



# INDEPENDENT ALTERNATIVES

SAME DESTINATION | ALTERNATIVE WAY

QUARTERLY REVIEW

Q4 2025



# BUSINESS UPDATE

2025 marked a year of strong execution and platform build-out. Independent Alternatives expanded assets under management, delivered above-benchmark outcomes across portfolios, strengthened its investment and risk capabilities through new hires, and invested in infrastructure to support scalable growth.

## Key Growth Highlights (2025)

**AuM Growth:** Total assets under management increased by approximately 40% year-on-year to R4.3 billion, reflecting improved distribution and client confidence.

**Investment Outcomes:** Performance exceeded benchmarks across all portfolios, supported by disciplined risk management and robust multi-strategy diversification.

**Team Expansion:** The team doubled in size, enhancing depth across portfolio management, risk, analytics, and operational support.

**Infrastructure Upgrade:** The business moved into upgraded offices to support a larger team, improved workflows, and a more institutional operating environment.

## What Enabled the Growth

Growth was enabled by a repeatable investment process, improved organisational capacity, and stronger operational foundations. The firm's approach combines top-down macro analysis with bottom-up quantamental research to identify dislocations and mean reversion opportunities. This was complemented by tighter portfolio construction, embedded risk governance, and continuous monitoring of liquidity, correlation, and drawdown risks.

## Looking Ahead

In 2026, the focus is on consolidating recent gains while scaling responsibly. Priorities include maintaining above-benchmark outcomes, deepening risk, and data capabilities, expanding client engagement, and continuing to invest in systems and infrastructure that support growth without compromising discipline.



# SUMMARY OF PORTFOLIO POSITIONING

**The global macro backdrop remains constructive, but increasingly two-tailed:** risk assets are being supported by resilient earnings, still-accommodative liquidity, and stabilising leading indicators, yet the regime remains fragile given politics, geopolitics, and valuation sensitivity (especially in US tech). We remain positioned for a late-cycle extension as disinflation continues and global monetary easing broadens. In the near term, US rate cuts remain justified as labour market momentum softens and political pressure rises to sustain growth into the 2026 election cycle.

**Structural regime dynamics are reinforcing real-asset demand:** geopolitical fragmentation is reshaping capital flows and encouraging diversification away from a single reserve-currency framework toward regional blocs and alternative stores of value—gold remains the clearest expression of this shift. Our observation has been that gold’s move has been driven less by classic “risk-off” dynamics and more by policy/credibility and official-sector demand (notably central bank buying) rather than collapsing real yields. We retain a structural bias for a weaker USD (3–5 years), while expecting intermittent counter-rallies. AI-led capex remains a meaningful cyclical tailwind for US growth, but it also raises concentration and multiple-compression risk if valuations re-rate lower.

**South Africa - Credibility trade intact, curve supported :** Reform momentum has gained credibility into Q4, with improving logistics and energy reliability optics feeding through into tighter spreads and better risk appetite. Macro stability is increasingly anchored by the SARB’s credibility (including the formalisation of a 3% inflation target) and improved confidence signals. The local opportunity set remains attractive because SA has seen a meaningful decline in risk-free rates, while equity earnings have lagged—keeping risk premia in parts of the local market compelling, but still requiring active risk management rather than passive exposure. We remain constructive on SA activity at the margin, supported by tentative improvements in real-economy indicators (e.g., improving port volumes, better fixed investment momentum) and easing financial conditions.

**Portfolio stance:** Across portfolios, we remain positioned with a measured risk-on bias anchored in SA duration and relative value, complemented by diversified, lower-directionality strategies across equities and commodities, and explicit convex hedges to protect against (i) macro shocks, (ii) geopolitical escalation, and (iii) valuation compression—especially in concentrated US tech exposures.



# DOMINANT THEMES IN THE PORTFOLIOS

## **FIXED INCOME POSITIONING: Keep a high-density carry engine with embedded convexity.**

We continue to express a constructive SA rates view through curve and relative-value structures that benefit from bull-flattening and term-premium compression as policy credibility improves and foreign participation rebuilds. Our approach remains anchored in harvesting carry/roll where valuations are favourable, while paying for selective convex hedges given the fragility of the regime and the potential for abrupt repricing.

## **EQUITY POSITIONING: Harvest premia with limited net beta; hedge valuation risk**

We maintain a market-neutral / factor-aware equity posture designed to participate in a Goldilocks growth tape without relying on broad beta, while using index hedges to protect against tech-led multiple compression and geopolitical shocks. We are overweight SA equities (banks, retailers, industrials) as the domestic “carry + credibility” impulse filters through to earnings. The key macro bridge remains the same: lower risk-free rates and easing financial conditions should gradually translate into improved credit outcomes, better volume growth and operating leverage for domestically geared cyclicals. This matters because local equities have lagged the rates-led recalibration while earnings have been slow to turn and the consumer remains pressured—creating a dislocation between improving financial conditions and still-muted equity pricing.

## **COMMODITY POSITIONING: Stay tactical; keep gold structural but sized prudently**

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 to take advantage of regional basis differentials and export parity dynamics.

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

We remain aware of the potential negative impact of local council elections, as well as the US mid terms latter on in 2026. We retain index downside protection, selective shorts in expensive U.S sectors and maintain gold options as shock absorbers against rate volatility, multiple compression, and positioning unwind.



