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Monthly report
June 2020

Markets' review

Economic data strongly outperformed forecasts and expectations generally as developed economies reopened earlier than most anticipated. In the US, the Citi Economic Surprise index reached record positive levels. At the same time, infections started to rise again as newly open economies enabled easier transmission. However, markets took their cue from economics, and global equity markets surged. The trend of growth equities outperforming value was sustained. Commodities were up, especially energy, industrial and precious metals, while agricultural commodities were lower. Bond yields were largely unchanged.

Performance and risk

Fund performance was 1.1% for June, 2.7% calendar year to date and 5.2% over the last 12 months. During June, the fund participated in gains made by equities, bonds and gold, while soft commodities and currencies detracted. Of the 32 asset allocation strategies, 28 made positive contributions and 4 were negative. During the month, all 3 speeds made similar positive contributions. We added risk in short dated bonds during the month. Total risk is now 50% higher than in the immediate aftermath of March's market disfunction. Allocations finished the month as 23% to short dated bonds, 53% to long term bonds, 13% equities and 10% commodities.

Fund performance

	1 mth (%)	3 mth (%)	1 year (%)	Inception (%)
Class A	1.1	4.6	5.2	13.6
Objective	0.8	2.3	9.7	9.8
Excess return	0.3	2.3	-4.5	3.7
Class B (2019-08-01)	1.1	4.5		
Volatility	9.0	8.1	13.5	13.6
Correlation	-8.6	-3.7	12.2	11.9

Performance attribution

	1 mth (%)	3 mth (%)	1 year (%)	Inception (%)
Equity	0.9	3.5	-8.6	-6.4
Bond	0.3	0.6	8.3	15.5
Short bond	0.2	0.7	4.2	5.5
Currency	-0.3	-0.9	1.2	0.7
Agriculture	-0.3	-0.1	-1.9	-3.8
Energy	0.0	0.0	-0.2	-0.4
Other	0.0	0.1	1.4	1.5

Source: Darling Macro. 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 June 2020. Class A inception 1 April 2019, Class B 2019-08-01 Inception 31 July 2019. Objective is outlined in the Information Memorandum available at www.darlingmacro.fund. Attribution, volatility and correlation calculations are based on Class A performance. Performance attribution is based on estimates and may not sum to Total return. Correlation is with indicative 70 equity:30 bond index. Past performance is not a reliable indicator of future performance. Refer to Information Memorandum for further detail. Report re-issued 3 September 2020 to amend mis-stated RBA Cash objective.

And finally

We started in 2017 with a vision to manage a different style of fund - one that would seek high absolute returns by combining a range of markets rather than being only allocated to equities. Our strategy established a stable risk profile and combines beta returns from major markets with alpha returns from identifying trends.

Returns over the 3 years for our segregated accounts and the fund have been 12.1% pa, with risk of about 15% volatility. This compares with returns of 5.2% for Australian equity, 10.6% for Global equity, 5.6% for Emerging market equity and 19.1% for NASDAQ (USD). These 3 years have reinforced the value of managing risk and volatility - (i) reducing exposure as volatility rises, (ii) reducing exposure as trends mature, and (iii) adding exposure as volatility eases and trends emerge. The future path of returns is uncertain - and is always uncertain. We will maintain our approach of managing risk with a goal of establishing a more stable risk profile to generate superior risk adjusted returns from a range of global markets.

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.

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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.

Fund objectives

The Fund is aiming to achieve:

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

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.

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.

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