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Monthly report
November 2020

Markets' review

Narratives that fit stories to prices fulfill our human desire to be correct but are really simplistic extrapolations. In the end there was no "blue wave", Biden won and Trump contested the result. The news that vaccine trials were more successful than many expected spurred equities globally, which had their strongest month for 20 years. The news especially boosted those sectors suffering the most from the outbreak of Covid-19. Volatility amongst stocks rose sharply and will have caught out many. Bond yields didn't rise as much as might have been expected, which likely also helped equities. Precious metals fell despite a weaker US\$. Oil was the star performer.

Analysis and risk allocations

Asset allocations, when aggregated across our 32 asset allocation strategies, remain strongly tilted to bonds over equities, precious metals and commodities. Our signals are favouring the relative stability of bonds supported by strong commitments from major central banks and still penalise equities given recent volatility. During November, the fund generated little from bonds but 1.8% from equities, partially participating in the strong equity rally, while precious metals were a detractor. Over the month, 24 of the 32 asset allocation strategies made positive contributions. Time diversification was in evidence as fast moving strategies outperformed slow strategies. The global economic outlook remains entwined with the development of vaccines, the normalisation of economic activity and reduction in unemployment. Recovery is unlikely to occur in a straight-line. Central banks will hold down yields during this recovery, but we suspect currencies will be the pressure release valve. To an extent, the outlook for Australia will be dependent on major markets such as Europe and Japan which also need to solve pre-existing issues including high debt and policy constraints.

Objectives

The Darling Macro Fund seeks a high absolute return and low to moderate correlation with equities over the medium to long term, which make it attractive as an alternative growth allocation within a portfolio.

Since 1 April 2019, the Fund has achieved a return of 11.30% pa compared with 6.36% pa for Australian equities and 5.35% pa for Australian fixed income. Since inception the Fund is meeting all of its performance and risk objectives.

Fund performance

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
Class A	1.64	0.38	2.38	11.30
Class B (2019-08-01)	1.51	0.47	2.98	4.94
Class B	1.68			-1.06

* 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, Class B Inception 3 September 2020.

Fund performance attribution

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception (p.a.%)
Equity	1.8	1.2	-7.9	-3.4
Bond	0.3	-0.8	4.5	10.5
Short bond	-0.2	0.1	5.0	4.1
Currency	-0.1	0.2	0.5	0.4
Agriculture	0.0	0.3	-2.1	-2.5
Energy	0.0	0.0	-0.1	-0.3
Precious metals	-0.3	-0.8	1.4	0.8
Other	0.1	0.1	1.0	1.7

Fund objectives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	Inception * (p.a.%)
DMF Returns	1.64	0.38	2.38	11.30
DMF Volatility	15.9	12.0	12.8	13.0
DMF drawdown				-16.6
Equities drawdown				-36.5
Correlation	-19.9	9.2	14.1	10.0
Australian equities	10.21	8.22	-1.97	6.36
Australian fixed income	-0.15	1.29	3.20	5.35

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 November 2020. Objective is outlined in the Information Memorandum available at 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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