

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	\$1.176	
Mgt. Fee	1.15%	
Perf. Fee	0%	
APIR Code	PIM7035AU	
Class 2		
Unit Price	\$1.173	
Mgt. Fee	0.40%	
Perf. Fee	12%	
High Water Mark	Yes	
APIR (Class 2)	PIM1923AU	
Distributions¹		
	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

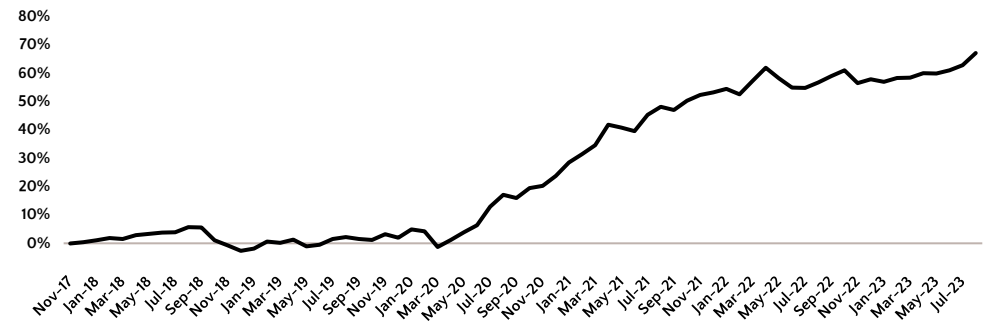
Risk Statistics

Sharpe Ratio	1.15
Sortino Ratio	2.06
Standard Deviation	7.02%
Maximum Drawdown	-7.88%
% Positive Months	67%

Service Providers

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

Cumulative Growth Since Inception

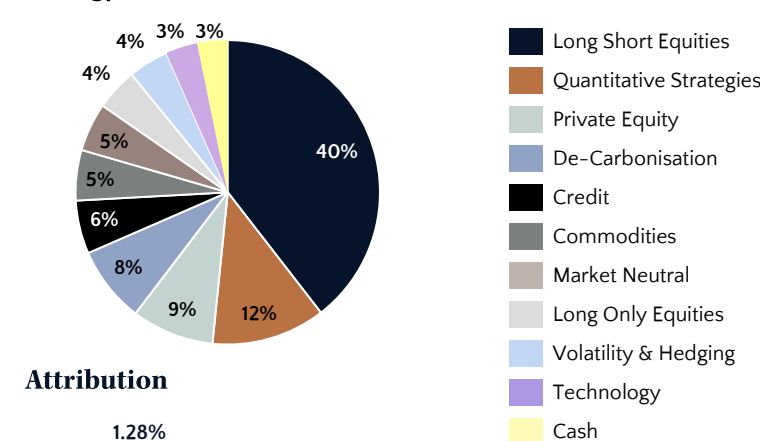


Performance

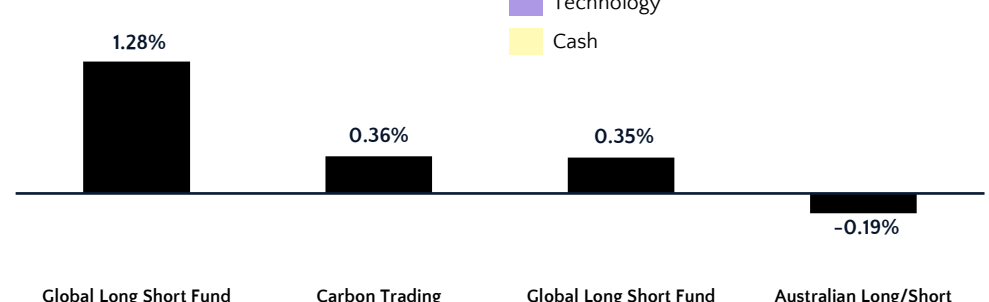
	Since Inception p.a.	5y p.a.	3y p.a.	1y	3m	1m								
Class 1 (net)	9.34%	9.58%	12.57%	6.63%	4.51%	2.59%								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
2017	-	-	-	-	-	-	-	-	-	-	-	-	0.40%	0.40%
2018	0.71%	0.80%	-0.37%	1.30%	0.53%	0.42%	0.04%	1.80%	-0.16%	-4.21%	-1.84%	-1.87%	-2.96%	
2019	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%	1.17%	2.59%					5.84%	

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



¹Per unit

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 – August 2023

Trouble in Paradise?

The ongoing global macroeconomic challenges remain a primary focus in our discussions, with particular emphasis on the situation in the US. We've noted a significant drop in US Federal tax receipts over the past 12 months (-8.4% YoY), a decline more rapid than even during the peak of the COVID-19 crisis when many economic activities were at a standstill.

