

## 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	\$1.151	
Mgt. Fee	1.15%	
Perf. Fee	0%	
APIR Code	PIM7035AU	
<b>Class 2</b>		
Unit Price	\$1.153	
Mgt. Fee	0.40%	
Perf. Fee	12%	
High Water Mark	Yes	
APIR (Class 2)	PIM1923AU	
<b>Distributions<sup>1</sup></b>		
	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

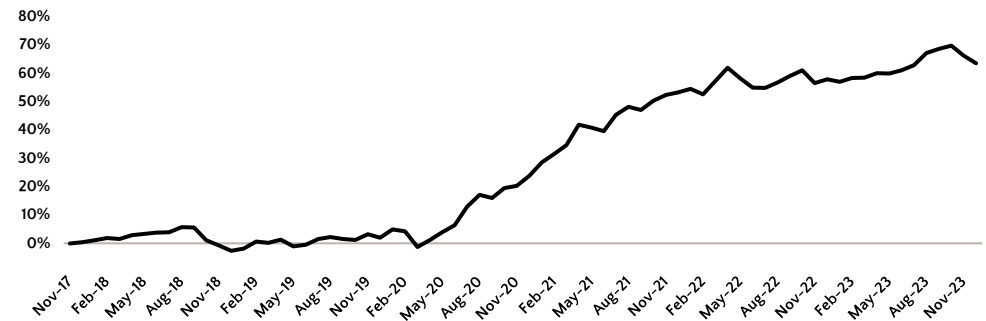
Sharpe Ratio	1.00
Sortino Ratio	1.75
Standard Deviation	6.96%
Maximum Drawdown	-7.88%
% Positive Months	66%

## 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

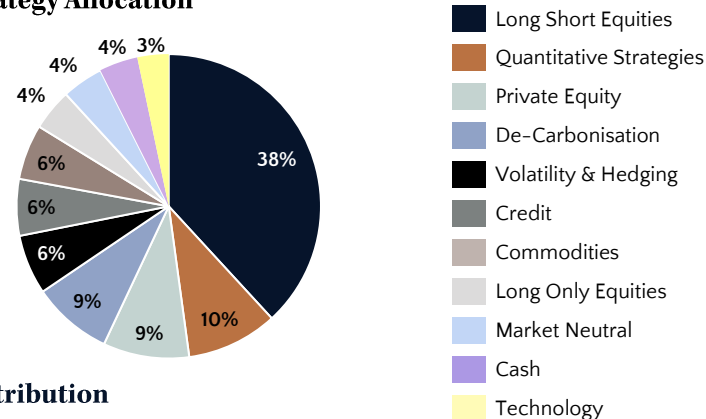


## Performance

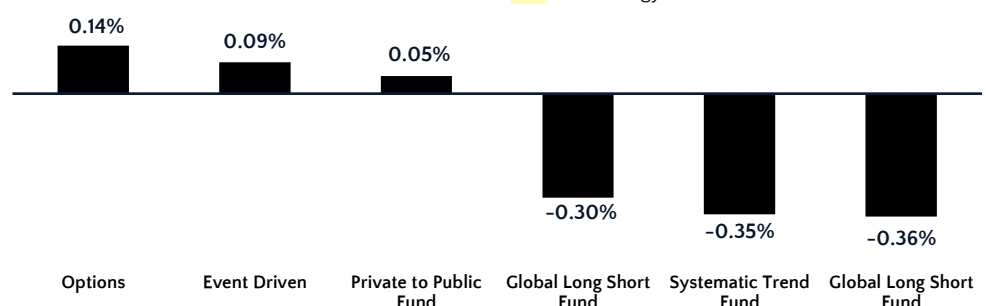
	Since Inception p.a.	5y p.a.	3y p.a.	1y	3m	1m							
<b>Class 1 (net)</b>	8.42%	10.92%	9.72%	3.58%	-2.97%	-1.63%							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2017</b>	-	-	-	-	-	-	-	-	-	-	-	0.40%	0.40%
<b>2018</b>	0.71%	0.80%	-0.37%	1.30%	0.53%	0.42%	0.04%	1.80%	-0.16%	-4.21%	-1.84%	-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%
<b>2023</b>	-0.57%	0.88%	0.04%	0.99%	-0.07%	0.70%	1.17%	2.59%	0.86%	0.74%	-2.09%	-1.63%	3.58%

