Newsletter | September 2025

Capricorn Asset Management
a member of Capricorn Group

Central Banks Steady the Ship Amid Swirling Economic Currents

A flood of September Central Bank (CB) meetings brought monetary policy to the forefront once more. The debates, the speeches and eventually, the decisions, created an interesting backdrop to the global and domestic economic and investment landscape, filling one, as it were, simultaneously, with hope for better outcomes, and trepidation at the uncertainty on display. Policy is steered by the Monetary Policy Committee (MPC) of each CB. There were several CB meetings, not only those mentioned below.

Their decisions largely boils down to the setting of interest rates. Most CB's have adopted the practice of inflation targeting as their policy framework at some stage over the past two and a half decades. Over time, it crystallised as the accepted CB norm, being regarded as the best way to fulfil their mandates. Their mandates usually consist of some variation of "the role of the CB is primarily to protect the value of the domestic currency" and the best way to contribute to economic welfare and development is to "ensure low and stable inflation". Hence, the targeting framework.

First up in September was the European Central Bank (ECB), which held rates unchanged, the same as their previous meeting, because they reached their inflation target. This follows a period of seven consecutive cuts in each policy meeting.

Second was the Federal Reserve (Fed) of the USA, which cut interest rates. The Federal Open Market Committee (FOMC), the Fed equivalent of an MPC, was on hold for the first five meetings of 2025, following the quick lowering of rates by 100bp in the last quarter of 2024. The Fed's mandate is the exception to the rule, as it is explicitly obliged to have both "full employment" as well as "low inflation" as policy targets. This makes their job particularly tricky because the containment of inflation usually requires higher interest rates, while the containment of unemployment usually calls for lower rates.

Third, a day before the meeting of the Bank of Japan (BoJ) on the 19th of September, it was the turn of the Bank of England (BoE) and the South African Reserve Bank (SARB), which both held rates unchanged on the 18th. It is the latter that is of special interest to us in Namibia. We expect the next meeting of the Bank of Namibia (BoN) and the Bank of Botswana (BoB) on the 15th and 30th of October, respectively, when both will maintain interest rates at current levels, in our view.

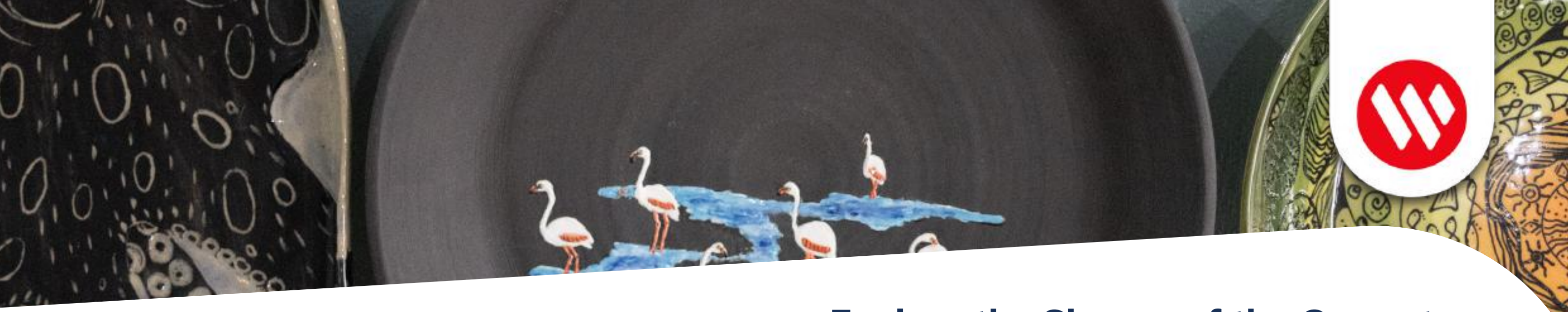
In its previous meeting on the 31st of July, the Governor of the SARB dropped, what is in the staid and steady CB world, a bombshell. It announced that, henceforth, it "prefers" inflation to be 3%, unexpectedly ending an extended period of signalling and debating. This was widely interpreted as having instituted a new, tighter, more demanding inflation target, albeit in a euphemistic fashion. A spoonful of sugar, in the form of a rate cut, helped the medicine go down. Though, do not expect any more than that.

