Lucerne Alternative Investments Fund

June 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	$1.224
Mgt. Fee	1.15%
Perf. Fee	0%
APIR Code	PIM7035AU
Class 2	
Unit Price	$1.229
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
30 June 2023	$0.090	$0.095

Risk Statistics

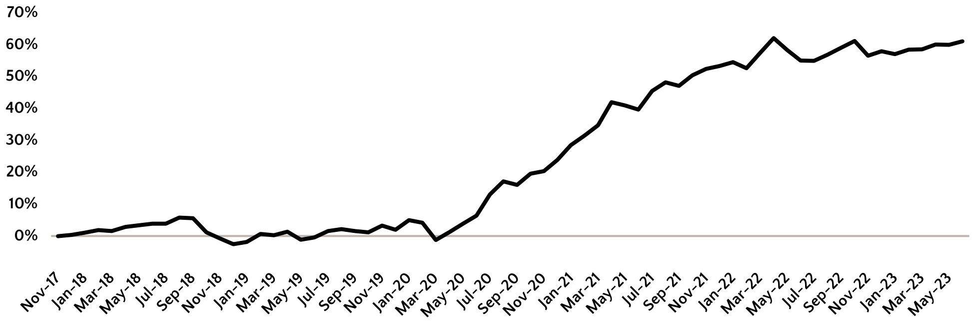
Sharpe Ratio	1.09
Sortino Ratio	1.94
Standard Deviation	7.08%
Maximum Drawdown	-7.88%
% Positive Months	66%

Service Providers

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

[1]Per unit

Cumulative Growth Since Inception



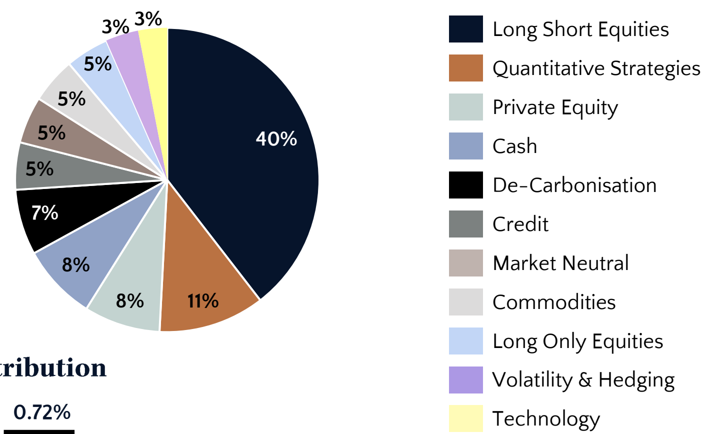
Performance

	Since Inception p.a.	5y p.a.	3y p.a.	1y	3m	1m
Class 1 (net)	8.91%	9.17%	14.82%	3.91%	1.62%	0.70%

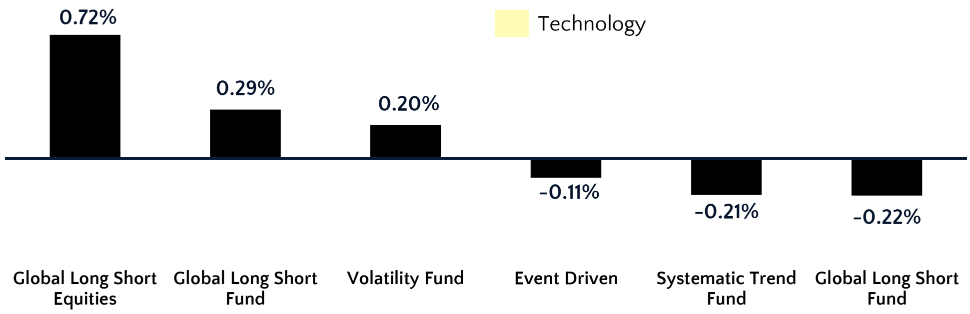
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	-	-	-	-	-	0.40%	**0.40%**
2018	0.71%	0.80%	-0.37%	1.30%	0.53%	0.42%	0.04%	1.80%	-0.16%	-4.21%	-1.84%	-1.87%	**-2.96%**
2019	0.78%	2.57%	-0.47%	1.13%	-2.43%	0.66%	2.07%	0.58%	-0.65%	-0.34%	2.06%	-1.19%	**4.95%**
2020	2.91%	-0.75%	-5.25%	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%	0.04%	0.99%	-0.07%	0.70%							**1.98%**

