



# INDEPENDENT ALTERNATIVES

SAME DESTINATION | ALTERNATIVE WAY

QUARTERLY REVIEW

Q3 2025



# BUSINESS UPDATE

As of end September 2025, Independent Alternatives manages R4 billion on behalf of respected institutional investors and high-net-worth individuals. Assets grew by R700 million over the period due to further client growth and performance.

## **“New Grounds, Familiar Purpose”**

This quarter marked a significant milestone for Independent Alternatives Investment Managers with the official opening of our new office — celebrated through our inaugural event, ***New Grounds: An Evening of Conversations & Connections***. The gathering brought together clients, partners, and peers to reflect on our journey, culture, and purpose. The evening celebrated not only our new physical home, but also our shared values, inclusive mission, and commitment to alternative thinking — reinforcing that while our grounds may be new, our purpose remains steadfast.

**Link : <https://www.linkedin.com/feed/update/urn:li:activity:7353526411384565760>**

## **Feature Highlight — 27Four Active Bond Fund**

We were featured in Citywire South Africa for the strong performance of the Independent Alternatives 27Four Active Bond Fund, which delivered a 20% total return over the 12 months to June — ranking 6th out of 245 South African bond funds in its category. Our success was driven not by credit risk, but by pure alpha from the yield curve — a result of disciplined, data-driven execution. Using a systematic framework that captures carry and curvature premia, we positioned early for shifts in inflation and interest rates, guided by clear macroeconomic signals. This is a liquid, transparent, macro-informed strategy with hedge fund DNA — designed for long-term conviction and alignment. We invest in it personally, because this is our retirement fund too.

**Link : <https://citywire.com/za/news/how-independent-alternatives-extracts-alpha-from-the-yield-curve/a2471383>**

## **Mandela Day — Honouring the Past, Serving the Present, Building for the Future**

This Mandela Day, the Independent Alternatives team dedicated 67 minutes to the Emathonsini Old Age Home in Rockville, Soweto. We spent time listening, laughing, and learning from the elders who paved the paths we now walk. The visit reaffirmed our belief that true sustainability lies not only in performance, but in purpose — investing in people, legacy, and community.

**Link : <https://www.linkedin.com/feed/update/urn:li:activity:7354847362315431936>**



# SUMMARY OF PORTFOLIO POSITIONING

The global macro backdrop remains supportive yet fragile. The “Goldilocks” rally continues, underpinned by improving earnings momentum, firm liquidity conditions, and a rebound in non-financial leading indicators. We remain positioned for a business cycle extension, supported by modest growth, easing inflation, and credible monetary easing globally. In the near term, rate cuts in the US remain justified by a softening labour market and political pressure from the White House to sustain growth into the 2026 election cycle.

Geopolitical fragmentation continues to reshape capital flows — with an accelerating shift away from a single reserve currency framework toward regional blocs and alternative stores of value, notably gold. Against this backdrop, we maintain a structural bias toward a weaker US Dollar over the next 3–5 years, while anticipating intermittent counter-rallies. A meaningful share of recent U.S. growth has been driven by AI-related capex, which remains a powerful cyclical tailwind but introduces a concentration risk should tech valuations compress.

In South Africa, the reform trajectory — particularly in logistics and energy reliability — continues to gain credibility. The SARB’s commitment to a 3% inflation anchor remains the dominant macro stabiliser, guiding expectations and compressing term premia across the yield curve. Foreign participation in SAGBs has rebuilt meaningfully, with the yield curve bull-flattening as long-end demand strengthened. The fiscal outlook has improved, supported by stronger terms of trade from the precious metals rally and a controlled expenditure path. The forthcoming MTBPS is expected to confirm debt stabilisation and an expanding primary surplus. The Rand remains a high-beta proxy for reform progress — the “share price of the country.” Sustained delivery on infrastructure and fiscal reform remains crucial to attracting and retaining capital inflows into both bonds and equities.

## DOMINANT THEMES IN THE PORTFOLIOS

**FIXED INCOME POSITIONING: FLATTER CURVES & OVERWEIGHT FIXED INCOME CARRY.**

We remain overweight South African nominal bonds, focusing on long-duration SAGBs (R2044, R2048, R2053) to capture attractive real -



# DOMINANT THEMES IN THE PORTFOLIOS

yields while managing interest rate risk via short belly exposure (R2030, R2032). The curve has bull-flattened, consistent with our long-held duration bias and conviction in SARB's disinflation credibility. We retain a long nominal vs ILB bias, reflecting confidence that inflation will remain anchored near 3%, in line with the new SARB target. We are long asset swap spreads, benefiting from improved sovereign risk premia and reduced fiscal uncertainty.

Following strong performance in Q3, we've tightened risk discipline, maintaining a selective risk-on stance while adding hedges into strength. We are selectively hedging fixed income positions via USDZAR calls as a buffer against geopolitical or liquidity shocks.

