



INDEPENDENT ALTERNATIVES

SAME DESTINATION | ALTERNATIVE WAY

QUARTERLY REVIEW

Q2 2026



BUSINESS UPDATE

2026 has seen continued strong growth across the business, with assets under management (AuM) increasing by R0.8 billion to R6.5 billion over the quarter. This growth was broad-based, with inflows across our Hedge Funds, Portable Alpha, and Bond Fund strategies, reflecting improved distribution and sustained client confidence.

Independent Alternatives is now an independently verified Level 1 B-BBEE contributor under the FSC scorecard. This reflects strong ownership and delivery across management control, skills development, and procurement. Our transformation profile is now fully measurable, scalable, and independently validated.

Key Growth Highlights (Q2 2026)

AuM Growth: Total assets under management increased by approximately 14% over Q2 2026 to R6.5 billion, building on Q1's growth to R5.7 billion, and supported by sustained client engagement and distribution momentum.

Investment Outcomes: Performance remained robust across strategies, against a backdrop of continued global risk-off sentiment amid escalating geopolitical tensions. Hedge funds delivered positive returns in line with expectations, while long-only strategies performed in line with benchmarks, underpinned by disciplined risk management.

Team Update: The investment team remained constant over the quarter, with the focus shifting to integrating the two graduates who joined via the Independent Alternatives Hedge Fund Academy in Q1. The team comprises seven professionals, with deepening coverage across asset classes and a strengthening succession pipeline.

Looking Ahead

Looking beyond Q2 2026, the focus remains 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 macro backdrop moved through a sharp two-sided scare in Q2 — rising inflation against softening growth — but that acute stagflationary risk has since eased. A truce and interim US–Iran deal, better-than-expected data, and oil retreating toward pre-war levels (Brent back below \$80) have pulled the near-term inflation impulse lower, and we no longer treat stagflation as the base case. The regime nonetheless remains less stable than the prior "Goldilocks" phase: peace is fragile, a final deal still hinges on the nuclear talks, and markets stay headline-driven — leaving directional exposures with less favourable asymmetry and the environment sensitive to nonlinear shocks.

Today's configuration carries important parallels to the 1973–74 regime shift, The clearest downside scenario remains a 1970s-style regime shift, but with faster, more financialised transmission: were the truce to break, a renewed oil shock could evolve from a physical supply event into a broader market-structure one, with inflation turning more persistent and forced physical–financial convergence driving sharper repricing across rates and risk assets. We treat this as a tail risk to hedge, not the base case — consistent with breakevens having eased and the market no longer pricing aggressive tightening.

South Africa – Credibility intact, but macro becoming more finely balanced. Near-term growth is proving resilient — Q1 GDP surprised to the upside at 1.9% YoY — though we still see the underlying trend running modestly (± 1.3 – 1.5%), with a deterioration in terms of trade the main downside risk. Inflation is running above the SARB's target band (May CPI 4.5%, above the 4% upper bound), which — alongside the late-May hike and hawkish guidance — has effectively ended the easing cycle and skewed risks toward further tightening, with the FRA market now pricing one additional hike. Fiscal dynamics continue to improve on revenue strength and expenditure discipline, and logistics and energy reforms support confidence, but progress stays slow and uneven — anchoring stability while capping a more meaningful growth acceleration.

Portfolio stance: We retain a neutral, resilient framework — reduced directional exposure, lower duration risk, and higher allocations to liquid, floating-rate instruments — anchored on diversified, non-directional return drivers and complemented by explicit convex hedging against macro shocks, geopolitical escalation and valuation compression.



DOMINANT THEMES IN THE PORTFOLIOS

FIXED INCOME POSITIONING: Neutral stance; maintain carry density with limited duration risk.

With stagflation concerns receding after the Gulf de-escalation, we hold a neutral rates view, anchored in carry and relative value rather than direction. The front end remains compelling on a risk-adjusted basis given elevated short-dated yields — held via T-bills, NCDs and short-dated instruments — while the long end stays underpinned by improving fiscal credibility and demand for long-dated SAGBs. We retain a curve-flattener bias on a risk-neutral basis, evident in the SAGB curve, while avoiding active duration and preserving liquidity to redeploy into dislocations.

