

Newsletter | August 2026

Capricorn Asset Management
a member of **Capricorn Group**

Capricorn Group Reports Resilient 2026 Performance

Capricorn Group announced its audited annual results for the year ended 30 June 2026, demonstrating the resilience of its diversified financial services portfolio in a challenging operating environment.

The Group reported **profit after tax of N$1.87 billion**, while maintaining a strong balance sheet, healthy capital and liquidity levels, and continued growth in diversified income streams. Non-interest income increased by **8.3% to N$2.62 billion**, contributing 47.7% of operating income and exceeding the Group's diversification target.

The Group also strengthened its capital position, with the total risk-based capital adequacy ratio increasing to **19.4%**, while deposits grew to **N$56.2 billion** and liquid assets increased to **N$22.1 billion.**

During the year, Capricorn Group created **N$5.8 billion in value for stakeholders** through employment, local procurement, taxation, shareholder returns, community investment and retained earnings to support future growth.

Despite ongoing economic and geopolitical uncertainty, the Group remains focused on disciplined execution, continued investment in its people and digital capabilities, and positioning the business to capture emerging opportunities across its markets.



Read the full 2026 Integrated Financial Report for more on the Group's performance, strategy and outlook.

Creating Social Value Through Purpose and Partnership

Capricorn Group has released its **2026 Social Value Report,** highlighting how the Group, the Capricorn Foundation and its subsidiaries are translating purpose into measurable and lasting impact across Namibia and Botswana.
During the financial year, **N$29.3 million** was invested in corporate social investment and sponsorship initiatives, supporting communities through education, economic advancement, food security, health, sport and programmes for vulnerable groups.
The Capricorn Foundation, funded by Capricorn Asset Management, Bank Windhoek and Entrepo, invested **N$14.1 million** during the year. Since its establishment in 2020, the Foundation has invested **N$56.7 million** in initiatives aimed at creating meaningful and sustainable change.

Among the year's highlights, 11,392 people received daily or weekly meals, 3,000 malnourished children were supported through nutrition interventions, 35,000 children benefited from early childhood development and learning materials, and 800 rural artisans received training.

The report also highlights the importance of partnerships and employee volunteerism in extending the Group's impact beyond financial contributions. Through collaboration with communities, government, civil society and implementing partners, the Group continues to focus on creating opportunities that strengthen dignity, resilience and long-term participation in the economy.

The 2026 Social Value Report provides a closer look at the people, partnerships and initiatives behind Capricorn Group's purpose of being **Connectors of Positive Change.**

Read the full 2026 Social Value Report to explore the impact created across Namibia and Botswana.



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Higher and Hotter for Longer

The Global Cost-of-Money Surge

Three forces are now reinforcing one another: elevated long-term bond yields, a renewed tightening bias among central banks (higher for longer) and a very strong El Niño (hotter for longer) that raises food, water, and inflation risks across Southern Africa. Together, they strengthen the case for a cost-of-money environment that remains restrictive into 2027, driven primarily by a higher risk-free rate rather than a widening risk premium.

Bond yields: the risk-free floor has moved higher

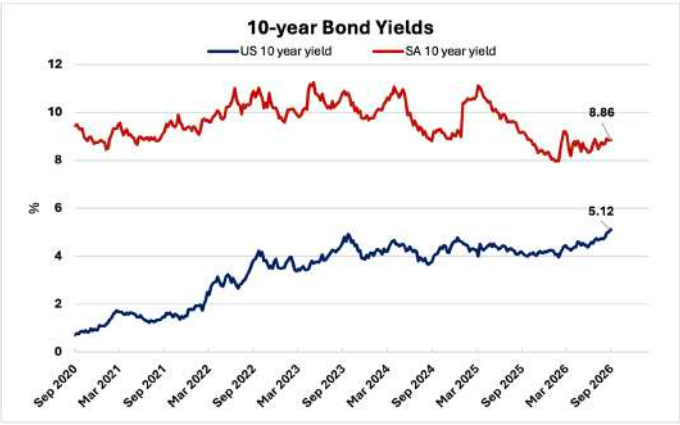
Recently, the US 10-year Treasury yield rose firmly above 5%, and the 30-year yield rose to nearly 5.5%, the highest levels since 2003. Similar uptrends were evident in other Developed Markets (DM's), especially Japan. The latest surge followed:

- US activity data
- Hawkish Federal Reserve commentary
- Weak five-year Treasury auction
- Oil prices around US$100 per barrel
- Large fiscal deficits
- Persistent inflation risks
- Sovereign and AI giants

These are all competing for investor capital.

Government bond yields form the base discount rate for much of the global financial system. When the risk-free rate rises, sovereigns, companies, and households refinance at higher rates. Therefore, the present value of future cash flows declines. In other words, the current tightening in financial conditions is being driven by investors demanding more compensation for lending even to sovereigns.

