

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	\$1.193
Mgt. Fee	1.15%
Perf. Fee	0%
APIR Code	PIM7035AU
Class 2	
Unit Price	\$1.199
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

Risk Statistics

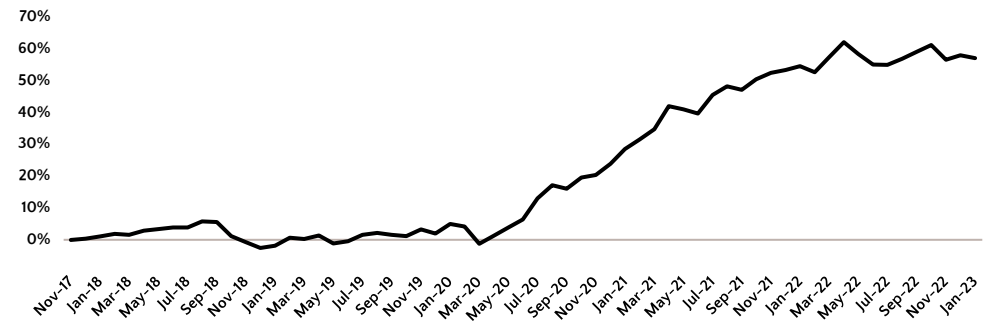
Sharpe Ratio	1.10
Sortino Ratio	1.97
Standard Deviation	7.35%
Maximum Drawdown	-7.88%
% Positive Months	65%

Service Providers

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

¹Per unit

Cumulative Growth Since Inception

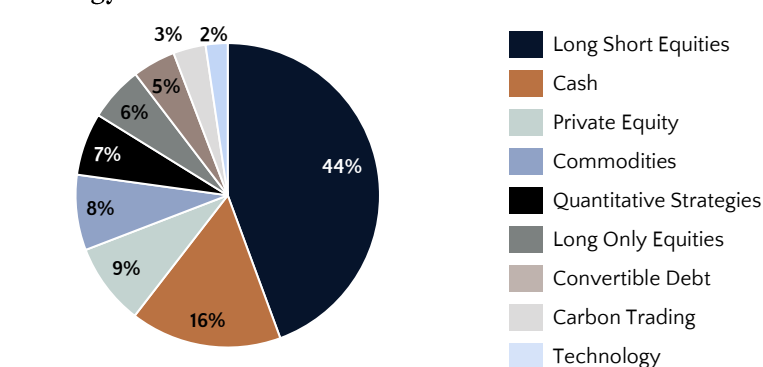


Performance Table

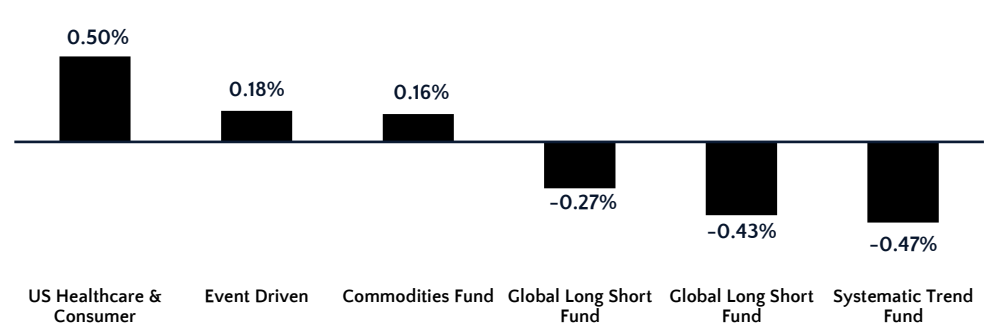
	Since Inception	Since Inception p.a.	1y	6m	3m	1m							
Class 1 (net)	57.04%	9.12%	1.63%	1.40%	-2.53%	-0.57%							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	-	-	-	-	-	0.40%	0.40%
2018	0.71%	0.80%	-0.37%	1.30%	0.53%	0.42%	0.04%	1.80%	-0.16%	-4.21%	-1.84%	-1.87%	-2.96%
2019	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%												-0.57%