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



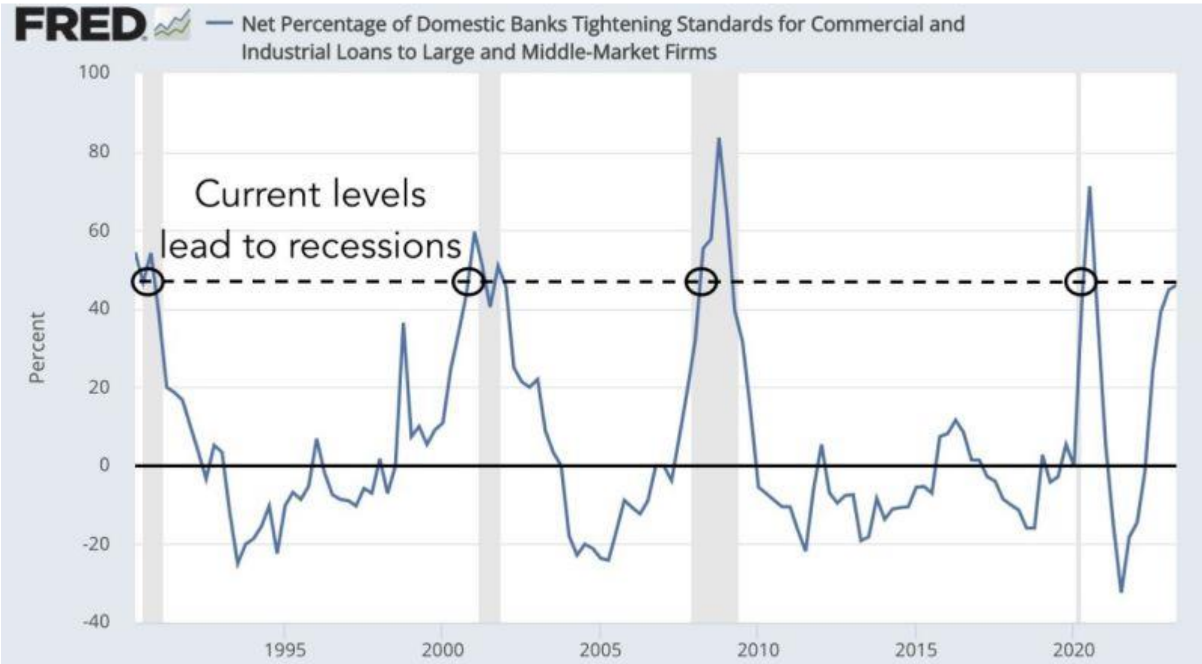
Note that distribution of factsheets occurs late in the following month as we need to receive final NAV reports from all underlying managers before finalising the NAV for LAIF. We appreciate your patience. A person should consider the PDS and TMD in deciding whether to acquire or continue to hold units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

Fund Commentary – June 2023

Credit Crunch?

We had earlier signalled that banks and other financial institutions continue to toughen their lending standards and increase interest rates on loans as financial conditions deteriorate. We note that this trend is gradually eating into the profitability of both large-scale and mid-market businesses, subsequently triggering a wave of loan defaults, albeit silently. While such circumstances may seem typical in a setting where consumers are burdened with high debts and escalating inflation causing a decline in spending, we note the results are still uncertain and divergent.

Epiq Bankruptcy, a firm supplying data on U.S. bankruptcy filings, noted a rise of 68% in Chapter 11 bankruptcy filings in the initial half of 2023 compared to the same period in the preceding year.



The graph above vividly illustrates the cascading effects on the global economy when banks decide to constrict their lending standards. Reminding us of the cyclical nature of economic trends, harking back to the age-old question: does history indeed repeat itself? Though we might not entirely affirm the repetition, we often observe that history exhibits a distinct rhythm in its diverse manifestations, or in other words, it often rhymes.

Central banks around the globe are navigating a delicate balance as they face the dual responsibility of containing inflation and preserving economic stability, where any miscalculation could trigger long-lasting economic damage.

Against this backdrop, equity markets are gambling on a gentle economic slowdown or a "soft landing." This expectation is coming into play as central banks, particularly the Federal Reserve (Fed) and the Reserve Bank of Australia (RBA), are nearing the end of their rate increase cycles fuelled by both central banks beginning to adopt a more cautious stance, opting for a "wait and see" approach from the usual 25 basis point increase.

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The bond market, however, is portraying a narrative that contradicts the equity market's anticipation of a smooth economic deceleration, or "soft landing." The yield curve is notably inverted, meaning short-term bonds' interest rates exceed those of long-term bonds, commonly perceived as a harbinger of a recession.
As we've previously emphasised, in this current investment landscape, the only certainty appears to be uncertainty. Acknowledging this uncertainty is crucial in navigating global market volatility and complexity.

Markets

In June, investors appeared to dismiss fears of a domestic recession due to a resurgence in local retail spending and an easing of inflation. However, local stocks lagged behind most other global markets. The MSCI Developed Markets Index saw a substantial rise (+5.7%), while the S&P 500 also made notable gains (+6.5%) in USD. Australian 10-year bond yields marginally increased to 4.02% as the RBA's June 2023 meeting resulted in a cash rate increase of 25 basis points, bringing it to 4.10%. Concurrently, U.S. yields also climbed, with the 10-year yield up by 18 basis points to 3.81%, triggered by concerns of further monetary tightening by the Fed.

Performance

For June, the Lucerne Alternative Investments Fund (LAIF) saw a rise of 0.70%. Despite the complexities faced in the financial landscape this year, LAIF has gained 1.98% since 1 January and concluded the financial year with a 3.91% increase. With a volatility of 3.94% over the past year, this demonstrates the advantages of investing in a true diversified alternative fund of funds strategy.

Over the course of June, the standout performers were the Global Long Short Strategies. Two out of the three strategies significantly bolstered returns, while currency variations influenced the third. In line with our expectations, the Volatility Arbitrage Strategy has consistently shown robust performance, proving to be a pivotal contributor to LAIF's results in June and throughout 2023.

Conversely, the Australian Event Driven Strategy's allocation faced challenges due to minimal activity in the sector, while foreign exchange movements negatively affected the portfolio during the month.

LAIF also has had another strong distribution for FY2023, with investors in Fee Class 1 receiving 9.03 cents per unit and Fee Class 2 9.52 cents per unit. Based on the June 30 unit price, this is a 7.38% and 7.75% return, respectively, for the year.

Lucerne Alternative Investments Fund
August 2023

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Disclaimer

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