

darling macro. darling macro fund.

Monthly report
February 2021

Markets' review

Since November more investors have begun to speculate that interest rates will need to lift earlier than central bank guidance. This has led to gently rising bond yields and steepening yield curves. While, commodities have risen and value style equities have made a comeback. The pressure for higher yields catalysed on 25 February, as an auction for US 7 year government debt met record low demand. In the aftermath, government bond yields across the curve rose and these rises, when not reversed caused equities and many commodities to fall, and saw a rise in the US\$. Locally, the total return for Australian government 10 year bonds fell 7% in February. Given that central banks have almost unlimited ability to finance government bonds it seems likely that yields, especially for shorter dated bonds, will stabilise for now. This was emphasised by announcements from the RBA of more QE, yet the Fed has been noticeably quiet which has contributed to rising yields again in March.

Fund positions

The fund's positions have been strongly tilted to bonds, with some allocation to equity and commodity markets, assuming that bond yields would remain well anchored. However these bonds, including the shortest maturities, underperformed as the post vaccine positive growth shock morphed into a mild inflation scare. During the month, as volatility rose and performance deteriorated, bond positions were reduced and further reductions will likely occur during March. Markets can change direction quickly and the delicate judgement embedded into our systematic strategy is to make position changes gradually. Our experience suggests this reduces the risk of being caught by a reversal but in this post covid environment a faster shift would have been optimal.

Fund performance

The Darling Macro Fund (Class A) fell 7.62% during February.

The Fund generated 1.0% from equity and 0.3% from Agriculture while long dated bonds -5.8%, short dated bonds -2.8% and precious metals -0.3% detracted.

Since 1 April 2019, the Fund has achieved:

- A return of 6.19% pa compared with 7.18% pa for Australian equities and 2.25% pa for Australian fixed income.
- A materially lower draw down (-16.6%) than Australian equities (-36.5%), and
- Low correlation (9.3%) with a 70:30 balanced portfolio of equities and bonds.

Please also refer to our special preliminary February report issued 1st March.

Fund performance

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
Class A	-7.62	-6.20	-5.53	6.19
Class B	-7.59	-6.26	NA	-0.24

* 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.%)	Inception (p.a.%)
Equity	1.0	1.9	-0.3	-2.0
Bond	-5.8	-7.8	-9.5	4.6
Short bond	-2.8	-0.9	2.1	3.1
Currency	-0.3	-0.4	-0.5	0.1
Agriculture	0.3	1.0	0.4	-1.7
Energy	0.0	0.0	0.0	-0.3
Precious metals	-0.3	-0.1	1.0	0.6
Other	0.3	0.2	1.2	1.7

Fund performance objectives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
Darling Macro Fund (A)	-7.62	-6.20	-5.53	6.19
Australian equities	1.45	3.00	6.50	7.18
Australian fixed income	-3.93	-4.63	-3.13	2.25
DMF Volatility	19.5	14.9	14.0	13.3
DMF Correlation	-7.1	4.4	13.2	9.3
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 February 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.

darling macro. darling macro fund.

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



This document is issued by 347 Darling Pty Ltd ABN (38 604 854 999), AFSL (491106) (Trading as "Darling Macro") on behalf of the Darling Macro Fund ("Fund"). Darling Macro is the Investment Manager of the Fund. The information provided in this document is general information only and does not constitute investment or other advice. The content of this document does not constitute an offer or solicitation to subscribe for units in the Fund or an offer to buy or sell any financial product. Accordingly, reliance should not be placed on this document as the basis for making an investment, financial or other decision. This information does not take into account your investment objectives, particular needs or financial situation. Neither Darling Macro nor the Fund accepts liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. An Information Memorandum issued by Darling Macro dated 28th March 2019 is available for the Fund. Performance figures assume reinvestment of income. Past performance is not a reliable indicator of future performance. Performance comparisons are provided for information purposes only and are not a direct comparison against benchmarks or indices that have the same characteristics as the Fund or the Benchmark used to determine any performance fees payable to Darling Macro. Neither Darling Macro nor the Fund guarantee repayment of capital or any particular rate of return from the Fund. Darling Macro does not give any representation or warranty as to the reliability, completeness or accuracy of the information contained in this document. All opinions and estimates included in this document constitute judgments of Darling Macro as at the date of this document and are subject to change without notice. The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.