Lucerne
Investment
Partners

Lucerne Alternative Investments Fund

ARSN 621 610 848

PRODUCT DISCLOSURE STATEMENT

Investment Manager
Lucerne Funds Pty Limited
ACN 661 669 718

Responsible Entity
The Trust Company (RE Services) Limited
ABN 45 003 278 831 AFSL No. 235150

Lucerne Alternative Investments Fund
APIR: PIM6073AU

Lucerne Alternative Investments Fund
Fee Class 1 APIR: PIM7035AU

Lucerne Alternative Investments Fund
Fee Class 2 APIR: PIM1923AU

30 September 2022

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DISCLAIMERS AND IMPORTANT NOTICES

This Product Disclosure Statement (PDS) dated 30 September 2022 relates to the offer to subscribe for Units in Lucerne Alternative Investments Fund ARSN 621 610 848 (Fund) and is issued by The Trust Company (RE Services) Limited ABN 45 003 278 831 (Responsible Entity) Australian Financial Services Licence (AFSL) No. 235150, the responsible entity of the Fund. Lucerne Funds Pty Ltd ACN 661 669 718 (Lucerne or Investment Manager), being a corporate authorised representative (corporate authorised representative number 001299102) of Lucerne Services Pty Ltd ABN 13 606 629 538 AFSL No.481217, has been appointed as the investment manager of the Fund. The Fund is a registered managed investment scheme under the Corporations Act.

References in this PDS to 'we', 'us', 'our', 'the Responsible Entity' and 'Perpetual' are to The Trust Company (RE Services) Limited, the responsible entity of the Fund. References to 'you' or 'your' are to investors (and, when the context requires, prospective investors) in the Fund.

The Responsible Entity has authorised the use of this PDS as disclosure to investors and prospective investors of a master trust, wrap account or an investor directed portfolio service or investor directed portfolio-like services (IDPSs). Indirect investors investing through an IDPS may rely on the information contained in this PDS in instructing IDPS operators to invest in the Fund on their behalf. The Responsible Entity, however, accepts no responsibility where the IDPS operator does not provide indirect investors investing through an IDPS with a current version of this PDS or any supplementary or replacement PDS. Indirect investors investing through an IDPS do not acquire the rights of a Unitholder in the Fund. The rights of indirect investors are set out in the IDPS Guide or other offer document for the relevant IDPS.

No person is authorised to give any information or to make any representation in connection with the investment opportunities described in this PDS, which is not contained in this PDS. Any information or representation in connection with this investment not so contained may not be relied upon as having been authorised by the Responsible Entity.

This PDS is prepared for your general information only. You should consider it in deciding whether to apply for Units in the Fund. It is not a recommendation by the Responsible Entity or Lucerne or any associate of the Responsible Entity or Lucerne or any other person to invest in the Fund. This PDS has been prepared without taking into account the investment objectives, financial situation or needs of any particular investor.

As such, before acting on the information in this PDS, prospective investors should consider the appropriateness of the information in this PDS having regard to their own objectives, financial situation and needs. Prospective investors should rely upon their own enquiries and analysis as to the merits and risks in relation to the offer and in deciding whether to invest in the Fund. The Responsible Entity and Lucerne strongly recommend that potential investors read and consider all material contained in this PDS and the Target Market Determination (TMD) and seek independent professional advice as to the financial, taxation and other implications of investing in the Fund before making any investment decisions.

The Responsible Entity reserves the right to evaluate any applications for Units and to reject any or all applications submitted by investors, in whole or part, without giving reasons for rejection. The Responsible Entity is not liable to compensate any recipient of this PDS or any intending investor for any costs or expenses incurred in reviewing, investigating or analysing any information in relation to the Fund, in making an application for Units or otherwise.

Neither Responsible Entity nor Lucerne, or any of their related bodies corporate, associates, officers or affiliates, guarantees the performance of the Fund or the repayment of capital from the Fund.

Lucerne, with the consent of the Responsible Entity, may from time to time vary the investment strategy and process of the Fund to achieve the Fund's objectives, subject to appropriate risk management controls and guidelines. See section 4 for further information about the risks involved in making an investment in the Fund.

Unless otherwise stated, all amounts are in Australian dollars, and all fees are quoted on a Goods and Services Tax (GST) inclusive basis less any available Reduced Input Tax Credits (RITCs).

This PDS should be read in conjunction with the constitution of the Fund (Constitution), which is available from Lucerne see section 14, 'Directory'. This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. No action has been taken to register or qualify the Fund or otherwise to permit a public offering of the Units in any jurisdiction outside Australia. Accordingly, the distribution of this PDS in jurisdictions outside Australia is limited and may be restricted by law. The PDS does not constitute an offer of securities for sale in the United States. Units in the Fund may not be offered or sold in the United States absent registration or an exemption from registration. No offering will be made in the United States by the Responsible Entity.

This offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer.

General information in this PDS is subject to change. Certain information that is not materially adverse may be updated without issuing a supplementary PDS. Such updated information may be obtained from Lucerne's website www.lucernepartners.com or a paper copy of any updated information will be provided free of charge, upon request.

A Target Market Determination (TMD) has been prepared for the Fund. A copy of the TMD can be obtained free of charge upon request by contacting the Investment Manager or on the Fund's website at https://www.laif.com.au/invest

Contact details:
Telephone: 03 8560 1440
Email: laif@lucernepartners.com

1. LUCERNE ALTERNATIVE INVESTMENTS FUND - THE FUND AT A GLANCE

FEATURE	SUMMARY	REFERENCE
Name	Lucerne Alternative Investments Fund ARSN 621 610 848	
Responsible Entity	The Trust Company (RE Services) Limited ABN 45 003 278 831	Section 2
Investment Manager	Lucerne Funds Pty Ltd ACN 661 669 718	Section 2
Custodian and Administrator	Mainstream Fund Services Pty Ltd ABN 81 118 902 891	Section 2
Auditor	Ernst & Young ABN 75 288 172 749	Section 2
Investment Objective	The Fund aims to achieve an annual absolute return of 6% or more above the RBA cash rate after fees, over rolling 5 year periods. Volatility of the return is expected to be lower than that of equity markets and with a consistent return, over 5 year periods. This objective is only an indication of what the Fund aims to achieve over the long term and Fund may not be successful in meeting this objective.	Section 3
Investment Guidelines/Policy	The Fund will invest in other funds. There are allocation limits placed on asset classes and strategies of the underlying funds. The Fund is also able to invest directly in primary and secondary market securities and derivatives.	Section 3
Leverage, derivatives and short selling	The Fund does not borrow. The Fund may use derivatives to manage risk, but not to gear the Fund. The Fund does not short sell. Underlying funds in which the Fund invests may borrow, and may also use derivatives to manage risk and/or to gain investment exposure without prescribed limitations. The Fund could have exposure to gearing through its underlying investments. Underlying funds may also short sell to manage risk and/or to gain investment exposure. Underlying short selling positions will not exceed 200% of the Fund's NAV (that is, 2 times leverage).	Section 3
Volatility/Risk Level/ Investment Risks	The Fund should be regarded as medium risk with lower volatility than the ASX 200 Accumulation Index over rolling 5-year periods. Key investment risks associated with the Fund include: • general investment risks such as market risk and investment strategy risk; investment manager risk and Fund risk, and • specific investment risks including currency risk, international investment risk, short selling risk, interest rate risk, derivative instrument risks, leverage and borrowing risk, liquidity risk, default risk, compensation fee structure risk and regulatory risk.	Section 4
Risks	Relevant risks associated with a fund of this nature are outlined in Section 4.	Section 4
Eligible Investors	Wholesale Clients and Retail Clients as defined by the Corporations Act.	Section 6
Minimum Suggested Investment Timeframe	3 years or more. No minimum investment holding term rule applies.	Section 3
Investment	Initial investment minimum: $25,000	Section 6

FEATURE	SUMMARY	REFERENCE
Amounts	Withdrawal minimum: $25,000 Minimum additional investment: $25,000 Minimum balance: $25,000 Minimum investment, withdrawal and additional investment amounts are subject to change at the Responsible Entity's absolute discretion. The Responsible Entity may, at its discretion, allow individual investors to invest less than the minimum investment or additional investment amount or reduce or waive the minimum withdrawal amount.	
Classes	There are 2 classes of Units offered under this PDS, Fee Class 1 and Fee Class 2. The Classes are identical in every respect other than the fees that will apply to them (see below). Investors must nominate which class of Units they are applying for in the Application Form.	Section 7
Fees and expense recoveries	Under Fee Class 1, the Responsible Entity is entitled to receive a Management Fee of 1.15% per annum (including GST net of RITC) of the Net Asset Value of the Fund of the relevant Class calculated and accruing daily and payable within 30 days of the end of each month. Under Fee Class 2 the Responsible Entity is entitled to receive a Management Fee of 0.40% per annum (including GST net of RITC) of the Net Asset Value of the Fund of the relevant Class calculated and accruing daily and payable within 30 days of the end of each month. In addition, under Fee Class 2, the Responsible Entity is entitled to a Performance Fee equal to 12% (including GST net of RITC) of the investment return of the Fund after the accrual of the Management Fee) (subject to a High Water Mark), which is calculated and accrued each month and is paid within 30 days of conclusion of each Performance Period. There is no Performance Fee for Fee Class 1. The Responsible Entity will pay both the Management Fee and Performance Fee to Lucerne. Fund expenses are recoverable from the Fund.	Section 7
Application and Withdrawal Cut-off Times	Monthly. Applications need to be received before 10:00 a.m. (Sydney time) 4 Business Days before the last Business Day of the month (a Pricing Day). The Application Price will be determined and the units will be issued on the close of business on the relevant Pricing Day. Withdrawal requests (when the Fund is liquid) need to be received before 10:00am (Sydney time) 4 Business Days before a Pricing Day and the unit price will be determined on the close of business on the relevant Pricing Day. Withdrawal proceeds will generally be paid within 15 Business Days from the Pricing Day but under the Constitution can be paid up to 56 days from the Pricing Day (or by any shorter time the Corporations Act requires).	Section 6
Income Distribution	Income distributions are generally paid semi-annually (as at 30 June and 31 December) and are paid into your nominated bank account or reinvested back into the Fund.	Section 6
Valuation	The investments of the Fund are generally valued as at the close of business on each Pricing Day using the latest reasonably available valuations of underlying managed funds and other investments. The Net Asset Value is determined in accordance with the Constitution, using such discretions as law allows.	Section 6

DISCLOSURE BENCHMARKS AND DISCLOSURE PRINCIPLES

Disclosure Benchmarks

BENCHMARK	REQUIREMENT	SUMMARY	REFERENCE
Benchmark 1: Valuation of Assets	The Responsible Entity has and implements a policy that requires valuations of the hedge fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.	The Fund does not meet this benchmark. Mainstream, which is unrelated to both the Responsible Entity and Lucerne, is generally responsible for valuing the units in the Fund. However, Lucerne will be responsible for valuing certain assets such as unlisted assets (that are not managed funds that provide their own values). The investments of the Fund will either be valued at the market value or in accordance with a valuation methodology determined by Lucerne. All of Lucerne's valuation methodologies will be audited semi-annually by Ernst & Young.	Section 2
Benchmark 2: Periodic Reporting	The Responsible Entity of the hedge fund has and implements a policy to provide periodic disclosure of certain key information on an annual and monthly basis.	The Fund meets this benchmark. The Responsible Entity will provide monthly and annual reports of the Fund as soon as possible after the period end. The annual reports and other key information are available by contacting the Responsible Entity and will be on Lucerne's website.	Section 6

Disclosure Principles

PRINCIPLE	SUMMARY	FURTHER INFORMATION
Disclosure Principle 1: Investment Strategy This disclosure principle is intended to ensure that investors are made aware of the details of the investment strategy for the Fund, including the type of strategy, how it works in practice and how risks are managed.	The Fund aims to achieve absolute returns of 6% or more above the RBA cash rate after fees, over rolling 5 year periods. Volatility of the return is expected to be lower than that of equity markets and with a consistent return, over 5 year periods. A key contention and dependency of the investment strategy of the Fund is that by combining many independent return streams with a high target return and low inter-correlation, an overall return can be generated with reduced volatility relative to the constituent investments whilst retaining high long-term growth prospects. The other key dependency of the investment strategy is that the Investment Manager has the skill, experience and resources to assess, select and monitor appropriate underlying investments that can deliver the targeted long-term performance. The Fund will invest primarily in other funds. There are allocation limits placed on asset classes and strategies of the underlying funds. The Fund is also able to invest directly in primary and secondary market securities and derivatives. This objective is only an indication of what the Fund aims to achieve over the long term and the Fund may not be successful in meeting this objective.	Section 3
	The Responsible Entity may, at its discretion, alter its investment strategy. The Responsible Entity may change the Fund's investment objectives with the consent of Lucerne. Whilst there is no intention to change the investment strategy, you will be provided with written notice of any such changes.	Section 4

