

# darling macro. darling macro fund.

Monthly report  
April 2020

## Markets' review

The rebound in equities from late March continued into April. Investors reacted positively to infections being better than their pessimistic expectations. Economic data confirmed that a severe recession is underway as measured by massive declines in employment, earnings and GDP. Australian equities bounced 8.8%, International unhedged equities 3.7%, government bonds -0.5% and the A\$/US\$ 6.6%. Oil took the headlines but the rise in technology and healthcare was eye catching. While some "zombie" companies are being kept alive, investors buying tech are signalling the direction that the economy and productivity is taking.

## Performance and risk

Fund performance was 2.3% for April, 0.5% calendar year to date and 16.4% over the last 12 months. During April, the fund participated in gains made by equities while also gaining from bonds. Currency and commodities were a detractor. Of the 32 asset allocation strategies we manage, 28 made positive contributions and 4 were negative. Over 12 months the success rates were 19 positive contributions and 13 negative. During the month, all 3 speeds made positive contributions with the faster reacting speed being the best performer. At the end of the month the fund was allocated 13% to short term bonds, 52% to long term bonds, 21% equities and 15% commodities.

### Fund performance

	1 mth (%)	3 mth (%)	1 year (%)
<b>Class A</b>	<b>2.3</b>	<b>-2.1</b>	<b>16.5</b>
Objective	0.8	2.3	9.9
Excess return	1.6	-4.4	6.6
<b>Class B (2019-08-01)</b>	<b>2.3</b>	<b>-1.7</b>	
Volatility	6.3	18.7	14.3
Correlation	29.9	24.3	15.0

### Performance attribution

	1 mth (%)	3 mth (%)	1 year (%)
Equity	1.6	-11.6	-10.3
Bond	1.1	7.1	22.0
Short bond	0.2	4.0	6.4
Currency	-0.4	1.2	1.4
Agriculture	-0.5	-2.6	-3.9
Energy	0.0	0.0	-0.5
Other	0.0	0.2	0.7

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 30/4/2020. 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

The implementation of social distancing policies became the best lead indicator for estimating the peak in infections. These policies are now being slowly repealed and activity is increasing across most markets. Increased activity will inevitably bring increases in infection rates which will instil the realisation that we need to live with the virus, rather than believing it can be eradicated. Sectors that can't operate safely or countries that mismanage the repeal face a longer period of economic decline. Economic and earnings' releases over the next 3 months will confirm the immediate severity of the recession. Creditors, including banks and the capital markets, are extending ample liquidity to companies. This is being reflected in data released for credit outstanding and bond issuance. Consumers however are reacting to reductions in income and are drawing down on government support and reducing consumption and drawn credit. Keeping a close eye on consumer sentiment and spending will be necessary to determine whether the liquidity risk in the supply side of the economy turns into solvency risk.

## 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.

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## 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.

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