

darling macro fund.

Volatility Managed Multi Asset Fund

Q4 2020 Quarterly Review

February 2021

Wholesale Investors only

Darling Macro Fund: Volatility Managed Multi Asset Fund

Darling Macro Fund

Objectives

1. A return of 9 % p.a. net of costs in excess of the Australian cash rate over a rolling 5-year period.
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.

Inception

1 April 2019

Fees

Class A. Fee: 1% inclusive of GST. Class B. Fee 0.5% plus 10% of performance above RBA Cash plus 0.5%, inclusive of GST

Liquidity

Daily

Manager

Darling Macro (347 Darling Pty Ltd)

Trustee

Evolution Trustees

Administrator

APEX Fund Services

Auditor

Ernst and Young

Tax advisor

Pitcher Partners

Investors

Eligible wholesale investors only

Greg Burke and Mark Beardow Darling Macro Principals and Co-CIOs



Trader and risk manager

After 25 years as a senior trader for Deutsche Bank and Westpac in Sydney and London, Greg developed the key trading strategies for Darling Macro Fund. This strategy was first executed on behalf of a bank's balance sheet to manage and offset their traders' Value At Risk.

Creation of strategy - scalable and repeatable

Greg saw that the approach had wider application and developed a less constrained set of risk allocation strategies. With the primary aim of targeting volatility, the strategy delivered very strong outcomes.



Institutional Investor

Mark has over 25 years of experience in Investing on behalf of clients. Most recently as CIO Global Equities and Fixed Income of AMP Capital where he had responsibility for a 100 person business in 5 global centres managing A\$80bn for institutional and retail investors in Australia, NZ and Asia.

Managing Volatility - improving risk adjusted returns

Mark oversaw the development of a new type of balanced fund which targeted volatility. He also developed funds based on global macro markets and credit markets focusing on alpha generation, and strategies to hedge equity risk.

Joint CIO Focus

Darling Macro Fund has joint CIOs with diverse backgrounds but a common aim - to generate genuine alpha returns using volatility as the key risk factor. Results over the last 3 years have endorsed this approach.

Darling Macro

Greg and Mark are co-owners of Darling Macro and are supported by a trusted and experienced team including a Chief Operating/Risk Officer, Chief Financial Officer, Investor Relations and Client Adviser.

Firm Performance Track Record

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Darling	Aus Equities	Intl Equities
2017							2.89%	4.31%	-2.11%	5.75%	2.55%	0.84%	14.90%	8.4%	8.5%
2018	4.69%	-5.35%	-1.86%	1.56%	3.78%	-0.94%	1.01%	0.29%	-1.61%	-10.20%	-0.36%	-2.19%	-11.43%	-2.7%	1.5%
2019	7.74%	0.71%	8.78%	-1.55%	4.06%	8.72%	1.07%	11.45%	-5.36%	-0.83%	-0.82%	-2.28%	34.37%	23.0%	27.7%
2020	2.60%	1.39%	-5.62%	2.34%	1.06%	1.14%	4.43%	-2.68%	1.83%	-3.01%	1.64%	2.98%	7.89%	1.4%	5.7%
2021	-1.40%														
												Inception pa	11.09%	6.7%	10.9%

Weights within asset allocation strategies are dynamically rebalanced and 30 optimal strategies are selected from 96 variations

34 Markets

2-4 Markets per strategy

32 Strategies

3 Speeds

96 Strategy variations

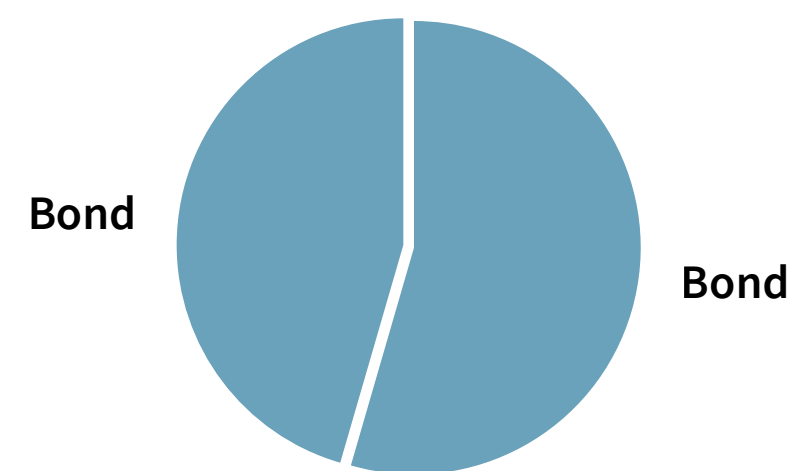
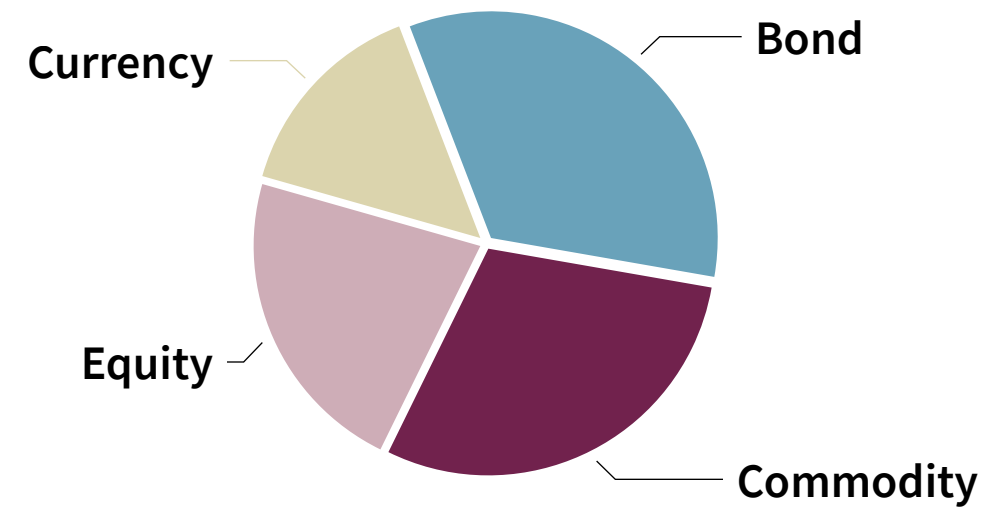
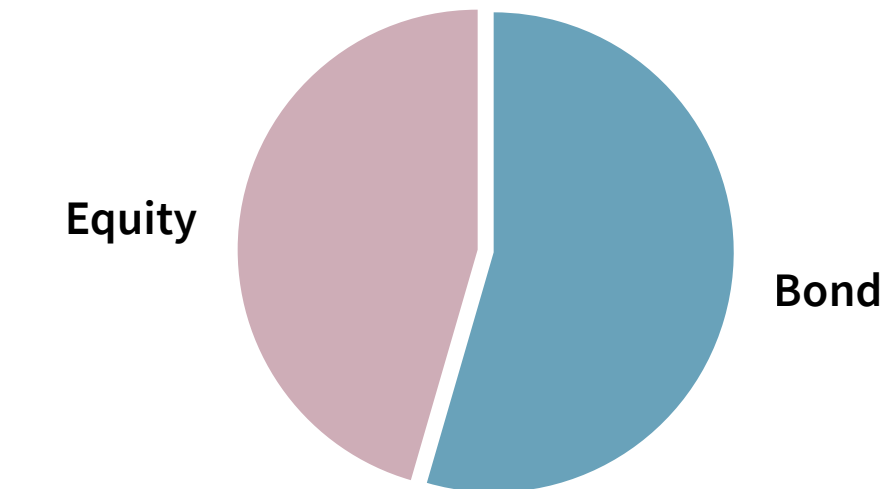
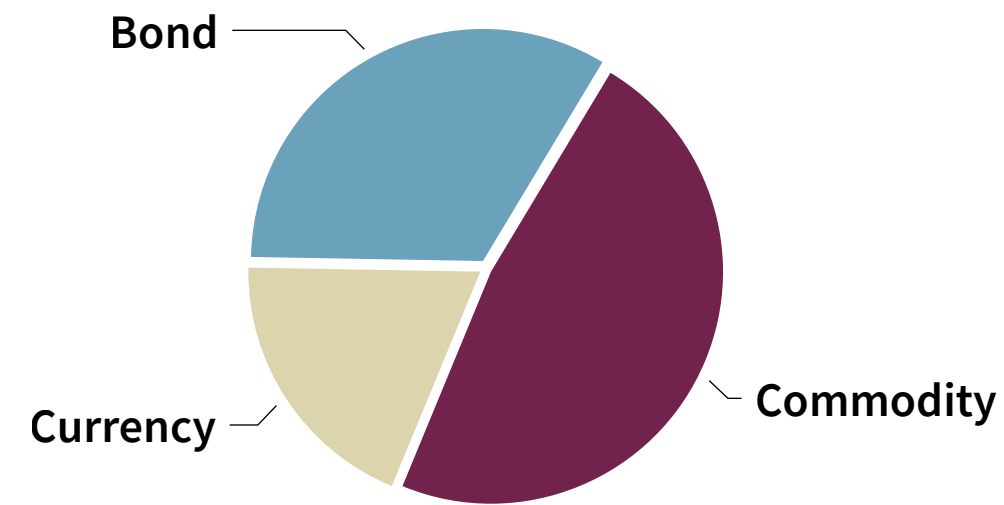
30 Strategies selected