## **EQUITY POSITIONING: LONG VALUE VS SHORT GROWTH, TACTICAL EQUITY HEDGES IN PLACE**

From a risk premia perspective, we continue to favour Value, Earnings Momentum, and Price Momentum factors, with an emphasis on high-quality, cash-generative companies. Our market-neutral, data-driven equity strategy integrates macroeconomic themes, balance sheet fundamentals, analyst estimate revisions, and price dynamics to construct diversified long/short factor exposures. This translates into longs in SA & global financial stocks, SA Retailers, Industrials, SA precious metal stocks and select shorts in global information technology stocks. Tactical equity hedges remain in place through index put options (S&P 500) to protect against rate volatility and de-risking episodes.

## **COMMODITY POSITIONING: TRADE TENSION DISLOCATIONS IN AGRICULTURAL COMMODITIES AND STRUCTURAL WEAKER DOLLAR**

Our commodity positioning remains tactically focused on trade-sensitive markets, exploiting policy-driven dislocations and substitution effects. We continue to express these views via long lean hogs versus short live cattle to capture protein substitution effects, and long soybeans versus sunflower to reflect input substitution under evolving trade flows. Additionally, we hold relative positions in U.S. wheat versus South African wheat, and Safex corn versus white maize, to take advantage of regional basis differentials and export parity dynamics.

## **RISK MANAGEMENT AND HEDGING: GROWTH SCARES, AND GEOPOLITICAL UNCERTAINTIES WARRANT HEDGING**

Gold remains a core, regime-agnostic hedge supported by central-bank demand and policy uncertainty. We retain index downside protection (S&P 500 puts) and selective shorts in expensive U.S. tech (via puts on Nasdaq ETF (QQQ) and Gold ETF (GDX)) as shock absorbers against rate volatility, multiple compression, and positioning unwind.



# GLOBAL MARKET REVIEW

**Market Overview:** Global markets rallied in Q3 2025 as trade tensions eased and the USA struck new deals with Japan, the UK, and the EU, while tariff disputes with Mexico and Canada cooled. A late-quarter Fed rate cut pushed U.S. yields lower and weakened the dollar, lifting gold and silver. U.S. equities hit record highs on AI optimism, and sterling's drop helped U.K. exporters despite weak demand. Japan's post-election volatility was tempered by its U.S. trade pact, and China's slowdown led the PBoC to reaffirm credit support. Emerging markets outperformed developed peers amid a softer dollar and stronger trade momentum.

**US Economic Overview:** In Q3 2025, the U.S. economy showed signs of cooling after a strong first half. Real GDP grew 3.3% annualized in Q2, but activity moderated through the summer. Inflation remained above the Federal Reserve (US Fed)'s 2% target, with headline CPI rising 0.4% in August (2.9 % YoY) and PCE inflation holding near 2.7–2.9%. Concern over a softer labour market and slower momentum led the Federal Reserve to cut rates by 25 bps in September. The Fed indicated 2 further cuts in 2025. Lower yields and a weaker dollar lifted risk assets and precious metals, but rising recession fears shifted market expectations toward a slower, late-cycle expansion heading into Q4.

**Other DM Economic Overview:** Developed markets diverged in Q3 2025 as growth slowed and central banks adjusted policy at different paces. The Bank of England cut rates by 25 bps to 4.0% in August, responding to weaker activity and easing inflation, while the ECB held steady after its June cut, signalling patience amid soft growth and falling prices. In Japan, the BoJ kept rates unchanged, balancing elevated inflation with political uncertainty after July's election.

**Emerging Markets Overview:** Emerging Markets performed strongly in Q3 2025, supported by a weaker U.S. dollar and easing global trade tensions. EM equities rose approximately 12%, with standout contributions from Mexico, South Africa and Brazil. These markets benefited from strong capital inflows, attractive real yields, and the tailwind of a weakening dollar. Overall, EM assets were buoyed by favourable conditions and renewed demand for higher-yielding opportunities.

**Currency and Commodities Overview:** Platinum and silver led commodities in Q3 2025, outperforming gold despite its record highs, as falling real yields, a softer USD, and resilient industrial demand lifted precious metals. Copper surged early on mine disruptions and pre-tariff stockpiling before retreating as U.S.–China trade tensions eased. Oil stayed range-bound, wheat fell on record harvests, and corn recovered late on U.S. weather risks. The dollar weakened modestly after the Fed's first rate cut in 2025, boosting commodities and EMFX, while the euro and sterling softened on weak growth. The yen slipped on policy divergence, and the peso and real outperformed on high real yields.



# SOUTH AFRICAN MARKET REVIEW

**SA Market Overview:** On the backdrop of renewed global risk appetite, US Federal Reserve rate cuts, and a weaker dollar, South African markets posted strong gains in Q3 2025. Foreign inflows into emerging markets supported domestic assets, while stable inflation and expectations for further monetary easing underpinned positive sentiment.

