

## Fund Description

Lucerne Alternative Investments Fund is a multi-strategy fund-of-funds targeting a return above the RBA Cash Rate +6% through a diversified portfolio of direct investments and managed funds employing a variety of strategies.

[Click here to invest.](#)

## Key Facts

Inception Date	1 Dec 2017
Benchmark	RBA Cash Rate +6%
Liquidity	Monthly
Strategy	Multi-Strategy
Min. Investment	\$25,000
<b>Class 1</b>	
Unit Price	\$1.200
Mgt. Fee	1.15%
Perf. Fee	0%
APIR Code	PIM7035AU
<b>Class 2</b>	
Unit Price	\$1.205
Mgt. Fee	0.40%
Perf. Fee	12%
High Water Mark	Yes
APIR (Class 2)	PIM1923AU

## Distributions<sup>1</sup>

	Class 1	Class 2
30 June 2018	\$0.024	\$0.022
30 June 2020	\$0.009	\$0.012
30 June 2021	\$0.142	\$0.109
30 June 2022	\$0.165	\$0.158

## Risk Statistics

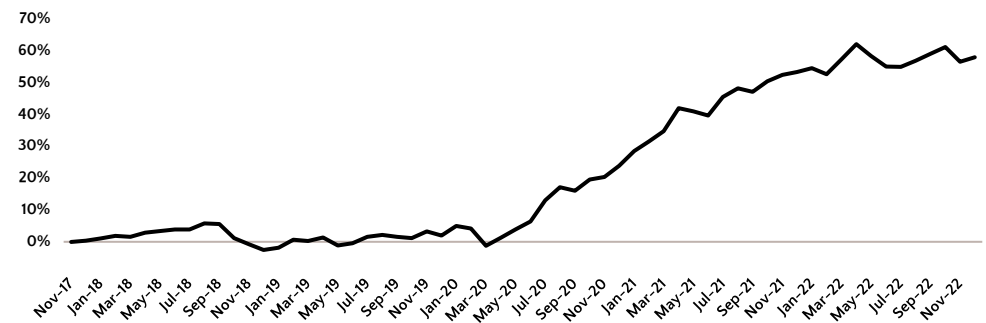
Sharpe Ratio	1.14
Sortino Ratio	2.04
Standard Deviation	7.38%
Maximum Drawdown	-7.88%
% Positive Months	66%

## Service Providers

Responsible Entity	Perpetual
Fund Admin.	APEX
Legal Advisor	Launch Financial Services Lawyers
Fund Auditor	EY

<sup>1</sup>Per unit

## Cumulative Growth Since Inception

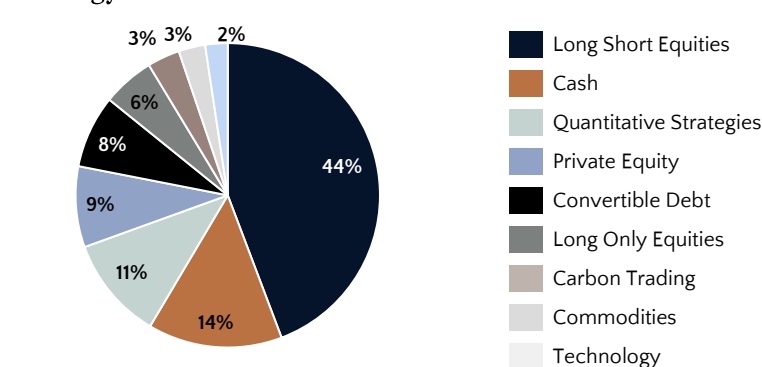


## Performance Table

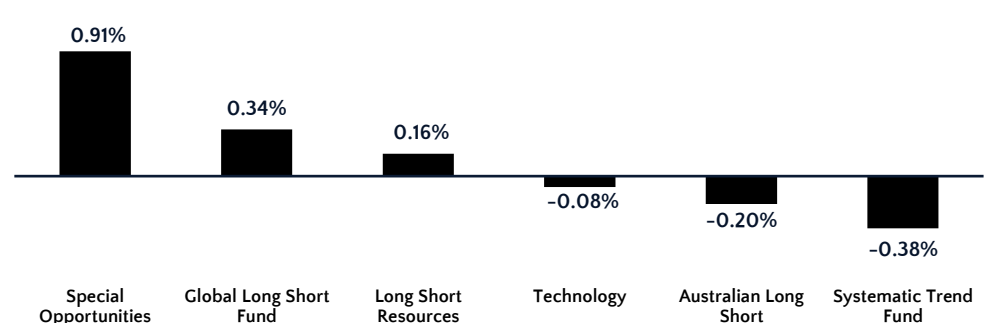
	Since Inception	Since Inception p.a.	1y	6m	3m	1m							
<b>Class 1 (net)</b>	57.94%	9.40%	3.03%	1.89%	-0.70%	0.90%							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2017</b>	-	-	-	-	-	-	-	-	-	-	-	0.40%	0.40%
<b>2018</b>	0.71%	0.80%	-0.37%	1.30%	0.53%	0.42%	0.04%	1.80%	-0.16%	-4.21%	-1.84%	-1.87%	-2.96%
<b>2019</b>	0.78%	2.57%	-0.47%	1.13%	-2.43%	0.66%	2.07%	0.58%	-0.65%	-0.34%	2.06%	-1.19%	4.95%
<b>2020</b>	2.91%	-0.75%	-5.25%	2.53%	2.66%	2.36%	6.23%	3.69%	-0.98%	3.02%	0.68%	2.90%	21.13%
<b>2021</b>	3.78%	2.28%	2.45%	5.37%	-0.71%	-0.93%	4.18%	1.90%	-0.76%	2.26%	1.33%	0.59%	23.78%
<b>2022</b>	0.80%	-1.25%	3.12%	2.99%	-2.33%	-2.06%	-0.08%	1.22%	1.45%	1.30%	-2.84%	0.90%	3.03%