Inflation signals
12 strategies
(2 - 4 markets)
eg. Gold, Oil and Eurodollars

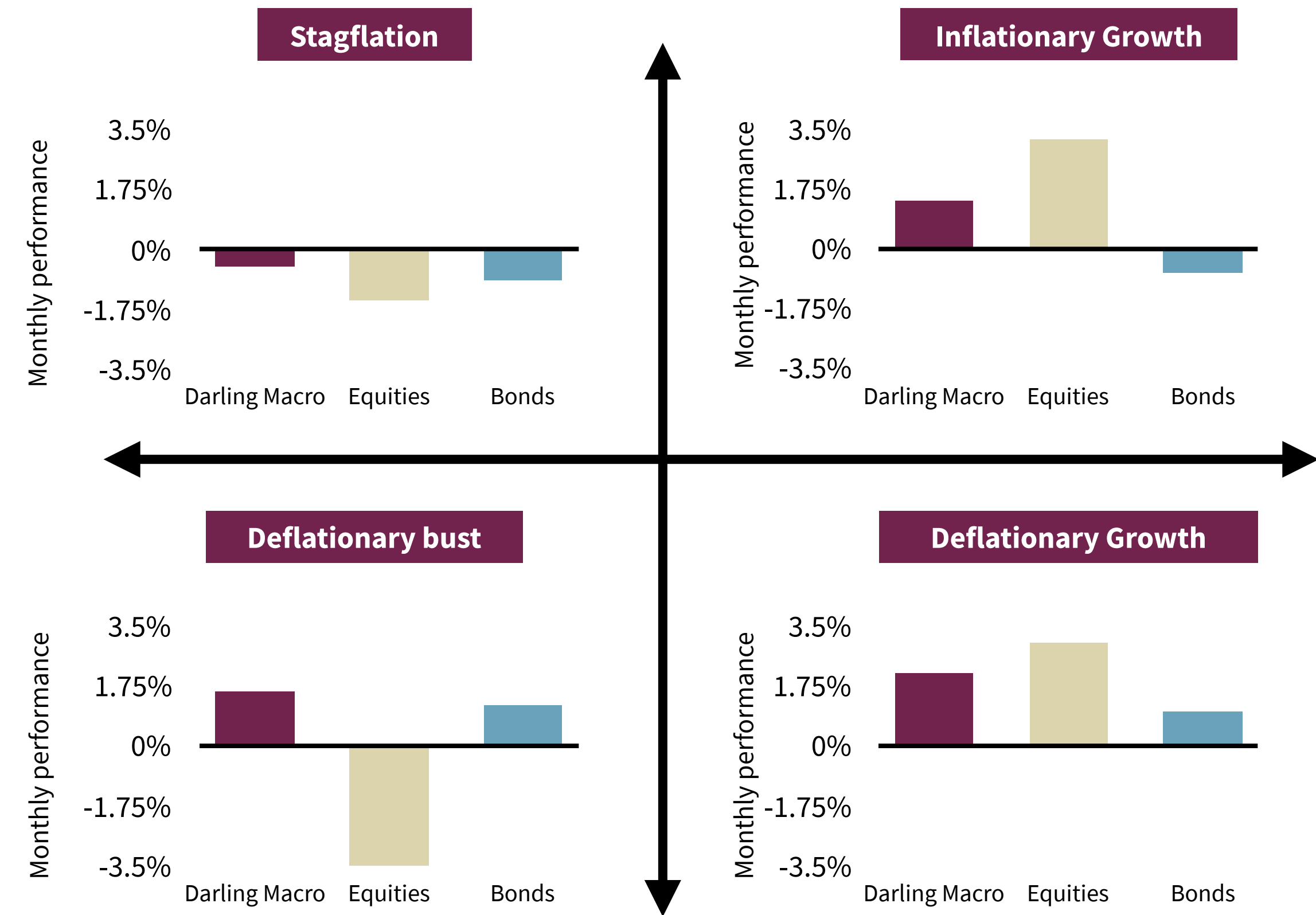
Growth signals
15 strategies
(2 - 4 markets)
eg. US Equities and Eurodollars

Regional growth signals
3 strategies
(2 to 4 markets)
eg. Gold, A\$, Aust bonds & equities

Central Bank Strategies
2 strategies
(2 to 4 markets)
eg. US and German bonds



Giving the fund participation during growth and protection during shocks



Top multi asset alternatives over 3 years

	1yr return %	3yr return % pa
Darling Macro Track Record	7.9	8.8
Bridgewater All Weather Australia Series 2	6.1	5.3
JPMorgan Global Macro Opps Class A	13.2	5.3
P/E Global FX Alpha Fund	-8.2	5.0
MAN AHL Alpha (AUD)	6.8	4.3
Fulcrum Diversified Absolute Return	7.7	4.2
Schroder WS Plus Real Return CPI + 5%	4.3	4.0

Source: Darling Macro, S&P. Monthly arithmetic returns where quadrants are determined by monthly performance of Australian equities (ASX200) and Australian government bonds, and measured against the Darling Macro Index (Darling Macro). Stagflation = negative bond and equity performance; Inflationary Growth = negative bond and positive equity; Deflationary Growth = positive bond and equity; Deflationary Bust = positive bond and negative equity. From end July 2009 to end April 2020. Competitor performance from Morningstar for Multi Asset Alternatives to 31 December 2020. Results for the Darling Macro incorporate managed accounts from 1 July 2017 to 31 March 2019, and Darling Macro Fund from 1 April 2019 to 31 December 2020.

2020: a tumultuous year in review

Q4 2020

Key development:

Better than expected news on vaccine efficacy and approvals by health authorities were an upside surprise

Markets:

Equities performed very strongly while bonds and gold sagged

Performance: The fund's gains on equities were offset by losses on bonds, while some gains were made on agriculture

Positions: The fund reduced allocations to longer dated bonds and gold while adding shorter dated bonds and equities

2020

Q1:

As volatility rose sharply, the fund was quick to cut risk in equities first then bonds. Total risk was reduced but not zeroed.

Q2:

As volatility subsided, total risk allocation was increased as the fund gradually re-entered positions in short and long dated bonds.

Q3:

Total risk allocation rose mostly through the addition of short dated bonds.