# GLOBAL MARKET REVIEW

## Market Overview:

In Q4 2025, the US saw the Fed cut rates pushing rates down to 3.50%–3.75%, alongside notable internal disagreement on the December move and economic data disruption from a government shutdown that affected inflation reporting. China maintained a pro-growth, accommodative stance while the property crisis remained a major drag and policy signals pointing to continued support into 2026. The ECB/Eurozone largely paused, holding rates steady in late October as inflation moved closer to target. Japan moved the other way, with the Bank of Japan raising rates to 0.75% in December (highest in ~30 years), continuing its normalization path.

**US Economic Overview:** Real GDP grew 4.3% annualized in Q3, signalling renewed strength. Inflation remained above the Federal Reserve's 2% target, with November CPI at 2.7% YoY, while PCE inflation releases for October and November were delayed due to the U.S. government shutdown, complicating the inflation signal. Concern over a softening labour market and slowing momentum led the Federal Reserve to cut rates. Lower yields and a weaker dollar supported risk assets and precious metals, but growing late-cycle concerns kept expectations tilted toward a slower expansion into year-end

**Other DM Economic Overview:** Developed markets diverged in Q4 2025 as central banks moved at different speeds. The Bank of England cut 25 bps to 3.75% in December, while the ECB held steady, with inflation near the 2% target. Japan tightened, with the BoJ raising rates to 0.75% in December, and Canada eased, with the BoC cutting 25 bps to 2.25% in October. China remained accommodative, holding key lending rates steady while signalling continued policy support into 2026 amid ongoing growth headwinds.

**Emerging Markets Overview:** Emerging markets gained in Q4 2025, supported by a weaker U.S. dollar and easing trade tensions. EM equities rose 4%, led by India, South Africa, and Brazil, as inflows and attractive real yields boosted demand for higher-yielding assets.

**Currency and Commodities Overview:** In Q4 2025, falling real yields and a softer USD supported gold and silver, while copper gained on tight supply and structural electrification/AI demand. Oil fell as supply outpaced demand and surplus expectations extended into 2026, with slower/stagnating Chinese demand growth weighing on the outlook. In relation to agricultural commodities, wheat was shaped by Black Sea export-flow risks and corn by ethanol demand and weather sensitivity. In FX, divergence dominated: EUR steady on an ECB pause, GBP range-bound but sensitive around the BoE's December cut to 3.75%, and JPY supported by the BoJ's December hike to 0.75%.



# SOUTH AFRICAN MARKET REVIEW

**SA Market Overview:** South African assets delivered strong gains in Q4 2025, benefiting from an improved global risk backdrop marked by Fed rate cuts, lower U.S. Treasury yields and a softer USD. These conditions supported renewed EM inflows, while benign domestic inflation and a more supportive local policy environment further underpinned performance.

The FTSE/JSE All Share Total Return Index rose 7.92%, led by Resources (+10.60%) as firmer precious metals improved earnings expectations. Financials gained 17.95%, supported by improved sentiment and lower discount rates, despite ongoing margin pressure from easing lending rates. Industrials lagged (-1.85%), reflecting muted domestic growth momentum.

The bond market also rallied sharply, with the All Bond Total Return Index up 8.71%, driven by sustained offshore demand for long-dated SAGBs (notably R2044 and R2048). Lower global yields, attractive carry and an ALBI rebalance increased the appeal of duration, while improved fiscal credibility reinforced confidence in the long end of the curve.

**SA Inflation and Economic Overview:** Q1 2026 marked a sharp pivot in South Africa's macro narrative as the late-February Middle East shock reshaped the outlook. The quarter began constructively, with Q4 2025 GDP growing 0.4% q/q sa—the fifth consecutive quarterly expansion, taking full-year 2025 growth to 1.1%—while the S&P Global PMI rebounded to 50.0 in January from 47.7 in December. Momentum faded sharply thereafter, however, as manufacturing output contracted 2.8% y/y in February and the PMI Business Activity Index weakened to 45.7 from 51.4, pointing to a likely drag on Q1 GDP. Inflation was similarly bifurcated, with headline CPI easing from 3.5% y/y in January to 3.0% in February (core: 3.4% to 3.0%) on fuel-led disinflation and softer meat prices, before the April fuel price spike (+18% m/m even after the R3/litre levy relief) pushed the outlook sharply higher. Headline inflation is now expected to average 4.4% in 2026 (from 3.4%) and GDP growth 1.2% (from 1.6%).

**SA Monetary Policy Overview:** The SARB cut the repo rate 25bp to 6.75% on a unanimous vote, supported by lower near-term inflation forecasts due to softer CPI surprises, a stronger rand and lower oil. However, the MPC struck a cautious tone, flagging risks from a stronger dollar and sticky administered prices, and stressing the 3%  $\pm$ 1% framework means policy will still be calibrated to reach 3% over time. Markets still expect further gradual easing in 2026, though the timing and total cuts depend on inflation, the rand and global rates.



# 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, utilizing 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 annualized 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.



# INDEPENDENT ALTERNATIVES

SAME DESTINATION | **ALTERNATIVE WAY**

## CONTACT | **THE TEAM**

(e): [clients@independentalternatives.co.za](mailto:clients@independentalternatives.co.za)

(t): 011 234 0187 | [www.independentalternatives.co.za](http://www.independentalternatives.co.za)

Ground Floor, Building 7 | Parc Nicol Office Park | 3001 Winnie Mandela Drive | Bryanston |  
Sandton | Johannesburg | 2191