Lucerne Alternative Investments Fund

February 2023

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) is the Responsible Entity and Issuer of units in Lucerne Alternative Investments Fund

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
Class 1	
Unit Price	$1.204
Mgt. Fee	1.15%
Perf. Fee	0%
APIR Code	PIM7035AU
Class 2	
Unit Price	$1.209
Mgt. Fee	0.40%
Perf. Fee	12%
High Water Mark	Yes
APIR (Class 2)	PIM1923AU

Distributions[1]

	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

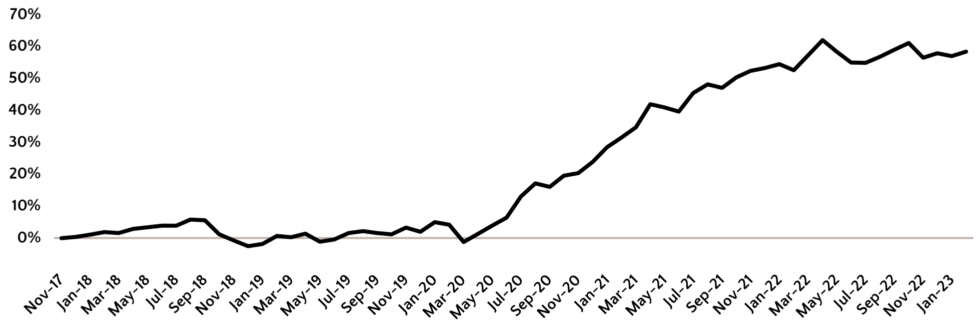
Sharpe Ratio	1.11
Sortino Ratio	1.99
Standard Deviation	7.29%
Maximum Drawdown	-7.88%
% Positive Months	65%

Service Providers

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

[1]Per unit

Cumulative Growth Since Inception



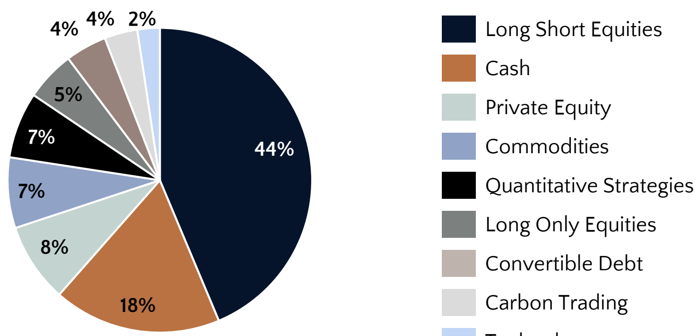
Performance Table

	Since Inception	Since Inception p.a.	1y	6m	3m	1m
Class 1 (net)	58.43%	9.16%	3.83%	1.06%	1.21%	0.88%

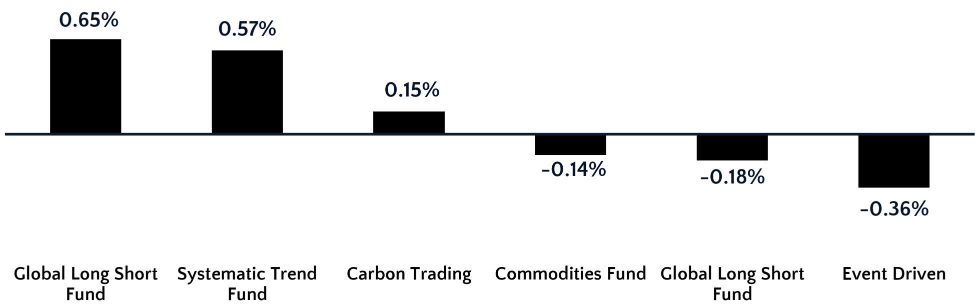
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	-	-	-	-	-	0.40%	**0.40%**
2018	0.71%	0.80%	-0.37%	1.30%	0.53%	0.42%	0.04%	1.80%	-0.16%	-4.21%	-1.84%	-1.87%	**-2.96%**
2019	0.78%	2.57%	-0.47%	1.13%	-2.43%	0.66%	2.07%	0.58%	-0.65%	-0.34%	2.06%	-1.19%	**4.95%**
2020	2.91%	-0.75%	-5.25%	2.53%	2.66%	2.36%	6.23%	3.69%	-0.98%	3.02%	0.68%	2.90%	**21.13%**
2021	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%**
2022	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%**
2023	-0.57%	0.88%											**0.31%**