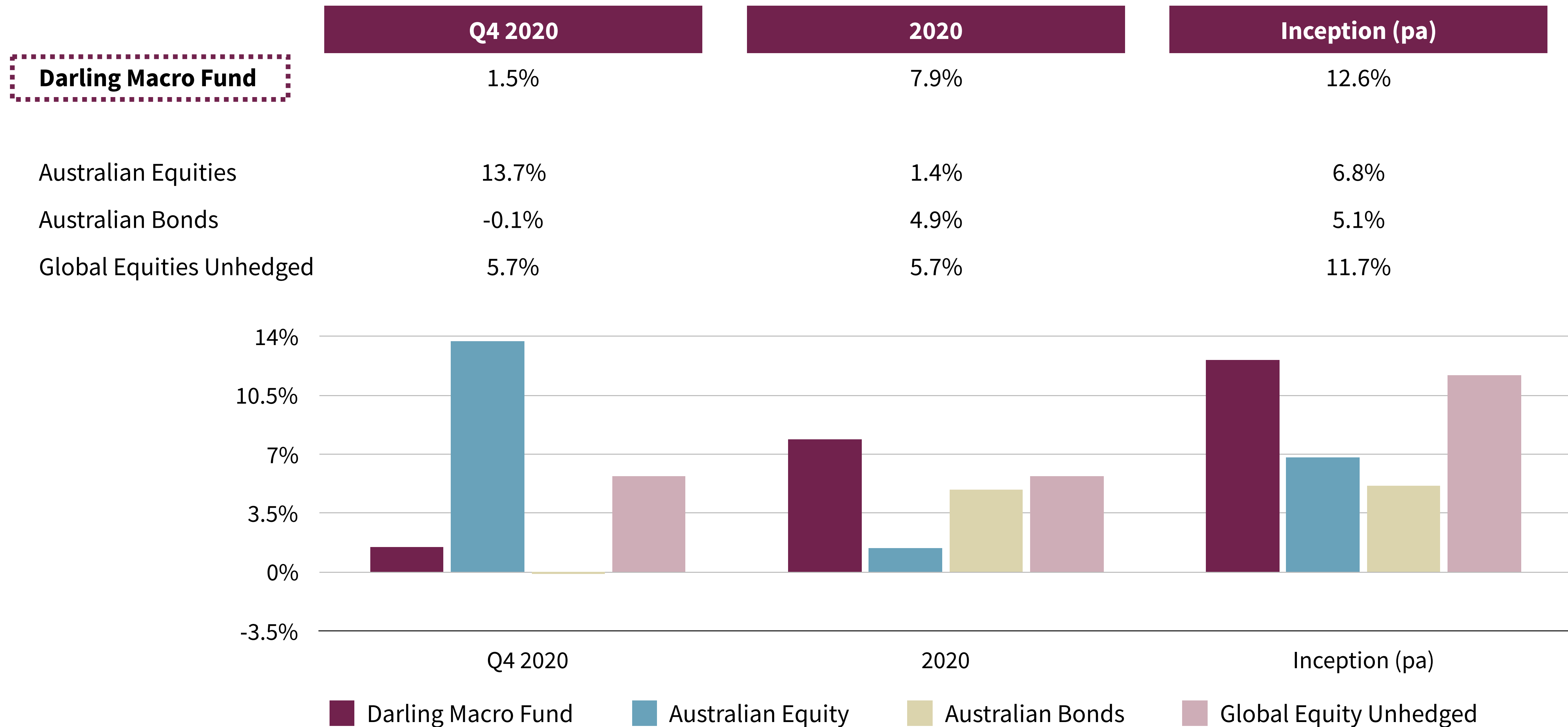
The fund's approach to risk management through risk reduction and diversification was successful in Q1 in reducing drawdown. As equities and commodities rebounded, the fund gradually added risk and captured some of the gains while managing total volatility.

How did markets perform?

Showing top 5 and bottom 5 markets

	Q4 2020		2020	
	Market	Performance	Markets	Performance
Top 5	US Equity (Russell)	31.5%	Silver	43.9%
	INDIA Equity	23.9%	US Bond	33.9%
	Corn	23.0%	Copper	23.3%
	Oil	18.6%	Gold	20.8%
	JP Equity	17.8%	US Equity (Russell)	20.0%
Bottom 5	Natural Gas	-15.7%	Oil	-45.9%
	US Bond	-0.8%	Natural Gas	-45.1%
	Live Cattle	-0.4%	GBR Equity	-11.5%
	Gold	-0.4%	Live Cattle	-10.2%
	JP Bond	-0.1%	SING Equity	-8.1%

How did the Darling Macro Fund perform?



Source: Darling Macro, S&P, MSCI. Darling Macro Fund Inception 1 April 2019 and performance shown for Class A after fees. Australian Equities is S&P ASX/200 TR, Australian Bonds is S&P ASX Australian Fixed Interest Index TR, Global Equities unhedged is MSCI World Ex-Australia. Performance shown as Inception (pa) is from 1 April 2019.

Which markets contributed to Fund performance?



	Q4 2020	2020	Inception (pa)
Darling Macro Fund	1.5%	7.9%	12.6%
Attribution			
Equity	2.6%	-7.7%	-2.6%
Bond	-2.5%	7.5%	9.7%
Short Bond	0.9%	6.8%	4.8%
Currency	-0.1%	1.0%	0.3%
Agriculture	0.6%	-1.5%	-2.1%
Energy	0.0%	-0.1%	-0.3%
Precious metals	-0.1%	1.3%	0.9%
Other	0.1%	0.7%	1.8%

How is the Fund's risk budget allocated?



Allocations at end of period are measured as Ex ante volatility (24 month ex-ante volatilities, excluding any risk offset)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Equity	11.2%	8.3%	14.7%	22.1%	38.6%
Bond	26.2%	38.9%	46.1%	49.9%	34.4%
Short Bond	56.5%	44.8%	26.7%	11.3%	9.4%
Currency	0.6%	1.2%	2.1%	3.5%	3.5%
Agriculture	4.0%	3.4%	4.8%	8.5%	8.6%
Energy	0.0%	0.0%	0.0%	0.0%	1.2%
Precious metals	1.4%	3.4%	5.6%	4.8%	4.2%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

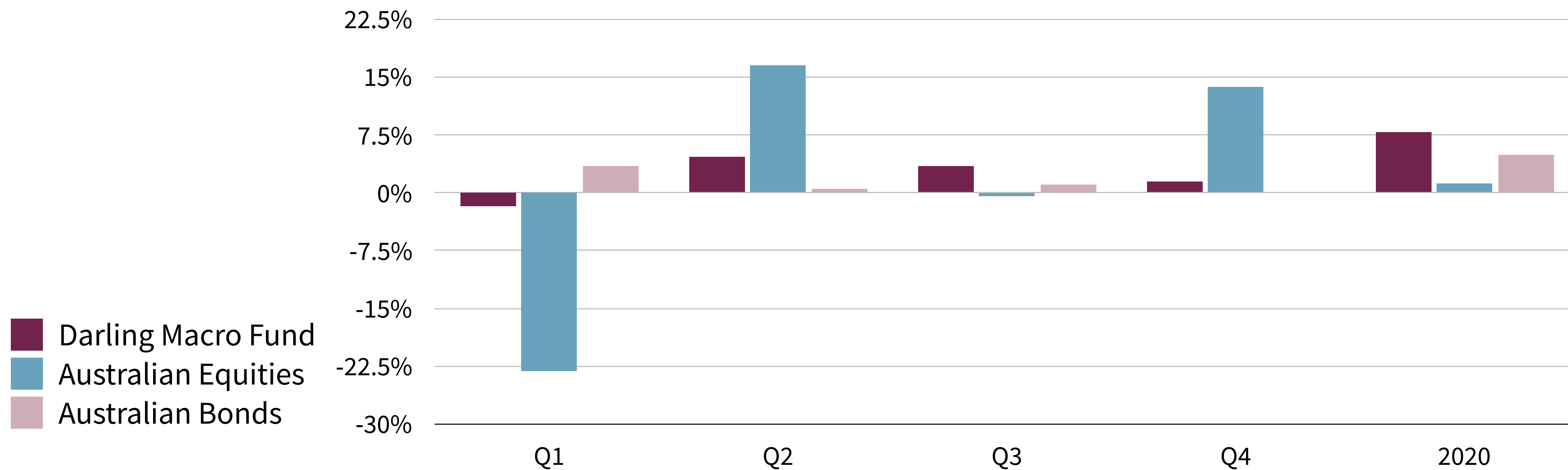
Frequently asked questions

1. How did the Darling Macro Fund perform during 2020? Firstly, in Q1, as equities fell heavily, then in Q2-4 as equities recovered?
2. What is the lifetime track record for Darling Macro (Investment Manager) since it was established in 2017?
3. How has the managers track record compared with other total return funds?
4. What is the Darling Macro Index?
5. How did Darling Macro Index perform during earlier periods of equity stress?
6. Why are alternatives and the Darling Macro strategy attractive now?
7. What environments are favourable and unfavourable for the fund's investment strategy?
8. What is the medium term correlation of the strategy with equities?
9. How does the Darling Macro Fund manage the risk budget without significant shorting?
10. What is the purpose of leverage used in the fund?
11. How does the Darling Macro Fund fit within a typical portfolio?

How did the fund perform during 2020?

- One of the Fund's core objectives is to protect investors during severe market drawdowns while still participating in up markets.
- 2020 has provided a stress test of the strategy.

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
Darling Macro Fund	-1.8%	4.6%	3.5%	1.5%	7.9%
Australian Equities	-23.1%	16.5%	-0.4%	13.7%	1.4%
Australian Bonds	3.4%	0.5%	1.1%	-0.1%	4.9%



EQUITY DIVERSIFICATION

How did the fund perform during 2020?

