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Monthly report
July 2021

Markets' review

Data released during the month, marginally backed the case that the current high inflation readings will be transitory rather than persistent. US market estimates of inflation declined from the 2.4-2.5% range to the 2.3-2.4% range. This backdrop is favourable for assets, and equities, bonds and commodities all performed strongly. Emerging market equities were the exception with China and related Asian markets the weakest.

Of the fund's largest positions, US large cap equity was up 2.4%, Taiwan equity was -1.0%, US 10 year bond +1.5%, Australian equity +1.1% and Japanese equity -4.6%. The Chinese government intervention in technology and education sectors had a negative impact on equity markets in Taiwan and Japan.

Fund positions

The fund's overall risk allocation was largely unchanged. Increases in equity and long dated bonds were offset by decreases in commodities and short dated bonds, and a larger short A\$ position.

Equity and commodity risk contribute about 75% of total risk, with the rest in bonds and currency. The Fund's 5 largest risk positions are US equity, Taiwan equity, US 10yr Bonds, Australian equity and Japanese equity. (1 year VaR).

Fund performance

The Darling Macro Fund (Class A) gained 4.61% during July.

All asset classes contributed. Bonds +1.8% and Short dated bonds +1.4% were the largest contributors.

Since 1 April 2019, results for the Fund (Class A) have been:

- A return of +8.91% pa compared with +11.18% pa for Australian equities and +3.79% pa for Australian fixed income.
- A materially lower draw down, -16.6%, than Australian equities, -36.5%, and
- Low correlation of +12.2% 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	4.61	4.49	-0.31	4.11	8.91
Class B	4.65	4.62	NA	NA	1.11

* 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	0.2	1.3	10.3	0.7	1.0
Bond	1.8	2.2	-9.4	-0.5	4.4
Short bond	1.4	0.9	-1.3	2.1	2.5
Currency	0.3	0.3	-0.1	0.2	0.2
Agriculture	0.3	-0.3	1.6	-0.1	-1.2
Energy	0.1	1.1	1.2	0.5	0.3
Prec metals	0.0	-1.2	-2.2	-0.1	0.0
Metals	0.4	0.1	0.1	0.0	0.0
Other	0.1	0.0	-0.6	1.2	1.6

Fund performance objectives and comparatives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
RBA Cash	0.00	0.01	0.06	0.31	0.79
Australian equities	1.10	5.80	28.65	7.65	11.18
Australian fixed income	1.88	2.96	0.52	2.17	3.79
DMF Volatility	9.6	13.5	13.7	13.5	13.5
DMF Correlation	63.9	47.6	16.3	16.3	12.2
DMF drawdown					16.6
Aus 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, RBA, 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 July 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. RBA Cash is RBA Cash rate total return index. Equities drawdown and performance for Australian equities is based on S&P/ASX 200. Australian bonds is based on S&P/ASX Australian Fixed Interest Index. Correlation is with indicative 70 equity:30 bond index. Drawdown is daily data and not annualised. 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 26 Jul 2021
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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