PRINCIPLE	SUMMARY	FURTHER INFORMATION
	Assets may be held in Australia or offshore and in any currency.	Section 4
	The Fund does not borrow. The Fund may use derivatives to manage risk, but not to gear the Fund. The Fund does not short sell. Underlying funds in which the Fund invests may borrow, and may also use derivatives to manage risk and/or to gain investment exposure without prescribed limitations. The Fund could have exposure to gearing through its underlying investments. Underlying funds may also short sell, to manage risk and/or to gain investment exposure. Underlying short selling positions will not exceed 200% of the Fund's NAV (that is, 2 times leverage).	Section 3
	The success of the Fund's investment strategy may be influenced by specific risk factors. However by combining a range of assets with low correlations, the Fund will aim to deliver a positive return regardless of equity market conditions.	Section 3
	Diversification guidelines or limits are set out in section 3.	Section 3
	Specific risks associated with the Fund's investment strategy and the key aspects of the Fund's risk management strategy are set out in section 4. Some of the specific risks include currency risk, interest rate risk, derivative instrument risk and leverage risk.	Section 4
Disclosure Principle 2: Investment Manager Intended to ensure that investors have the necessary information about the people responsible for managing the Fund's investments, such as their qualifications and relevant commercial experience, and the proportion of their time devoted to the hedge fund.	Lucerne is the investment manager of the Fund. There have been no relevant significant adverse regulatory findings against Lucerne. Michael Houghton and Anthony Murphy of Lucerne, along with independent members Dragana Timotijevic and Mugunthan Siva form the Investment Committee. The Investment Committee is primarily responsible for the investment decisions of the Fund. The committee members are adequately qualified and experienced in the management of the Fund and will dedicate the time necessary to the implementation of the Fund's investment strategy. Mugunthan and Dragana are independent members of the Investment Committee who have other roles outside of the Lucerne Investment Committee. Michael and Anthony will spend approximately 80% of their combined time implementing the Fund's investment strategy, Mugunthan and Dragana will each spend approximately 10% of their time on the Fund. There have been no relevant significant adverse regulatory findings against any of these people.	Section 2
Disclosure Principle 3: Fund Structure This disclosure principle is intended to ensure that the Responsible Entity explains the investment structures involved, the relationships between entities in the structure, fees payable to the Responsible Entity and Investment Manager, the jurisdictions involved (if these involve parties offshore), the due diligence performed on underlying funds, and the related party relationships within the structure.	The investment management agreement between Lucerne and Responsible Entity (Investment Management Agreement) does not contain any unusual or materially onerous (from an investor's perspective) terms. The Investment Management Agreement contains standard conditions for asset management and termination. For more information, please see section 2.	
	The Fund is structured as a registered managed investment scheme and a unit trust with Perpetual as the Responsible Entity of the Fund.	Section 3

PRINCIPLE	SUMMARY	FURTHER INFORMATION
	The key service providers involved in the operation of the Fund are named in "The Fund at a glance" table in Section 1. For information on each service provider's role and scope of services, please refer to section 2. The Responsible Entity ensures compliance of service providers with their obligations under the relevant service agreements and applicable laws by requiring completion of monthly questionnaires, quarterly assurance certifications and/or by conducting an annual onsite visit. All key service providers are based in Australia. The Investment Committee will conduct a comprehensive qualitative and quantitative due diligence process on all underlying investment managers. Only managers demonstrating transparency in their operational processes and a competitive advantage will be approved by the Investment Committee. Due diligence will include analysis of each investment's past performance and the investment management team in previous asset management roles. An assessment will be made on the likelihood of a fund being able to achieve satisfactory future returns, to adequately protect capital and to generate a return profile that is complementary to the other assets of the Fund. All underlying investment managers will be monitored on an ongoing basis The Investment Manager is a corporate authorised representative of Lucerne Services Pty Ltd ACN 606 629 538 which holds an Australian financial services licence. There are no material arrangements in connection with the Fund which the Investment Manager does not consider to be on arm's length terms or better.	Sections 1 and 2
	There are risks associated with the Fund structure. Specifically, we note that there are risks of holding assets overseas and investing in Funds which hold assets overseas.	Section 4
Disclosure Principle 4: Valuation, location and custody of assets This disclosure principle is intended to ensure that the Responsible Entity discloses the types of assets held, where they are located, how they are valued and The custodial arrangements.	The investments of the Fund are generally valued monthly by Mainstream (and Lucerne where required) and the Net Asset Value is determined in accordance with the Constitution of the Fund. The Responsible Entity may value assets at any time, and must do so in accordance with and when required by *The Corporations Act 2001* (Cth). The valuation methods and policies applied by the Responsible Entity must be consistent with ordinary commercial practices for valuing property of the relevant kind. Assets must be valued at their market value unless: 1. there is no market for an Asset; or 2. the Responsible Entity reasonably believes that the valuation does not represent the fair value of the Asset.	Sections 2 and 6
Disclosure Principle 5: Liquidity This disclosure principle is intended to ensure that investors are made aware of the Fund's ability to realise its assets in a timely manner and the risks of illiquid classes of assets.	There are allocation ranges for exposure of the Fund to certain asset types. For information on allocation guidelines, see section 3, subheading 'Investment Guidelines and Policy' and 'Investment Strategy and Portfolio Formation'. Underlying assets may be held in Australia or overseas. In seeking the most effective underlying investments the Fund has no limitations on the geographic location of an underlying investment manager, domicile of an underlying fund or geographic focus of the underlying investments of a fund. Mainstream is the custodian of the Fund and provides custodial services including holding all the assets of the Fund.	Section 3

PRINCIPLE	SUMMARY	FURTHER INFORMATION
	The services provided may include the provision to the Fund of margin financing, clearing, settlement, stock borrowing and foreign exchange facilities.	Section 2
	The Fund will be liquid as the Responsible Entity reasonably expects that it will be able to realise at least 80% of the assets of the Fund, at market value within the time specified in the Constitution to satisfy withdrawal requests. However it is likely that the Fund will invest more than 10% of its Net Asset Value in Alternative Investments as well as underlying funds with limited liquidity which cannot be reasonably expected to be able to be realised at the value ascribed to them in calculating the Fund's most recent Net Asset Value within 10 days. The Fund will make investments into managed funds which contain their own liquidity risk and there is no guarantee that the securities held by these funds will be able to be sold and readily converted into cash to satisfy a withdrawal request that the Fund may make. Lucerne will manage this risk by considering the prevailing market conditions that affect the liquidity of certain underlying managed funds. If conditions exist or are forecast to exist in the short term that may negatively impact liquidity then steps will be taken to improve the overall liquidity profile of the Fund. This may involve partial or full withdrawals from less liquid investments and a greater priority given to more liquid investments. Underlying managed funds may also have the ability to stagger large withdrawal requests. It is the policy of Lucerne to manage this risk by limiting the proportion of units on issue in a particular underlying fund that the Fund may own such that the risk of the underlying fund being unable to satisfy a full withdrawal request by the Fund is low.	Section 3
Disclosure Principle 6: Leverage This disclosure principle is intended to ensure that investors are made aware of the maximum anticipated level of leverage of the Fund (including leverage embedded in the assets of the Fund).	The Fund does not borrow. The Fund may use derivatives to manage risk, but does not generally use derivatives to gain investment exposure. Derivatives use by the Fund will not result in the Fund being geared (that is, liabilities exceeding 100% of the Fund's NAV). The Fund does not short sell. Underlying funds in which the Fund invests may borrow. Underlying funds may also use derivatives to manage risk and/or to gain investment exposure without prescribed limitations. The Investment Manager carefully assesses underlying derivatives use and resulting exposures when choosing funds in which to invest and the extent to which the Fund invests in each. Underlying funds may also short sell, to manage risk and/or to gain investment exposure. The Investment Manager carefully assesses underlying short selling and resulting exposures when choosing funds in which to invest and the extent to which the Fund invests in each. Underlying short selling positions will not exceed 200% of the Fund's NAV (that is, 2 times leverage). The maximum leverage of underlying equity fund managers will range from 0% - 500%. Other types of funds such as quantitative funds trading currencies on margin may have even higher leverage. Theoretically, the Fund could have embedded leverage exceeding the maximum allowable leverage of the underlying manager with the highest leverage limit if there was also leverage employed by the Fund. The Investment Manager may deem it appropriate to invest in an underlying fund with embedded leverage of up to 500% but no single investment may exceed 30% of the assets of the Fund.	Section 3
	The assets of the Fund will be held by Mainstream in segregated accounts together with assets deposited by it on behalf of other customers of Mainstream.	Section 2

PRINCIPLE	SUMMARY	FURTHER INFORMATION
Disclosure Principle 7: Derivatives This disclosure principle is intended to ensure that investors are aware of the purpose and types of derivatives used by the Responsible Entity or Investment Manager, and the associated risks.	Derivatives use is discussed above. Derivatives can be traded on exchanges, always being recognised and regulated exchanges, or 'over the counter' (OTC). Derivatives types forwards, spots and swaps. OTC counterparties must be an Australian bank or a financial institution approved by Lucerne and the Responsible Entity. New counterparties are only approved where they meet the portfolio's specified credit rating requirements and internal credit rating requirements. Exposure limits to each counterparty are based on the stricter of either the portfolio's specified credit rating requirements or internal credit rating requirements, and as such exposure limits will vary depending on the type of derivative. The Investment Manager enters into appropriate agreements with all counterparties. Dealing with counterparties carries risks which are detailed in section 4.	Sections 3 and 4, Section 2, sub-heading 'The Administrator and Custodian'
Disclosure Principle 8: Short Selling This disclosure principle is intended to ensure that investors are made aware of how short selling may be used as part of the investment strategy, and of the associated risks and costs of short selling.	Short selling will not be undertaken by the Fund however the Fund may invest into underlying funds that may employ short selling as part of an investment strategy to benefit from falling prices. The maximum permitted level of short selling in any particular underlying fund is 300% of the net asset value of the underlying fund. The risks associated with short selling are explained in section 4.	
Disclosure Principle 9: Withdrawals This disclosure principle is intended to ensure that investors are made aware of the circumstances in which the Responsible Entity allows withdrawals and how this might change.	No minimum holding period applies to investments in the Fund. Investors may request the withdrawal of all or part of their investment each month by lodging a withdrawal request form (available on the Lucerne's website) before 10:00 a.m. 4 Business Days before a Pricing Day. The relevant unit price will be determined on the close of business on the relevant Pricing Day. The Responsible Entity is entitled to but is not obliged to accept the withdrawal request. If the withdrawal request is accepted, the withdrawal proceeds will generally be paid within 15 Business Days from the Pricing Day but under the Constitution can be paid up to 56 days from the relevant Pricing Day (or by any shorter time the Corporations Act requires). If the Fund becomes illiquid as defined by the Corporations Act, any withdrawal will be made pursuant to a withdrawal offer in compliance with the Corporations Act. The Responsible Entity is under no obligation to make withdrawal offers and may cancel a withdrawal offer at any time. If there is a material change to investors' withdrawal rights investors will be notified in writing. All withdrawals will be funded from the existing liquid assets of the Fund or from new investors entering the Fund and will not be funded from external liquidity facilities.	Section 6

2. RESPONSIBLE ENTITY, INVESTMENT MANAGER, ADMINISTRATOR, AND CUSTODIAN

Responsible Entity

The Responsible Entity of the Fund is The Trust Company (RE Services) Limited (Perpetual) which is a wholly owned subsidiary of Perpetual Limited ABN 86 000 431 827, and as part of the Perpetual Group which has been in operation for over 135 years. Perpetual Limited is an Australian public company that has been listed on the Australian Securities Exchange for over 55 years.

Perpetual holds an Australian Financial Services Licence number 235150 issued by ASIC, which authorises it to operate the Fund.

The Responsible Entity is bound by the Constitution and the Corporations Act. The Responsible Entity has lodged a compliance plan with ASIC which sets out the key measures which the Responsible Entity will apply to comply with the Constitution and the Corporations Act.

The Responsible Entity has established a Compliance Committee with a majority of external members. The compliance plan is overseen by the Compliance Committee and is audited annually with the audit report being lodged with ASIC

The Investment Manager

Lucerne Funds Pty Ltd is the investment manager for the Fund and is a corporate authorised representative of Lucerne Services Pty Ltd ABN 13 606 629 538 AFSL No. 481217. Lucerne is responsible for making investment and divestment decisions in relation to the Fund and implementing the Fund's investment strategy. The Responsible Entity and Lucerne enter into all transactions on arm's length terms or better.

Commencing operations in November 2015, Lucerne Investment Partners was founded on the principle that developing true partnerships with stakeholders, both internal and external, lays a strong foundation for success. When combined with a nimble and focused team, a true competitive advantage is formed. Lucerne Investment Partners with and provides specialised investment solutions to high net worth individuals, families, institutions and small to mid- sized companies.

Lucerne Investment Partners is based in Melbourne.

