

darling macro fund. dmf.

June, 2019

About the fund

The Darling Macro Fund pursues a global macro strategy, which aims to dynamically allocate long and short exposure across many liquid markets within 4 major global asset classes: Equities, Bonds, Commodities and Currencies.

The objective of the Darling Macro Fund is to generate a risk adjusted positive return over the medium to long term, which is less correlated to the movements in core equity and bond allocations.

The fund is aiming to achieve:

1. A return of 9 % net of costs p.a. in excess of the Australian cash rate over a rolling 5-year period, as measured by RBA Cash Rate.
2. Annual volatility measured over the same 5-year rolling period is expected to be 15 % pa.
3. Materially lower drawdown risk than equities over the medium term.
4. Low to moderate correlation to a strategic asset allocation of equities and bonds (70:30) over the medium term.
5. Easily observable valuations and high liquidity.

Performance		1 mth	3 mth	6 mth	Cytd	1 Year	3 Year	SinceInception
Darling Macro Fund	Class A	8.7%	11.4%		11.4%			11.4%
	RBA Cash plus 9%	0.8%	2.6%		2.6%			2.6%

Risk and Attribution

Volatility		9.2%			13.7%			13.7%
Correlations	SAA Index	20.5%			10.4%			10.4%
Performance Attribution	Equity	2.1%			1.1%			1.1%
	Bond	5.1%			10.1%			10.1%
	Short Bond	0.9%			2.6%			2.6%
	FX	-0.2%			-0.2%			-0.2%
	Agri	0.2%			-2.7%			-2.7%
	Energy	-0.1%			-0.3%			-0.3%
	Other including cash	0.5%			0.7%			0.7%
Risk allocations	Equity	-4.3%						
	Bond	101.3%						
	FX & Commodity	3.0%						

Notes:

Performance is net of all management fees
Risk and attribution is based on Class A performance
SAA Index is comprised 70% of equities and 30% bonds.
Refer to disclosures for important information
Refer to the Information Memorandum for further detail

Source: Darling Macro (347 Darling Pty Ltd AFSL 491106)

Commentary

A brief review of markets

June was an extraordinarily strong month for markets across most regions. Consequently correlations between equities and bonds rose and diversification has deteriorated. This pattern can't be sustained for long periods and a change in investor perceptions of economic growth or monetary policy will likely shift the pattern.

Recessions are usually very damaging to corporate profits and employment. Small decreases in the probability of recession can have large effects on equity prices.. Therefore an equity rally in response to supportive monetary policy and lower bond yields is not completely inconsistent. However lets not get into the business of trying to explain what has occurred in markets!

Risk allocations

The strategy's risk allocation is tilted to bonds, across the US, Germany and Japan. The position has been reduced modestly as an increase in correlations between equities and bonds has caused portfolio volatility to rise.

Commentary

Performance and attribution

In June the Darling Macro Fund generated 8.7% after fees. Contributions to performance came from from Bonds 5.6%, Equity 2.7% and Commodities 0.3%. (Contributions before fees)

For the month, each of the underlying economic 32 strategies generated a positive return. The best performing strategies were blends of Japanese assets and A\$; blends of US equity and US short rates; and blends of European equity and gold.

Over a rolling 12 month period, 63% of monthly returns for the 32 strategies were positive and 37% were negative.

And finally.....

The Darling Macro Fund makes an annual distribution for the period ending June. The first distribution was \$0.05621 per unit which was either reinvested in new units or paid to investors.

Key Details

Type of fund: The Darling Macro Fund is an unregistered managed investment scheme for the purposes of the Corporations Act

Eligible investor: Any offer or invitation to acquire Units in the Darling Macro Fund will only be extended to a person if the person has first satisfied the Investment Manager and the Trustee that the person is a Wholesale Client.

Information Memorandum: The IM is dated 28 March 2019

Inception: 1 April 2019

Investment Management fees: Class A 1% pa of NAV. Class B 0.5% pa of NAV plus 10% of the cumulative performance of the Fund (after the Management Fee but before the deduction of Performance Fees (paid or accrued) above the Performance Hurdle.

Performance hurdle: RBA Cash Rate

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