

darling macro. darling macro fund.

Monthly report
August 2021

Markets' review

The US Fed confirmed plans to reduce purchases of government bonds but said raising interest rates was not imminent. The RBA also joined those central banks reducing bond purchases.

The pattern of economic data releases continues to point to a growth slowdown. Both US and Chinese economic data is surprising negatively. While Europe is the relative outperformer. Possible explanations for the slowdown are supply bottlenecks, the persistent Delta variant and declining pulse of fiscal stimulus. Company earnings announcements were positive and contributed to a strong month for equities. The Australian dollar declined while equity option volatility pricing also declined.

Of the fund's largest positions, futures market performance was +3.0% for US equity, 2.4% Australian equity, -0.3% US 10yr Bonds, +2.0% Taiwan equity, and +0.0% Australian 10yr Bonds.

Fund positions

During the month the portfolio became a little less growth oriented as long dated bonds were increased and commodities and equity were trimmed. Equity remains the largest asset class risk position and contributes about 66% of total net risk. The new protection positions in equity volatility and currency are acting to reduce risk. The Fund's 5 largest risk positions are US equity, Australian equity, US 10yr Bonds, Taiwan equity, and Australian 10yr Bonds. (1 year value at risk (95% VaR)).

Fund performance

The Darling Macro Fund (Class A) gained 0.95% during August.

Growth exposures which include equity contributed 2.2% while Inflation exposures which include commodities detracted -0.7%. Defensive exposures which include bonds detracted -0.9%.

The protection strategies contributed 0.3%. These guard against major market reversals, large rises in equity volatility and market turbulence. We expect that they will mostly contribute to performance during turbulent markets, though in some months like August, opportunities emerge to exploit the cost of purchasing protection.

Since inception (1 April 2019) the Fund (Class A) has generated:

- A return of +8.99% pa, and
- Low correlation of +12.4% with a 70:30 balanced portfolio.

Fund performance

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
Class A	0.95	3.92	3.40	-0.92	8.99
Class B	0.97	4.04	NA	NA	2.09

* 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.%)	Incept * (p.a.%)
Equity	2.2	3.9	12.0	2.5	1.8
Bond	-0.8	1.3	-7.9	-6.2	3.9
Short bond	-0.1	-1.6	-1.1	0.9	2.3
Currency	0.1	0.5	0.2	0.2	0.3
Agriculture	0.3	0.8	2.0	0.7	-1.0
Energy	-0.5	0.3	0.7	0.3	0.1
Prec metals	-0.1	-1.2	-2.3	-0.4	-0.1
Metals	-0.2	-0.2	-0.1	-0.1	-0.1
Other	0.0	-0.1	-0.4	1.0	1.7
Volatility	0.3	0.3	0.3	0.2	0.1

Fund performance objectives and comparatives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
RBA Cash	0.00	0.01	0.05	0.27	0.44
Australian equities	2.50	5.97	28.15	10.26	11.90
Australian fixed income	0.08	2.76	1.05	1.36	3.68
DMF Volatility	8.0	10.2	13.5	13.1	13.3
DMF Correlation	44.3	41.2	20.8	19.7	12.4
DMF drawdown					16.6
Aus 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, RBA, 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 August 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. RBA Cash is RBA Cash rate total return index. Equities drawdown and performance for Australian equities is based on S&P/ASX 200. Australian bonds is based on S&P/ASX Australian Fixed Interest Index. Correlation is with indicative 70 equity:30 bond index. Drawdown is daily data and not annualised. 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 26 Jul 2021
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 26th July 2021 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.