Lucerne Alternative Investments Fund

November 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	$1.170
Mgt. Fee	1.15%
Perf. Fee	0%
APIR Code	PIM7035AU
Class 2	
Unit Price	$1.170
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

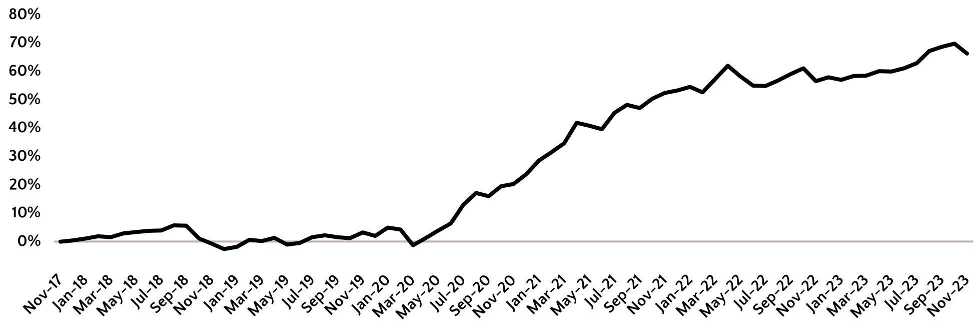
Sharpe Ratio	1.07
Sortino Ratio	1.89
Standard Deviation	6.94%
Maximum Drawdown	-7.88%
% Positive Months	67%

Service Providers

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

[1]*Per unit*

Cumulative Growth Since Inception

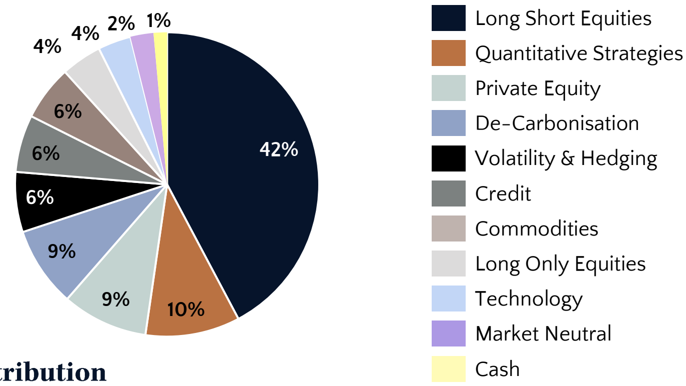


Performance	Since Inception p.a.	5y p.a.	3y p.a.	1y	3m	1m
Class 1 (net)	8.84%	10.86%	11.38%	6.24%	-0.51%	-2.09%

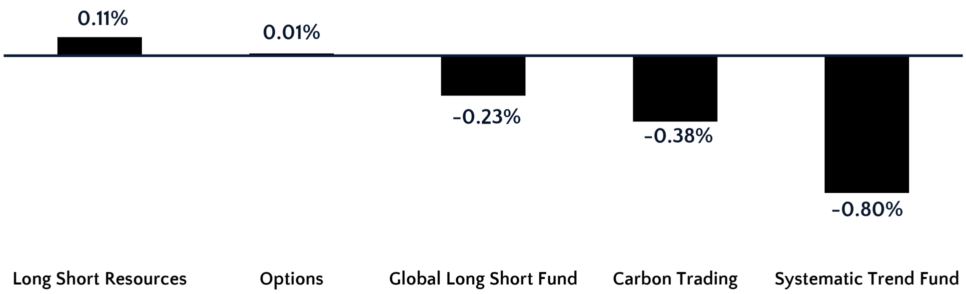
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	-	-	-	-	-	0.40%	**0.40%**
2018	0.71%	0.80%	-0.37%	1.30%	0.53%	0.42%	0.04%	1.80%	-0.16%	-4.21%	-1.84%	-1.87%	**-2.96%**
2019	0.78%	2.57%	-0.47%	1.13%	-2.43%	0.66%	2.07%	0.58%	-0.65%	-0.34%	2.06%	-1.19%	**4.95%**
2020	2.91%	-0.75%	-5.25%	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%	0.86%	0.74%	-2.09%		**5.30%**