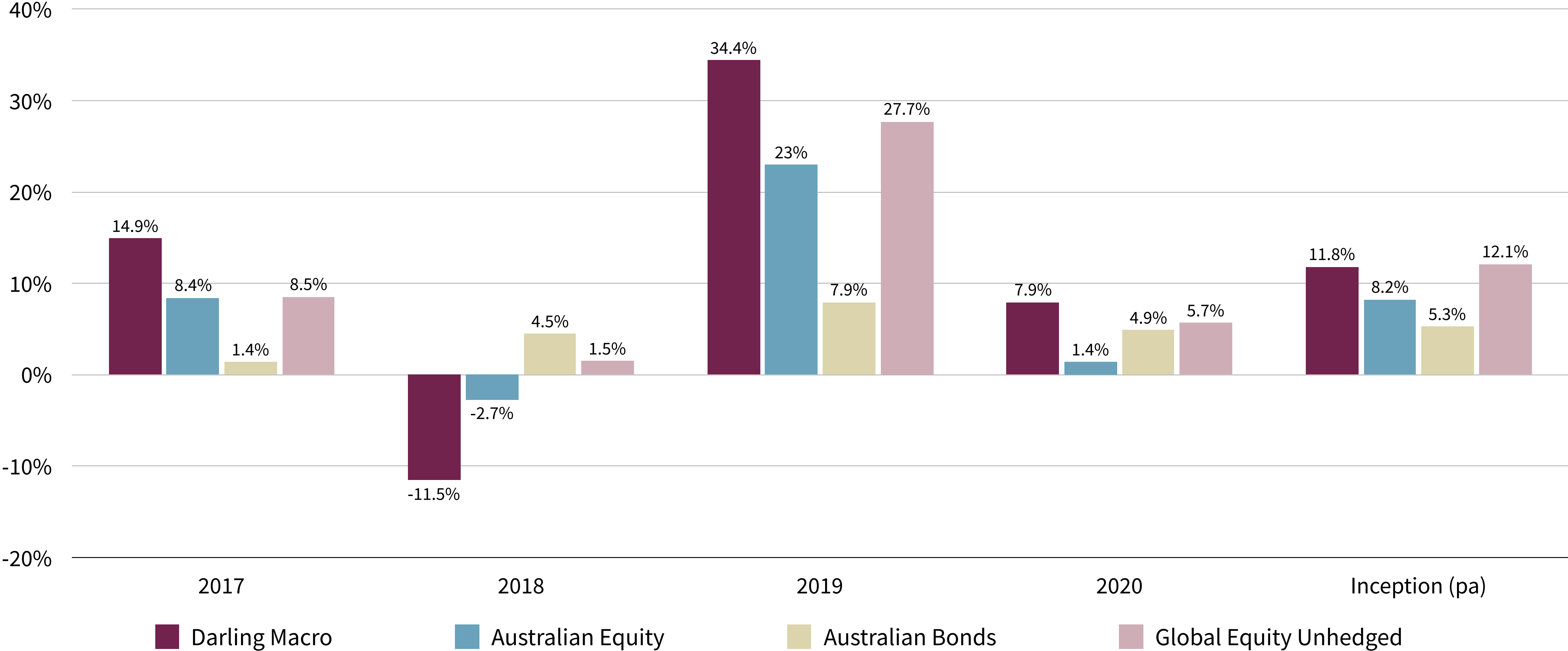
- One of the Fund's core objectives is to protect investors during severe market drawdowns while still participating in up markets.
- The fund's de-risking and diversification techniques were tested by the extreme market conditions in 2020 and we are very satisfied with the results.

	Q1 2020	Q2-Q4 2020	2020
Darling Macro Fund	-1.8%	9.9%	7.9%
Global Equities (unhedged)	-9.0%	16.2%	5.7%
Australian Bonds	3.4%	1.4%	4.9%
Multisector Aggressive	-14.4%	21.2%	3.7%
Multisector Conservative	1.9%	5.4%	3.4%
Global High Yield	-13.8%	19.0%	2.6%
Managed futures	-3.9%	5.8%	1.7%
Australian Equities	-23.1%	31.9%	1.4%

EQUITY DIVERSIFICATION

Source: Darling Macro, S&P, SQM. Darling Macro Fund after fees and expenses, Australian Equities is S&P ASX/200 TR, Australian Bonds is S&P ASX Australian Fixed Interest Index TR, Global Equities unhedged is MSCI World Ex-Australia unhedged, Global High Yield is IHS Markit Global High Yield Bond in A\$ Index

What is the lifetime track record for Darling Macro since it was established in 2017?



Source: Darling Macro. Darling Macro manager track record after fees and expenses comprises managed accounts from 1 July 2017 to 31 March 2019, Darling Macro Fund (Class A) from 1 April 2019 thereafter.

Australian Equities is S&P ASX/200 TR, Australian Bonds is S&P ASX Australian Fixed Interest Index TR, Global Equities unhedged is MSCI World Ex-Australia

3 year record is competitive with total return funds

**DARLING
MACRO**

As at 31 December 2020

Darling Macro track record

Higher volatility (>7%)

P/E Global FX Alpha Fund
MAN AHL Alpha (AUD)
GMO Systematic Global Macro Trust Class B
Winton Global Alpha
Pinebridge Global Dynamic Asset Allocation
Ironbark GCM Global Macro
AMP Capital Dynamic Markets
IPM Global Macro Fund
GAM Systematic Alt Risk Premia AU
Bridgewater All Weather Australia Series 2

Moderate volatility (<7%)

JPMorgan Global Macro Opps Class A
Invesco WS Global Targeted Returns I
BMO Pyrford Global Absolute Return
Aberdeen Standard GARS
Schroder WS Plus Real Return CPI + 5%
Fulcrum Diversified Absolute Return

Indices

S&P/ASX 200 TR AUD
MSCI World ex-Australia NR AUD
S&P/ASX Australian Fixed Interest
BBgBarc Global Aggregate TR Hdg AUD
MySuper "Other" Benchmark
Morningstar Australia Multisector Aggressive

APIR	Fund #	3m return %	1yr return %	3yr return % pa	3yr Stdev %	3yr Sharpe	ICR % 1yr	ICR % 1yr / 3yr StDev %	
		1.5	7.9	8.8	15.5	0.6	1.0	6%	
	MAQ5143AU	41746	-7.0	-8.2	5.0	16.7	0.3	8.6	51%
	MAN0002AU	17475	5.7	6.8	4.3	9.1	0.4	2.0	22%
	GMO0006AU	14830	3.9	7.9	1.8	7.9	0.1	1.0	13%
	MAQ0482AU	15811	2.5	-17.4	-6.2	8.6	-0.8	2.0	23%
	PER0731AU	40674	8.9	4.8	3.3	10.9	0.2	1.1	10%
	DEU0109AU	5842	3.5	-5.8	-1.2	7.9	-0.3	1.9	24%
	AMP1932AU	40160	15.4	-9.8	-3.1	12.6	-0.3	0.7	5%
	MAQ8243AU	41810	4.8	-7.2	-3.2	10.6	-0.4	1.7	16%
	ETL1352AU	43078	2.5	-9.6	NA	NA	NA	1.0	NA
	BPF0008AU		9.1	6.1	5.3	9.7	0.3	NA	NA
	PER0758AU	41086	6.4	13.2	5.3	5.8	0.7	0.8	14%
	GTU0110AU	41509	1.3	-0.1	0.6	3.1	0.0	0.9	30%
	PER0728AU	40602	2.6	0.9	3.9	4.3	0.6	0.9	21%
	ETL0130AU	40258	3.5	7.6	3.2	4.7	0.4	1.2	25%
	WFS0866AU	41395	4.8	4.3	4.0	4.5	0.6	0.8	18%
	ETL0424AU	42166	3.1	7.7	4.2	6.5	0.5	1.0	15%
			13.7	1.4	6.7				
			5.7	5.7	11.1				
			-0.1	4.9	5.7				
			0.8	5.1	4.6				
			4.8	7.1	7.6				
			8.3	3.7	8.5				

Source: Darling Macro, Morningstar and fund websites. Not all funds have 3 year results. Results for the Darling Macro incorporate managed accounts from 1 July 2017 to 31 March 2019, and Darling Macro Fund from 1 April 2019 to 31 December 2020. ICR = Investment Cost Ratio. StDev = Standard Deviation of monthly returns. Sharpe = Return-Cash/StDev. As at 31 December 2020