The reasons put forward by the SARB for the lower target, are mainly the following:

1. Most of our competitors in the Emerging Markets (EM) have had lower targets than SA for some time,
2. Most Developed Market (DM) trading partners have a 2% target,
3. The best contribution that the SARB is able to make to the welfare of lower income households, is to contain cost of living increases as much as possible, and
4. Lower inflation, if maintained, will, over time, result in lower interest rate levels and thus boost economic growth.

These reasons are all intuitively appealing and are to be accepted as valid. However, the road to 3% is paved with higher interest rates for longer, as well as credibility problems. SA appears to have an innate inflationary bias, not least of which are so-called administered prices (read electricity, et.al.) and wage pressures (read unions, et.al.). Furthermore, it is subject to the vagaries of the global oil markets, seasonality in food prices, as well as swings in the exchange rate. The same goes for Namibia, only the economy is even more "open" than that of SA, that is, it has a higher propensity to consume as well as to import goods and services.

All things considered, we do not expect more interest rate cuts from the SARB or the BoN anytime soon (read up to mid-2026). From that point onwards, it all depends. Oil prices, exchange rates, La Niña, labour unions, administered prices, Ministers of Finance, as well as sellers of goods and services (read possible Chinese dumping) – all will have had to show their hands by then.



Strong Results Reflect Sensible Strategy

Capricorn Group delivered a solid financial performance for the year ended 30 June 2025, achieving a profit after tax of **N$1.99 billion**, up from **N$1.74 billion** in 2024. This growth reflects the Group's continued focus on sustainable returns, operational resilience, and its commitment to delivering long-term value for stakeholders.

Capricorn Asset Management, a member of Capricorn Group, also contributed meaningfully to this result, strengthening our position as the leading asset manager in Namibia. With a focus on sensible investment strategies, client-centric service, and strong governance, the business continues to play a key role in the Group's diversified financial services offering.

These results underscore our dedication to building a secure and prosperous future for the individuals, businesses, and communities we serve.

Click here to view the Integrated Report

Creating Impact Beyond Investments

Capricorn Group's 2025 Social Value Report reaffirms our commitment to building a better future for all. Over the past year, the Group, including its subsidiaries, invested **N$26.7 million** in projects that uplift communities, support education, create jobs, and improve health across Namibia and Botswana.

Capricorn Asset Management is proud to create social impact as a funder and supporter of the Capricorn Foundation and through our own CSR initiatives.

Since its inception in 2020, the Capricorn Foundation has strategically invested **N$41.6 million** in over 100 impactful projects across the country. Together, we continue to be Connectors of Positive Change, actively shaping a more inclusive and empowered Namibia through collaboration and care.

Click here to view the Social Value Report

Explore the Shapes of the Current Exhibition

As a proud sponsor, Capricorn Asset Management is honoured to contribute to this celebration of creativity, reaffirming its ongoing commitment to uplifting Namibia's arts, culture, and entrepreneurial spirit.

Now open at Kamma Art & Design, Swakopmund, until 19 October, Shapes of the Current is a captivating exhibition by the Pottery Association of Namibia (PAN), sponsored by Capricorn Asset Management. This exhibition features ceramic works from 20 Namibian artists and paintings by Heidi Louw. The exhibition explores our ocean as a source of history, mystery, and transformation through both myth and modern environmental reflection.

From stunning sea-inspired ceramics to thoughtful storytelling, the exhibition invites visitors to reflect on how water, like wealth, shapes and reshapes our world over time.

Don't miss the chance to experience this unique showcase. Just as a potter moulds clay with care and intention, so too should we shape our financial futures, with vision, patience, and purpose.

Need to make a deposit?

With digital fraud on the rise, we're committed to making sure your deposits are secure and hassle-free.

To find the correct banking details, simply visit our website at **cam.com.na.** On the homepage, go to the **Forms & Tools & Banking Details** section and click on **Banking Details.** It's quick, safe, and convenient.

To help us allocate your funds correctly and without delay, please remember to include your **E (Client) and A (Account)** numbers when making a deposit.