

# darling macro fund. dmf.

May, 2019

## About the fund

The Darling Macro Fund pursues a global macro strategy, which aims to dynamically allocate long and short exposure across many liquid markets within 4 major global asset classes: Equities, Bonds, Commodities and Currencies.

The objective of the Darling Macro Fund is to generate a risk adjusted positive return over the medium to long term, which is less correlated to the movements in core equity and bond allocations.

The fund is aiming to achieve:

1. A return of 9 % net of costs p.a. in excess of the Australian cash rate over a rolling 5-year period, as measured by RBA Cash Rate.
2. Annual volatility measured over the same 5-year rolling period is expected to be 15 % pa.
3. Materially lower drawdown risk than equities over the medium term.
4. Low to moderate correlation to a strategic asset allocation of equities and bonds (70:30) over the medium term.
5. Easily observable valuations and high liquidity.

| Performance        |                  | 1 mth | 3 mth | 6 mth | Cytd | 1 Year | 3 Year | SinceInception |
|--------------------|------------------|-------|-------|-------|------|--------|--------|----------------|
| Darling Macro Fund | Class A          | 4.1%  |       |       | 2.5% |        |        | 2.5%           |
|                    | Class B          | N/A   |       |       | N/A  |        |        | N/A            |
|                    | RBA Cash plus 9% | 0.9%  |       |       | 1.8% |        |        | 1.8%           |

## Risk and Attribution

|                         |                      |        |  |  |       |  |  |       |
|-------------------------|----------------------|--------|--|--|-------|--|--|-------|
| Volatility              |                      | 8.0%   |  |  | 11.7% |  |  | 11.7% |
| Correlations            | SAA Index            | 10.4%  |  |  | 6.8%  |  |  | 6.8%  |
| Performance Attribution | Equity               | -1.8%  |  |  | -1.0% |  |  | -1.0% |
|                         | Bond                 | 6.2%   |  |  | 4.8%  |  |  | 4.8%  |
|                         | Short Bond           | 1.6%   |  |  | 1.6%  |  |  | 1.6%  |
|                         | FX                   | 0.0%   |  |  | -0.1% |  |  | -0.1% |
|                         | Agri                 | -2.0%  |  |  | -2.9% |  |  | -2.9% |
|                         | Energy               | -0.2%  |  |  | -0.2% |  |  | -0.2% |
|                         | Other including cash | 0.4%   |  |  | 0.3%  |  |  | 0.3%  |
| Risk allocations        | Equity               | -4.0%  |  |  |       |  |  |       |
|                         | Bond                 | 101.7% |  |  |       |  |  |       |
|                         | FX & Commodity       | 2.2%   |  |  |       |  |  |       |

### Notes:

Performance is net of all management fees  
Risk and attribution is based on Class A performance  
SAA Index is comprised 70% of equities and 30% bonds.  
Refer to disclosures for important information  
Refer to the Information Memorandum for further detail

Source: Darling Macro (347 Darling Pty Ltd AFSL 491106)

## Commentary

### A brief review of markets ....

A steady trickle of weak global economic data together with doubts about a resolution to trade disputes forced equity markets from their highs in May. Australia was an exception due in part to the market response to the election. Chinese data which had bounced early in 2019, lost momentum and Chinese equities have fallen furthest in 2019. Bond yields are now indicating a full blown growth scare.

Equity volatility has risen, but not as much as might have been expected as individual company movements (dispersion) have tended to offset each other.

Locally, Australian bond yields are at all time lows in anticipation of the RBA reducing rates by at least 0.5%, of which the RBA obliged with a 0.25% cut early in June. While in the US, 10 year yields have fallen sharply by 1.2% to 2.1% since mid October. This fall has now largely retraced the rise in yields after Trump was elected.

### Risk allocations

The fund's risk allocation is principally to long dated and short dated bonds, across the US, Germany and Japan. This has been sustained since inception.

### Performance and attribution

In May, the Darling Macro Fund class A units generated 4.1%.

Gains from higher allocations to bonds exceeded losses from equities and commodities.

The fast speed sub portfolios outperformed the moderate and slow moving portfolios.

### And finally.....

Consensus 0 Tail 3

1. The consensus view that strong Chinese growth was reasserting itself was wrong
2. The consensus view that the trade dispute between the US and China was being resolved was wrong
3. The consensus view that the ALP would win power in Australia was wrong

The impacts were then felt in markets as Chinese equities sank, bond prices soared and Australian bank shares rebounded. Central banks are rushing to lower cash rates and stimulate economies and now declaring that unemployment can fall further before inflation emerges.

### Key Details

Type of fund: The Darling Macro Fund is an unregistered managed investment scheme for the purposes of the Corporations Act

Eligible investor: Any offer or invitation to acquire Units in the Darling Macro Fund will only be extended to a person if the person has first satisfied the Investment Manager and the Trustee that the person is a Wholesale Client.

Information Memorandum: The IM is dated 28 March 2019

Inception: 1 April 2019

Investment Management fees: Class A 1% pa of NAV. Class B 0.5% pa of NAV plus 10% of the cumulative performance of the Fund (after the Management Fee but before the deduction of Performance Fees (paid or accrued) above the Performance Hurdle.

Performance hurdle: RBA Cash Rate

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