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

Fund Commentary – February 2023

The Resurgence of Market Volatility

Over the past few months, our posts have consistently highlighted our anticipation of an unusual level of market volatility in the medium term (it hasn't disappointed so far!). We highlighted an array of potential catalysts for this, namely economic deterioration and rising geopolitical concerns.

Recent events in the global banking sector have highlighted the fragility of the financial system, leading to a growing realisation of the potential for a hard landing scenario. The application of higher interest rates to a global economy that is already burdened by historic levels of debt is likely to result in predictable outcomes, at least in our view. This is a significant concern that we are closely monitoring.

The recent surge in consensus optimism regarding a Fed "pivot" in policy may be misplaced once again, as inflation still remains 300% above the Fed's 2% target. What's even more worrying is the possibility of the Fed abandoning its efforts to control inflation. Which would resemble the actions of the pre-Volcker Fed in the 1970s where a series of attempts to control inflation through start/stop policies. This ultimately necessitated the implementation of Volcker's drastic rate policies, which would likely have severe economic repercussions given today's high levels of global debt.

Inflation Concern

It is worth noting that central bankers aim to reduce inflation through higher interest rates, which can cause economic damage and wealth destruction. However, they are unable to influence the supply in the economy and can only cause demand destruction through the banking system and credit creation.

This is often overlooked in traditional forms of media communication and the broader discourse on combating inflation with higher interest rates. Reading through the Fed commentary since the start of 2022 makes it clear that it has been the explicit intention of the Federal Reserve to moderate demand in the economy by increasing interest rates. It is important to recognise that demand in the economy is closely tied to factors such as employment, wages and financial stability, all of which are likely to be negatively affected by this approach.

While disinflationary pressures are currently affecting the economy and the base effects used to calculate price indexes indicate that inflation is likely to decrease in the coming quarter, it is important not to misunderstand the situation. The recent failures of SVB and Credit Suisse are likely to be viewed as acceptable collateral damage by the Fed that is still quite far from achieving its 2% inflation target.

Markets

In February, there were widespread reversals in both the equity and bond markets as the January relief rally lost steam. The S&P 500 and ASX 200 Accumulation index dropped by 2.61% and 2.45%, respectively. Fed commentary on inflation persistence and the need for higher interest rates than previously communicated weighed on the negative performance. The US dollar strengthened by approximately 4% during the month, while the price of the 10-year Treasury bond fell by 3.5%.

Fund Commentary – February 2023

Performance

For the month of February, the Lucerne Alternative Investments Fund was up 0.88%.

The Global Long Short, Systematic Trend Following and Carbon Trading Strategies were among the top performing investment strategies for the month. These strategies benefited from the market-wide reversals in bonds and carbon credits, leading to their positive performance.
Our investments in the Australian Event Driven, Global Long Short and Global Resources Strategies were the biggest detractors in February. These strategies were negatively affected by the selloff in the resources and the small cap markets.

The Investment Committee made a new investment in volatility arbitrage as the macro outlook continues to weaken. Further discussions are ongoing to increase conviction in the portfolio themes as markets diverge from fundamentals.

Lucerne Alternative Investments Fund
March 2023

Lucerne
Alternative
Investments
Fund

Disclaimer

Lucerne Funds Pty Ltd

L4, 45 Wangaratta Street
Richmond VIC 3121

laif@lucernepartners.com
laif.com.au