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Monthly report
September 2020

Markets' review

Australian equities fell -3.66% while Global Equities (unhedged) inched up 0.38% helped by the Australian dollar which fell by 2.70%. It is difficult to find a specific catalyst for the sustained falls. Locally, the RBA signalled that they may cut rates but they signalled that the main source of stimulus would have to be government led. In the US there was no agreement on further stimulus while Trump suggested he may contest the result if he loses. Infection rates globally are deteriorating again and new restrictions were announced across Europe. Economic data releases continue to surprise positively though by a lesser amount. Bond volatility fell while equity volatility rose.

Performance and risk

The fund gained 1.83% in September and is ahead 6.30% year to date (Class A). Contributions from precious metals and equities were negative while short dated and long dated bonds were positive. 26 of the 32 asset allocation strategies made positive contributions. The top strategy was a basket comprising a short position in Australian dollars, long Japanese government bonds and Japanese equities. The bottom strategy comprised Gold, European equities and US bonds. Fast moving strategies contributed more than slow speeds, which reflects their higher bond exposures. Risk allocations remain strongly tilted to bonds over equities and commodities.

Fund performance

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
Class A	1.83	3.50	2.15	13.71
Class B (2019-08-01)	1.69	3.61	2.78	6.76

Note: Class A and Class B (2019-08-01) have different inception dates. Class A inception 1 April 2019, Class B 2019-08-01 Inception 31 July 2019.

Fund performance attribution

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception (p.a.%)
Equity	-0.3	1.0	-7.3	-4.7
Bond	1.3	0.8	2.4	13.3
Short bond	0.7	0.6	5.1	5.0
Currency	0.2	-0.3	0.5	0.4
Agriculture	0.2	0.6	-1.0	-2.8
Energy	0.0	0.0	-0.2	-0.4
Precious metals	-0.4	0.6	1.6	1.1
Other	0.0	0.1	1.1	1.6

Fund objectives

Objective	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
Objective	0.76	2.33	9.49	9.71
Fund excess return	1.07	1.17	-7.34	3.99
Volatility	9.4	9.6	12.1	13.0
Fund drawdown				-16.6
Equities drawdown				-36.5
Correlation	63.2	13.3	17.2	12.0

The Fund is aiming to achieve:

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

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 end September 2020. Class A inception 1 April 2019, Class B 2019-08-01 Inception 31 July 2019, Objective inception 1 April 2019. Objective is outlined in the Information Memorandum available at www.darlingmacro.fund. Fund excess returns, 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. 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.

And finally

A month passed without more detail about new tools that the Fed may employ to help it achieve its new 2% 'average' inflation target mandate. While forward inflation expectations rose just after the mandate announcement in late August, they subsided with a weak equity market during September. Similarly, nominal yields also declined during the month as the bond/equity negative correlation held. Like the RBA which indicated that it may cut rates further, our assessment is that the Fed will ease rates and monetary policy again and that investors may be waiting for clarity about the fiscal stimulus plan and the election. The ECB also made some comments about its late running review of monetary policy, indicating that a change to an 'average' inflation rate may have merit.

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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.

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