Michael Houghton and Anthony Murphy of Lucerne, along with independent members Dragana Timotijevic and Mugunthan Siva form the Investment Committee. The Investment Committee is primarily responsible for the investment decisions of the Fund.

MICHAEL HOUGHTON

Michael is the Chair of the Investment Committee and Executive Director with Lucerne Investment Partners. He is a senior finance and investment executive with over 25 years' experience in local and international investment markets. He has worked in wealth management, investment advice and portfolio construction. He has previously held senior positions with Macquarie Bank, Citigroup Switzerland, JB Were and ANZ Private Bank.

ANTHONY MURPHY

Anthony Murphy is the CEO and Co-Founder of Lucerne Investment Partners. He has extensive experience in the industry and knowledge that cover all aspects of investment and wealth, he is a specialist in investment advisory, portfolio management, group strategy and international business. Previous roles include Executive Director at Canaccord Genuity and Senior Advisor at Ord Minett.

DRAGANA TIMOTIJEVIC

Dragana joins in the role of Investment Committee member, bringing more than 25 years of experience in manager research, asset allocation and portfolio construction. She has worked for global and boutique firms servicing both large global and domestic institutional and retail clients. She has designed investment strategies for single and multi-assets portfolios and has deep knowledge of both alternative and mainstream asset classes, Dragana's recent full-time roles include eight years with Mercer Investments as Head of Alternatives and over three years as CIO/Head of Research at OneVue/Select Investment Partners. Dragana is passionate about deploying capital for the greater good and over the last few years has been extensively researching a variety of responsible/ESG and impact investments.

MUGANTHAN SIVA

Mugunthan has been involved in the Australian Financial Services Industry for 28 years, (25 years in Australia) across roles of Investment and Fund Research and Analysis, Company Research, Portfolio Management across multiple asset classes and Global Asset Allocation. Across his career he has worked for Financial Planning firms, Investment Banks and Superannuation Funds and has also been involved in setting up two investment boutique's, incorporating building investment philosophies and processes to provide a robust governance and decision making platform as the Chief Investment Officer. Prior to becoming co-founder and managing director of India Avenue in 2015, he was Head of Portfolio Management for ANZ Wealth, which had over A$8bn invested under its active multi-manager investment portfolios. He has a Bachelor of Commerce, Graduate Diploma at FINSIA and Masters of Business.

Investment Management Agreement

The Responsible Entity and Lucerne have entered into an investment management agreement covering the investment management services under which Lucerne agrees to act as investment manager, and among other things is entitled to a fee (including Performance Fees) payable by the Responsible Entity, and is indemnified by the Responsible Entity in respect of liabilities reasonably incurred by Lucerne or any of its officers or agents acting under the Investment Management Agreement, except (amongst other circumstances) to the extent caused by the negligence, default, fraud, dishonesty or negligence of Lucerne or any of its officers, employees, or agents.

Lucerne indemnifies the Responsible Entity in respect of liabilities incurred by the Responsible Entity arising from any negligence, fraud, default or dishonesty of the Investment Manager.

The Responsible Entity is able to terminate Lucerne's appointment: including but not limited to, by written notice to Lucerne if:

- Lucerne enters into receivership, administration or liquidation,
- Lucerne ceases to conduct business in relation to its activities as investment manager; or
- Lucerne breaches or fails to observe or perform any duty, obligation, representation, warranty or undertaking required of it under the Investment Management Agreement that in the opinion of the Responsible Entity adversely affects the rights of members, and fails to rectify the breach or failure to the reasonable satisfaction of the Responsible Entity within a reasonable period specified by the Responsible Entity.

Termination in these circumstances is without payment of any penalty. Fees and expenses are prorated until the date of termination.

The Administrator and Custodian

The Responsible Entity has entered into a custody and administration agreement (CA Agreement) with Mainstream Fund Services Pty Ltd (Mainstream). Mainstream is an independently owned fund custody and administration business providing fund managers with an integrated service solution.

Under the CA Agreement, Mainstream will perform certain custodial administrative, accounting and Unit registry services. The administration services include:

1. Calculating the Net Asset Value;
2. Maintaining financial books and records so far as may be necessary to give a complete record of all transactions carried out by Mainstream on behalf of the Fund; and
3. Providing Unit registry services in connection with the issuance, transfer and withdrawal of Units in the Fund as well as maintaining the Unit registry

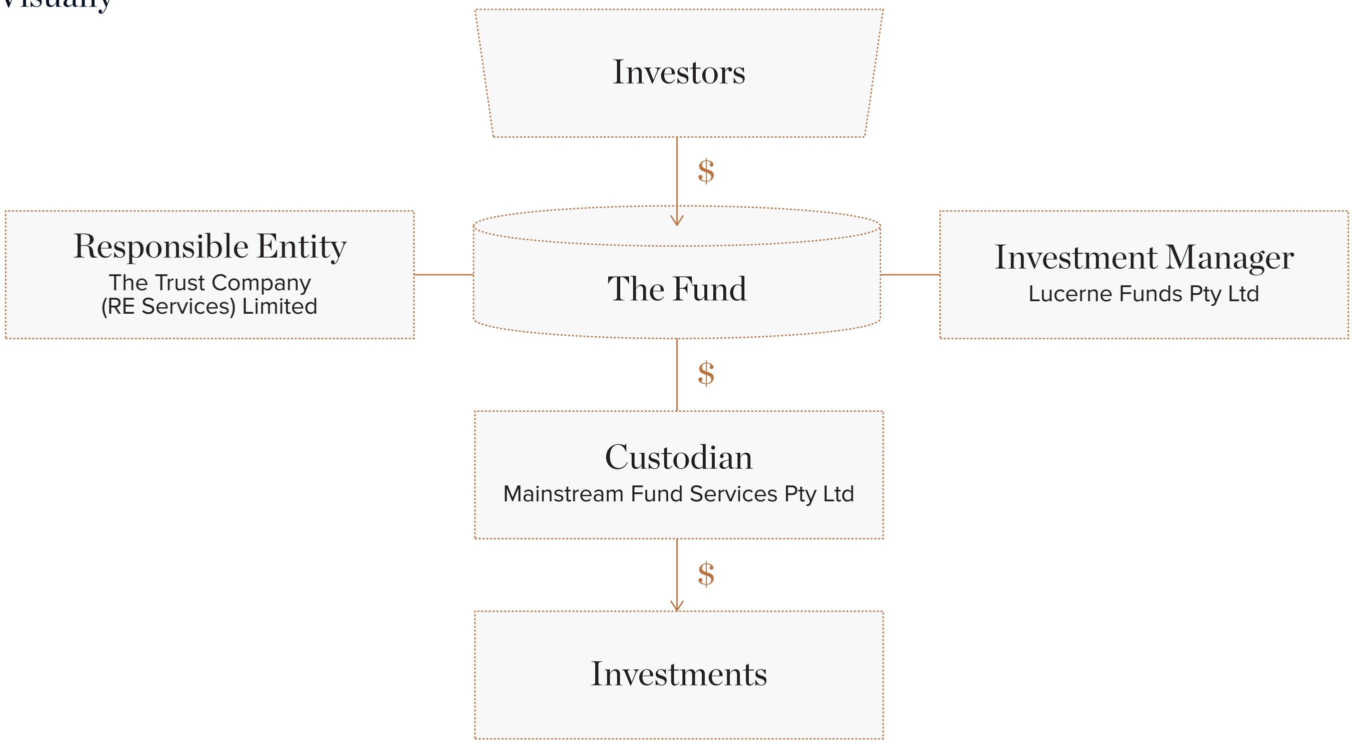
Mainstream is primarily responsible for the valuation of units in the Fund. Generally, the value of the assets will be determined at their market price. Where the price of security is not available from an independent source or the security is not traded on a properly regulated exchange, Mainstream will apply a valuation determined by Lucerne. Securities will be valued based on acceptable industry standards. Under the CA Agreement, for the purpose of calculating the Net Asset Value of the Fund and the Units, Mainstream will rely on, and shall not be responsible for the accuracy of, financial data furnished to it by Lucerne, underlying fund managers and/or any independent third party pricing services. Mainstream will not be responsible or liable for the accuracy of information furnished by other persons in performing its services for the Fund.

Mainstream in no way acts as guarantor or offeror of the Units in the Fund or any underlying investment, nor is it responsible for the actions of the Fund's sales agents, any other brokers, Lucerne or the Responsible Entity.

Under the CA Agreement the Responsible Entity in respect of the Fund has agreed to indemnify and keep indemnified Mainstream, from and against any and all liabilities, obligations, losses, claims, demands, costs, incurred by or asserted against Mainstream, (other than by reason of fraud, wilful default, negligence or breach of the CA Agreement by Mainstream) in connection with the provision of services under the CA Agreement; and

Mainstream is not responsible for any investment decisions of the Fund (all of which will be made by Lucerne).

Visually



Mainstream will not provide any investment advisory or management service to the Fund and therefore will not be in any way responsible for the Fund's performance.

The CA Agreement may be terminated by Mainstream or by the Responsible Entity upon ninety (90) days' written notice (or such shorter notice the parties may agree to accept), or immediately in certain other circumstances specified therein. Early termination fees may apply.

The Responsible Entity may replace Mainstream in the future without prior notice to investors.

Mainstream will also provide custody services for the assets of the Fund including documents of title or certificates evidencing title to investments, Mainstream may appoint sub-custodians.

Certain assets of the Fund will be held by Mainstream in segregated accounts together with assets deposited by it on behalf of other customers of Mainstream. Such assets will not be mixed with the property of Mainstream.

Auditor

The Responsible Entity has appointed Ernst & Young to be the Auditor of the Fund. The role of the Auditor is to provide an audit of the Fund's annual financial report each year in accordance with Australian Auditing Standards and to express an audit opinion.

The fees of the Auditor are payable by the Fund.

The Responsible Entity may replace Ernst & Young as the Auditor of the Fund without prior notice to investors.

3. LUCERNE ALTERNATIVE INVESTMENTS FUND

Fund's Investment Objective

The Fund aims to achieve absolute returns of 6% or more above the RBA cash rate after fees, over rolling 5 year periods. Volatility of the return is expected to be lower than that of equity markets and with a consistent return over 5 year periods. This objective is only an indication of what the Fund aims to achieve over the long term and the Fund may not be successful in meeting this objective. The Fund aims to achieve these returns by combining a range of assets with return profiles that are expected to exhibit a low correlation.

The Fund will invest in other funds with allocation limits placed on asset classes and strategies of the underlying funds. The Fund is also able to invest directly in primary and secondary market securities and derivatives..

Time Horizon

The Fund is managed with the intention of generating capital appreciation and income over the long term. The recommended minimum investment timeframe is 3 years or more.

Fund Suitability

The Fund may be suitable for Wholesale Clients and Retail Clients who are seeking long term capital growth.

Performance

Performance of the Fund can be volatile over the short term and in some periods may be negative. Regular performance updates and ongoing performance are available on Lucerne's website.

Investment Guidelines and Policy

In order to achieve the risk/return objectives of the Fund, Lucerne employs a variety of strategies. The main investment guidelines of the Fund are as follows:

ASSET UNIVERSE

- Alternatives Funds
- Private equity funds or direct investments
- Equities funds and listed securities
- Credit funds and credit securities
- Derivatives
- Cash

ASSET ALLOCATION LIMITS AND DIVERSIFICATION

- Alternatives Funds: No minimum or maximum percentage of Fund assets
- Private equity (managed funds or direct private equity investments): No greater than 15% of Fund assets
- Equities funds and listed securities: No greater than 80% of Fund assets
- Credit funds and credit securities: No greater than 60% of Fund assets
- Derivatives: exposure from derivatives employed by the Fund must not exceed 100% of Net Asset Value
- Cash: No greater than 30% of Fund assets (this may be exceeded during periods of portfolio transition)
- At least 20% of liquid assets will be comprised of cash as well as any investments or daily priced funds, the value of which could be realised within 2 Business Days and the proceeds of which would be available within three weeks under normal conditions.

The above asset allocations are guidelines only and may be exceeded from time to time.

RISK MANAGEMENT

- The Investment Committee will seek to mitigate investment risk by allocating across a range of managed funds and direct securities.
- No single investment or underlying fund will make up more than 30% of Fund assets
- An independent member will sit on the Investment Committee and will provide investment and portfolio construction expertise.

GEARING

- A maximum of two times Net Asset Value

  This means that compared with an unleveraged fund, assuming that the Fund reaches its maximum gross exposure of 2x of Net Asset Value, then:

  – A 1% increase in the return on assets will result in a 2% return to investors i.e. for every $1 invested you will receive $1.02; and

  – A 1% decrease in the return on assets of the Fund will result in a 2% decrease in returns to investors. i.e. for every $1 invested you will receive $0.98

  Please note that the above examples have been provided for reference purposes only. Any assumptions underlying these examples are hypothetical only.

There may also be leverage embedded in the other assets of the Fund such as in underlying managed funds, and effective gearing levels could be higher than this.

