

# darling macro. darling macro fund.

Monthly report  
March 2020

## Markets' review

Markets struggled to digest the economic impacts of the virus and oil supply hikes. As volatility soared, many investors moved to reduce risk. This coincided with an increase in demand for US\$ liquidity. It became apparent that without liquidity support, funding markets for governments and banks would cease to work. Gains made on bonds evaporated as bond yields soared before retreating as central bank liquidity programs were implemented and governments initiated very large spending programs. Year to date Australian equity fell 23%, unhedged international equities fell 9% due to a fall in the A\$, Oil fell almost 70%, while government bonds ended up.

## Performance and risk

Performance was -5.6% for the month, and -1.8% for the quarter. Performance was 12% over the last 1 year. During March, gains from short dated bonds and currency were offset by losses on equities. The portfolio was rebalanced regularly during March as measures of risk rose sharply due to higher volatility and correlation. Over the first 2 weeks equity and commodity risk allocations were halved, while bonds were mostly unchanged. Over the next 2 weeks, as government bond markets became correlated with equities and equities continued to fall, all of the fund's allocations were substantially reduced.

### Fund performance

	1 mth (%)	3 mth (%)	1 year (%)
<b>Class A</b>	<b>-5.6</b>	<b>-1.8</b>	<b>12.1</b>
Objective	0.8	2.4	9.6
Excess return	-6.4	-4.2	2.1
<b>Class B (2019-08-01)</b>	<b>-5.2</b>	<b>-1.7</b>	
Volatility	28.5	18.5	14.6
Correlation	24.7	23.6	14.2

### Performance attribution

	1 mth (%)	3 mth (%)	1 year (%)
Equity	-7.8	-13.9	-11.0
Bond	-1.1	8.7	19.0
Short bond	2.4	4.5	6.2
Currency	1.1	2.3	1.8
Agriculture	-1.1	-2.6	-4.6
Energy	0.0	-0.1	-0.5
Other	0.7	-0.7	0.8

Source: Darling Macro. Notes: Fund performance is quoted as Total Return net of fees, assuming reinvestment of distributions and excluding impact of buy/sell fees, as at 31/3/2020. Class A inception 1 April 2019, Class B 2019-08-01 Inception 31 July 2019. Objective is outlined in the Information Memorandum available at [www.darlingmacro.fund](http://www.darlingmacro.fund). Attribution, volatility and correlation calculations are based on Class A performance. Performance attribution is based on estimates and may not sum to Total return. Correlation is with indicative 70 equity:30 bond index. Past performance is not a reliable indicator of future performance. Refer to Information Memorandum for further detail. Report re-issued 3 September 2020 to amend mis-stated RBA Cash objective.

## And finally

Uncertainty was extreme and pervasive in early March as investors had no construct to determine the spread of infection, the impact on economies or the timeliness of support by governments and central banks. However the quick implementation of fiscal and monetary support truncated some of the more dire scenarios, and equities have retraced. The implementation of social distancing policies became the best lead indicator for estimating the peak in infections. Going forward the repeal of these policies will be the best indicator for the slope after the peak - and economies returning to some normality.

Analysis now shifts to the necessary social distancing policies to keep the virus contained before a vaccine is widely available. Upside occurs from here if governments repeal social distancing progressively from late April, a credible ceasefire on oil supply emerges and emerging market economies somehow escape the worst. There is downside if infections re-emerge in Wuhan, economic data for March and April is more negative than currently forecast and damage to banking systems emerges.

## 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.

# darling macro. darling macro fund.

## 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.

## Fund objectives

The Fund is aiming to achieve:

1. A return after fees of RBA Cash plus 9%, and
2. Annual volatility of 15% pa over rolling 5 years, and
3. Materially lower drawdown risk than equities, and
4. Low to moderate correlation to a 70:30 balanced fund, and
5. Easily observable valuations and 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 2 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.

This document is issued by 347 Darling Pty Ltd ABN (38 604 854 999), AFSL (491106) ("347 Darling") on behalf of the Darling Macro Fund ("Fund"). 347 Darling 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 347 Darling 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 347 Darling 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 347 Darling. Neither 347 Darling nor the fund guarantee repayment of capital or any particular rate of return from the Fund. 347 Darling 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 347 Darling as at the date of this document and are subject to change without notice.