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**

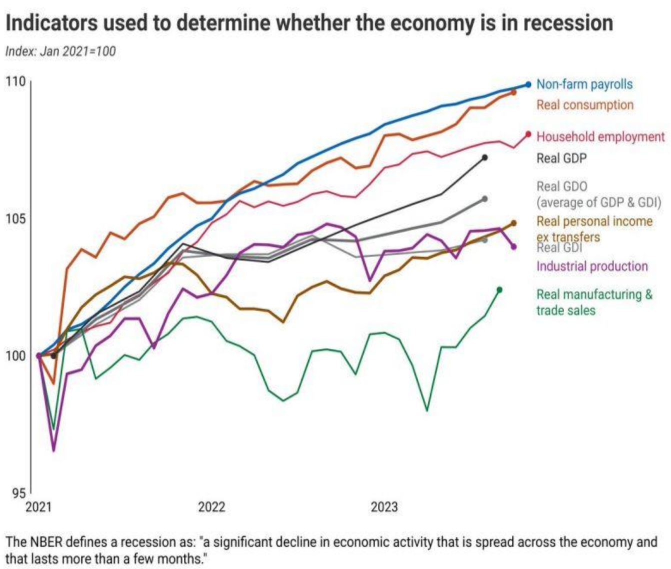
Market Commentary – November 2023

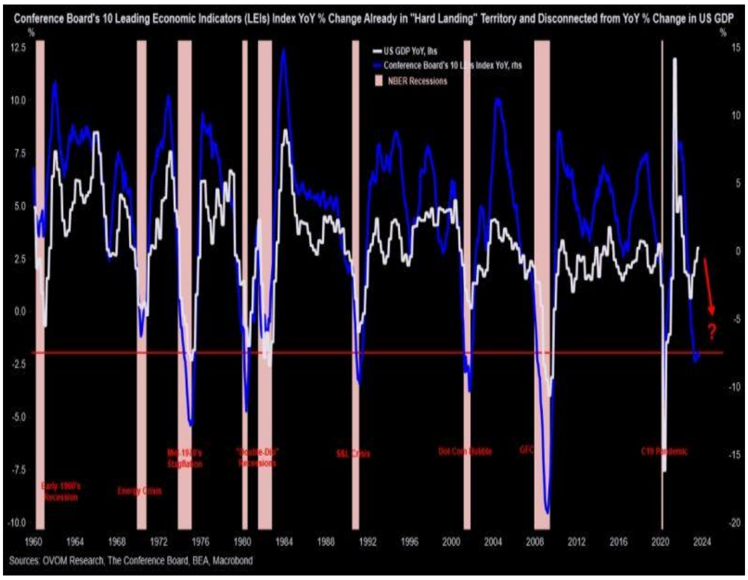
The "Death of Inflation" narrative seems misplaced

Over the past year, the decline in inflation has primarily been attributed to improvements on the supply side, such as the mending of supply chains, increased labour force participation and falling energy prices. However, it's uncertain whether these factors can continue to improve and exert the same level of influence on curbing inflation in the future. Should the pace of supply-side recovery slow, and if consumer demand remains constant, we could see a more persistent inflationary environment.
However, we note this assumption hinges on "constant demand levels," contrary to the reports from the Institute for Supply Management (ISM) and Durable Goods indicating a decline in demand. This is evidenced by plummeting backorders and a significant rise in continuing jobless claims, reaching a 26-month high. The backlog levels in the ISM Manufacturing and ISM Services indices are particularly concerning. The ISM Manufacturing backlog number has dropped to 39, the lowest over a decade, and the Services index could fall below 50 for November.

What recession?

As of the end of November, most Leading Economic Indicators (LEIs) are trending upward, except for industrial production, as evidenced by the ISM data. Historically, whenever the year-over-year (YoY) change in the Leading Economic Indicators index has reached the current level, a severe recession or "hard landing" typically follows within 12 months.





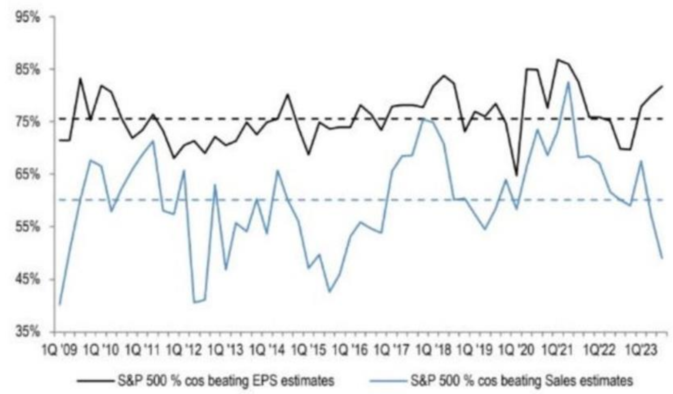
Source: (Source: Macrobond, NBER, OVOM Research)

Furthermore, there's a noticeable disconnect between the current LEIs and the YoY global GDP growth forecast. This relationship has generally shown a strong correlation since the index's inception in 1960. This discrepancy suggests further evidence of a potential hard landing in 2024, a scenario that market participants appear to have overlooked or underestimated.

Greedflation

In the US, where over 90% of the S&P 500 companies have now reported their Q3 performance, 82% have surpassed their earnings per share (EPS) estimates, although 51% missed on topline revenue growth, which has been negative. The accompanying chart from JP Morgan illustrates this trend, highlighting a growing disparity between earnings and sales. This divergence suggests a downturn in the sales cycle in the last quarter, potentially signalling an impending recession on the back of slowing demand, as discussed above.

In response to this downturn, many companies have capitalised on decreasing raw material costs to boost their profit margins, known as 'Greedflation.' This term encapsulates companies' strategy to focus on profit maximisation by reducing input costs rather than passing these savings onto consumers, which contributes to persistent inflationary pressures.



Source: Bloomberg Finance L.P., J.P. Morgan, dotted lines denote median EPS and Sales beats

We observe a similar pattern in Australia, where major retailers such as Woolworths and Coles are under Senate scrutiny for employing mirroring practices.