DERIVATIVES AND SHORT SELLING

The Fund may use derivatives to manage risk, but does not generally use derivatives to gain investment exposure. Derivatives use by the Fund will not result in the Fund being geared (that is, liabilities exceeding 100% of the Fund's NAV).

The Fund does not short sell.

Underlying funds in which the Fund invests may borrow.

Underlying funds may also use derivatives to manage risk and/or to gain investment exposure without prescribed limitations. The Investment Manager carefully assesses underlying derivatives use and resulting exposures when choosing funds in which to invest and the extent to which the Fund invests in each.

The Fund could have exposure to gearing through its underlying investments.

Underlying funds may also short sell, to manage risk and/or to gain investment exposure. The Investment Manager carefully assesses underlying short selling and resulting exposures when choosing funds in which to invest and the extent to which the Fund invests in each. Underlying short selling positions will not exceed 200% of the Fund's NAV (that is, 2 times leverage).

Investment Strategy and Portfolio Formation

Lucerne Alternative Investments Fund will be a fund of funds with the ability to also invest in individual primary and secondary market securities and derivatives..

The investment strategy of the Fund is to combine a range of assets with return profiles that have a low correlation the Fund with the aim to deliver a positive return regardless of equity market conditions.

Managed funds and direct investment opportunities will be subject to a due diligence process by the Investment Committee of the Investment Manager before being included in the portfolio of the Fund. This process will include, but is not limited to,

- Meetings and phone calls with the portfolio manager(s) of potential investee funds.
- Assessment of the past performance of the investment – If applicable, the past performance of an investment will be assessed with reference to past levels of gearing and net market exposure, drawdown characteristics, past strategy changes, past changes to key personnel over the life of the investment and the market environment when this performance was achieved.
- Assessment of the past performance of key personnel managing the investment.
- An evaluation of the likelihood of success of the investment strategy of the potential investee fund with reference to the expected future investment environment.
- Assessment of the suitability and risk associated with the key service providers to a potential investee fund.
- Assessment of how the potential investment would complement the existing portfolio and whether an allocation to the investment would be within the Fund's asset allocation and embedded leverage limits.

These factors will continue to be assessed whilst the Fund holds an interest in the investment.

Lucerne, with the consent of the Responsible Entity, may from time to time vary the investment strategy and process of the Fund to achieve the Fund's objectives, subject to appropriate risk management controls and guidelines.

LIQUIDITY

The Fund is designed to be a liquid fund as defined in the Corporations Act and investors can submit withdrawal request each month before 10:00 a.m. (Sydney time) 4 Business Days before the Pricing Day. Withdrawal proceeds will generally be paid within 15 Business Days from the Pricing Day but under the Constitution can be paid up to 56 days from the Pricing Day (or by any shorter time the Corporations Act requires).

If the Fund becomes illiquid, all withdrawals will only be made pursuant to a withdrawal offer in accordance with the Corporations Act.

Labour Standards, Environmental, Social and Ethical Considerations

Lucerne does not take into account environmental, labour standards, social or ethical considerations when selecting, retaining or realising the investments of the Fund. However, Lucerne recognises that environmental, social and governance (ESG) issues may affect the value of investments managed on behalf of investors.

Lucerne assesses and manages all foreseeable and potentially material risk factors and in this context, Lucerne considers ESG as a risk factor in the overall risk/reward assessment of an investment. However, Lucerne has no predetermined view as to what constitutes ESG standards, what ESG considerations will be taken into account and the extent to which they will be taken into account when making decisions to acquire, hold and dispose of investments.

How the Fund works

The Fund is a registered managed investment scheme. Investors' funds are pooled and managed in accordance with a set objective and strategy. When you invest in the Fund, you acquire Units. Each Unit entitles the unit holder (i.e. investor) to a proportionate beneficial interest in the Fund's portfolio of assets but no right in any particular asset of the Fund. The Constitution allows for more than one class of Units to be offered to investors. The rights of investors in different classes of Units may vary.

The potential for financial gain is made through investors receiving distributions, and any increase in capital value of their Units (if the Unit price is higher than the price at which the investor purchased them).

Investing in a managed investment scheme can offer a number of benefits, including:

- **Increasing purchasing power** – the size of a managed investment scheme means it can generally buy and sell assets at a lower cost than an individual investing directly;
- **Investment opportunities** – managed investment schemes give you the opportunity to access an investment strategy that you may not normally access as an individual investor; and
- **Professional investment management** – your money is managed by a team of professionals who use their resources, experience and specialist skills to make the investment decisions on behalf of all investors in the Fund.

Most managed investment schemes are structured so that you buy units in the Fund. The number of units in the Fund you will receive is dependent on the amount of money invested and the unit price at the date of the Pricing Day.

The value of your investment is calculated by multiplying the number of units in the class you hold in the Fund by the applicable unit price for the class at that time (see section 6, under the sub-heading 'Unit Prices').

4. INVESTMENT RISKS

Risks

Investments in the Fund carry risk. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long term returns may also carry the highest level of short term risk. The value of the Fund's investments will vary. The level of returns will vary and future returns may differ from past returns.

There are risks involved in investing in Units in the Fund including the risk that the Fund may not earn a distribution return and the risk that the value of the capital invested could fall or be lost. No guarantee is provided on the performance of the Fund, that distributions will be made or that the capital value of an investment in the Fund will increase or be maintained.

No guarantee is given as to the liquidity of the Fund or that you will be able to redeem your investment from the Fund within the timeframes specified in this PDS. This PDS is prepared for your general information only. It is not intended to be a recommendation by the Responsible Entity, Lucerne, any associate of the Responsible Entity or Lucerne or any other person to invest in the Fund. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor.

The Fund is not a complete investment program. Prospective investors need to assess the risks and their own financial position in determining whether an investment in the Fund is suitable for them. Prospective investors should seek professional advice before making any investment decisions. Prospective investors should rely upon their own enquiries and analysis as to the merits and risks in relation to the Offer and in deciding whether to invest in the Fund.

How to Reduce Investment Risk

There are two main ways in which you may reduce your exposure to investment risk in relation to your investment in the Fund:

1. **Investing for an appropriate length of time**: the longer you hold an investment the greater the chance of riding out short-term market fluctuations; and
2. **Diversification**: by investing across a variety of asset sectors and using underlying investment managers with different investment styles, you may reduce risk.

Choosing the Right Fund for Your Risk Level

Each investor's risk tolerance is different. Before investing in the Fund, the factors you should consider include:

- Your investment goals;
- Your expectations for returns;
- The length of time you can hold your investment; and
- How comfortable you are with fluctuations in the value of your investment.

It is suggested you obtain independent professional financial advice before investing in the Fund.

How the Investment Manager Seeks to Reduce Risk

Risk management is undertaken by continual management of the Fund's volatility through allocating across a diverse range of managed funds and direct securities. Volatility may be adjusted to optimal tolerance by the number of positions, the type of positions, the size of positions and leverage.

The Fund's volatility of monthly returns is expected to be lower than equity markets over rolling 5-year periods. The Fund has a maximum gearing level of two times the Net Asset Value.

These targets and maximums are guidelines only and may be exceeded from time to time.

Risks

Lucerne will be investing in funds which will invest in a range of assets. These investments carry risk.

MARKET AND ECONOMIC RISK

Broad market risks include movements in domestic and international securities markets, movements in foreign exchange rates, movements in interest rates, changes in taxation laws and other laws affecting investments and their value. Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment, the causes of which may include changes in governments or government policies, political unrest, wars, terrorism, pandemics and natural, nuclear and environmental disasters. The duration and potential impacts of such events can be highly unpredictable, which may give rise to increased and/or prolonged market volatility.

INVESTMENT STRATEGY RISK

In addition to the core strategy of the Fund, Lucerne will use a range of investment strategies which may include purchase of a fund which is exposed to dual listed securities and the use of derivatives and short selling. These techniques and strategies entail specific stock, interest rate, counterparty and foreign exchange risk which may magnify the negative impact of returns.

Investment in a managed fund carries the risks that Lucerne's strategies might not be successful, that Lucerne does not have the competence to manage the strategies and investments, and that Lucerne may not always act in the best interests of the Fund.

Past performance is not a reliable indicator of future performance.

INVESTMENT MANAGER RISK

The Fund's performance is dependent on the expertise and decisions of the investment personnel of the Lucerne.

All the decisions relating to the investment of the Fund's assets have been outsourced to Lucerne as the investment manager of the Fund. The Fund's success is largely dependent on the continuation of the services and skills of Lucerne's officers and employees. Changes to the Lucerne's investment team may affect the Fund's performance. The loss of Lucerne's services could materially and negatively impact the value of the Fund. There is also a risk with any managed fund that the investment manager will not perform as expected or that its strategy does not operate as intended.

FUND AND FUND STRUCTURE RISK

There is a risk that the Fund could terminate, that the features of the Fund could change (including the investment manager or fees and costs) or that the Responsible Entity may not be able to continue to act, for example if it loses its Australian financial services licence (in which case it could be replaced as responsible entity of the Fund or the Fund could be wound up). There are additional risks arising from the Fund's structure, as opposed to the fund risk or investment risks of the Fund's underlying investment objectives and strategy. The Fund and the underlying funds are subject to various investment laws and regulations that may change, and may limit the use of certain securities and investment techniques that might improve performance.

Underlying funds may not be registered schemes, and comprise of investment structures that inherently carry more risks, including but not limited to, the actions of other investors in the underlying fund, or the changes to the ability of the Fund to redeem from the underlying funds which could interfere with orderly management the Fund.

CONFLICT OF INTEREST RISK

Related party transactions carry a risk that they could be assessed and reviewed less rigorously than transactions with other parties.

Policies and guidelines are in place to manage the risk of any actual or perceived conflict of interest as a result of a related party transaction..

The Responsible Entity has implemented its Conflicts of Interest Policies and procedures to identify and where possible mitigate or avoid any potential conflicts of interest. Separately, the Investment Manager also has Conflicts of Interest Policies and procedures to identify and where possible mitigate or avoid any potential conflicts of interest.

CURRENCY RISK

Returns on certain investments held by the Fund may be influenced by movements in currency and carry foreign exchange risk, either because the investments held may be denominated in another currency, investments denominated in another currency may be hedged back to Australian dollars or individual company earnings may be leveraged into another currency. Derivatives may be used to hedge this risk to some extent. Unfortunately, hedging is not always successful, is not used to offset all risk, and is sometimes not cost effective or practical to use. It can lead to losses. The Fund may seek to hedge some of its exchange rate risks, but it is not obliged to do so.

INTERNATIONAL INVESTMENTS RISK

The Fund may invest in investments and funds that have exposure to a range of international economies. Global and country specific macroeconomic factors may impact the Fund's international exposure.

Such other exposure may be more affected by political and economic uncertainties, lower regulatory supervision and more volatile, less liquid markets. Governments may intervene in markets, industries, and companies; may alter tax and legal regimes; and may act to prevent or limit the repatriation of foreign capital. Such interventions may impact the Fund's return.

INTEREST RATE RISK

Interest rate movements may adversely affect the value of the Fund through their effect on the price of a security and the cost of borrowing.

DERIVATIVE INSTRUMENTS RISK

The Fund may use derivatives to manage risk, but does not generally use derivatives to gain investment exposure. Underlying funds may also use derivatives to manage risk and/or to gain investment exposure.

Unfortunately derivatives use is not always successful, is not used to offset all risk, and is sometimes not cost effective or practical to use. It can lead to losses.

Risks associated with derivatives include the possibility that:

- the Fund being unable to meet collateral requirements,
- the derivative position is difficult or costly to reverse,
- there is an adverse movement in the asset or index underlying the derivative, and or
- the other party – the counter party – does not perform their obligations under the contract. Most derivatives used by the Fund are exchange-traded, which significantly reduces counterparty risk.

LEVERAGE AND BORROWING RISK

The Fund does not borrow.

The Fund may use derivatives to manage risk, but does not generally use derivatives to gain investment exposure. Derivatives use by the Fund will not result in the Fund being geared (that is, liabilities exceeding 100% of the Fund's NAV).

Underlying funds in which the Fund invests may borrow.

Underlying funds may also use derivatives to manage risk and/or to gain investment exposure without prescribed limitations. The Investment Manager carefully assesses underlying derivatives use and resulting exposures when choosing funds in which to invest and the extent to which the Fund invests in each. The Fund could have exposure to gearing through its underlying investments.

