



### Office temporarily closed for client visits

The health and safety of our clients, our employees and their families are important. In light of this, and in support of the Namibian Government Covid-19 Response Measures, our office, 4th Floor Capricorn House, 119 Independence Avenue, Windhoek is closed for physical client visits until further notice.

Please be rest assured that your investments entrusted to us will continue to be managed with our utmost dedication.

Our dedicated staff will be readily available for any enquiries or advice.

Please make use of the following service channels:

- Our sales team is available at 061-299 1950 or via email at [cam.service@capricorn.com.na](mailto:cam.service@capricorn.com.na) for any advice related queries or transaction instructions.
- Our digital service platform, Capricorn Online, which allows you to view and transact on your investment portfolio from the comfort and safety of your home. (If you are not yet registered please complete the registration form available on our website and email the completed form to [cam.service@capricorn.com.na](mailto:cam.service@capricorn.com.na))
- Bank Windhoek Internet Banking Platform
- Bank Windhoek branches

The following services will be temporarily suspended during this time for your own protection:

- Client detail change (such as change in bank details and client contact details) as this requires personal verification before it can be actioned.

To stay up to date with the latest global and domestic market information view our [Daily Brief Newsletter](#) available daily on our website.

Make the sensible choice, practice social distancing and stay safe.

### Giving women's cricket wings

Capricorn Group, Capricorn Asset Management and Capricorn Private Wealth has entered into an agreement with Cricket Namibia on becoming a main sponsor of Women's Cricket, focusing on the National Women's Team and the Girls festivals/tournaments and school leagues to develop the girls' programs.

Capricorn Group is excited to partner with Cricket Namibia, whose leadership has demonstrated passion and commitment to cricket over the years. Cricket Namibia is known to have an excellent track record of managing the sports code professionally and efficiently and have a clear vision and strategy for the development of Cricket across Namibia for girls, boys, men, and women.

The team will be officially known as the Capricorn Eagles.

### Capricorn Foundation supports oxygen drive

The Namibian Private Sector, led by the Namibia Chamber of Commerce and Industry (NCCI) launched an immediate response to tackling the current shortage of medical oxygen to mitigate and minimize the effects of the Covid-19 pandemic in the country in an effort to restore supply of critical oxygen for the treatment of Covid-19 patients in our state and public health facilities.

This private sector initiative will continue to provide significant quantities of oxygen free of charge into the country, in coordination with Ministry of Health and Social Services and other commercial suppliers.

There has never been a more poignant time for us to show what it means to be Connectors of Positive Change. Capricorn Group has thus, through the Capricorn Foundation, pledged an amount of N\$ 1 million which will cover the cost of three 21 tonne oxygen trucks. This total contribution will secure 63 tonnes of life-saving oxygen for Namibians. We have also offered assistance to the Coalition in terms of logistical and administrative support.

We are grateful that we are in a position to contribute to this collaborative effort, which once again shows we are stronger together.

## Economic Update

Mid-way through the year the coronavirus reared its ugly head again. Hopes of economic recovery in our corner of the world have been dealt a severe blow. In Botswana over 1,000, in Namibia about 2,000 and in SA over 16,000 new cases are being reported per day. The numbers represent the worst Covid waves in these countries since the outbreak.

The tightening of lockdowns will, no doubt, lower the trajectories of economic growth, and postpone full recoveries. When Covid first broke out, long bond yields surged from 8.2% to 12.4%, the currency blew out by 36% to N\$19.00 per USD, the equity market fell by 34%, global stocks by 33% and the property market extended its precipitous decline by 46%. In total the property market crashed by 66% from peak to trough over the course of two years. Central Banks cut interest rates aggressively in an effort to contain the fallout.

These policy-determined interest rates will remain exceptionally low for an extended period. We do not foresee interest rate hikes for as long as Covid remains a threat. This means that returns from the Money Market will remain around the current historically low levels for another year or longer.

Market reactions to the third wave have been muted this time around. Long bond yields have been fairly stable in the wake of a risk-off trade that followed the latest Fed meeting. Over the past 12 months the total return from bonds was 12.8%. A good running yield on the Namibian ten-year bond of around 9.30%, and fat spreads on inflation linked bonds, bodes well for expected returns from bonds on a twelve-month view.

The fundamentals for listed property will now weaken further. By fundamentals we mean vacancies, pressure on rentals, and cost pressures. However, distributions by these

firms have already been cut by two thirds, bringing the dividend yield down to 5%. Nevertheless, returns from this asset class came to 23% over the past twelve months. Since the trough as referred to above, the sector is up 72%. This goes to show that valuation oftentimes trump news flow.

The domestic equity market reacted somewhat negatively to the latest lockdowns. However, the twelve-months return up to the time of writing, is still 25%. Banks, Insurers, Retailers, Food Producers, and Telco shares all came down a notch, while Hospitality stocks were hard hit. However, a large section of the share market is exposed to offshore trends, which are not altogether negative.

The two largest economies of the world, the USA and China, are growing strongly and are also now seemingly in front of the Covid curve. Hence global stocks have done extremely well since the Covid crash. The twelve-month total return of the MSCI World index is 41%, or 16% in NAD due to currency appreciation. At one stage it was up nearly 80% compared to the depth of the crash in March last year.

We believe that the growth assets like equity property and global stocks can still deliver double digit returns on a twelve-month view, but the ride is likely to be very bumpy from here.

We keep a close eye on inflation and likely monetary policy reactions. Consumer inflation in the USA reached 5.0% and the Fed had a hawkish reaction in their latest meeting. Similarly, in SA, consumer inflation reached 5.2% in May and 3.8% in Namibia. Most of what we see is in line with our expectations. Inflation is likely to remain around current levels in Namibia for the rest of 2021, before moderately rising next year, whereas it is likely to come down in the USA and RSA from current levels. Therefore, we do not expect Central Banks to react yet.