Throughout the DM bond sell-off, Emerging Market (EM) bonds remained encouragingly resilient. This includes the Replublic of South Africa bonds, as well as Namibian bonds. The 10-year yields are 8.7% and 10.1%, respectively, at the time of writing.



Central banks: a selective but consequential pivot to tightening

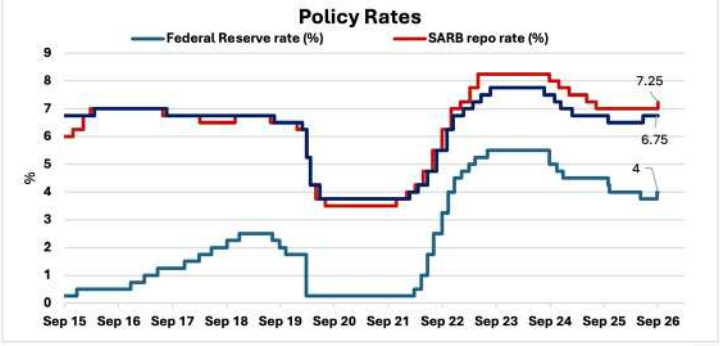
The US Federal Reserve unanimously decided to raise the federal funds rate by 25 basis points to 3.75%–4.00% on 16 September, its first increase since 2023. The statement described economic activity as solid, and inflation as still elevated. In addition, several Federal Reserve committee members signalled further rate hikes before the end of the year, reinforcing the expectation that interest rates will remain higher for longer.

Other major central banks have also turned decidedly hawkish. The European Central Bank lifted its rates by 25 basis points on 10 September, citing persistent energy-driven inflation, while the Bank of Japan also tightened during September. The important point is not that every central bank is hiking, but that several systemically important central banks have moved in the same direction after the easing cycle of 2025.

The South African Reserve Bank hiked on 23 September, unanimously raising its policy rate by 25 basis points to 7.25%, with the prime lending rate moving to 10.75%. August inflation had edged up to 4.4% from 4.3%. The SARB now expects headline inflation to exceed 5% later in 2026 and early in 2027 before returning toward 3% near the end of 2027. Fuel prices are currently the main near-term threat, although the SARB specifically warned that El Niño could introduce drought pressure later.

Oil remains the swing factor. Brent settled at US$103.08 per barrel on 23 September, while South Africa's September fuel adjustment raised petrol prices 27% ytd and 26% yoy. Diesel wholesale prices increased by approximately 50% ytd and 54% yoy. These increases raise transport, logistics, farming, and production costs well beyond the fuel pump.

For Namibia, the implication is tighter policy constraints. The Bank of Namibia kept its repo rate at 6.75% and prime rate at 10.25% in August, emphasising international reserves and the currency peg. Inflation rate nevertheless accelerated to 5.0% in August, with core inflation at 3.8%. The SARB move widens the policy-rate gap and will be a prominent focus at the MPC's October meeting, alongside inflation, capital flows, reserves, and weak domestic activity.





The wildcard: El Niño

There's one more thing to keep on one's radar. El Niño, a warming of the Pacific Ocean that affects weather worldwide, is shaping up to be exceptionally strong this time around. The US weather agency NOAA says there is a 90% chance of a very strong episode.

This implies below-normal rainfall across Namibia, Botswana, Zimbabwe, much of South Africa, and neighbouring areas during October–December, with drier conditions persisting into early 2027. Above-average temperatures are likely across most of the region. Namibia's outlook points to below-average rainfall from October 2026 to March 2027 and above-average temperatures, reaching up to 3°C higher in parts of the country during January–March.

South Africa enters this episode with some protection. South Africa's 2026 maize harvest is estimated at a record 17.4 million tonnes, including 9.49 million tonnes of white maize and 7.91 million tonnes of yellow maize. Annual domestic consumption is around 12 million tonnes, leaving exportable surpluses and carry-over stocks that should soften the initial price impact of a weaker 2027 crop.

For Namibia, the risk is more acute given the country's vulnerability to rainfall shocks. A poor rainy season would place renewed pressure on grazing conditions, livestock production, water availability, and domestic food prices, particularly after the severe 2024 drought. Namibia imports a significant share of its food needs. Regional drought could lead to higher food costs in Namibia. This creates an additional inflation risk for the Bank of Namibia at a time when higher fuel prices and tighter South African monetary policy are already limiting its room to ease.

Another event of curious significance is unfolding at the time of writing. Foot-and-Mouth Disease (FMD) has reared its ugly head. It will likely result in a nationwide growth deceleration and constitutes another inflationary risk.