COLLATERAL RISK

If the Fund or an underlying fund enters into derivatives arrangement that require it to deliver collateral or other credit support to the derivatives counterparty, it will be exposed to the following additional risks in respect of that collateral. It:

- may be required to post upfront margin/collateral with the derivatives counterparty (whether cash or other securities). It will need to have sufficient liquid assets to satisfy this obligation;
- may, from time to time if the value of the derivatives arrangements moves against it, be required to post additional margin/collateral with the derivatives counterparty on an ongoing basis. It will need to have sufficient liquid assets to satisfy such calls, and in the event it fails to do so, the derivatives counterparty may have the right to terminate such derivatives arrangement; and
- will be subject to credit risk on the counterparty. In the event the derivatives counterparty becomes insolvent at a time it holds margin/collateral posted with it by the Fund or an underlying fund, the Fund or underlying fund will be an unsecured creditor of the derivatives counterparty and will rank behind other preferred creditors such as secured creditors and other creditors mandatorily preferred by law (for example, employees).

SHORT SELLING RISK

While the Fund itself will not short-sell, the underlying funds in which it invests may short-sell.

Short selling aims to reduce risk or make money based on the belief that the price of an investment – usually a listed security - will fall.

Practically, this investment technique involves borrowing a share before selling it. By borrowing the shares it sells, the borrower has an obligation to return those shares to the lender. To do so, it needs to buy those shares back before returning them to the lender. If it buys back at a lower price, it makes a profit. If at a higher price (and assuming it can buy the share) it makes a loss.

Sophisticated investors use short selling to manage (or hedge) portfolio risk or with the primary goal of generating investment returns.

Underlying funds may short sell to hedge risk - usually the perceived downside risk associated with particular investment exposures. They may also use short selling with the goal of generating investment returns.

Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate. Additionally, there is a risk that the securities lender may request return of the securities.

These risks give rise to the possibility that positions may have to be liquidated at a loss and not at a time of the underlying fund's choosing.

The Investment Manager carefully assesses underlying short selling and resulting exposures when choosing funds in which to invest and the extent to which the Fund invests in each. Underlying short selling positions will not exceed 200% of the Fund's NAV (that is, 2 times leverage).

DEFAULT RISK

Investment in securities and financial instruments generally involves third parties as custodial and counter parties to contracts. Use of third parties carries risk of default and failure to secure custody which could adversely affect the value of the Fund.

The Responsible Entity outsources key operational functions including investment management, custody, execution, administration and valuation to a number of third party service providers. There is a risk that third party service providers may intentionally or unintentionally breach their obligations to the Fund or provide services below standards which are expected by the Responsible Entity causing loss to the Fund.

COMPENSATION FEE STRUCTURE RISK

The Responsible Entity and Lucerne may receive compensation based on the Fund's performance. Performance Fee arrangements may create an incentive for Lucerne to make more speculative or higher risk investments than might otherwise be the case.

REGULATORY RISK

All investments carry the risk that their value may be affected by changes in laws especially taxation laws.

CONCENTRATION RISK

There is a risk that the Fund may take a concentrated position in an underlying fund or security, the performance of which may have a significant impact on the performance of the Fund.

LIQUIDITY RISK

Investments that trade less often can be more difficult to buy, or to sell, than more liquid or active investment. It may not be possible to sell or otherwise dispose of illiquid securities both at the price and within a time period deemed desirable by the Investment Manager. There is also the risk that investments in underlying funds are unable to be redeemed in a timely manner due to the withdrawal policies or liquidity of underlying funds. Some underlying funds reserve the right to halt withdrawal if the withdrawal is believed to unduly negatively affect the interests of other unitholders which may result in a delay in redeeming an investment in an underlying fund.

SERVICE PROVIDER RISK

There is a risk that third party service providers engaged by the Responsible Entity do not properly perform their obligations and duties to the Fund, which could adversely affect the Fund and its performance.

CYBER SECURITY RISK

The Responsible Entity is committed to ensuring that your information is kept secure and protected from misuse and loss and from unauthorised access, modification and disclosure.

The Internet is used in operating the Fund and records may be stored in a cloud system. If stored overseas, different privacy and other standards may apply there.

The Internet does not however, always result in a secure information environment and although steps are taken which are considered reasonable to protect your information, an absolute guarantee as to its security cannot be given.

There is a risk of financial or data loss to the Fund as a result of an unauthorised breach of the information technology systems and networks of the Investment Manager, the Responsible Entity, Administrator, Custodian or other service provider that may store sensitive information.

MANAGING RISK

As risk cannot be entirely avoided when investing, the Investment Manager aims to identify and manage risk as far as is practicable.

Whenever investments are made, the potential for returns in light of the likely risks involved are assessed with an expectation of appropriate compensation, by way of potential returns, for any risks incurred.

Risk is considered throughout the investment process. As far as is practicable, risk is managed at both the individual investment and the Fund level.

However, many risks are difficult or impracticable to manage effectively and some risks are beyond our and the Investment Manager's control altogether.

Remember, investing involves risk, and you can lose as well as make money. This is a medium risk investment. Neither returns nor the money you invest in the Fund are guaranteed.

5. CONSTITUTION OF THE FUND

The Constitution of the Fund was executed on 8 September 2017 and replaced with a constitution dated 21 September 2017 (Constitution).

The Constitution sets out provisions for the establishment of the Fund as a trust, the appointment of and powers of the Responsible Entity, the concept of Units and the rights of Unitholders, the application for and withdrawal of Units, the calculation of application and Withdrawal Prices, the entitlement to and calculation of distributions, the entitlement to fees and expenses, the custody and valuation of assets and other matters including liability, audit, meetings, complaints and a Unit register.

Responsible Entity's responsibilities and obligations, as the Responsible Entity of the Fund, are governed by the Constitution for the Fund as well as general trust law. Copies of the Constitution of the Fund are available, free of charge, on request. Please contact Responsible Entity Client Services (see section 14 'Directory') to request a copy.

The Responsible Entity may amend the Constitution if it considers that the amendment will not adversely affect Unitholders' rights. Otherwise, the Constitution may be amended by way of a special resolution of Unitholders.

Changes to the Fund

The Responsible Entity may, at its discretion, add to or close the Fund that is currently offered, change the rules that govern the Fund or alter its investment strategies. The Responsible Entity may change the Fund's investment objectives with the consent of Lucerne. You will be provided with notice of any such changes.

Information that is not materially adverse is subject to change from time to time. Up-to-date information can be obtained from Lucerne's website (see section 14, 'Directory' for details). A paper copy of the updated information will be provided to you without charge, on request.

Further information about the Fund or investing in the Fund, including a copy of the Constitution and information which has previously been made generally available to the public or might reasonably influence the decision whether to acquire this product, can also be obtained by contacting Lucerne. (see Section 14 'Directory').

The Fund is a 'disclosing entity' under the Corporations Act as it has more than 100 retail investors in a class. As such, the Fund is subject to regular reporting and disclosure obligations. Any continuous disclosure obligations we have will be met by following ASIC's good practice guidance via website notices rather than lodging copies of these notices with ASIC. Accordingly should Perpetual, as responsible entity of the Fund, become aware of material information that would otherwise be required to be lodged with ASIC as part of its continuous disclosure obligations, we will ensure that such material information will be made available as soon as practicable on Lucerne's website: https://www.laif.com.au/. Copies of documents lodged with ASIC in relation to the Fund may be obtained from or inspected at an ASIC office. Unitholders will have the right to obtain a copy of the following documents free of charge:

- The annual financial report most recently lodged with ASIC by the Fund;
- Any half-yearly financial report lodged with ASIC after the lodgement of that annual financial report and before the date of the current PDS; and
- Any continuous disclosure notices given by the Fund after lodgement of that annual financial report and before the date of the current PDS.

These documents are available from Lucerne's website.

6. OPERATIONAL INFORMATION - APPLICATIONS, INVESTING THROUGH AN IDPS, WITHDRAWALS, PRICING, VALUATIONS AND REPORTS

Applications

Investors must complete the Application Form that accompanies this PDS to apply for Units in the Fund. Investors must nominate which class of Units they are applying for (either Fee Class 1 or Fee Class 2).

The Responsible Entity may accept or reject an application at their absolute discretion. Investors should note that the Responsible Entity accepts no responsibility for any loss caused as a result of non-receipt of any application or cleared funds. Interest is not payable on rejected application monies.

Unless the Responsible Entity decides otherwise, an initial application for Units must be for a minimum investment of $25,000 and an additional investment must be for $25,000 minimum.

Written applications for Units must be received by the Responsible Entity before 10:00 a.m. (Sydney time) 4 Business Days before a Pricing Day.

Units will be issued based on the price applicable as at the close of business on the Pricing Day.

Cleared funds must be electronically transferred from an Australian bank account which is in the name of the investor into the account shown on the Application Form before Units will be issued.

Alternatively, if you are investing by cheque, both the cleared funds and the Application Form must be received (10:00 a.m. Sydney time) 4 Business Days before the Pricing Day and Units will be issued at the Application Price applicable as at the close of that Pricing Day.

An Application Form and cleared funds received after the deadline 4 Business Days before a Pricing Day will be processed on the next Pricing Day.

When an application is accepted, an investment confirmation will be forwarded outlining:

- Date of acceptance;
- Amount invested in the Fund; and
- Number of units issued, the Unit Application Price and the holding balance.

Investing through IDPS

Investors investing in the Fund indirectly via an IDPS do not themselves become investors in the Fund, and accordingly have no rights as a unit holder. The offer document for your IDPS should have further details. If you are an indirect investor, generally the relevant scheme operator acquires the rights of a Unitholder.

Unit holder rights include the right to attend Unitholder meetings, to make withdrawal requests, receive and reinvest distributions, participate in termination proceeds and lodge complaints. Your rights and liabilities will be governed by the terms and conditions of the relevant IDPS, which you should read carefully prior to directing the relevant operator to invest in the Fund.

Indirect investors complete application forms for the IDPS, not the Fund, and receive reports from their operator, not Responsible Entity. Enquiries should be directed to that operator.

Minimum investment and withdrawal requirements may not always be relevant to indirect investors because the IDPS operator may invest on behalf of a number of indirect investors. Indirect investors will also incur fees and expenses applicable to the IDPS, as well as the Fund's fees and expenses. The tax information in this PDS does not specifically cater for indirect investors.

How to Withdraw

Investors may request the withdrawal of all or part of their investment each month by lodging a withdrawal request form (available on Lucerne's website) before 10:00 a.m. (Sydney time) 4 Business Days before the Pricing Day. The relevant unit price will be determined on the close of business on the Pricing Day.

Unless the Responsible Entity decides otherwise, withdrawal request must be for a minimum of $25,000.

The Responsible Entity is entitled to but is not obliged to accept the withdrawal request. If the withdrawal request is accepted, the withdrawal proceeds will generally be paid within 15 Business Days from the Pricing Day but under the Constitution can be paid up to 56 days from the Pricing Day (or by any shorter time the Corporations Act requires).

All bank charges incurred for remittance by EFT will be borne by the redeeming investor.

In some circumstances, where an investor makes a large withdrawal request, their withdrawal proceeds may be taken to include a component of distributable income. Refer to the sub-heading 'Income Distributions' in this section 6.

The Responsible Entity may, whilst the Fund is liquid, determine to redeem Units without a withdrawal request in certain limited circumstances. For example, if the unit holder has breached its obligations to the Responsible Entity.

If the Fund becomes illiquid (i.e. liquid assets do not account for at least 80% of the value of the assets of the Fund), withdrawals may only be made in accordance with a withdrawal offer made under the Corporations Act. The Responsible Entity is not obliged to make withdrawal offers under the Corporations Act.

Under the Constitution, the Responsible Entity may also extend the period allowed for the payment of withdrawals if there are circumstances outside of its control which would prevent the realisation of assets of the Fund. For example, this could include restricted or suspended trading in a market or the Responsible Entity does not consider it to be in the best interests of the investors as a whole. Any taxes and duties will be deducted by the Responsible Entity from the amount paid to you as required or permitted by legislation. If there are any material changes to your withdrawal rights, you will be notified by the Responsible Entity.

Unit Prices

The current 'Application Price' and 'Withdrawal Price' for the Fund may be obtained by telephoning or emailing the Investment Manager. (see section 14, 'Directory').

Generally, Unit prices are calculated on the close of business on a Pricing Day.

The Application Price is higher than the Withdrawal Price and the difference is called a 'buy-sell spread'. See section 7, "Fees and other costs" for further information.

A copy of the Responsible Entity's description of the formula and method it uses for determining Unit prices, the discretions exercised by the Responsible Entity and its nominees in respect of determining Unit prices and the documented policy in respect of such discretions (pursuant to the relevant ASIC Class Order) is available from Responsible Entity Client Services (see section 14 'Directory') free of charge.

Authorised Agent

You may appoint an agent to act on your behalf in relation to your investment in the Fund by completing the Agent section in the Application Form. This may be done at the time of your initial application or at any time thereafter.

Your agent will have the authority to act in exactly the same manner as you, except that your agent cannot:

- Request a change in records held relating to your name, address or other particulars; or
- Create and/or alter any other interest in your Units (for example, make a withdrawal).

Your agent's authority continues until the day written advice from you terminating that authority is received.

If you appoint a company as your agent, any director of that company, or any employee authorised by the agent, can act under your agent's authority. Likewise, if you appoint a partnership as your agent, any of the partners can act under that authority.