What raises concerns is the US's current fiscal scenario. Even without a recession, as seen in 2008 or 2020, the country is witnessing a budgetary deficit of 6% of its GDP. Legislative measures, such as the Inflation Reduction Act (IRA) and the CHIPS Act, amplify this economic tension.

Such reflections provide insights into the potential trajectory of the US and, by extension, the global economy. A salient point is the inverse relationship between dwindling tax revenues and the rising need to borrow. We have previously discussed the debt spiral the US finds itself in, and as tax collections wane, the subsequent increase in borrowings can inflate the country's debt-to-GDP ratio. Unsustainable debt-to-GDP ratios often have led to countries defaulting on their debt obligations through restructuring, devaluation, high inflation or outright default. While we don't anticipate the US defaulting on its obligations, it's essential to recognise the potential risks. The combination of declining tax revenues and a looming economic downturn highlights the current investment landscape.

Bear market Rally?

As of August 2023, there's been notable market activity, particularly with the "Magnificent 7" AI-centric stocks on the S&P 500. These stocks have propelled the top 10 in the index to account for an unparalleled 30% of its total valuation, yet their earnings only contribute slightly over 20%.

Accompanying charts by JP Morgan illustrate the discrepancy between index weights and earnings, underscoring a significant market observation.

Historically, such a gap was evident around 2000 during the internet bubble. In contrast, the March 2009 market low saw a more aligned earnings-to-weight ratio for the leading stocks.

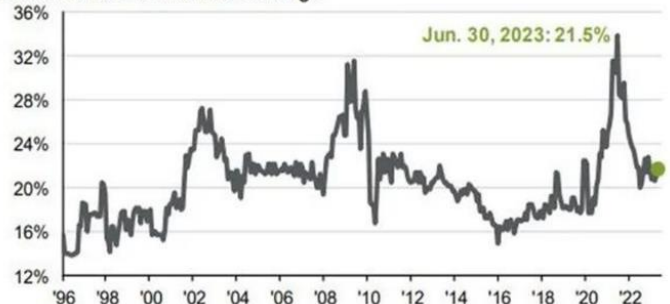
Weight of the top 10 stocks in the S&P 500

% of market capitalization of the S&P 500



Earnings contribution of the top 10 in the S&P 500

Based on last 12 months' earnings



(Source: JP Morgan Asset Management)

Fund Commentary – August 2023 (cont.)

In contrast, the ASX has not mirrored the upward trajectory seen in US markets yet has demonstrated consistent stability. Further highlighting this stability was that the markets rallied during the reporting period, primarily due to earnings declines being less severe than projected. That said, average earnings did register a 3.5% drop. The ambiguity in forward guidance is expected to significantly impact performance moving forward while noting the cost and margin pressures will act as catalysts for selloffs.

It's essential to remember that dominant stocks often lead market rallies. However, significant deviations between their market valuations and earnings might hint at impending trend shifts, much like when investor sentiments reach extremes.

As investment managers, we often navigate a landscape of probabilities rather than certainties. Anticipating the timing of the adjustment between market valuations and earnings is complex. While our macro perspectives may be taking longer to unfold, it's vital to recognise the prevailing uncertainties. The underlying risks persist and are anticipated to impact consumers by 2H 2024, underscoring the importance of vigilance and prudent portfolio management.

Markets

In August, global equity markets experienced a downturn, halting a five-month streak of gains for major developed indices, influenced by the rise in the US Treasury yields, with the US 10-year yield reaching its highest since 2007. This uptick traditionally challenges growth equities, leading to the NASDAQ's most significant monthly drop for 2023 at -2.2%. Asian stocks followed suit, affected by China's waning economic prospects. However, Australian equities fared slightly better, with the ASX 200 and Small Ordinaries Index falling by -1.4% and -1.6%, respectively. This was amid a tumultuous semi-annual reporting season, highlighting increasing domestic costs, a subdued consumer base, and growing interest expenses.

Performance

For August, the Lucerne Alternative Investments Fund was up 2.59%

Throughout the month, the Global Long Short Strategies greatly benefited our portfolio. Two of these strategies achieved our anticipated targets and went above and beyond, delivering remarkable returns. This impressive performance provided the Fund with genuine absolute returns, resonating well with our allocation strategy centred on benefiting from the inflation theme.

Additionally, the Decarbonisation Strategy showcased impressive results, highlighting its pivotal role in our investment methodology. This success emphasises its promising potential for driving future growth opportunities. Currency fluctuations had a positive impact on the Fund in August.

The Australian Long Short Strategy was the only strategy that underperformed in August. Its challenges were primarily due to its positioning during the earnings season and market reversals caused by more favourable earnings outcomes than anticipated.

The Investment Committee maintains a conservative approach and is Pleased with how the portfolio has evolved, reflecting the strategic changes implemented to reduce market beta in the past year. Currently, LAIF is positioned to offer stable, non-correlated returns, reducing exposure to potential risks.

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