The FTSE/JSE All Share Total Return Index advanced 12.88%, led by a substantial +49.53% gain in the Resources sector, benefiting from firm precious metal prices. Industrials rose +3.66%, while Financials detracted -0.36%, weighed by margin compression from lower lending rates. The bond market also delivered a robust performance, with the FTSE/JSE All Bond Total Return Index returning +6.94% for the quarter. The move was supported by increased offshore demand for South African Government Bonds (SAGBs), particularly in the long end (R2044, R2048), driven by lower US Treasury yields and a dovish global backdrop. National Treasury data showed R77bn in foreign inflows during September, bringing year-to-date net inflows to R164bn, raising foreign holdings to 26.8% of total SAGB exposure. The yield curve flattened by roughly 30bps between 5–30 year maturities, reflecting growing conviction in a sustained disinflation path and credible monetary policy stance.

**SA Inflation and Economic Overview:** Economic activity remained modest but stable. Improved terms of trade, strong commodity exports, and easing financing conditions continued to support confidence. The combination of falling global yields and local policy clarity underpinned a constructive outlook for real yields across the curve. Headline inflation remained well-contained within the SARB's target band. In July 2025, CPI rose 3.5% y/y, driven by higher food and utility prices, before easing to 3.3% y/y in August as fuel prices declined and food inflation moderated. Monthly inflation fell 0.1% in August, reflecting the pass-through of softer commodity and fuel prices. The inflation trajectory aligns with the SARB's medium-term objective of anchoring inflation expectations closer to the new proposed 3% target, signaling a structural shift toward a low-inflation regime. This policy coordination between the SARB and National Treasury was reaffirmed in Q3, with an announcement expected at Mid-Term Budget Policy Speech.

**SA Monetary Policy Overview:** After cutting interest rates in July of 2025, the MPC stood pat at its September meeting. The MPC's cautious tone reflected a preference for data-dependent decisions, balancing the goal of entrenching price stability against the need to sustain the economic recovery. The market anticipates 25–50bps in additional easing over the next 2 years, contingent on global rate developments and inflation trends.



# APPENDIX :IA FUNDS DESCRIPTION

**IA MUHU MULTI STRATEGY HF** A quantitatively biased, multi-asset, multi-strategy fund investing in domestic fixed-income, equity, and derivative product markets. Using a well-defined macro-thematic process, our investment strategy seeks to profit from market inefficiencies and mispriced risks. The fund is focused on absolute returns and targets positive returns irrespective of market conditions. The fund targets an annualised volatility range of 3 to 5% per annum and aims to deliver net returns that exceed the STeFI by 3% per annum over a rolling 3-year investment period. The fund is appropriate for investors with a conservative to moderate risk profile who aim to preserve and grow the real value of their assets with a low level of capital risk over the medium term. The fund can substitute or complement an income or low-equity balanced fund.

**IA LONG SHORT EQUITY HF** A conservative long-short equity fund, investing in domestic and global listed equities and derivative markets. The fund follows a rules-based investment approach comprising a quantitatively driven long-short equity portfolio overlaid with derivative hedging strategies to ensure outperformance during equity market drawdowns. The fund targets low volatility with a maximum net long exposure of 50%. Average exposure ranges between -20 % and 40%, aiming to deliver net returns that exceed cash rates by 5% per annum over a rolling 3-year investment period.

**IA FIXED INCOME HF** The portfolio invests in government bonds, interest swaps, forward rate agreements, fixed income derivatives and money market instruments. The fund can deliver absolute returns by investing in government bonds and fixed income derivatives on a long and short basis, utilising interest rate derivatives to hedge and create asymmetric investment outcomes and providing positive returns irrespective of bull or bear market conditions. The fund targets an annualised volatility range of 3-5% per annum and aims to deliver net returns that exceed the STeFI by 2-4% per annum over a rolling 3-year investment period.

**IA ACTIVE BOND FUND** The fund is an actively managed bond fund with a quantitative bias, investing in cash and high-quality fixed-interest assets. The fund is actively managed, and the fund manager expresses views on the direction of interest rates and the shape of the yield curve. The fund implements several investment strategies to generate returns relative to its benchmark. The fund has investment strategies that profit from the general direction of interest rates (carry premia) and those that profit from the change in the yield curve (curvature premia). The fund aims to generate annualised returns above the JSE All Bond Index of 1,5% net of all costs over a rolling 36-month investment period, with a maximum tracking error of 2.50%.

**IA MONEY MARKET FUND** The fund aims to maximise the interest income, provide liquidity, and preserve capital through investing in domestic cash and near-cash instruments. The fund invests in selected money market instruments issued by government, parastatals, corporations, and banks with a maturity term of less than 13 months. This Fund is suited to investors with a low-risk profile seeking a competitive yield without compromising on liquidity or capital invested. The fund aims to outperform the Short-Term Fixed Interest (STeFI) Index before fees over three-year rolling periods.

**PORTABLE ALPHA FUNDS (GLOBAL & SA)** The fund is a quantitative, passively managed equity fund, investing in a client-specified beta exposure through futures and seeking alpha from an uncorrelated alpha engine. The fund uses financial engineering to extract hedge fund or fixed income alpha and port it to equity markets. The fund aims to outperform the specified benchmark by 1% before fees over a rolling 3-year investment period.



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