The Responsible Entity may restrict the powers of your agent or cancel their authority at any time.

Income Distributions

Income distributions are generally paid semi-annually (as at 30 June and 31 December). Distribution payments will be made as soon as practicable but not more than 90 days after 30 June and 31 December of each year.

The amount of the income distribution may vary (and could be nil) and will usually consist of interest, dividends and other income including realised gains from the disposal of assets. The amount of the income distribution is generally calculated by accumulating all income attributable to the class for the period, taking into account taxable gains and losses, and then deducting all expenses incurred and any provisions that are considered appropriate by the Responsible Entity.

Generally speaking, the income to be distributed is then divided by the total number of Units on issue in the class at the end of the distribution period to determine the distributable income per Unit. Details relating to any tax-free or tax- deferred and other components, imputation credits or capital gain components for all distribution payments made during the year will be forwarded to unit holders as soon as is practicable after the end of each financial year. All income distributions are paid in Australian dollars.

In some circumstances, an investor may receive a distribution where they have made a large withdrawal from the Fund. In these circumstances their withdrawal proceeds may include a component of income distributions.

Income Payments

Income may be paid by either of the following methods:

- Direct transfer to a nominated Australian bank account; or
- Reinvestment to purchase additional Units.

Investors need to complete the appropriate section in the Application Form to elect their choice. If there is no notification of method of payment on the Application Form (or subsequent notification), income distributions will be reinvested.

There is no charge applied to income distributions which are reinvested. Where further Units are issued, the issue price that will apply will be the Application Price before application of the Buy spread after distribution.

Reinvestment will be effected on the first Business Day after the close of the annual distribution period.

Cooling-off Period

Retail Clients can change their mind within a 14-day period of their initial investment. The 14-day period commences on the earlier of either the date you receive confirmation of your investment or the end of the 5th Business Day after the day on which Responsible Entity issues the units to you. The realised market value of the Units will be refunded, less any taxes and reasonable administrative costs.

The proceeds received may be less or greater than the amount invested, since Units in the Fund are subject to market movement from the time they are purchased.

Cooling-off rights will not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan or represents additional contributions required under an existing agreement. Cooling-off rights also do not apply to Wholesale Clients who invest in the Fund.

No cooling-off rights apply in respect of any investment acquired through an IDPS. However, indirect investors should contact their operator and read the operator's offer document for more information on any cooling-off rights that may apply in relation to an investor's investment through the IDPS.

If the Fund is not liquid (according to the definition of that term in the Corporations Act), no cooling-off period will apply to your investment.

Reports and Statements

In addition to the periodic reporting requirements under section 1017D of the Corporations Act, the Responsible Entity has and implements a policy to report on the following information as soon as practicable after the relevant period end:

- Application and withdrawal confirmation statements;
- Monthly updates on:
  - The current total Net Asset Value of the Fund and the withdrawal price of a Unit in each class of Units as at the date the Net Asset Value was calculated;
  - The key service providers if they have changed since the last report given to investors, including any change in their related party status; and
  - For each of the following matters since the last report on those matters: the net return on the Fund's assets after fees, costs and taxes, any material change in the Fund's risk profile, any material change in the Fund's strategy and any change in the individuals playing a key role in investment decisions for the Fund;
- Annual reports including the following:
  - The audited accounts;
  - Actual allocation to each asset type;
  - Liquidity profile of the portfolio assets as at the end of the period;
  - Maturity profile of the liabilities as at the end of the period;
  - The leverage ratio (including leverage embedded in the assets of the Fund, other than listed equities and bonds) as at the end of the period;
  - The Derivative counterparties engaged (including capital protection provided);
  - The monthly or annual investment returns over at least a five-year period (or if the Fund has not been operating for five years, the returns since its inception); and
  - The key service providers if they have changed since the latest report given to investors, including any change in their related party status; and
- Income distribution and tax statements, annually.

The latest monthly performance report and annual report is available from Lucerne's website.

Valuation Policy

The Responsible Entity may value Assets at any time, and must do so in accordance with and when required by the Corporations Act.

The valuation methods and policies applied by the Responsible Entity (including the valuation methodologies of Lucerne) must be consistent with ordinary commercial practices for valuing property of the relevant kind.

Assets must be valued at their market value unless:

(a) There is no market for an Asset; or

(b) The Responsible Entity reasonably believes that the valuation does not represent the fair value of the Asset,

in which case, the Responsible Entity may use another valuation method or policies in respect of the Assets provided that the method or policies for calculating the value must be consistent with ordinary commercial practice for valuing that type of scheme property and produce a value that is reasonably current at the time of valuation.

The valuation of underlying managed funds will be reliant on information provided by the administrator of that underlying fund. The investments of the Fund are generally valued as at the close of business on the Pricing Day using the latest reasonably available valuations of underlying managed funds and other investments. Some underlying managed funds may only provide a valuation as at the close of business on the last day of the month which may not be a Pricing Day. Mainstream will use the valuations as determined by underlying managed fund administrators and will not amend them.

Unless the Responsible Entity otherwise prescribed, the value of Assets as at a specified day is to be determined using the values as at the close of business on the day.

The Responsible Entity's determination of the value of the Fund, of any Asset and of any part of the Fund is, in the absence of fundamental error, final and binding on all members.

Indirect Investors

The IDPS operator will provide indirect investors with reports on the progress of the Fund.

7. FEES AND OTHER COSTS

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) Moneysmart website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

Fees and other costs

This section shows the fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this document.

You should read all of the information about fees and costs because it is important to understand their impact on your investment.

Fees and costs summary

LUCERNE ALTERNATIVE INVESTMENTS FUND

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Ongoing annual fees and costs		

Management fees and costs
The fees and costs for managing your investment
	Fee Class 1 - 2.77% of the Net Asset Value of the Fund of the relevant Class
	
	Fee Class 2 - 2.02% of the Net Asset Value of the Fund of the relevant Class
		This represents:
		• the Management Fees;
		  - 1.15% per annum of the Net Asset Value of the Fund of Fee Class 1
		  - 0.40% per annum of the Net Asset Value of the Fund of Fee Class 2
		• estimated expenses;
		  - 0.25% per annum of the Net Asset Value of the Fund of the relevant Class
		• estimated indirect costs
		  - 1.37% per annum of the Net Asset Value of the Fund of the relevant Class; and
		The Management Fee accrues and is calculated daily and payable within 30 days of the end of each month. The fee is paid directly from the Fund's assets of the relevant Class.
		
		Expenses are deducted from the Fund's assets of the relevant Class as and when incurred.
		
		Indirect Costs are any amounts that directly or indirectly reduce the returns on the units that is paid from, or the amount or value of, the income or assets of the Fund (including underlying investment of the Fund). Each of these is reflected in the unit price of the relevant Class.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Performance fees Amounts deducted from your investment in relation to the performance of the product	Fee Class 1: Nil Fee Class 2: 12% p.a. (including GST net of RITC) of the investment returns (after the accrual of the Management Fee)	For Fee Class 2: Performance fees are calculated and accrue each month and if payable are payable 6 monthly, subject to the protection of a both a 'High-Water Mark' and 'equalisation', explained below in the "Additional explanation of fees and costs" section. This fee is deducted from the Fund's asset of Fee Class 2 as and when incurred. This is estimated to represent 0.74% of Net Asset Value of Fee Class 2 in a typical year. There are no performance fees payable by Fee Class 1.
Transaction costs The costs incurred by the scheme when buying or selling assets	Nil	The Fund incurs transaction costs such as brokerage, stock lending, settlement and clearing costs, estimated to be 0.20% p.a. Transaction costs are disclosed net of any amounts recovered by the buy-sell spread charged on investor initiated transactions. For this Fund, these are currently anticipated to be offset by the current buy-sell spread of +/– 0.20%.
Member activity related fees and costs (fees for services or when your money moves in or out of the product		
Establishment fee The fee to open your investment	Nil	No fee is charged.
Contribution fee The fee on each amount contributed to your investment	Nil	No fee is charged.
Buy-sell spread An amount deducted from your investment representing the costs incurred in transactions by the scheme	+/– 0.20% of the value of Units being bought and sold	These costs are an additional cost to you when you buy or sell units in the Fund. A buy spread will be deducted from your application monies when entering the Fund and a sell spread will be deducted from your redemption proceeds when exiting the Fund.
Withdrawal fee The fee on each amount you take out of your investment	Nil	No fee is charged.
Exit fee The fee to close your investment	Nil	No fee is charged.
Switching fee The fee for changing investment options	Nil	No fee is charged.

Additional explanation of fees and costs

CLASSES

Investors can choose to apply for Units in Fee Class 1 or Fee Class 2 (or both):

- Fee Class 1 has a higher Management Fee but no Performance Fee; and
- Fee Class 2 has a lower Management Fee but potentially pay a Performance Fee.

MANAGEMENT FEES AND COSTS

The management fees and costs set out in the table above comprise:

- the Management Fee;
- estimated expenses; and
- estimated indirect costs.

Management Fee

The Responsible Entity is entitled to receive a Management Fee of:

- Fee Class 1: 1.15% per annum (including GST net of RITC) of the Net Asset Value of Fee Class 1; and
- Fee Class 2: 0.40% per annum (including GST net of RTIC) of the Net Asset Value of Fee Class 2

accruing daily and payable within 30 days of the end of each month. After paying itself any owed fees and costs, the Responsible Entity pays any balance of the Management Fee remaining to Lucerne.

Expenses

The Responsible Entity is entitled to be indemnified from the assets of the Fund for all costs, liabilities, damages and losses reasonably and properly incurred by the Responsible Entity in connection with the Fund and in performing the Responsible Entity's duties and obligations, which are payable or can be reimbursed out of the assets of the Fund. These expenses may include but are not limited to the establishment of the Fund, dealing with assets and liabilities, administration, custodial, transaction, accounting, audit, legal, government charges, taxation, adviser, filing, postage, courier, facsimile, photocopying, telephone, printing and external complaints membership costs as well as Fund termination expenses.

Expenses are estimated to be 0.25%p.a. of the Net Asset Value of the relevant Class. This is an estimate for the 12 months to 30 June 2022, as an annualised percentage of the average Net Asset Value of the Fund in respect of each Class during that period.

Actual Expenses could be higher or lower. The amount of expenses payable from the Fund's assets of the relevant Class is not capped.

Indirect costs

In general, indirect costs are any amounts that directly or indirectly reduce the returns on the units that it is paid from, or the amount or value of, the income or assets of the Fund (including an underlying investment of the Fund). Indirect costs are reflected in the unit price of the relevant Class. For this Fund they are primarily the result of the management performance and other fees and expenses of investments in the underlying managed funds as well as costs associated with the use of certain derivatives by the Fund.

The indirect costs are estimated to be 1.37%p.a. of the Net Asset Value of the relevant Class. This is an estimate for the 12 months to 30 June 2022, as an annualised percentage of the average Net Asset Value in respect of each Class during that period.

The estimate was reached by calculating the management fees paid for underlying funds, as well as an estimate of performance fees at expected levels of performance, for FY2022. It is not always possible or practicable to estimate all indirect costs.

Actual indirect costs could be higher or lower, including because of a change to the Fund's portfolio, and where the Fund may use derivatives to manage risk, negotiate lower fees with underlying managers on behalf of the Fund and use leverage which may increase the level of indirect costs as gross assets rise.

FEE CLASS 2 PERFORMANCE FEE

The Manager will be entitled to receive a Performance Fee from the Fund for Fee Class 2 Units, and investors in this Class have the protection of a both a 'High-Water Mark' and 'equalisation', explained below. This is payable as an expense to the fund.

Basics

The Performance Fee is 12% including GST net of RITC of the investment return of the Fund after the accrual of the Management Fee and Fund expenses (**Total Return**) for each Performance Period.

Entitlement is calculated and accrues in the Fee Class 2 Unit price each time the Fee Class 2 Unit price is calculated – usually at least each month. If payable, it is paid within 30 days of the end of each 6 month period ending June and December (or any broken period if the Investment Management Agreement ends or the Fund is wound up) (a **Performance Period)**.

Performance Fees in respect of the Fee Class 2 are estimated to be 0.74%p.a. of the Net Asset Value of this Class. This is an estimate for the 12 months to 30 June 2022, as an annualised percentage of the average Net Asset Value of the Fund since inception of the Fund.

'High-Water Mark'

Fee Class 2 has the protection of a 'High-Water Mark'. No Performance Fee is payable for a Performance Period unless the NAV of the Fund of Fee Class 2 at the time the Performance fee is calculated is greater than the High-Water Mark. The High-Water Mark is the higher of $1.00 and the highest NAV of this Class in any previous Performance Period where a performance fee has been paid, adjusted for applications, withdrawals and subsequent distributions.

Equalisation

Fee Class 2 also has the protection of 'equalisation' (**Equalisation**).