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

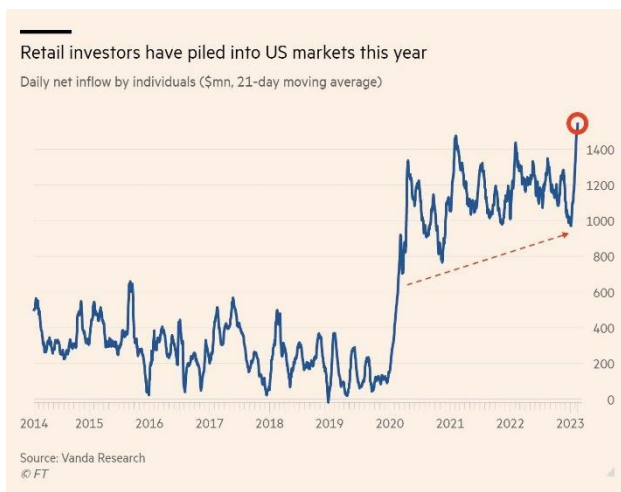
Fund Commentary – January 2023

Return of the retail frenzy

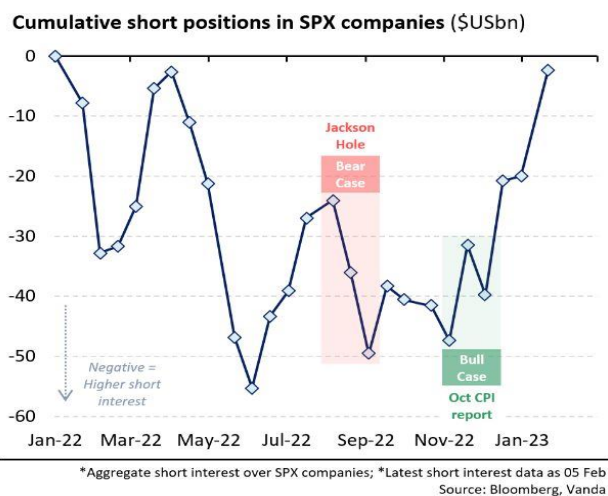
As an essential practice for investors, we have long maintained the importance of noting extremes in market behaviour for the invaluable information they hold. One aspect of the pandemic era is the resurgence of retail investors in the equity market to levels not seen since the 1960s.

The demographics of new retail investors skew differently from the past. While public interest in the stock market is normally positive, the history of market rallies featuring a high component of retail buying is troubling. The presence of retail buying (Exhibit 1) is a notable phenomenon because it tends to be associated with the end of bull markets rather than the beginning. This suggests that the recent market strength may be more indicative of a bear market rally rather than a signal of a bull market.

There are numerous potential catalysts for significant market volatility, which represent noteworthy risks for investors. However, these same catalysts can also create excellent opportunities for prepared investors who are able to navigate the volatility effectively.



(Exhibit1: Retail Participation)



(Exhibit 2: Short Covering)

Although short covering is typically expected during a market rally, the extent of short covering seen in Exhibit 2, along with the concentration of short covering purchases in a relatively small number of companies, reveals important insights into the recent strength of equity markets.

The market's recent upward trend has been fueled by investor optimism, driven by the expectation that the Federal Reserve will lower interest rates. This sentiment has been reinforced by decreasing inflation figures in the US since October 2022 and the increasing belief in a soft landing. However, it is crucial to acknowledge that the purchasing power from short covering has also been a major factor driving the market. Given this, we are unconvinced about the market's strength and its ability to sustain a rally over time.

Markets

2023 commenced with a relief rally post the Christmas break. The equity markets closed the month of January on a strongly positive note, experiencing broad market gains. The S&P 500 and ASX 200 Accumulation index both recorded gains, with the S&P 500 returning 6.18% for the month, and the ASX 200 returning 6.23%. The USD weakened by approximately 4% in the month while the 10 year Treasury Bond price gained 3.6%.

Fund Commentary – January 2023

Performance

While January was a difficult month, the Lucerne Alternative Investment Fund posted a return of -0.57%, a good outcome in turbulent market conditions and one that we would expect in times of short term volatility.

The top-performing investment strategies in January were the US Healthcare Long Short, Australian Event Driven, and Commodities Strategies. The rallying US markets positively impacted the US Healthcare Strategy portfolio, while the Australian Event Driven Strategy benefitted from a revaluation of its investments.

The biggest detractors in January were our investments in the Systematic Trend Following and Global Long Short Strategies. The performance of these strategies was negatively impacted by the widespread market reversal and a declining US dollar.

We have been rigorous in evaluating the macro outlook, and we believe that there are still attractive pockets of opportunity in the market. In keeping with this perspective, we have made changes to our allocation strategy, reducing our exposure to the Trend Following Strategy and increasing our allocations to Volatility Strategies to capitalise on heightened market uncertainty. We will provide more details on these changes in next month's report.

Lucerne Alternative Investments Fund
March 2023

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