

darling macro. darling macro fund.

Monthly report
January 2021

Markets' review

The uptrend in most equity markets was interrupted in January as a riot at Capitol Hill in Washington focussed attention on the potential for further disruption of the transfer of power. Ultimately, the US inauguration was undertaken without incident and focus resumed on fiscal packages and upcoming company earnings. Also notable was the bubble-like rise of certain equities such as Gamestock which were touted on stock trading platforms. Traders took advantage of stocks with large and crowded short positions which resulted in large losses for the shorts who had to cover. Ironically, traders then suffered from the rise in volatility, as exchanges and brokers restricted trading in certain stocks as margin rose and some brokers had to raise equity. Most of the 'bubble' stocks quickly deflated but the large increase in trading accounts suggests that there is potential for further momentum driven bubbles.

Fund positions

For the second straight month the fund's positions in longer dated bonds were reduced in favour of shorter dated bonds. However the fund retains an overall position strongly tilted to defense, with larger positions in bonds over equities and commodities. Over the month, positive contributions came from strategies which favour steepening US bond curves, short dated US rates outperforming equities, gains on Taiwanese equities and some agricultural commodities. Negative contributions came from losses on bonds and gold.

Fund performance

The Darling Macro Fund (Class A) fell 1.40% during January.

The Fund generated 0.4% from short dated bonds and 0.2% from Agriculture while long dated bonds -1.7%, equity -0.2% and precious metal -0.1% detracted.

Since 1 April 2019, the Fund has achieved:

- A return of 11.16% pa compared with 6.65% pa for Australian equities and 4.61% pa for Australian fixed income.
- A materially lower draw down (-16.6%) than Australian equities (-36.5%), and
- Low correlation (10.3%) with a 70:30 balanced portfolio of equities and bonds.

Fund performance

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
Class A	-1.40	3.20	3.69	11.16
Class B	-1.36	3.14		4.14

* 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	-0.2	2.8	-6.9	-2.6
Bond	-1.7	-1.9	2.9	8.3
Short bond	0.4	1.8	6.5	4.9
Currency	0.0	-0.2	0.3	0.3
Agriculture	0.2	0.7	-1.0	-1.9
Energy	0.0	0.0	0.0	-0.3
Precious metals	-0.1	-0.1	0.7	0.8
Other	0.0	0.2	1.1	1.7

Fund objectives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
Darling Macro Fund (A)	-1.40	3.20	3.69	11.16
Australian equities	0.31	11.89	-3.12	6.65
Australian fixed income	-0.47	-0.87	1.78	4.61
DMF Volatility	11.6	13.2	13.2	12.9
DMF Correlation	56.3	1.6	14.7	10.3
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 January 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.

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.

Ratings



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