Performance Fee calculations can result in unfairness amongst Fee Class 2 investors depending on when they come and go from the Fund and Equalisation is an administrative exercise designed to ensure that each Fee Class 2 investor bears a fairer portion of any Performance Fees. If we don't do this, the Investment Manager may receive either too large or too small a fee relative to an individual investor's investment performance.

We pay Performance Fees on the return of each Fee Class 2 Unit on issue at the end of a Performance Period, less a Fund level 'equalisation reserve' (**Equalisation Reserve**). The effect of the Equalisation Reserve is that a Performance Fee is payable only in respect of a specific Fee Class 2 Unit on performance generated after that unit is issued. The Equalisation Reserve accumulates over a Performance Period. Each time a new Fee Class 2 Unit is issued, the Equalisation Reserve is adjusted by an amount that represents the prevailing Performance Fee per Fee Class 2 Unit accrued in the applicable entry price immediately prior to the issue of that new unit. If the accrued Performance Fee per Fee Class 2 Unit on the day a new Class 2 Unit is issued is nil, there will be no adjustment (**Equalisation Adjustment**) made to the Equalisation Reserve in respect of the issue of that new unit.

The Equalisation Reserve is subject to a ceiling such that the total Equalisation Reserve is the lesser of:

- the total of the Equalisation Adjustments calculated (by Mainstream) on each day of the Performance Period; and
- the number of new Fee Class 2 Units issued during the Performance Period multiplied by the prevailing Performance Fee per Fee Class 2 Unit.

The ceiling on the Equalisation Reserve ensures that the performance fee entitlement is not less than it would have been had no units been issued during the Performance Period.

The exact impact of the Performance Fee on a particular investor will depend on the number of new Fee Class 2 Units issued during a Performance Period, the return achieved from the start of the Performance Period to the date of issue of new Fee Class 2 Units and the subsequent movement in the relevant unit price to the end of the Performance Period.

For Fee Class 2 Units that are withdrawn during the Performance Period, the day of withdrawal will be treated as the end of the Performance Period with respect to those units and the Performance Fee will become payable to the Investment Manager. The withdrawal proceeds will be net of any Performance Fees accrued on the day of withdrawal.

BUY-SELL SPREAD

When you invest in the Fund, the Fund buys investments, and this incurs costs (for example, to buy shares, a broker charges a fee). When you withdraw, investments are sold so cash can be paid to you, and this costs money too.

A buy-sell spread is an adjustment applied to the unit price which reflects the estimate of such costs.

This adjustment ensures that existing investors do not pay costs associated with other investors acquiring/ withdrawing units in the Fund. The buy-sell spread is reflected in the Application and Withdrawal price. It is not a fee payable to the Responsible Entity or the Investment Manager.

Currently, the buy-sell spread is ±0.20% of the unit price, that is an adjustment of:

- +0.20% on the entry price and
- –0.20% on the exit price is made,

For example, if the net asset value of each unit was $1.00, on entry the unit price is adjusted up approximately 0.20% (up 0.02 cents) and on exit down approximately 0.20% (down 0.02 cents).

TRANSACTION COSTS

In addition to Fund expenses, the Fund may incur transaction costs such as brokerage, stock lending, settlement and clearing costs.

Transaction costs are estimated to be 0.20%p.a. of the Net Asset Value of the relevant Class. This is an estimate for the 12 months to 30 June 2022, as an annualised percentage of the average Net Asset Value of the Fund during that period.

Transaction costs represent an additional cost to the investor where it is not recovered by the buy-sell spread charged by the Fund. It is anticipated that these will be fully offset by the buy sell spread. The transaction costs shown in the fees and costs summary is shown net of the buy-sell spread. The net amount of transaction costs is estimated to be nil.

Actual transaction costs could be higher or lower including because the turnover in the underlying assets may change as investment and market conditions change, and may not be offset entirely by the buy-sell spread.

Example of Annual Fees and Costs for the Fund

This table gives an example of how the fees and costs in the Fund can affect your investment over a 1-year period. You should use this table to compare this product with other managed investment products.

EXAMPLE – LUCERNE ALTERNATIVE INVESTMENTS FUND		BALANCE OF $50,000 WITH A CONTRIBUTION OF $5,000 AT THE BEGINNING OF THE YEAR
Contribution fees	Nil	For every additional $5,000 you put in, you will be charged nil.
PLUS **Management fees and costs (estimate)**	• Fee Class 1: 2.77% of the Net Asset Value of the Fund of the relevant Class • Fee Class 2: 2.02% of the Net Asset Value of the Fund of the relevant Class	**And**, for every $50,000 you have in the Fund you will be charged or have deducted from your investment each year: • $1,385 for Fee Class 1; or • $1,010 for Fee Class 2.
PLUS **Performance fees (estimate)**	0.74% of NAV in a typical year – Fee Class 2 only	**And**, for every $50,000 you have in the Fund you will be charged or have deducted from your investment each year: • $nil for Fee Class 1; or • $370 for Fee Class 2.
PLUS **Transaction costs (estimate)**	Nil	**And**, you will be charged or have deducted from your investment **nil** from your investment in transaction costs. Transaction costs here are net of the buy-sell spread.
EQUALS **Cost of Lucerne Alternative Investments Fund (estimate)**		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees and costs in the range of: • $1,385 for Fee Class 1; or • $1,380 for Fee Class 2. **What it costs you will depend on the fees you negotiate.**

When considering this example, remember:

- estimates may prove to be incorrect: they are often based on what happened in the past, and the future may be different, and so actual fees and costs could be lower or higher than any estimate - please refer to our website for any updates law requires; and
- this example uses assumptions which law effectively makes us use: it assumes the $5,000 contribution (noting this fund's minimum additional investment amount is $25,000) was made at the beginning of the year as part of the $50,000 investment, no other investments or any withdrawals or distributions were made through the year and the investment value remained unchanged.

If you would like to calculate the effect of fees and costs on your investment you can visit the ASIC Moneysmart website (www.moneysmart.gov.au) and use their managed investment fee calculator.

WHAT ELSE?

TAX

The Fund does not usually pay tax. You will usually pay tax in relation to your investment. See the Tax section for details.

GOODS AND SERVICES TAX (GST)

All fees and expenses are quoted on a GST inclusive basis less any RITC available to the Fund. The benefits of any tax deductions are not passed on to Unitholders. For further information on tax, see section 9.

CAN THE FEES CHANGE?

Fees are not indexed. However, we may change the fees and costs without your consent. You will receive at least 30 days' notice of any increase in fees (often we will send you a revised PDS). In any case, you cannot be charged more than the Fund's Constitution allows. Maximum fees are set out in the Fund's Constitution, available free from us. Increasing a maximum fee in the Fund's Constitution requires investor approval.

WHAT IF YOU ARE INVESTING THROUGH A PLATFORM?

For indirect investors accessing the Fund through an IDPS, additional fees and costs may apply. These fees and costs are stated in the offer document provided by the relevant IDPS operator.

Subject to law, the Responsible Entity may enter into arrangements to pay administration fees to IDPS operators in connection with the listing of the Fund on their investment menus. This fee is paid by the Fund.

CAN FEES BE DIFFERENT FOR DIFFERENT INVESTORS?

The intention is to invest on the best terms possible as far as is practicable. If the Fund invests on an institutional basis, the Investment Manager aims to secure fee reductions. Often paid by a rebate, these amounts are paid into the Fund for the benefit of all investors.

DISTRIBUTION

Neither we nor the Investment Manager makes or receives payments to distribute the Fund unless law allows. The law restricts payments by us and the Investment Manager to other Australian Financial Services Licence holders which are 'conflicted'. Subject to law, we and the Investment Manager may make payments to others associated with the Fund.

ADVISER REMUNERATION

If you have consulted a professional adviser then fees may be payable. Ask them, and refer to any statement of advice they provide you.

We do not pay any commissions to your financial adviser. However if you have an adviser, the dealer group to which your adviser belongs may receive certain non-monetary benefits from us, such as information software or support or benefit with a genuine education or training purpose, to the extent permitted by law. These benefits are not an additional cost to you.

DEDUCTIONS

We may make deductions from amounts we pay you as the Fund's Constitution allows.

GOVERNMENT CHARGES AND TAXATION

Government fees, taxes and duties, as well as charges made by your financial institution (including dishonour fees), may also apply to investments and withdrawals, and these are payable from your investment. Stamp duty may be payable if you transfer your units in the Fund to someone else.

The fees outlined in this document take into account the net effect of Goods and Services Tax (GST) if applicable and any reduced input tax credits which may be available.

8. ANTI-MONEY LAUNDERING AND CONFLICTS OF INTEREST

Anti-Money Laundering

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML Act) and other applicable anti- money laundering and counter terrorism laws, regulations, rules and policies which apply to Perpetual (AML Requirements), regulate financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. The AML Act is enforced by the Australian Transaction Reports and Analysis Centre (AUSTRAC). In order to comply with the AML Requirements, Perpetual is required to, amongst other things:

- Verify your identity and source of your application monies before providing services to you, and to re- identify you if we consider it necessary to do so; and
- Where you supply documentation relating to the verification of your identity, keep a record of this documentation for 7 years.

Perpetual and Mainstream Fund Services Pty Ltd as its agent (collectively the Entities) reserve the right to request such information as is necessary to verify your identity of an investor and the source of the payment. In the event of delay or failure by the Investor or you to produce this information, the Entities may refuse to accept an application and the application monies relating to such application or may suspend the payment of withdrawal proceeds if necessary to comply with AML Requirements applicable to them. Neither the Entities nor their delegates shall be liable to the investor for any loss suffered by the investor as a result of the rejection or delay of any subscription or payment of withdrawal proceeds.

The Entities have implemented a number of measures and controls to ensure they comply with their obligations under the AML Requirements, including carefully identifying and monitoring investors. As a result of the implementation of these measures and controls:

- Transactions may be delayed, blocked, frozen or refused where an Entity has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country, including the AML Requirements; and
- Where transactions are delayed, blocked, frozen or refused the Entities are not liable for any loss you suffer (including consequential loss) caused by reason of any action taken or not taken by them as contemplated above, or as a result of their compliance with the AML Requirements as they apply to the Fund; and
- The Entities may from time to time require additional information from you to assist it in this process.

The Entities have certain reporting obligations under the AML Requirements and are prevented from informing you that any such reporting has taken place. Where required by law, an entity may disclose the information gathered to regulatory or law enforcement agencies, including AUSTRAC. The Entities are not liable for any loss you may suffer as a result of their compliance with the AML Requirements.

Related party transactions and conflicts of interests

The Fund may, without limit, invest in other funds of which we, or a related entity, are trustee, responsible entity or manager (related funds).

We may appoint any of our related entities to provide services or perform functions in relation to the Fund, including acting as our delegate.

In the course of managing the Fund, we and the Investment Manager may face conflicts in respect of our/the Investment Manager's duties in relation to the Fund, related funds and our/the Investment Manager's own interests. We and the Investment Manager have policies and procedures in place to manage these appropriately. We and the Investment Manager will resolve such conflict fairly and reasonably and in accordance with the law, ASIC policy and our/ the Investment Manager's policies.

9. TAXATION CONSIDERATIONS

General

The following taxation information is of a general nature and should not be relied upon by investors.

Taxation Considerations

As taxation consequences can only be determined by reference to investors' particular circumstances, investors should seek independent professional advice in relation to their own particular circumstances before investing in the Fund.

The information provided is based on applicable Australian tax laws as at the date of this PDS.

The taxation treatment of the Fund and of Australian Resident Investors may be affected by the Attribution Managed Investment Trust (AMIT) regime. Outlined below are the circumstances in which the AMIT regime will apply and the effect it may have on the Fund and Australian Resident Investors.

Tax Position of the Fund

The Fund is a resident of Australia for taxation purposes and will determine net income annually at 30 June.

Generally, no Australian income tax is usually payable by the Fund, as the net income of the Fund is usually distributed in full each year to investors The Fund may derive income comprising interest, franked and unfranked dividends and realised gains from the disposal of equities.

The eligibility of investors to utilise franking credits on dividends received and distributed by the Fund is subject to certain conditions such as the holding period rule. Generally speaking, an investor must hold the relevant equities 'at risk' for at least 45 days (90 days for preference shares) to be entitled to franking credits. If there is an entitlement to franking credits, the franking credits are also included in assessable income of the investor.

The Fund will generally hold its investments on revenue account. Accordingly, realised gains (or losses) will generally be recognised as ordinary income (or deductions) rather than capital gains.

However, the Fund may be eligible to make a capital account election for the purposes of the managed investment trust regime under Australian income tax law. This election means gains and losses on the disposal of certain assets (such as shares in companies and units in unit trusts, rights and options over such assets but excluding assets that are derivatives, foreign exchange or any other investments that are subject to the Taxation of Financial Arrangement (TOFA) provisions) are subject to capital account treatment.

If the investment has been held by the Fund for at least 12 months, an investor may be able to apply a CGT discount to any net capital gain distributed to them.

