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Monthly report
September 2021

Markets' review

Markets in September were a highly unusual combination of higher prices for commodities, lower for equities and bonds, with bond/equity correlation turning positive. This suggests that markets are contemplating a 'stagflationary' type of environment. The response of central banks will be watched closely from here as well as investors reaction to that response.

Investors faced ample evidence of further disruptions to regional and domestic supply chains particularly in energy markets. While the factors in each market differ the effect on prices was the same with extreme volatility and sharp increases. The knock-on effect of these price increases is not known, though modelling and past experience suggests that substantial persistent energy price increases are akin to a tightening of financial conditions similar to interest rate increases. This may ultimately slow economic growth.

Fund positions

During the month the fund trimmed bond positions and added to commodities and protection. Notwithstanding the larger bond losses this month, equity remains the largest risk position. The protection positions in equity volatility and currency are acting to reduce risk. The Fund's largest equity exposures are US large cap equity, Taiwan equity and Australian equity. The largest bond positions are German government 10yr, Australian government 10yr and Japanese government 10 yr. The largest commodity positions are oil, copper and wheat. (Measured as largest expected 1 day losses (95% 1 year VaR)).

Fund performance

The Darling Macro Fund (Class A) lost -3.93 during September.

Inflation exposures which include commodities added 0.4%. Growth exposures which include equity detracted -1.9% while Defensive exposures which include bonds detracted -3.5%.

The protection strategies contributed 0.6%. These guard against major market reversals, large rises in equity volatility and market turbulence.

Since inception (1 April 2019) the Fund (Class A) has generated:

- A return of +6.96% pa, and
- Low correlation of +12.5% with a 70:30 balanced portfolio.

Fund performance

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
Class A	-3.93	1.45	-2.45	-0.17	6.96
Class B	-3.86	1.58	-2.10	NA	NA

Fund performance attribution

	1 mth (%)	3 mth (%)	1 year (p.a. %)	2 year (p.a. %)	Inception * (p.a.%)
Equity	-1.9	0.4	10.1	1.0	1.0
Bond	-3.5	-1.2	-14.2	-3.7	4.5
Commodity	0.4	0.5	0.8	0.6	-0.9
Protection and other	0.6	0.8	0.3	1.4	1.9

* Class A and Class B have different inception dates. Class A inception 1 April 2019, Class B Inception 3 September 2020.

Fund performance objectives and comparatives

	1 mth (%)	3 mth (%)	1 year (p.a.%)	2 year (p.a.%)	Inception * (p.a.%)
RBA Cash	0.00	0.01	0.04	0.23	0.43
Australian equities	-1.85	1.71	30.56	8.26	10.65
Australian fixed income	-1.68	0.25	-1.77	0.79	2.86
DMF Volatility	7.3	8.7	13.4	12.8	13.2
DMF Correlation	16.0	40.0	17.7	15.5	12.5
DMF drawdown					16.6
Aus 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, RBA, 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 September 2021. 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. RBA Cash is RBA Cash rate total return index. Equities drawdown and performance for Australian equities is based on S&P/ASX 200. Australian bonds is based on S&P/ASX Australian Fixed Interest Index. Correlation is with indicative 70 equity:30 bond index. Drawdown is daily data and not annualised. 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 26 Jul 2021
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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