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 2023

### Redefining Risk: The Rise of Private Debt the new Shadow Banking

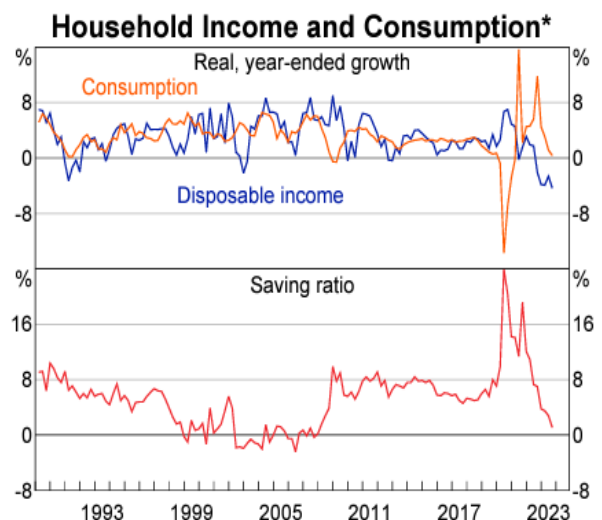
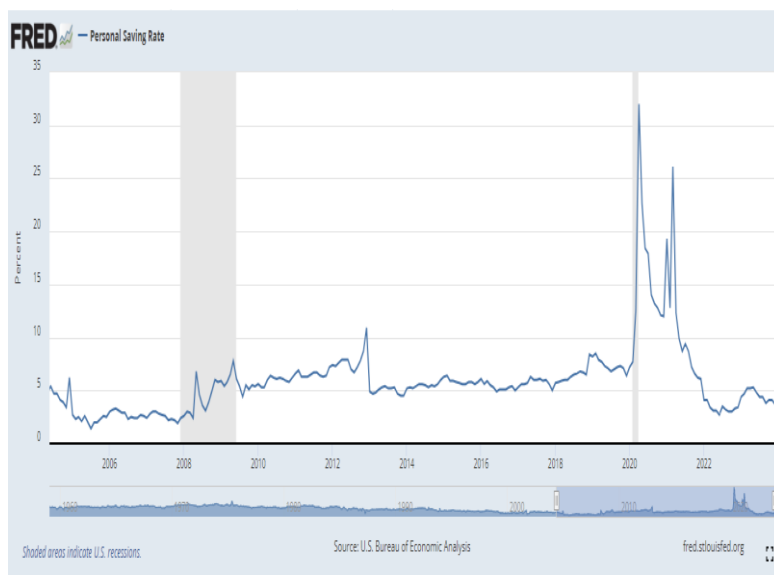
Over the past decade, there has been a significant shift in the institutional approach to the private debt market, which has emerged as a new form of shadow banking, particularly in the mid-market sector. This change occurred as larger banks at all major financial centres withdrew from the mid-market and the lower end of the credit spectrum, leading opportunistic private firms to expand their strategies into these areas.

For late-stage growth companies or mid-market corporates, it's crucial to be aware of the potential for substantial disruptions in this market within the next five years. A key point to note is that, unlike some major financial institutions, most players in this market do not have direct access to the US Federal Reserve's balance sheet. In many cases, the perceived risk remains dormant as the reported securities and its liquidity constitute less than a tenth of these entities' balance sheets.

While the terms offered by private lenders may seem attractive, businesses must carefully consider the medium-term consequences of accepting such debt. These implications could potentially threaten the stability and growth of the company. On the other hand, the proliferation of private credit providers in a contracting credit market appears increasingly risky, particularly for small and medium-sized businesses, which are fundamental to all economies.

This concern is heightened by the gradual weakening of consumer-driven economic strength, as observed in the depletion of savings buffers and the decline of overall disposable incomes. In both the US and Australia, aggregate disposable incomes have fallen below zero, signalling a challenging economic environment for consumers and businesses.

### Savings and Consumption Views – US and Australia (December 2023)



\* Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; saving ratio is net of depreciation.

## Fund Commentary – December 2023

### Markets

In December 2023, global equity markets saw strong performance, buoyed by expectations that the US Fed might begin reducing interest rates starting from its March 2024 meeting. The S&P 500 grew by 4.4%, and the MSCI World (USD) increased by 4.8%, while US 10-year Treasury bond yields fell from 4.33% to 3.88%.

This period marked a broadening of the equity market rally, with small caps, cyclicals, resources, and value stocks outperforming the mega-cap leaders for the second consecutive month. Notably, the US Russell 2000 Small Cap Index jumped by 12% in December, driven by declining inflationary pressures, weaker oil prices (with Brent oil dropping 7% in December), and resilient economic and corporate updates, which collectively raised hopes for a "soft landing" of the US economy in 2024.

Domestically, Australian equity markets also performed well, with the S&P/ASX 200 Accumulation Index climbing 7.26%, primarily led by gains in major mining sectors in response to a 7% increase in iron ore prices. This rise was accompanied by a 10% decrease in bond yields from 4.4% to 4%, following a more dovish stance from the RBA. Small caps in Australia continued to gain broader support, with the ASX Small Ordinaries rising 7.2%, supported by increased takeover activity, mainly targeting undervalued small-cap names. Commodities had mixed results, with Brent Oil down 7% due to higher-than-expected non-OPEC production and iron ore up 7% driven by China's increased crude steel production.

### Performance

The Lucerne Alternative Investments Fund focuses on a strategic, long-term portfolio management process, prioritising overarching themes over short-term tactical decisions. In December, the Fund was down -1.63%, which, while not ideal, was not entirely unexpected as short sharp rallies such as the one that took place at the end of 2023 will impact the Fund's performance.

Australian Event-Driven and Private Equity strategies emerged as the largest contributors, while the biggest detractors were our allocations to the Global Long-Short and Systematic Trend-Following strategies. USD weakened by 3% over the month. Although this was a negative for the Fund, contributing heavily to the drawdown, we remain firm in our view that the USD remains strong, supported by large inflows into US assets.

The Investment Committee adopts a cautiously optimistic stance. This approach is particularly pertinent given the deteriorating macro fundamentals and the troubling trends in consumer strength whilst actively monitoring the reemergence of inflation on the back of heightened geopolitical tensions rising around the globe.

**Lucerne Alternative Investments Fund**  
**January 2024**

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