

# darling macro fund.dmf.

November, 2019

## About the fund

The Darling Macro Fund pursues a global macro strategy, which aims to dynamically allocate long and short exposure across many liquid markets within 4 major global asset classes: Equities, Bonds, Commodities and Currencies.

The objective of the Darling Macro Fund is to generate a risk adjusted positive return over the medium to long term, which is less correlated to the movements in core equity and bond allocations.

The fund is aiming to achieve:

1. A return of 9 % net of costs p.a. in excess of the Australian cash rate over a rolling 5-year period, as measured by RBA Cash Rate.
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 (SAA) of equities and bonds (70:30) over the medium term.
5. Easily observable valuations and high liquidity.

Performance		1 mth	3 mth	6 mth	1 Year	3 Year	Inception
Darling Macro Fund	Class A	-0.82%	-6.92%				16.78%
	Class B	-0.70%	-6.15%				6.57%
	Class B (2019-08-01)	-0.70%	-6.16%				3.55%
	RBA Cash plus 9%	0.77%	2.45%				6.70%

## Risk and Attribution

Volatility		7.5%	11.7%				13.4%
Correlation	SAA Index	39.3%	-2.7%				-2.3%
Performance Attribution	Equity	1.5%	3.1%				2.5%
	Bond	-2.2%	-9.3%				13.1%
	Short Bond	-0.3%	-1.7%				1.9%
	FX	0.3%	-0.2%				0.1%
	Agri	0.4%	1.8%				-2.1%
	Energy	-0.2%	-0.1%				-0.4%
	Other including cash	0.0%	0.0%				1.7%
Risk	Equity	32.5%					
	Bond	62.3%					
	Currency and Commodity	5.2%					

**Notes:**  
 Report re-issued 3 September 2020 to amend mis-stated RBA Cash objective  
 Class A inception 1 April 2019, Class B inception 21 June 2019 Class B 2019-08-01 Inception 31 July 2019  
 RBA Cash plus 9% inception is 1 April 2019  
 Performance is net of all management fees and annualised for periods beyond 1 year  
 Risk and attribution is based on Class A performance  
 Risk is based on 4015 business day 99.8% Var  
 SAA Index is comprised 70% of equities and 30% bonds  
 Refer to disclosures for important information  
 Refer to the Information Memorandum for further detail

Source: Darling Macro (347 Darling Pty Ltd AFSL 491106)

## Commentary

### A brief review of markets ....

November saw a continuation of themes that were driving prices in October. The strong market performance for equities was sustained without any additional stimulus from central banks. The markets judgement is that soft current economic activity will bounce, supported by a US-China trade deal and rate cuts by global central banks.

Australian equities are on track for best year since 2009 while Australian bond yields moved lower on generally disappointing local economic and sentiment data but this was against tide of higher yields in major markets

Gold fell back, as equities posted all time highs and equity volatility neared lows for the year.

Agricultural commodities ended largely unchanged despite prices for key US exports such as Corn and Soya beans being subject to the daily fluctuations in sentiment about trade deals.

2019 continues to be a tough market for active managers despite the resurgence in value, which is a popular style. Equity markets are showing low levels of dispersion (movement between stocks) and low levels of volatility.

## Commentary

### Risk allocations

Some of the fund's overlay hedges which were implemented to protect the position in German government bonds matured during the month. We retain protection in US government bonds. This has resulted in an uptick in overall portfolio risk and an increase in the relative weight of risk to bonds.

Major bond positions are in Germany and Japan, with major equity positions in developed markets including Japan, US, Australia and Europe. The other major positions are gold and short A\$ against US\$.

## Commentary

### Performance and attribution (Class A)

Performance was -0.8% for the month, with gains from equities and commodities offset by losses on US and Japanese bonds.

The drawdown in performance since the high-water mark in early September is now 7.6% and since inception performance is now 16.8%.

### And finally.....

We think that the positives of a US-China trade deal have largely been factored into prices. While some sceptical investors may now feel more positive and make new allocations to equities, we suspect that profit taking will be the stronger force. Further, the short attention span of the "markets" will mean that attention will shift to possible impeachment of Trump, potential for future trade deals and readings of economic data.

## Key Details

Type of fund: The Darling Macro Fund is an unregistered managed investment scheme for the purposes of the Corporations Act

Eligible investor: Any offer or invitation to acquire Units in the Darling Macro Fund will only be extended to a person if the person has first satisfied the Investment Manager and the Trustee that the person is a Wholesale Client.

Information Memorandum: The IM is dated 28 March 2019

Inception: 1 April 2019

Investment Management fees: Class A 1% pa of NAV. Class B 0.5% pa of NAV plus 10% of the cumulative performance of the Fund (after the Management Fee but before the deduction of Performance Fees (paid or accrued) above the Performance Hurdle.

Performance hurdle: RBA Cash Rate

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