Capirtal	7,526	8,908	7,243	6,592	8,823	10,780	12,922	13,388	14,606	10,747
% ch	2.7	18.4	(18.7)	(9.0)	33.8	22.2	19.9	3.6	9.1	(26.4)
% tot	11.2	12.2	10.2	8.7	10.1	10.7	12.2	12.8	13.6	9.9
Total	67,474	72,787	71,301	75,401	87,469	100,417	106,085	104,503	107,634	108,376
% ch	3.1	7.9	(2.0)	5.8	16.0	14.8	5.6	(1.5)	3.0	0.7
% of GDP	37.6%	41.2%	37.60%	35.7%	37.0%	40.5%	40.5%	37.3%	36.0%	33.7%



Debt

The higher than expected deficit and increased borrowing means that we will end with debt of N\$177.1bn in FY26 and N\$193.6bn in FY27 (see Table 3). These are equivalent to 67.5% and 69.1% of GDP. It is unfortunate that this ratio is no longer expected to decline, as was hoped for, but will now hover around 70% of GDP for the foreseeable future.

Policy

A statement that caught our eye was related to State Owned Enterprises (SOEs). Firstly, the Government is increasing its reliance on these institutions to drive higher economic growth. Secondly, they are going to have to leverage their own balance sheets to raise funding in the capital market. This sounds eminently reasonable, ceteris paribus (aka all other things equal). Trouble is, in Namibia's context, all else is seldom equal.

Nevertheless, there is a pivot evident therein that the Government will instead guarantee debt of deserving SOEs to enable them to borrow and grow, rather than to take on debt at the centre. If Guarantees reach the MoF "benchmark" of a 10% to GDP ratio (see table 3), of say N\$32bn, it means that the combined Debt-plus-Guarantees ratio will drift towards 80%.

Conclusion

The fiscal trajectory has deteriorated, compared to recent favourable expectations, but not disastrously. Credit ratings are unlikely to improve. Funding pressure remains high, as SOEs join the queue. The resulting high yield curve will remain steep and attractive and, in our assessment, still anchored by low default risk. That degree of comfort is strengthened given that offshore debt will now be considerably lower in the wake of the maturity of the Eurobond.

Table 3 Deficit & Debt Summary

y/e March, N\$m	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Deficit	(9,050)	(14,947)	(15,950)	(10,951)	(5,982)	(11,373)	(16,666)	(14,037)	(13,770)	(11,159)
% GDP	(5.0)	(8.5)	(8.4)	(5.2)	(2.5)	(4.6)	(6.4)	(5.0)	(4.6)	(3.5)
Debt	100,399	110,514	125,784	142,744	153,721	167,157	177,120	193,599	209,796	22,911
% GDP	55.9	62.6	66.4	67.6	65.1	65.1	67.5	3.6	70.2	69.2
Guarantees	11,107	10,138	10,338	9,387	9,098	9,098	9,348	15,000	20,000	32,000
% GDP	6.2	5.7	5.5	4.4	3.9	3.9	3.6	5.4	6.7	9.9
Dept + Guarantees	111,506	120,652	136,122	152,131	162,819	176,429	186,468	208,599	229,796	254,911
% GDP	62.1	68.4	71.8	72.1	68.9	71.1	71.1	74.4	76.9	79.2
GDP Nominal FY	179,468	176,505	189,505	211,119	236,199	248,244	262,222	280,259	298,990	321,973
% ch	(0.9)	(1.7)	7.4	11.4	11.9	5.1	5.6	6.9	6.7	7.7



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