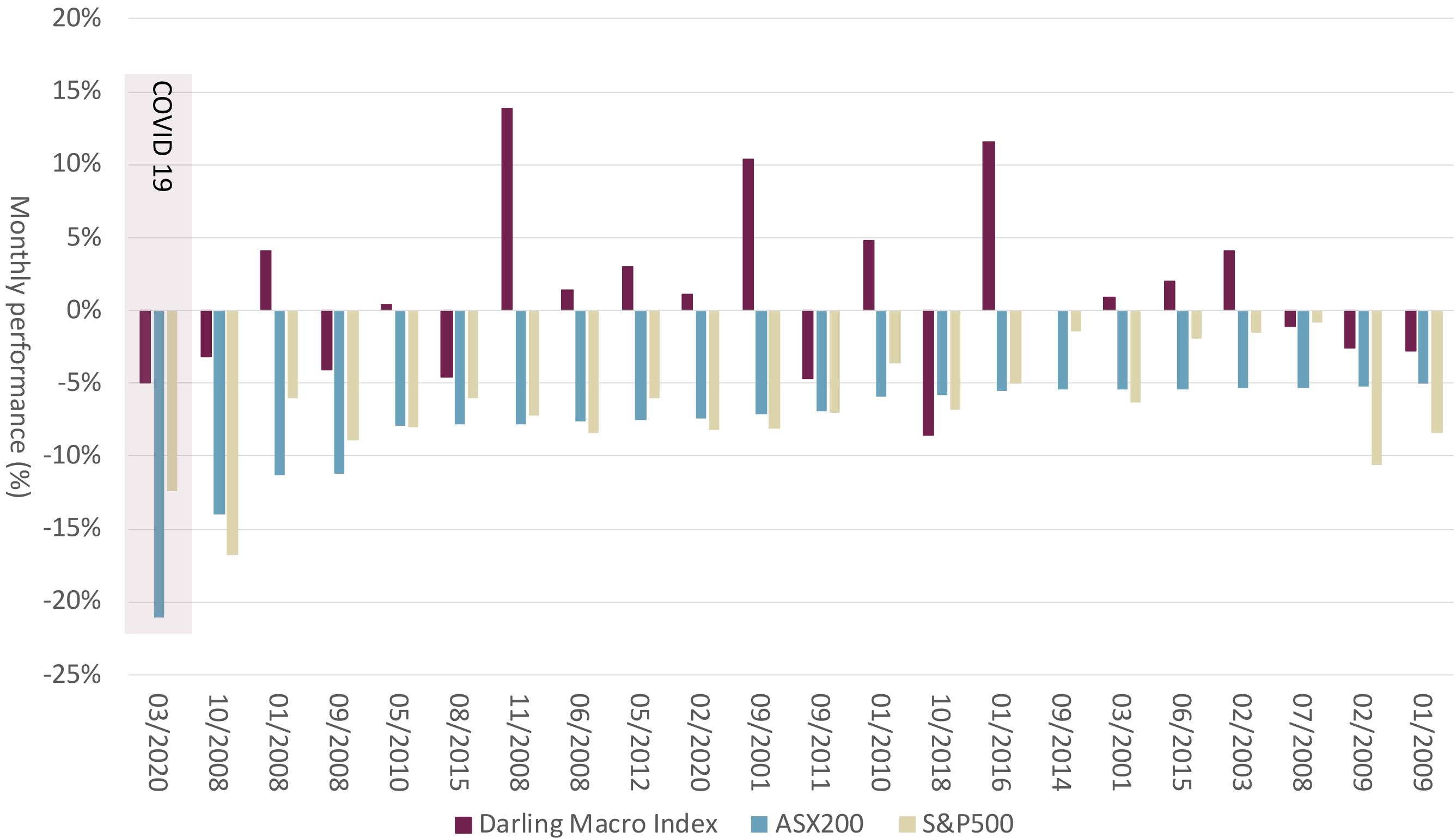
What is the Darling Macro Index?

Key Features

Description	The Darling Macro Index (DMI) is designed to measure the performance of a hypothetical allocation to the Darling Macro investment strategy, calibrated at approximately 15% volatility
Objectives	Annual volatility measured over the same 5-year rolling period is expected to be 15 % pa. Higher risk adjusted returns than static allocations to major developed bond, equity, commodity and currency markets. Low to moderate correlation to a strategic asset allocation of equities and bonds (70:30) over the medium term. Investible
Launch date	March 2009
First value date	September 2000
Fees	Gross and net of fees is calculated
Costs	Costs of trading including rebalancing are incorporated
Calculation	Daily on Global Business Days where all relevant exchanges are open for trading

How did the Darling Macro Index perform during earlier periods of equity market stress?

- When monthly Australian equity losses exceeded 5%:
- The Darling Macro Index outperformed ASX/200 in 21 of 22 months, and
- Generated positive returns in 13 of 22 months.



EQUITY DIVERSIFICATION

Source: Darling Macro, S&P. ASX200 is TR. S&P500 is hedged in AUD. As at end December 2020

How did the Darling Macro Index perform during earlier periods of equity market stress?

Performance comparison during a crisis

Event	Period	ASX200 (%)	S&P500 (%)	Darling Macro Index (%)
Lehman collapse	Aug-Nov 08	-23.1	-24.5	1.4
Euro Sovereign crisis	May-Sep 11	-14.9	-17.0	-1.9
Gulf war 2	Dec-Mar 02/03	-4.4	-10.2	13.1
Sub prime crisis	Nov-Feb 07/08	-16.3	-10.2	37.7
9/11	Sep 01	-6.4	-8.2	11.4
Covid 19	Feb-Mar 20	-26.7	-19.6	-4.0

Largest Drawdown comparison

Prior period	Darling Macro Index (%)	ASX200 (%)
1 year	-21.5	-36.1
3 years	-21.5	-36.1
5 years	-21.5	-36.1
10 years	-21.5	-36.1
15 years	-21.5	-50.7

EQUITY DIVERSIFICATION

Source: Darling Macro. Results are generated from the Darling Macro Index, these are simulated results after fees, in A\$ and not actual results. Equity indices constructed from futures markets. Drawdowns calculated on daily returns. As at end December 2020.

Why are alternatives and the Darling Macro strategy attractive now?

Lots of policy experimentation occurring: money printing, negative rates, yield curve control, central banks funding private businesses, market intervention, large fiscal deficits plus different strategies to control the virus

On most absolute valuation measures equities and bonds are very expensive, arguably equities are reasonable value compared with bonds but they have been for 10 years. Other signals such as demand for cryptocurrencies and IPOs suggest market sentiment is frothy

Long term inflation adjusted return forecasts for strategic holdings in equities and bonds are very low

Strategic positions in bonds have traditionally been effective in offsetting some equity volatility however low yields mean little cushion is available to buffer equity volatility

Darling Macro Fund dynamically allocates between equities, bonds, commodities and currencies which allows it to own a portfolio suitable to emerging conditions which may involve higher inflation, or a continuation of lower yields for longer, or a strong growth rebound.

What environments are favourable and unfavourable for the Darling Macro Fund's investment strategy?

The investment strategy operates in global markets and exploits macro risk premia and behavioural anomalies. The optimal market conditions for the investment strategy achieving its absolute return objectives have the following features:

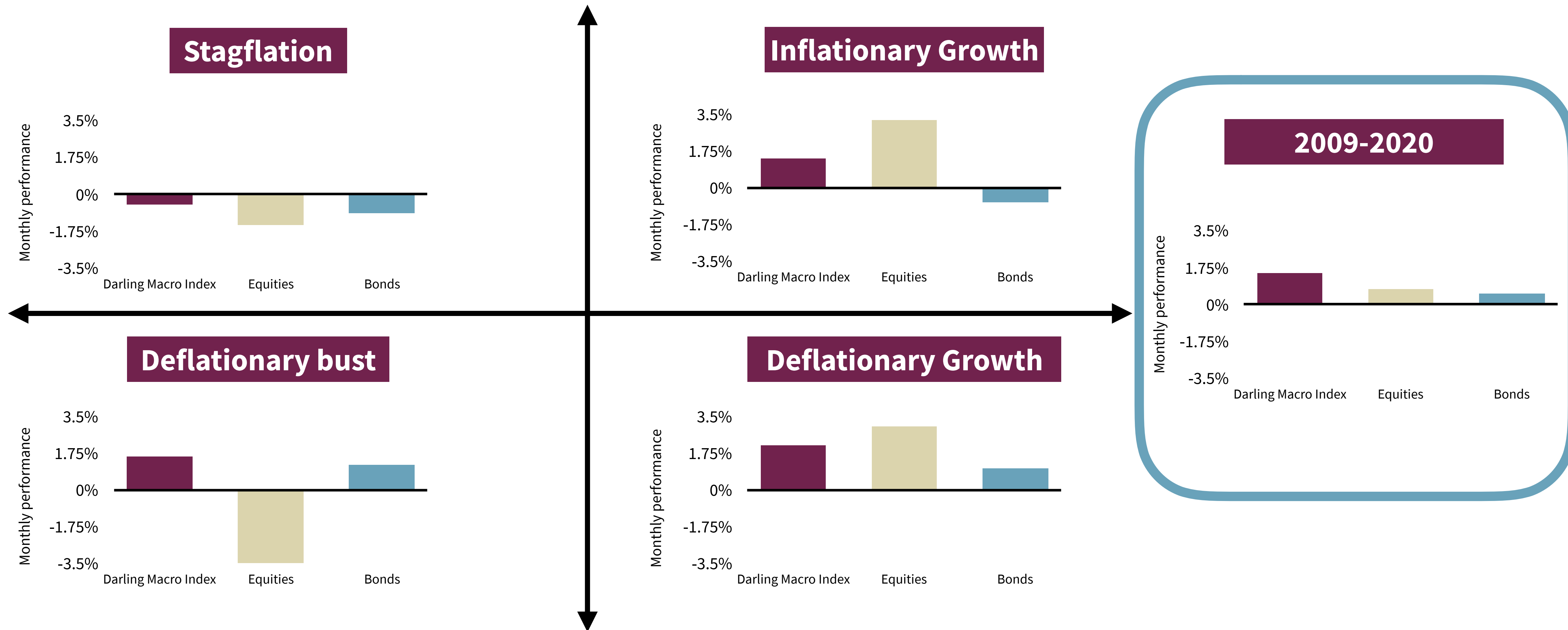
1. There is clear dispersion of recent returns – that is, when there is a spread between the risk adjusted returns of equities, bonds, commodities and currencies,
2. Markets continue to demonstrate a tendency to trend,
3. The correlations between markets are stable or moderately trending, and
4. Volatility is moderate.

Unfavourable conditions, which historically have not occurred often or for long periods of time, include:

1. Most of the universe of global markets don't outperform cash,
2. There is little dispersion of recent returns – that is, when there is minimal spread between the risk adjusted returns of equities, bonds, commodities and currencies,
3. There are frequent reversals within returns of the investment universe,
4. The correlations between markets are volatile or high,
5. Volatility of volatility is high.

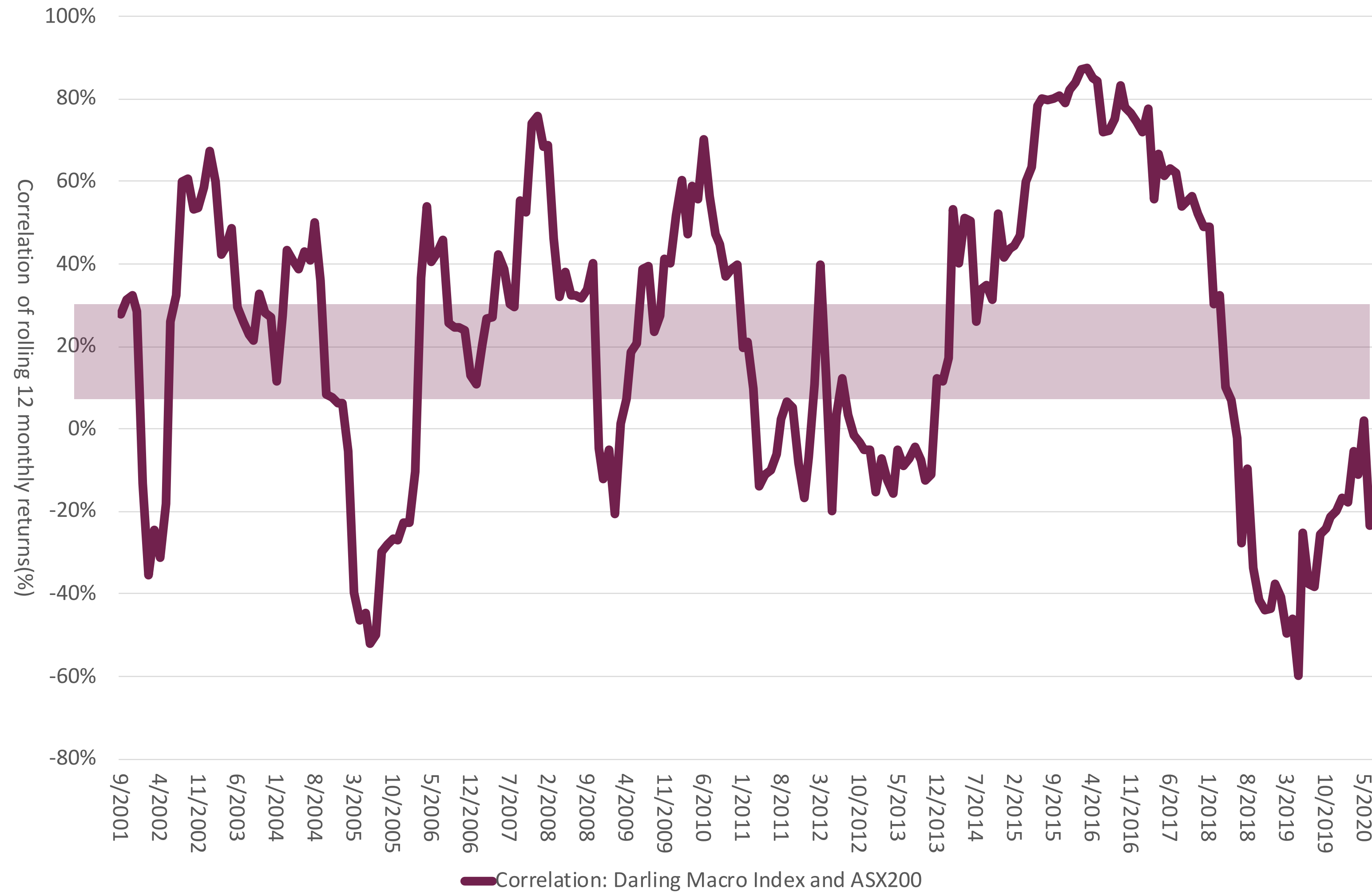
In the event of unfavourable conditions, our de-risking techniques are designed to reduce the size of underperformance.

Participation in growth regimes and protection during shocks



Source: Darling Macro, S&P. Monthly arithmetic returns where quadrants are determined by monthly performance combinations of Australian equities (ASX200) and Australian government bonds, and measured against the Darling Macro Index. Stagflation = negative bond and equity performance, Inflationary Growth = negative bond and positive equity, Deflationary Growth = positive bond and equity, Deflationary Bust = positive bond and negative equity. From end July 2009 to end April 2020.