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

We maintain a market-neutral, factor-aware posture prioritising quality and valuation discipline over broad beta — all the more relevant with global growth and technology valuations stretched. Index hedges guard against valuation compression and geopolitical shocks in crowded global segments most vulnerable to abrupt unwinds. Domestically we stay overweight SA equities — banks, retailers and industrials — where improving fundamentals sit against still-subdued valuations, a dislocation we seek to capture, though tighter policy may delay any re-rating. Trend-following exposures complement the book, broadening return drivers.

COMMODITY POSITIONING: Stay tactical; express convexity through agricultural relative value.

Commodities remain a source of inflation protection and geopolitical convexity, but with oil back near pre-war levels we implement through relative value rather than direction. We express this via agricultural long/short trades capturing substitution and margin dynamics — long lean hogs versus short live cattle (protein substitution) and cocoa versus coffee (input substitution) — reflecting tightening processing margins. Given the headline-driven character of the complex, we keep flexibility high and stay alert to energy-led dislocations where oil acts as a key input or substitute. Trend-following remains a valuable complement across commodities, rates and currencies.

RISK MANAGEMENT AND HEDGING: Elevated uncertainty warrants explicit protection.

Evolving backdrop warrants continued protection. With acute stagflation concerns eased but the backdrop still evolving, we maintain convex hedges across asset classes — equity downside protection, rates-volatility structures and FX optionality — to absorb shocks across rate moves, valuation compression and crowded-trade unwinds. Systematic and trend-following strategies enhance diversification, while elevated liquidity guards against tail risks and preserves the ability to redeploy into dislocations while continuing to earn carry.

IA FUNDS: PERFORMANCE TO 30 JUNE 2026

FUND	3 MONTHS	12 MONTHS	ST. DEV
IA Muhu Multi-Strategy HF	3,30%	19,38%	4,23%
STEFI Benchmark	1,67%	7,07%	0,43%
ALPHA PROFILE	1,63%	12,31%	
IA Muhu MS Aggressive HF	5,10%	38,41%	9,61%
STEFI Benchmark	1,67%	7,07%	0,43%
ALPHA PROFILE	3,43%	31,34%	
IA Long Short Equity HF	1,52%	12,90%	8,45%
STEFI Benchmark	1,67%	7,07%	
ALPHA PROFILE	-0,15%	5,83%	
IAIM Fixed Income Hedge Fund	4,74%	20,12%	4,48%
STEFI Benchmark	1,67%	7,07%	0,43%
ALPHA PROFILE	3,07%	13,05%	
IA Active Bond Fund	7,91%	23,51%	8,08%
All Bond Index	7,87%	21,48%	8,08%
ALPHA PROFILE	0,04%	2,03%	
Money Market Fund	1,88%	7,72%	0,43%
STEFI Benchmark	1,67%	7,07%	
ALPHA PROFILE	0,21%	0,65%	
IA Global Equity Portable Alpha Fund	10,23%	13,16%	15,64%
MSCI World Total Return Index (ZAR)	10,22%	11,21%	15,07%
ALPHA PROFILE	0,01%	1,95%	
IA SA Equity Portable Alpha Fund	-2,37%	19,92%	14,53%
JSE TOP40 Total Return Index	-2,36%	15,32%	14,89%
ALPHA PROFILE	-0,01%	4,60%	



GLOBAL MARKET REVIEW

Market Overview: In Q2 2026 was characterised by an intensification of the global stagflationary policy dilemma. The Middle East energy shock interrupted disinflation and reinforced restrictive monetary settings, although resilient technology investment and AI-related demand provided some support to global activity. The US remained comparatively resilient, with the Federal Reserve holding rates unchanged as inflation stayed elevated. China's growth remained uneven, as strong exports and industrial production contrasted with weak domestic demand and a deepening property downturn.

US Economic Overview: US policy stayed restrictive through Q2, with the Fed holding rates at both the April and June meetings as disinflation stalled. An energy-led surge tied to the Middle East conflict lifted headline inflation through the spring before it eased late in the quarter, while core inflation stayed contained but sticky and both measures held above target. The labour market remained resilient — unemployment low, hiring cooling, wage growth easing only gradually — and growth stayed positive on firm consumption, strong productivity and capital investment, leaving the US in a late-cycle mix of above-target, energy-driven inflation and a resilient but softening economy.