This scrutiny reflects a growing concern over businesses prioritising increased profits at the expense of consumer price relief, especially during economic uncertainty and heightened cost of living expenses.

Markets

In November, there was a notable upswing in global risk assets, primarily influenced by the increasing belief that the US Federal Reserve is close to ending its cycle of rate hikes. This change in market sentiment led to a dramatic fall in US 10-year bond yields, marking their most significant monthly decline since 1985, with a drop of 73 basis points. Additionally, the likelihood of a Federal Reserve rate cut in March 2024 was being priced at 45% by US interest rate futures markets.
This shift also resonated through the currency markets, evidenced by a 3% decrease in the US Dollar (DXY) over the month, hinting that the dollar might have peaked for this cycle. In tandem, the AUD/USD exchange rate rose by 4.2%, and USD-denominated gold prices increased by 2.5%.
Conversely, energy markets witnessed a downturn, with Brent oil prices falling by 5.2% during the month, aligning with the broader disinflationary trend in the market.

Equity markets globally enjoyed broad-based gains across various regions and sectors, accompanied by a significant rise in short-covering, especially among lower-quality and more speculative stocks. In the US, major indices saw substantial gains: the S&P 500 grew by 8.9%, the NASDAQ 100 by 10.7%, and the Russell 2000 Small Cap index by 8.8%. The Australian market followed suit, with the ASX 200 climbing by 4.5% and smaller companies outperforming larger ones, as shown by the 6.9% increase in the ASX Small Ordinaries index.

Performance

The Lucerne Alternative Investments Fund returned -2.09% for November, primarily due to the precipitous drop in AUDUSD, contributing to 80% of the negative performance. However, it's encouraging to note that the underlying investments have successfully weathered the impact of increasing asset prices. The Fund is still in a favourable position, as we expect a near-term reset in asset prices.

Lucerne Alternative Investments Fund
December 2023

Lucerne Alternative Investments Fund

Disclaimer

This information has been prepared and issued by Lucerne Funds Pty Ltd ACN 661 669 718 a Corporate Authorised Representative of AFSL number 481 217 as the investment manager of the Lucerne Alternative Investments Fund. The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL No: 235150) is the responsible entity and the issuer of units in the Lucerne Alternative Investments Fund. It is general information only, is not intended to provide you with financial advice, and has been prepared without considering your objectives, financial situation or needs. You should consider the product disclosure statement (PDS) before making any investment decisions. The PDS and target market determination (TMD) can be obtained for free by calling +61 3 8560 1440/ visiting our website here. If you require financial advice that takes into account your personal objectives, financial situation or needs, you should consult your licensed or authorised financial adviser. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. All investments contain risk and may lose value. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Total returns shown for the Lucerne Alternative Investments Fund have been calculated using exit 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.

Summary of information: this presentation contains general information only and should not be considered to be comprehensive or purport to comprise all the information that an investor should consider when making an investment decision. This presentation is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law or under any other law. The information in this presentation remains subject to change without notice. Lucerne Investment Partners is not responsible for providing updated information and assumes no responsibility to do so.

Not financial product advice: The financial information provided in this presentation is for information purposes only. The information contained in this presentation is not a financial product, investment advice or a recommendation to acquire securities and has been prepared without taking into account the objectives, financial situation or needs of any person or entity. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs, and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances.

No liability: The information contained in this presentation has been compiled in good faith using sources believed to be reliable. However, Lucerne Investment Partners and its affiliates and each of their respective directors, agents, officers, employees and advisors expressly disclaim, to the maximum extent permitted by the law, all liabilities (however caused, including negligence) in respect of, make no representations regarding, and take no responsibility for, any part of this presentation and make no representation or warranty as to the currency, accuracy, reliability or completeness of any information, statements, opinions, conclusions or representations contained in this presentation.

Existing relationship: Lucerne Investment Partners and its affiliates may have an investment banking or other relationship with the companies that are the subject of this presentation and may trade in any of the securities mentioned in this presentation either for their own account or the accounts of their clients. Lucerne Investment Partners and its affiliates therefore may at any time have a long or short position in any such securities, related securities or in options, futures or other derivative instruments based on those securities.

Future performance: This presentation contains certain forward-looking statements and opinions. The forward-looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, including projections, forecasts and estimates, are provided as a general guide only and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast.

Not an offer: This presentation is not, and should not be considered as, an offer or solicitation to buy or sell securities or any other financial products. Neither this document nor any of its contents will form the basis of any contract or commitment to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction.

This presentation must not be disclosed to any other party and does not carry any right of publication. Neither this presentation nor any of its contents may be reproduced or used for any other purpose without the prior written consent of Lucerne Investment Partners.

Monetary values: Unless otherwise stated, all dollar values are in Australian dollars (AUD$). Confidential: This document contains information that is strictly confidential. You must not directly or indirectly disclose to any person or copy, use, publish or record in any form any part of this document.

Lucerne Services Pty Ltd AFSL 481217