Total returns shown for the Lucerne Alternative Investments Fund have been calculated using unit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance. Information on this document may not be reproduced or communicated, including files downloadable from this website, without the express permission of Lucerne Funds Pty Ltd. Source: APEX Fund Services

## Strategy Allocation



## Attribution



Note that distribution of factsheets occurs late in the following month as we need to receive final NAV reports from all underlying managers before finalising the NAV for LAIF. We appreciate your patience. A person should consider the PDS and TMD in deciding whether to acquire or continue to hold units in Lucerne Alternative Investments Fund. The PDS and TMD are available for download at [laif.com.au](http://laif.com.au)

## Fund Commentary – December 2022

### Light at the end of the tunnel?

During much of 2022 investors had changing views on inflation, recession risk and monetary policy. However in recent months a more optimistic outlook has emerged, as seen in the decrease in interest rate expectations and the rise in equity and bond prices since October.

Investors seem to be interpreting economic data as an indication that the Federal Reserve (Fed) will soon stop increasing interest rates and potentially cut them. As a result, negative news is now being seen as positive. For example, slowing job growth, poor economic survey data, falling property values and negative real wage growth are all being viewed positively as they are perceived to support the idea of a dovish pivot by the Fed.

However the discussion surrounding dovish pivots often overlooks the real economy and the events that may need to occur for this market narrative to come to fruition. If investors get their desired outcome of a major change in monetary policy in the next year, it may be due to a significant deterioration in the real economy.

### Deflation or Complacency?

The expectation of a dovish pivot has been fueled by the belief that U.S. inflation, which has decreased for six consecutive months, will continue to decline rapidly. In fact by the end of the year futures markets were projecting that inflation would fall to 2.5%.

On the one hand it is safe to assume that US inflation has peaked for this cycle, given that:

1. The inflation rate has decreased by 2.6% since June.
2. The bottlenecks in the supply chain have largely been resolved.
3. The rate of wage growth is slowing down.
4. Several commodity prices have dropped to pre-invasion of Ukraine levels.

It is worth mentioning that the Fed's success in reducing inflation has taken place while China, the second-largest economy in the world, has been impacted by pandemic-related restrictions. Though China's full reopening is expected to boost the global economy, it could also cause an increase in global inflation.

### Fed Pivot? Is this likely?

The Fed's history shows that it typically only changes its policies rapidly in response to adverse events, such as a credit crisis, economic slowdown, severe market reaction, or most recently a global pandemic. It is crucial to note that the impact of monetary policies often has a lag and can go beyond the intended result. Hence over-tightening or over-loosening in one period can lead to an excessive correction in the next.

Finally it is important to keep in mind that the market is a crucial component of the Fed's control system. The current market optimism may result in the Fed continuing its tightening policies, which increases the chance of over-tightening rather than a premature policy change.

### Realistic pivot scenario:

In our Q4 2022 quarterly report, we brought attention to the following issues: (a) slowing wage growth, (b) a deteriorating job market, (c) diminishing savings, (d) rising dependence on credit cards and (e) slowing manufacturing and services activity. These factors were mentioned as major concerns. In order for the Fed to make a significant policy change, these trends would likely need to deteriorate further. This outcome would have negative consequences for companies' performance and could reveal long-term economic harm caused by the pandemic that was temporarily masked by government support.

## Fund Commentary – December 2022

### Markets

The equity markets ended the year on a negative note, with the expected Santa rally not materialising. The S&P 500 and the ASX 200 Accumulation index both posted losses, with the S&P 500 returning -5.90% for the month whilst the ASX 200 returned -3.21%. Investors were surprised by market reversals and the Fed's comments on inflation and prolonged higher interest rates. Despite this our outlook remains the same, with high asset prices and declining earnings being major concerns in the upcoming year.

### Performance

In December the Lucerne Alternative Investment Fund saw a gain of 0.90%, despite market volatility. For the 2022 calendar year LAIF has performed well with a 3.03% increase while major indices like the S&P 500 and ASX 200 have seen significant losses of minus 19.44% and minus 5.45% respectively.

Top performing strategies in December were Private Equity, Global Resources and Global Long Short. The Private Equity strategy had a liquidity event for a major underlying investment and the Global Resources strategy benefited from the selloff in battery material stocks.

The biggest detractors were our allocation to the Systematic Trend Following, while the decline of the US dollar adversely affected the positive performance of the US Healthcare Long Short and Australian Long Short Strategies.

In December the Investment Committee (IC) made the decision to invest in a new Global Long Short strategy as it is believed that this strategy will perform well in the current economic environment. The IC is currently taking a cautious approach to investing and believes that the Fund is well positioned to deliver improved returns in 2023 as markets return to normalcy, while still prioritising risk management.

### Lucerne Alternative Investments Fund February 2023

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