Other DM Economic Overview: Across the other major developed markets, monetary policy kept a tightening bias through Q2 2026 as the energy shock lifted inflation, even as it began to fade late in the quarter. The ECB raised rates in June despite subdued euro-area growth, Japan continued its normalisation with a further hike, and Australia held the clearest hawkish stance, raising in May before holding in June on persistent inflation. The UK and Canada held — the Bank of England looking through the shock as activity weakened while a minority pushed to hike, and the Bank of Canada balancing soft domestic conditions against energy-related inflation risks.

Emerging Markets Overview: Emerging markets rebounded sharply in Q2, the MSCI EM index gaining 23.3% as the March conflict-driven selloff reversed — supported by the interim Gulf deal, retreating oil, renewed dollar weakness and returning inflows. The recovery was front-loaded into April and May before a modest June pullback.

Currency and Commodities Overview: Q2 was defined by the unwinding of the Q1 energy shock. The interim US–Iran deal and reduced Strait of Hormuz risk pushed Brent roughly 38% below its late-Q1 peak, easing cost pressures and supporting copper, while gold and platinum fell as geopolitical premia faded and real yields rose. Agriculture remained driven by crop-specific supply factors, with cocoa rising sharply as grains and sugar declined. In FX, the rand strengthened on lower oil prices and tighter SARB policy, while the yen weakened despite the Bank of Japan's June hike and the dollar firmed into quarter-end.

SOUTH AFRICAN MARKET REVIEW

SA Market Overview: Q2 2026 brought a partial reversal of the market dislocation at the end of Q1, although the recovery remained uneven across local assets. Equities stayed under pressure, led by large-cap, resource and precious-metals shares as gold and platinum prices retreated and the previous quarter's geopolitical premium unwound. Industrial-metals shares performed better on firmer copper prices, while financials, banks and industrials benefited from a stronger rand, improved risk sentiment and easing oil-related concerns. Consumer-facing sectors remained constrained by weak domestic demand.

Fixed income materially outperformed equities as government bond yields retraced much of their Q1 increase. Longer-dated nominal bonds led the gains because they were most sensitive to falling yields and recovering risk appetite. Inflation-linked bonds also advanced, but lagged nominal bonds as longer-term inflation expectations moderated. Overall, the quarter reflected a rotation away from commodity-sensitive equities and toward duration-sensitive fixed-income assets.

SA Inflation and Economic Overview: South Africa's economic backdrop remained fragile in Q2. Inflation accelerated as earlier fuel-price increases fed into transport costs and broader consumer prices, while persistent services inflation complicated the disinflation outlook. By quarter-end, lower international oil prices and rand appreciation had reduced some forward pressure on fuel prices and inflation expectations, improving the external backdrop without fully removing domestic price risks.

Economic activity remained uneven. Weak mining and manufacturing output highlighted the lack of broad-based growth, while restrictive financial conditions, subdued confidence and pressure on household purchasing power constrained domestic demand. Structural limitations continued to cap the pace of recovery and left the economy sensitive to shifts in global risk sentiment. Q2 therefore reinforced the view that growth remains shallow, with limited evidence of sustained acceleration.

SA Monetary Policy Overview: The SARB raised the repo rate by 25 basis points to 7.00%, reversing its prior easing bias as the near-term inflation outlook deteriorated. Policymakers were concerned that the earlier energy-price shock could spread into services inflation, wage expectations and broader price-setting behaviour. Short-term rates consequently moved higher and monetary conditions became more restrictive, adding pressure to an already soft domestic economy.

Despite the increase, longer-dated forward rates and government bond yields declined as oil prices reversed, the rand strengthened and investors increasingly viewed the inflation shock as temporary. This created a divergence between tighter near-term policy and improving longer-term inflation expectations. The SARB nevertheless retained a cautious, data-dependent stance; the future policy path will remain sensitive to inflation persistence, currency movements, global energy prices and the strength of domestic activity.



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.



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