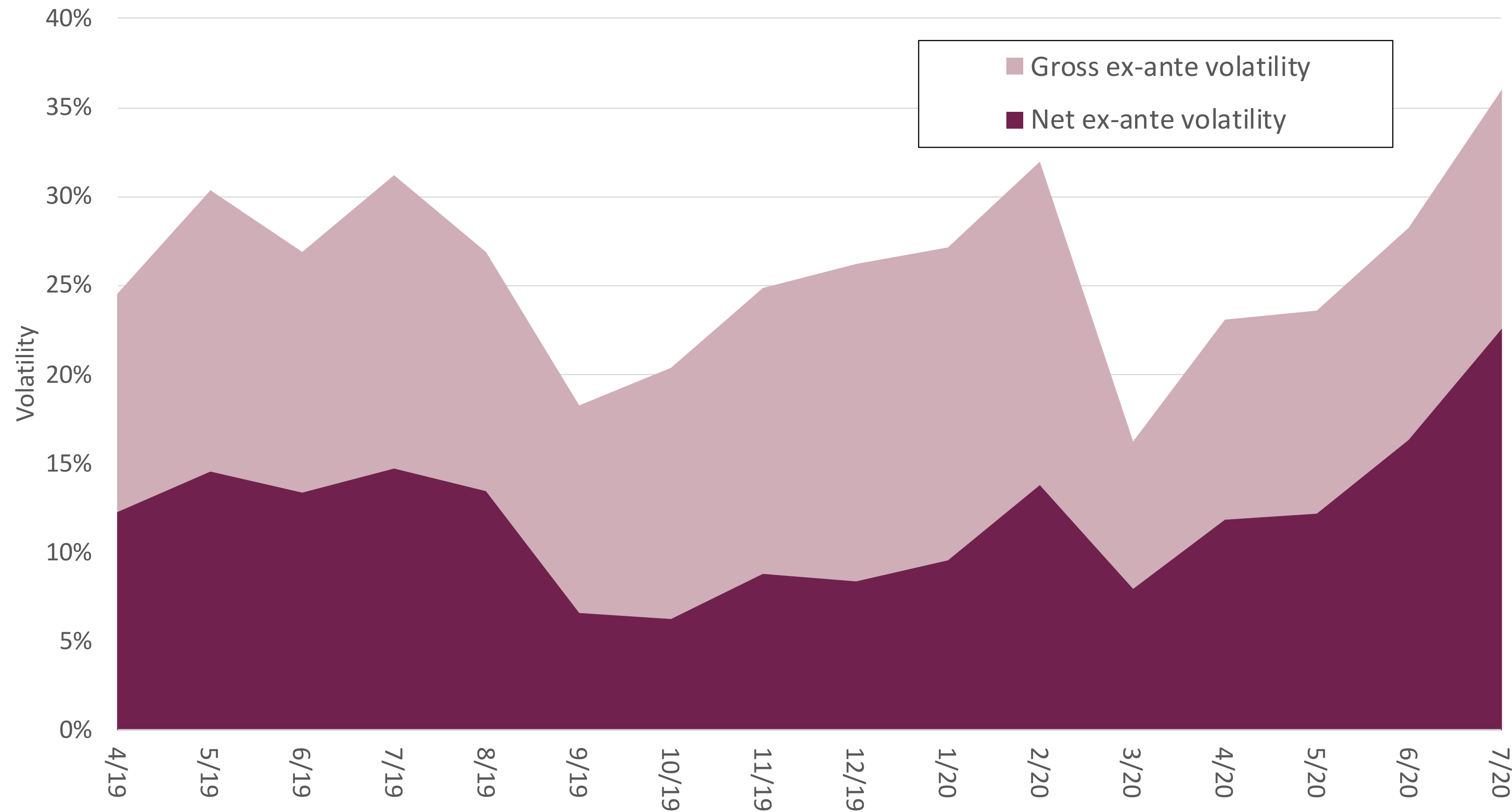
What is the medium term correlation with equities?



EQUITY DIVERSIFICATION

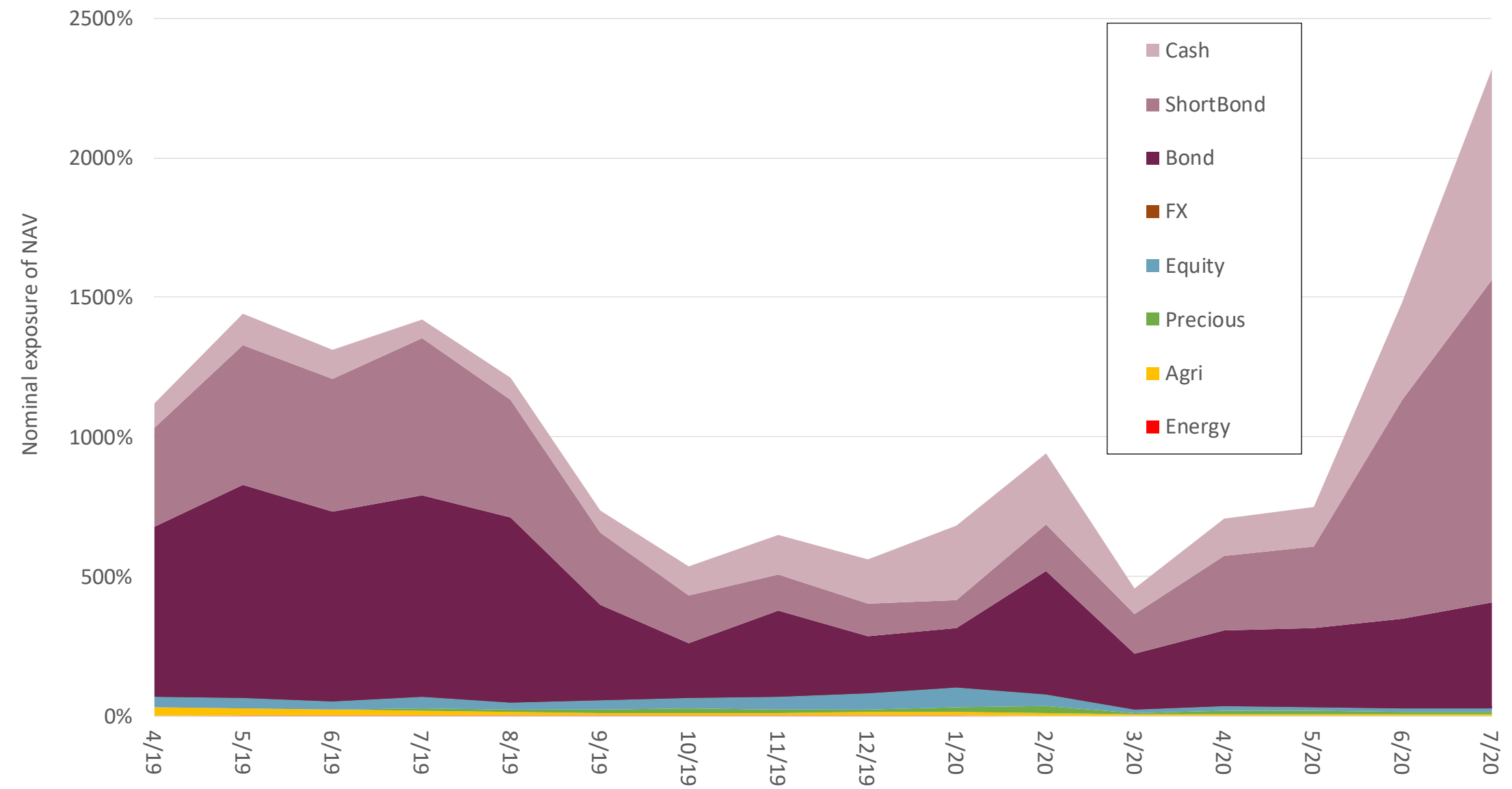
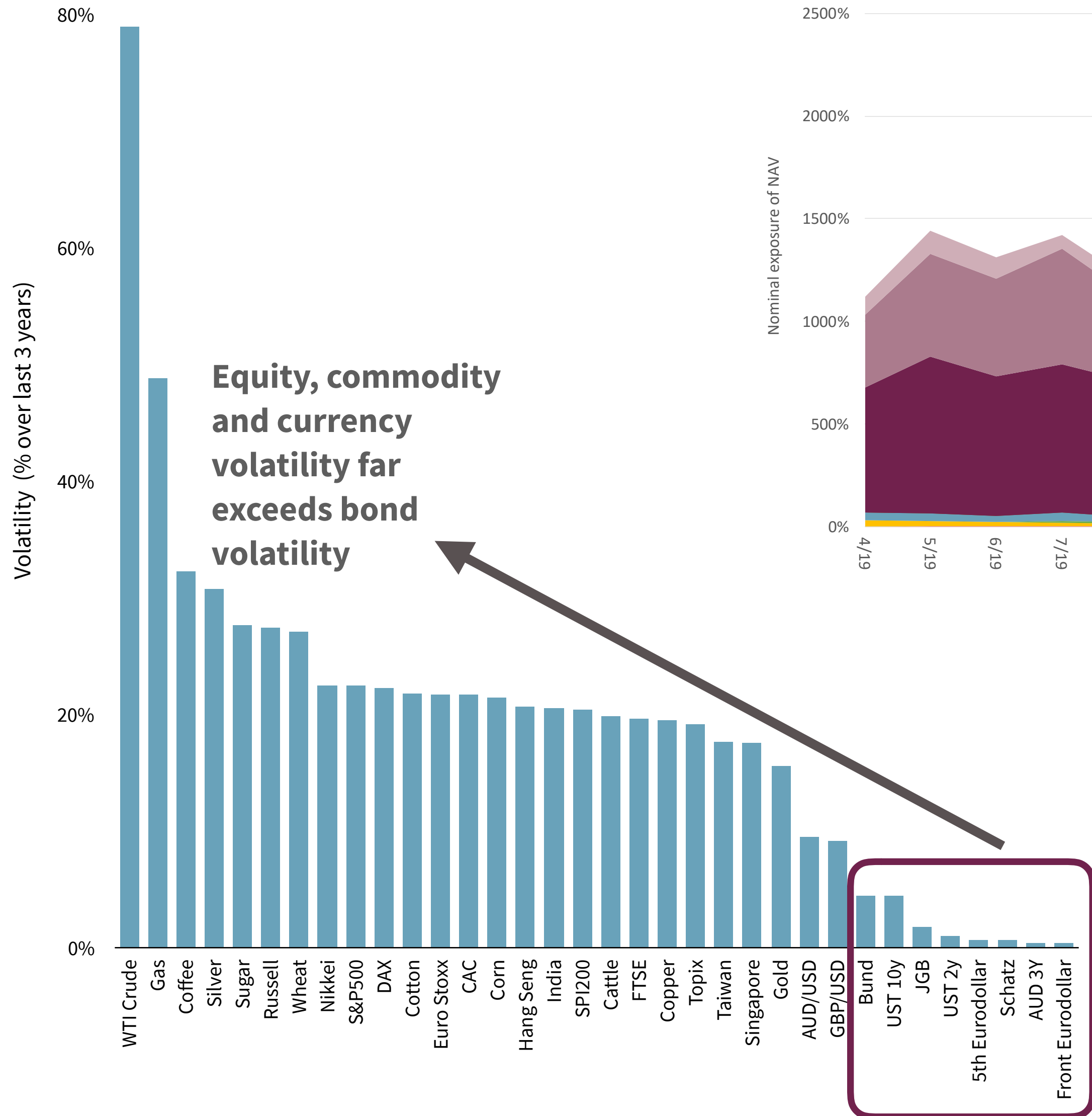
Source: Darling Macro. Results are generated from the Darling Macro Index, these are simulated results after fees, in A\$ and not actual results. Correlation of rolling 12 monthly returns. Equity indices constructed from futures markets. As at end July 2020.

