

# darling macro. darling macro fund.

Monthly report  
May 2021

## Markets' review

While data releases continue to signal that economies are rebounding strongly, the size of positive surprises has moderated. However this has not dented the incredible consensus that has formed about an above trend growth and inflation cycle. We think investor positioning has also shifted to reflect this consensus, which is long equities, short US\$, short government bonds. Simplistically, the strength of the consensus suggests everyone has the same position. The gradual drift lower in US bond yields suggests that extreme positioning is now outweighing the steady stream of positive economic data. Equity markets rose with few exceptions such as Taiwan. Value equity style outperformed growth and quality. Energy and financials outperformed consumer discretionary. Sovereign bonds were steady but were outperformed by inflation linked bonds. Commodities were very strong lead by coffee, gold, silver and oil, while wheat, cotton, corn were all down.

## Fund positions

Total risk rose slightly during the month. Commodity risk was increased and currency risk was trimmed. Equity and commodity risk contribute about 75% of total risk, with the balance to bonds and currency. The Fund's largest 5 risk positions are US equity, Australian equity, US 2 year bonds, Taiwan equity and A\$/US\$. (1 year VAR).

## Fund performance

The Darling Macro Fund (Class A) rose +1.50% during May.

Short dated bonds were the strongest contributor, +2.2%, while agriculture, -0.8%, and equity, -0.4%, detracted.

Since 1 April 2019, results for the Fund (Class A) have been:

- A return of +8.15% pa compared with +10.37% pa for Australian equities and +2.81% pa for Australian fixed income.
- A materially lower draw down, -16.6%, than Australian equities, -36.5%, and
- Low correlation of +11.4% with a 70:30 balanced portfolio of equities and bonds.

### Fund performance

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
Class A	1.50	5.67	2.26	7.55	8.15
Class B	1.53	5.80	NA	NA	2.42

\* 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. %)	Inception * (p.a.%)
Equity	-0.4	4.5	10.2	0.9	0.3
Bond	0.1	-0.6	-9.3	1.5	3.8
Short bond	2.2	1.0	0.8	2.9	3.4
Currency	0.0	0.0	-1.0	0.1	0.1
Agriculture	-0.8	0.0	1.3	-0.1	-1.5
Energy	0.2	0.4	0.4	0.1	-0.1
Prec metals	-0.1	-0.2	0.2	0.5	0.5
Other	0.0	0.6	-0.4	1.6	1.7

### Fund performance objectives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
Darling Macro Fund (A)	1.50	5.67	2.26	7.55	8.15
Australian equities	2.34	8.48	28.06	9.37	10.37
Australian fixed income	0.27	1.79	-1.40	1.89	2.81
DMF Volatility	17.0	15.9	13.3	13.8	13.6
DMF Correlation	62.3	46.1	9.8	9.8	11.4
DMF drawdown					16.6
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, 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 May 2021. 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.

## 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



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