Conclusion

The forces now point in the same direction. Higher long-term risk-free rates are complicating the global financing valuation calculation. Renewed central-bank tightening is reinforcing that pressure at the short end. Drought and FMD-related food shocks will complicate the disinflation path in South Africa and Namibia just as policymakers are trying to contain oil-driven second-round effects.

A durable decline in oil prices, improved geopolitical conditions, or better-than-expected rainfall would ease the pressure. Unless these offsets materialise, borrowers should prepare for a prolonged period of expensive money, while savers and fixed-income investors benefit from yields that are higher than they were a year ago.

25 Years of Building Something Meaningful

Being part of Capricorn Asset Management from the beginning has been one of the greatest privileges of my career. We started as a small team with a simple ambition: to build a Namibian asset manager that could stand alongside the best in the industry, while always remaining focused on the interests of our clients.

What I remember most from those early years was the entrepreneurial spirit, our willingness to innovate and a shared belief that Namibia deserved a world-class investment management business of its own.

Over the past 25 years, that ambition has grown into something remarkable. From launching Namibia's first money market fund and reaching our first N$1 billion in assets under management, to expanding our investment offering, establishing Capricorn Private Wealth and Caliber Capital, and growing into Namibia's largest asset manager – every milestone has been shaped by the commitment and resilience of our people.

CAM's success, however, has never been about investment performance alone. It has been built on the quality of our people, the trust of our clients and a culture that values long-term relationships. Throughout our journey, we have remained committed to strong governance, responsible investment and putting our clients at the centre of our decisions.

As we celebrate more than 25 years, I believe our best years still lie ahead. Technology, changing client expectations and new investment opportunities will continue to reshape our industry, but the principles that brought us here remain as important as ever: putting clients first, investing sensibly, developing our people and thinking long term.

If we remain true to those values, I am confident CAM will continue creating lasting value for our clients, shareholders and Namibia for many years to come.

> **Our responsibility will be to continue innovating while remaining true to the principles that have guided us from the start.**



Backing Namibian Endurance on the International Stage

Capricorn Asset Management was proud to serve as the main sponsor of the 2026 Desert Challenge and FEI Group IX Endurance Regional Championships, held in Henties Bay from 24 to 28 August 2026.

The championships brought together 125 riders, more than 400 spectators and 25 officials, with competitors representing Namibia, South Africa, Botswana, Angola, the Netherlands, France and Australia. Importantly, the event gave 87 Namibian riders the opportunity to compete in international competitions on home soil.

Namibia delivered an outstanding performance, claiming four of the five individual 120 km championship titles, as well as the prestigious Best of the Best award. Team Namibia also won three of the four Desert Challenge Team categories, with the Namibia and NAMEF teams achieving further success throughout the FEI Group IX Regional Championships.

Capricorn Asset Management's sponsorship supported the hosting of the championships and included winners' horse blankets, Namibia National Team horse blankets, Namibia and NAMEF Team bibs, Buffs for all riders, and jackets and caps for officials.

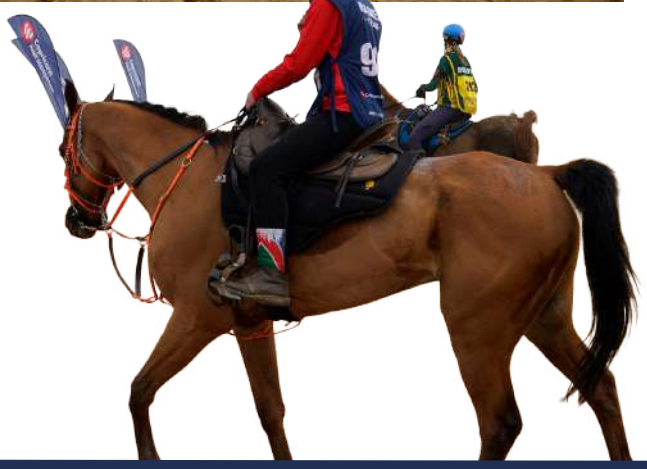
Beyond the event itself, the sponsorship helped create valuable international exposure and experience for Namibian riders and horses without requiring them to travel abroad to compete at this level.

We are proud to have played a part in an event that showcased Namibian endurance sport on an international stage and created meaningful opportunities for its continued growth.









KYC Compliance Update: Keeping Your Investments Active

Capricorn Asset Management continues to assist clients in updating their Know Your Client (KYC) information to meet Financial Intelligence Act requirements. Clients are encouraged to check their "FIA Compliant" status on their monthly statement or via Capricorn Online. If your status reflects "No", some account restrictions may apply until the required documentation is submitted and verified. Our team is ready to assist, and we thank all clients who have already completed the process for helping keep their accounts secure, compliant, and fully operational.

