

# darling macro. darling macro fund.

Monthly report  
December 2020

## Markets' review

Various health authorities confirmed the efficacy of vaccines and their approvals allowed inoculation programs to begin. A US fiscal stimulus package was eventually approved and the Biden administration plans further packages early in 2021. Virus infections and deaths were generally worse than expected but investors are looking through potential economic impacts to vaccines normalising mobility. Locally, China and Australia's relationship deteriorated, yet the A\$ gained ground as the value of iron ore trade easily exceeds trade losses for now. The virus outbreak in Sydney saw some equity weakness but this was short-lived. Australian equities added 1.2%, while global equities lost -0.5%, which was impacted by stronger A\$. Sovereign bond curves generally steepened. US\$ weakness and weather related supply shortages also forced some commodities like corn and wheat higher.

## Fund positions

Over the month, 15 of the 32 asset allocation strategies made positive performance contributions. Strategies anticipating a steeper bond yield curve and rising US equity markets made the best gains, while losses were all negligible. Strategies are implemented at various speeds. On average, each speed had positive performance suggesting that the current trends being identified remain intact. Across the 32 asset allocation strategies, asset allocation remains strongly tilted to bonds over growth assets such as equities and commodities. Positions in longer dated bonds were reduced in favour of shorter dated bonds.

## Fund performance

The Darling Macro Fund rose 2.98% during December.

The Fund generated 1.1% from equities, 1.5% from short dated bonds, 0.6% from Agriculture and 0.3% from Precious metals while long dated bonds and currency detracted. Since 1 April 2019, the Fund has achieved:

- A return of 12.59% pa compared with 8.18% pa for Australian equities and 5.30% pa for Australian fixed income.
- A materially lower draw down (-16.6%) than Australian equities (-36.5%), and
- Low correlation (9.3%) 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	2.98	1.52	7.87	12.59
Class B	2.84	1.49		1.75

\* 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	1.1	2.6	-7.7	-2.6
Bond	-0.4	-2.5	7.5	9.7
Short bond	1.5	0.9	6.8	4.8
Currency	-0.1	-0.1	1.0	0.3
Agriculture	0.6	0.6	-1.5	-2.1
Energy	0.0	0.0	-0.1	-0.3
Precious metals	0.3	-0.1	1.3	0.9
Other	0.1	0.1	0.7	1.8

### Fund objectives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
DMF Returns	2.98	1.52	7.87	12.59
DMF Volatility	11.2	12.5	12.8	12.9
DMF drawdown				-16.6
Equities drawdown				-36.5
Correlation	-24.9	-17.2	13.3	9.3
Australian equities	1.21	13.70	1.40	8.18
Australian fixed income	-0.26	-0.11	4.86	5.30

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 December 2020. Objective is outlined in the Information Memorandum available at [www.darlingmacro.fund](http://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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