INDEPENDENT ALTERNATIVES

SAME DESTINATION | ALTERNATIVE WAY

QUARTERLY REVIEW

Q3 2026

BUSINESS UPDATE

Assets under management (AuM) increased by R1.8 billion, from R5.7 billion to R7.5 billion at the end of Q3 2026, representing growth of approximately 31.6%. Our focus remains on scaling responsibly, maintaining investment discipline and ensuring that our people, systems and risk capabilities support the growing asset base.

Independent Alternatives remains 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 remains measurable, scalable, and independently validated.

Key Growth Highlights (Q3 2026)

AuM Growth: Total assets under management grew by R1.8 billion, from R5.7 billion to R7.5 billion, an increase of approximately 31.6%.

Investment Outcomes: Performance remained robust in a risk-off environment. Hedge funds delivered positive returns in line with expectations, while long-only strategies performed in line with benchmarks, underpinned by disciplined risk management.

Team Expansion: In Q1, we welcomed two graduates into the investment team through the Independent Alternatives Hedge Fund Academy. The team now comprises seven professionals, with expanded coverage across asset classes and a strengthened succession pipeline.

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

Looking beyond Q3 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

Stagflation risks intensified in Q3. The unresolved Middle East conflict disrupted energy and fertiliser supply, pushed Brent above $100/bbl and broadened inflation risks while growth softened. Global central banks shifted to tighter policy, with the Fed delivering its first hike since 2023 and the ECB and Bank of Japan also raising rates. Higher US Treasury yields increased pressure on risk assets.

Today's configuration carries important parallels to the 1973–74 regime shift. A prolonged energy supply shock risks keeping inflation elevated even as tighter monetary policy weakens growth. Financial markets could transmit that shock faster today, as leveraged positions and forced selling amplify repricing across bonds, equities and commodities. The key risk is that a temporary supply disruption develops into persistent inflation and a deeper growth slowdown, leaving policymakers with increasingly difficult trade-offs. We treat this disorderly outcome as a tail risk to hedge. Our central outlook remains one of higher inflation and softer growth, requiring diversified positioning, liquidity and measured risk-taking.

South Africa faces tighter policy, with structural support intact. The SARB raised the repo rate by 25bps to 7.25%, lifted its 2026 inflation forecast above 5% and cut its growth forecast to 1.2% after Q2 GDP contracted. Despite August CPI easing to 4.4%, markets priced three further 25bps hikes to end-2027. Our inflation model points to inflation above 6% before returning to target, leaving a risk of faster or greater tightening. SAGBs weakened, the curve bear flattened and the rand depreciated, although auctions remained well supported. Positive terms of trade and structural reforms continue to support the domestic outlook.

Portfolio positioning remains diversified and cautiously constructive. Across fixed income and cash, we have reduced sensitivity to rising rates, increased inflation protection and favoured quality, liquidity and flexibility. Our approach to the yield curve remains measured, balancing further tightening against the potential for lower inflation. Equity exposure combines global momentum with selective domestic opportunities, favouring resources and financials while remaining cautious on consumer-facing sectors. We seek relative value across companies, sectors and agricultural markets, alongside selective exposure to trends in precious metals and energy. Systematic strategies and defensive hedges diversify return drivers and help manage tail risks. Across portfolios, we seek to earn carry while prioritising capital preservation, liquidity and consistent risk-adjusted returns.

DOMINANT THEMES IN THE PORTFOLIOS

FIXED INCOME POSITIONING: Lower duration, greater inflation protection and liquid carry.

Rising inflation and tighter policy favour reduced sensitivity to interest rates and greater inflation protection. We have shifted exposure away from longer maturities and towards the intermediate part of the curve, with a measured bias towards a steeper yield curve. Cash positioning emphasises quality, liquidity and flexibility to benefit from higher rates, alongside selective credit exposure. We continue to seek attractive carry while preserving the capacity to respond to dislocations and inflation outcomes on either side of expectations.

EQUITY POSITIONING: Diversified momentum and selective domestic exposure.

Global momentum remains a core return driver, diversified across geographies to limit reliance on a single market or the technology theme. Domestically, we retain selective exposure to resources and financials and position to participate in a recovery with controlled downside risk. Higher fuel and food prices, softer growth and tighter policy support caution towards consumer-facing sectors. Relative value opportunities across companies and sectors complement directional exposure, keeping the portfolio responsive to widening differences in performance.

COMMODITY POSITIONING: Agricultural relative value and selective exposure to market trends.

Supply disruption continues to shape commodity prices, while tighter monetary policy creates a growing constraint on demand. We favour relative value across agricultural markets, where differences in supply, demand and production conditions create opportunities. Momentum remains our preferred approach to directional exposure in precious metals and energy. Positioning remains flexible as geopolitical developments and changing supply conditions can quickly alter market trends.

RISK MANAGEMENT AND HEDGING: Protection against persistent inflation and weaker growth.

Defensive hedges remain an important complement to carry and relative value, protecting against further geopolitical escalation and abrupt market repricing. Systematic and trend-following strategies diversify return drivers, while measured directional exposure helps manage uncertainty around inflation and growth. High liquidity and disciplined risk allocation preserve flexibility to respond to dislocations. Across portfolios, capital preservation and consistent risk-adjusted returns remain central, with protection against a disorderly regime shift retained as a tail-risk priority.

