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Monthly report
March 2021

Markets' review

The markets' positive reassessment of reflation continued during March with expectations of average US inflation over the next 10 years rising from 2.15% to 2.36%, and 5 year expectations now 2.56%. This fed through to US 10 year government bond yields which rose to 1.74%, from 1.43%. Those concerned about inflation point to 5 year expectations that are now higher than at any time since 2008, with substantial stimulatory policy still in the pipeline. While others argue that market pricing merely suggests that after a temporary period inflation will subside over the longer term. The less buoyant outlook in Europe is due in part to vaccine and fiscal stimulus deployment. This contributed to rising yield spread between US and Europe and a much stronger US\$, which is a significant retracement in the consensus bearish US\$ view. For now, markets have determined that the yield advantage and US growth outlook outweighs the risk of unhinged inflation.

Fund positions

Since the Covid crisis enveloped markets in March 2020, the fund has strongly favoured bonds due to their extreme stability which was explicitly enabled by central bank policy. However these factors have broken down as economic growth, inflation and equity performance has far exceeded most expectations. During March, bond volatility rose while equity volatility fell, contributing to the underperformance of some strategies. Bond positions, in particular longer bonds, were further rebalanced and reduced.

Fund performance

The Darling Macro Fund (Class A) fell 1.54% during March.

The Fund generated 1.7% from equity while long dated bonds -1.2%, short dated bonds -1.3% and agriculture -0.7% detracted.

Since 1 April 2019, the Fund has achieved:

- A return of 5.08% pa compared with 8.15% pa for Australian equities and 2.60% pa for Australian fixed income.
- A materially lower draw down (-16.6%) than Australian equities (-36.5%), and
- Low correlation (9.8%) with a 70:30 balanced portfolio of equities and bonds.

Fund performance

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
Class A	-1.54	-10.32	-1.45	5.08	5.08
Class B	-1.50	-10.21	NA	NA	-0.98

* Class A and Class B have different inception dates. Class A inception 1 April 2019, Class B Inception 3 September 2020.

Fund performance attribution

	1 mth (%)	3 mth (%)	1 year (p.a. %)	2 year (p.a. %)	Inception * (p.a.%)
Equity	1.7	2.6	10.0	-1.1	-1.1
Bond	-1.2	-8.6	-9.6	3.7	3.7
Short bond	-1.3	-3.7	-1.5	2.3	2.3
Currency	-0.4	-0.7	-2.0	-0.1	-0.1
Agriculture	-0.7	-0.3	0.8	-1.9	-1.9
Energy	-0.1	-0.1	-0.1	-0.3	-0.3
Prec metals	-0.1	-0.2	1.1	0.7	0.7
Other	0.3	0.7	0.0	1.8	1.8

Fund performance objectives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
Darling Macro Fund (A)	-1.54	-10.32	-1.45	5.08	5.08
Australian equities	2.44	4.26	37.47	8.15	8.15
Australian fixed income	0.89	-3.52	-2.14	2.60	2.60
DMF Volatility	19.2	17.4	12.5	13.6	13.6
DMF Correlation	29.6	18.7	3.5	9.8	9.8
DMF drawdown					16.6
Equities drawdown					36.5

The Fund is aiming to achieve:

1. A return after fees of RBA Cash + 9%,
2. Annual volatility of 15% pa over rolling 5 years,
3. Materially lower drawdown risk than equities,
4. Low to moderate correlation to 70:30 balanced fund,
5. Easily observable valuations and daily liquidity.

Source: Darling Macro, S&P Dow Jones Indices. Notes: Fund performance is quoted as Total Return net of fees, assuming reinvestment of distributions and excluding impact of buy/sell fees, as at end March 2021. Objective is outlined in the Information Memorandum available at www.darlingmacro.fund. Fund drawdown, attribution, volatility and correlation calculations are based on Class A performance. Performance attribution is based on estimates and may not sum to Total Return. Drawdown is daily data and not annualised. Equities drawdown and Australian equities is based on S&P/ASX 200. Correlation is with indicative 70 equity:30 bond index. Australian bonds is based on S&P/ASX Australian Fixed Interest Index. Past performance is not a reliable indicator of future performance. Refer to Information Memorandum for further detail.

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Fund details

Type of Fund	Wholesale per Info Memo 28 March 2019
Trustee	Evolution Trustees Limited
Manager	Darling Macro (347 Darling Pty Ltd)
Administrator	Apex Fund Services
Auditor	Ernst & Young
Tax advisor	Pitcher Partners
Buy / Sell Spread	0.1%/0.1%
Fund Distributions	Annually as at 30th June
Liquidity	Daily

	Fees	Class A	Class B
Management fee		1%	0.5%
Performance fee		Nil	10%
Other costs & fees		Nil	Nil

Fees inclusive of GST after RITC, and are inclusive of all trustee, administration, audit and tax fees. Performance fee calculated semi annually on amounts above RBA cash plus the management fee.

Investment strategy

1. The Fund allocates risk between divergent global strategies generating higher risk adjusted returns than a strategic risk blend.
2. Signals are based on behavioural factors such as momentum, which we believe are more reliable indicators of prices in the short to medium term.
3. The investment process is systematic resulting in a consistent application of both the signals and 10 years of research.
4. Risk is managed on major futures markets enabling long or short positions and also daily liquidity.

Co-CIO and Principals

Greg Burke and Mark Beardow have more than 50 years of asset management and trading experience accumulated at global institutions while serving investors located all over the world.

Investor Online Access

Investors may access information using their client id at <https://apexconnect.apexfs.com>

Reasons to invest

1. Darling Macro is owned by the Co-CIOs who manage the portfolio and are personally invested in the Fund.
2. The strategy is supported by a 3 year track record + 10 year out-of-sample index + 20 year in-sample backtest.
3. Performance is clearly differentiated from other alternative and multi asset funds.
4. There is significant unutilised investment capacity and ongoing research and process enhancements.
5. Operations and governance are supported by external service providers: independent trustee, registry and fund accounting, tax and audit, risk and compliance.

Ratings



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