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Monthly report
June 2021

Markets' review

Economic data relative to forecasts further moderated in June, with China now showing negative surprises and no surprises in the US. It seems that expectations have caught up with the better than expected recovery. Central banks have also caught up and have been tentatively increasing growth forecasts and plans for reducing QE while not scaring the horses. The US Fed would be relatively pleased with outcomes that have left short term bond yields rising with expectations of higher cash rates in 2023, long term yields falling and breakeven inflation rates reversing from peaks but staying comfortably above 2%. This success has prompted a re-evaluation by equity investors who have increased demand for large cap technology stocks with value and small caps underperforming. Is this a signal that recovery prospects have dimmed or that growth looks less expensive with higher bond yields? Perhaps a confidence that real yields will stay extraordinarily low for a good while longer.

Fund positions

The fund's risk allocation fell during the month when measured by the largest potential 1 day losses (1 year VaR). During the month, short term bond and currency risk was reduced materially, while equities were trimmed and commodities were added to modestly.

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

Fund performance

The Darling Macro Fund (Class A) fell -1.59% during June.

Short dated bonds -2.7% and precious metals -1.1% detracted while equities +1.5% and energy +0.7% contributed.

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

- A return of +7.08% pa compared with +11.07% pa for Australian equities and +3.07% pa for Australian fixed income.
- A materially lower draw down, -16.6%, than Australian equities, -36.5%, and
- Low correlation of +11.4% 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	-1.59	5.62	-0.49	2.32	7.08
Class B	-1.54	5.76	NA	NA	1.63

* 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	1.5	4.3	10.9	0.6	0.9
Bond	0.3	0.7	-9.3	-0.9	3.7
Short bond	-2.7	-0.3	-2.2	1.0	2.0
Currency	0.0	0.4	-0.7	0.2	0.1
Agriculture	0.2	0.8	1.7	-0.1	-1.4
Energy	0.7	1.3	1.2	0.5	0.3
Prec metals	-1.1	-1.4	-1.1	-0.1	0.0
Other	-0.2	0.0	-0.7	1.2	1.6

Fund performance objectives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
Darling Macro Fund (A)	-1.59	5.62	-0.49	2.32	7.08
Australian equities	2.26	8.29	27.80	8.58	11.07
Australian fixed income	0.79	1.68	-0.94	1.72	3.07
DMF Volatility	12.3	13.3	13.6	13.6	13.6
DMF Correlation	24.9	49.7	12.7	12.7	11.5
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 June 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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