IA FUNDS: PERFORMANCE TO 30 JUNE 2026

FUND	3 MONTHS	12 MONTHS	ST. DEV
IA Muhu Multi-Strategy HF	-1,57%	10,03%	4,28%
STEFI Benchmark	1,72%	6,97%	0,42%
ALPHA PROFILE	-3,29%	3,06%	
IA Muhu MS Aggressive HF	1,24%	29,18%	9,74%
STEFI Benchmark	1,72%	6,97%	0,42%
ALPHA PROFILE	-0,48%	22,21%	
IA Long Short Equity HF	-2,53%	4,70%	8,44%
STEFI Benchmark	1,72%	6,97%	
ALPHA PROFILE	-4,25%	-2,28%	
IAIM Fixed Income Hedge Fund	0,12%	14,08%	4,45%
STEFI Benchmark	1,72%	6,97%	0,42%
ALPHA PROFILE	-1,60%	7,11%	
IA Active Bond Fund	-0,80%	13,43%	8,02%
All Bond Index	-0,68%	12,82%	8,01%
ALPHA PROFILE	-0,11%	0,62%	
Money Market Fund	1,87%	7,65%	0,42%
STEFI Benchmark	1,72%	6,97%	
ALPHA PROFILE	0,15%	0,68%	
IAIM Global Portable Alpha	-1,37%	5,92%	15,49%
MSCI World Index (ZAR)	3,28%	9,92%	14,87%
ALPHA PROFILE	-4,65%	-4,00%	
Muhu Protected Equity	-0,81%	1,67%	14,63%
JSE SWIX Index (Capped)	-0,27%	1,88%	14,90%
ALPHA PROFILE	-0,54%	-0,21%	

Performance is reported gross of all fees

GLOBAL MARKET REVIEW

Market Overview: Q3 brought renewed energy pressure and a harder inflation-growth trade-off. AI demand supported technology exporters, while fiscal and valuation concerns challenged sentiment. Equities gained modestly as bonds weakened. The BIS noted greater stock dispersion and credit selectivity. The EU tightened Russian shadow-fleet and energy restrictions.

US Economic Overview: The economy remained resilient, supported by spending, productivity and investment. AI demand also created supply pressures. The Fed described job gains as keeping pace with the workforce, with little change in unemployment. Inflation prompted September tightening. Large caps rose, smaller companies weakened and yields increased. The BIS warned that debt-funded AI investment and opaque private-credit links could amplify losses if commercial returns disappoint.

Other DM Economic Overview: The ECB, Japan and Australia tightened, while the UK and Canada held rates. Japan faced broader wage and price increases. Australia faced domestic capacity pressures. The Bank of England warned that persistent energy costs could spread into wages and broader pricing. German industry faced Rhine transport disruption, while weak consumption and investment constrained France. Policymakers balanced inflation persistence against growth risks.

Emerging Markets Overview: Brazil gained as China and India weakened, with Latin America outperforming emerging Asia. Chinese exports and high-tech manufacturing supported activity, but domestic demand remained weak. Consumer inflation was modest while producer-price pressures increased. Dollar bonds declined. China reported new US trade mechanisms and agreed selective tariff reductions, pending implementation. India's domestic demand and Asian technology exports supported growth outlooks. Brazil cut rates despite developed-market tightening.

Currency and Commodities Overview: Conflict constrained Hormuz and Red Sea flows, while Ukrainian attacks disrupted Russian refining. Diesel shortages and tanker costs added pressure. LNG disruption affected industry and electricity, partly offset by alternative supply. The IEA highlighted fertiliser disruption and gas-related production constraints. Gold, platinum and copper gained despite September precious-metal weakness. Corn, wheat and soybeans rose despite September corn and wheat reversals. Sugar and cocoa gained; coffee and livestock weakened. The dollar strengthened late but changed little over Q3, as the yen appreciated and euro softened. El Niño added food-price risks.

SOUTH AFRICAN MARKET REVIEW

SA Market Overview: South African markets experienced substantial differences across sectors in Q3. The broad equity market finished close to flat in total-return terms, masking gains in resources and mining shares alongside weakness in financials, industrials, banks and retailers. September reversed part of the earlier resource rally, but resource and precious-metals shares retained positive quarterly returns.

Fixed-income performance was also divided. Nominal government bonds weakened over the quarter, while cash and inflation-linked bonds delivered positive returns. Shorter-dated nominal bonds outperformed longer maturities. The rand weakened in September but ended the quarter near its June level, highlighting the difference between late-quarter volatility and the overall quarterly outcome.

SA Inflation and Economic Overview: Inflation moderated from its June peak, but the underlying picture remained uneven. Services and administered prices continued to exert pressure, while food inflation remained subdued. The SARB warned that renewed international fuel-price increases would worsen the near-term outlook. Strong harvests and favourable agricultural conditions provided some relief, although El Niño represented a risk to that support.

Economic data released during Q3 confirmed that the recovery remained fragile. The second-quarter contraction reflected weakness in mining, manufacturing and trade, alongside subdued investment, although household consumption continued to grow. Improved electricity availability offered a more constructive structural backdrop, with Eskom reporting sustained generation improvements and continued freedom from national loadshedding. These operational gains had yet to translate into a broad-based economic acceleration.

SA Monetary Policy Overview: The SARB raised its policy rate to 7.25% in September as renewed fuel pressure and elevated services inflation increased upside risks. Its priority remained preventing the external supply shock from becoming embedded in inflation expectations and domestic price-setting. The decision reflected a difficult balance between protecting price stability and an already fragile growth recovery.

The Bank retained a meeting-by-meeting approach. Its model indicated broadly stable policy through the remainder of the year, followed by easing as inflation returned towards target. This was a conditional guide rather than a commitment. Higher global rates, currency weakness or more persistent wage and price pressures could require a tighter response.

APPENDIX :IA FUNDS DESCRIPTION

IA MUHU MULTI STATEGY 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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