How does the Darling Macro Fund manage the risk budget without significant shorting?



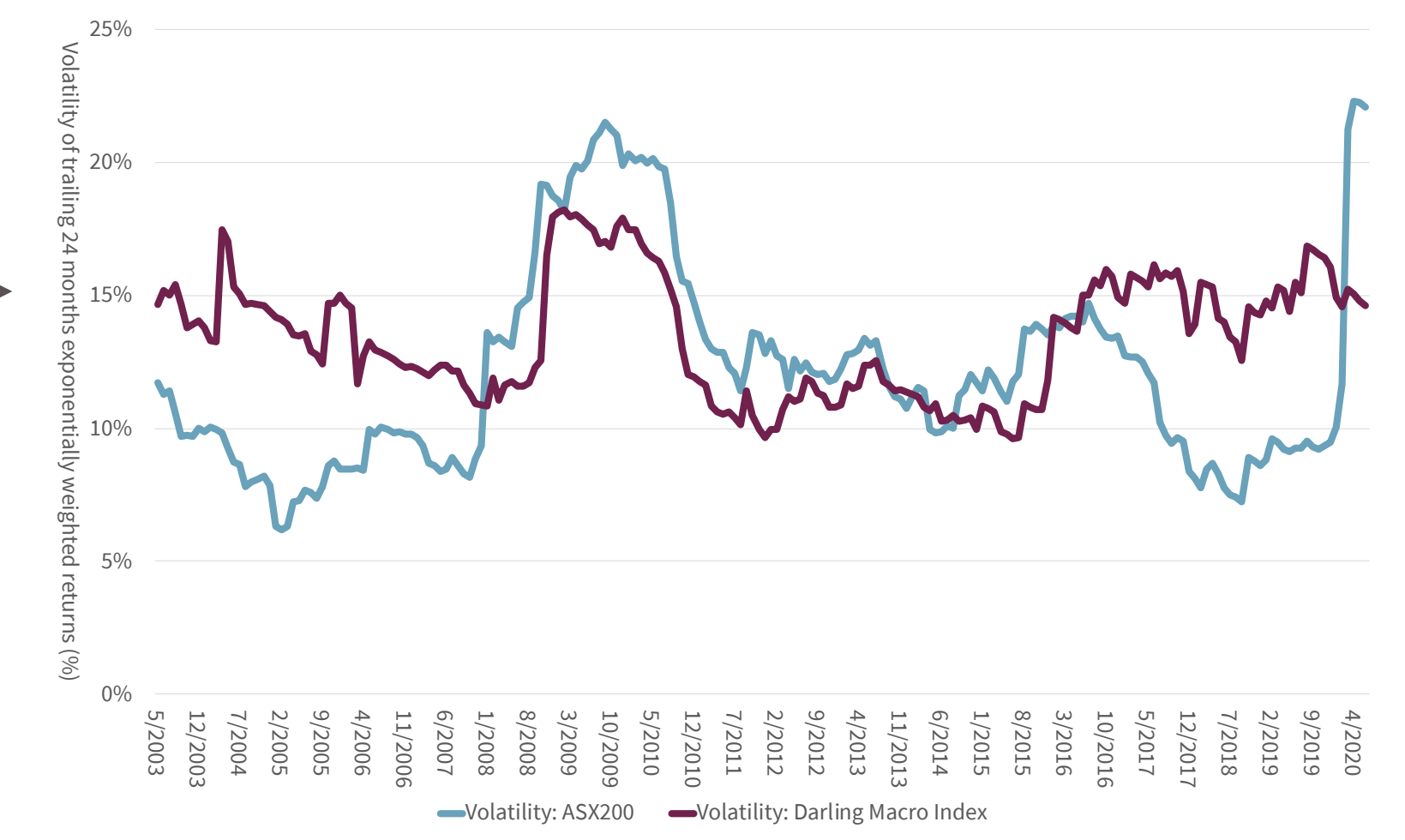
- 1 Net volatility takes account of diversification benefit.
- 2 Volatility shown as standard deviation using 24 months data.

Darling Macro pursues volatility weighting methodology: Leverage achieved through listed futures increases the risk contribution from short and long dated bonds to generate equivalent volatility of circa 15%, and total fund nominal exposure exceeds 100%



Majority of nominal exposure to cash, short and long dated bonds to “balance” the risk from FX, equity and commodity

Combination of higher weights to bonds together with equity, commodity and currency has resulted in volatility of c.15% and similar to ASX200 over medium to long term

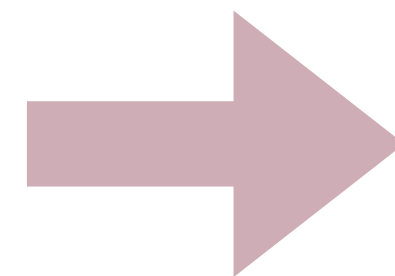


Source: Darling Macro. Results for markets are constructed from futures markets. The Darling Macro Index, which is based on the same investment strategy used for the Darling Macro Fund, are simulated results and not actual results.

How does Darling Macro Fund fit in a typical portfolio?

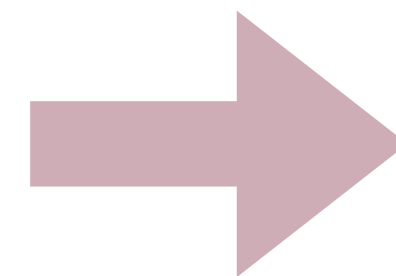
Purpose of alternatives

1. **Alternative to strategic equity allocation and returns.**
2. **Contribute to total portfolio return and outperform low return diversifiers such as cash & bond.**
3. **Enhance total portfolio diversification: lowering drawdowns and provide protection when needed.**
4. **Liquidity to facilitate total portfolio SAA rebalancing.**



Alternatives design

1. **Funded from equity risk allocation.**
2. **Target absolute return: Minimum of cash plus 5%+ and comparable with equity after fees.**
3. **Low correlation with strategic equity allocation: < 0.3 over rolling 3 year periods.**
4. **Reliable liquidity.**



Total portfolio outcomes

1. **Maintain total portfolio return objectives.**
2. **Lower portfolio risk, reduce drawdowns and enhance money weighted returns.**
3. **Enhance capacity to increase risk from other portfolio allocations.**
4. **Meet total portfolio investor liquidity needs and portfolio liquidity enhances ability to rebalance SAA during stress.**

Disclosures

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