In the case where the Fund makes a loss for tax purposes, this loss cannot be distributed to investors. It may be available for recoupment by the Fund against net income in future years subject to certain conditions.

Tax Position of Australian Resident Investors

DISTRIBUTIONS

After the Fund's year end, investors will be issued with an annual statement detailing the composition of the distributions they have received in respect of that year.

Generally, an investor's entitlement to net income for any year, including amounts reinvested by investors, will form part of an investor's assessable income and should be included in the investor's tax return for the year in which the entitlement arises.

FOREIGN INCOME

Where the Fund pays foreign tax in respect of income or gains from a foreign investment, investors may be entitled to receive a foreign income tax offset (FITO). You will usually include the foreign income and the FITO in your assessable income and may be eligible for a tax offset for all or part of the FITO. The amount of FITO will be detailed in the tax report provided to you.

DISPOSAL OF UNITS

A taxable capital gain or loss may arise from the disposal of an investment in the Fund and may form part of an investor's assessable income. The taxable gain or loss may be treated as a capital gain or loss or as ordinary income, depending on the investor's particular circumstances.

If the taxable gain is treated as a capital gain, individuals, trusts and complying superannuation funds may be entitled to a capital gains tax discount in relation to the disposal of Units where the Units have been held continuously for 12 months and other requirements are met. Companies are not entitled to this discount.

The Fund may distribute non-assessable amounts which are generally not subject to income tax. Broadly, the receipt of certain non-assessable amounts may reduce the cost base of the investor's investment in the Fund. If the investor has no cost base the amounts may trigger a taxable capital gain.

AMIT REGIME

The Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 governs the Attribution Managed Investment Trust (AMIT) regime. An AMIT, in broad terms, is a managed investment trust (MIT) whose unitholders have clearly defined interests in relation to the income and capital of the trust and the trustee or responsible entity of the MIT has made an irrevocable election to apply the regime.

The Responsible Entity has made the election for the Fund to operate as an AMIT.

The AMIT rules contain several provisions that will impact on the taxation treatment of the Fund.

The key features include:

- an attribution model for determining member tax liabilities, which also allows amounts to retain their tax character as they flow through the trust to its members;
- the ability to carry forward understatements and overstatements of taxable income, instead of re-issuing investor statements;
- deemed fixed trust treatment under the income tax law;
- upwards cost base adjustments to units to address double taxation; and
- legislative certainty about the treatment of tax deferred distributions.

Reforms to the taxation of trusts are generally ongoing. Investors should seek their own advice and monitor the progress of announcements and proposed legislative changes on the potential impact.

TAX POSITION OF AUSTRALIAN RESIDENT INVESTORS UNDER THE AMIT RULES

Australian Resident Investors will be subject to tax on the income of the Fund which is attributed to them under the AMIT Rules.

The tax payable (if any) depends on the investor's individual tax profile and applicable tax rate. This is similar to the way in which investors are currently subject to tax on the income of the Fund to which they are 'presently entitled'. If the Responsible Entity makes an election to apply the AMIT Rules to the Fund, the manner in which the Responsible Entity will report to investors will change.

The Responsible Entity will be required to provide investors with an AMIT Member Annual Statement (AMMA Statement). This is similar to a distribution statement that is currently provided to investors by the Responsible Entity. The AMMA Statement will set out the amount which has been 'attributed' to an investor (and, where relevant, its components) and other relevant tax information.

Under the AMIT Rules, an investor an investor may notify the Commissioner of Taxation that they disagree with the attribution of income that has been determined by the Responsible Entity and to substitute the Responsible Entity's determination with their own. If, as an investor you decide to take this course of action, it is important that you obtain professional tax and legal advice. You must contact the Responsible Entity before notifying the Commissioner.

Additionally, there is a new cost base adjustment mechanism under the AMIT Rules. Under the AMIT Rules, an investor's cost base in the units they hold in the Fund can be increased if an amount is attributed to an investor for tax purposes. Any cash distributed to an investor will reduce their cost base.

TAX FILE NUMBER (TFN) AND AUSTRALIAN BUSINESS NUMBER (ABN)

It is not compulsory for you to quote your TFN or ABN. If you are making an investment in the Fund in the course of a business or enterprise carried on by you, you may quote an ABN instead of a TFN.

If you fail to quote an ABN or TFN or claim an exemption, the Responsible Entity may be obliged to withhold tax at the top marginal rate (including Medicare levy) on gross payments (including distributions of income) to you.

FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

The United States of America has introduced rules (known as FATCA) which are intended to prevent US persons from avoiding tax. Broadly, the rules may require the Fund to report certain information to the Australian Taxation Office (ATO), which may then pass the information on to the US Internal Revenue Service (IRS). If you do not provide this information, we will not be able to process your application.

To comply with these obligations, Perpetual will collect certain information about you and undertake certain due diligence procedures to verify your FATCA status and provide information to the ATO in relation to your financial information required by the ATO (if any) in respect of any investment in the Fund.

COMMON REPORTING STANDARD

The Australian government has implemented the OECD Common Reporting Standards Automatic Exchange of Financial Account Information (CRS) from 1 July 2017. CRS, like the FATCA regime, will require banks and other financial institutions to collect and report to the ATO.

CRS will require certain financial institutions to report information regarding certain accounts to their local tax authority and follow related due diligence procedures. The Fund is expected to be a 'Financial Institution' under the CRS and intends to comply with its CRS obligations by obtaining and reporting information on relevant accounts (which may include your units in the Fund) to the ATO. For the Fund to comply with their obligations, we will request that you provide certain information and certifications to us. We will determine whether the Fund is required to report your details to the ATO based on our assessment of the relevant information received. The ATO may provide this information to other jurisdictions that have signed the "CRS Competent Authority Agreement", the multilateral framework agreement that provides the mechanism to facilitate the automatic exchange of information in accordance with the CRS. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS.

GOODS AND SERVICES TAX (GST)

The GST information provided in this section is of a general nature only.

GST will apply to most fees and expenses of the Fund including investment Management Fees and Performance Fees. The Fund may be entitled to claim a RITC for some of these expenses.

Fees and expenses included in Section 7 are quoted on a GST inclusive basis less any RITC available to the Fund.

10. CLIENT INFORMATION AND COMPLAINTS RESOLUTION

Your Rights

Your rights as a Unitholder in the Fund are governed by the Constitution for the Fund and the law. They include to:

- Receive distributions (where applicable);
- Receive copies of accounts and other information for the Fund;
- Attend and vote at Unitholder meetings;
- Receive your share of distributions if the Fund is terminated;
- Transfer Units to any other person, subject to the Responsible Entity's right to refuse such a transfer; and
- Pass Units to any surviving joint holder by will or otherwise to your estate.

You do not have the right to participate in the management or operation of the Fund. The Constitution contains provisions designed to limit your liability to the amount invested in the Fund. However, you should be aware that the effectiveness of such a limitation is yet to be conclusively determined by the courts.

Enquiries and Complaints

The Responsible Entity has established procedures for dealing with complaints. If an investor has a complaint, they can contact the Responsible Entity or the Investment Manager during business hours. The Investment Manager can be contacted by phone on 03 8560 1440 or by writing to:

4/45 Wangaratta St,
Richmond VIC 3121

We will endeavour to resolve your complaint fairly and as quickly as we can and within the maximum response timeframe. The maximum response timeframe is 30 days for standard complaints. Other type of complaints and complex complaints may have a different maximum response timeframe. We will let you know if a different maximum response timeframe will apply to your complaint.

If an investor is not satisfied with the outcome, the complaint can be referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution scheme of which the Responsible Entity and the Investment Manager are members

You can contact AFCA on 1800 931 678, or by writing to:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Email: info@afca.org.au Website: www.afca.org.au

All investors (regardless of whether you hold Units in the Fund directly or hold Units indirectly via an IDPS) can access Perpetual's complaints procedures outlined above. If investing via an IDPS and your complaint concerns the operation of the IIDPS then you should contact the IDPS operator directly.

Office of the Australian Information Commissioner (OAIC)

Web: oaic.gov.au/privacy/making-a-privacy-complaint.

Adviser Enquiries

If you have an adviser, they may ask Responsible Entity to provide them with information about your investment.

By signing the Application Form, you consent to us supplying this information, unless you have issued instructions in writing not to do so.

If you change your adviser, please provide your new adviser's details in writing so that your details are updated accordingly.

11. CONSENTS

Lucerne and Mainstream have given and, at the date of this PDS, has not withdrawn, their written consent:

- To be named in this PDS respectively as, investment manager, and administrator / custodian of the Fund; and
- For the inclusion of the statements attributed to it throughout the PDS.

Other service providers to the Fund and except as otherwise stated in this section 11 have not been involved in the preparation of this PDS and do not accept any responsibility or liability for any information contained in this PDS. In addition, they are not involved in the investment decision making process for the Fund.

12. PRIVACY

The Responsible Entity may collect personal information from you in the application and any other relevant forms to be able to process your application, administer your investment and comply with any relevant laws. If you do not provide us with your relevant personal information, we will not be able to do so. In some circumstances we may disclose your personal information to Perpetual's related entities or service providers that perform a range of services on our behalf and which may be located overseas.

Privacy laws apply to our handling of personal information and the Responsible Entity will collect, use and disclose your personal information in accordance with its privacy policy, which includes details about the following matters:

- the kinds of personal information the Responsible Entity collects and holds;
- how the Responsible Entity collects and holds personal information;
- the purposes for which the Responsible Entity collects, holds, uses and discloses personal information;
- how you may access personal information that the Responsible Entity holds about you and seek correction of such information (note that exceptions apply in some circumstances);
- how you may complain about a breach of the Australian Privacy Principles (APP), or a registered APP code (if any) that binds the Responsible Entity, and how the Responsible Entity will deal with such a complaint; and
- whether the Responsible Entity is likely to disclose personal information to overseas recipients and, if so, the countries in which such recipients are likely to be located if it is practicable for the Responsible Entity to specify those countries.

The privacy policy of the Responsible Entity is publicly available at www.perpetual.com.au or you can obtain a copy free of charge by contacting the Responsible Entity.

If you are investing indirectly through a Platform, we do not collect or hold your personal information in connection with your investment in the Fund. Please contact your Platform operator for more information about their privacy policy.

The Responsible Entity treats complaints concerning privacy in the same manner as any other complaint about our products or services. Please contact the Responsible Entity Privacy Officer in the first instance using the contact details provided above so we can address your concerns.

13. GLOSSARY

Administrator means the administrator of the Fund, being Mainstream.

Alternative Investments means assets that do not fall into the conventional investment types of equities, credit and cash and may include private equity, hedge funds, managed futures, real estate, commodities and derivatives which may have limited liquidity.

Application Price means the price at which a Unit the subject of an application is issued pursuant to the Constitution.

ASIC means the Australian Securities and Investments Commission.

Assets means all investments, assets, capital, income, property and rights of the Fund, including proceeds of withdrawal of Units which have not yet been paid and any unpaid distributions.

Business Day means a day other than a Saturday or Sunday on which banks are open for business generally in New South Wales.

CA Agreement means the custody and administration agreement between the Responsible Entity and Mainstream.

Class means a class of units in the Fund,

Constitution means the Fund's constitution in accordance with the Corporations Act that sets out the rights, duties and liabilities of the Responsible Entity in its operation of the Fund.

Corporations Act means the Corporations Act 2001 (Commonwealth) and any amendments.

Custodian means the custodian of the Fund, being Mainstream.

Derivatives means a security, such as an option or futures contract whose value depends on the performance of an underlying asset.

Fund means the Lucerne Alternative Investments Fund ARSN 621 610 848 an Australian registered managed investment scheme established under the laws of New South Wales, Australia.

GST means Goods and Services Tax and has the same meaning as contained in A New Tax System (Goods and Services Tax) Act 1999 (Commonwealth).

Half Year Date means 30 June and 31 December in each year.

High Water Mark is the highest Net Asset Value per Unit adjusted for distributions achieved by the Fund in any previous Performance Period.

IDPS means an Investor Directed Portfolio Service, which includes master trusts, wrap accounts, investor directed portfolio services and investor directed portfolio-like services.

IDPS Guide means the offer document for the relevant IDPS.

Investment Committee means the committee established by Lucerne that is responsible for investment and divestment decisions.

Investment Management Agreement means the investment management agreement between Lucerne and Responsible Entity.

Investment Manager means the investment manager of the Fund, being Lucerne.

Liabilities means the liabilities of the Fund as defined in the Constitution.

Liquidity means the ability of an investment to be easily and quickly converted into cash with little loss of capital.

Lucerne means Lucerne Funds Pty Ltd (ACN 661 669 718).

Lucerne Investment Banking Division means the Lucerne division which provides advisory services to small and medium sized public and private companies.

Mainstream means Mainstream Fund Services Pty Ltd ABN 81 118 909 891.

Management Fee means the management fees payable in respect of the Fund as set out in section7.

Net Asset Value at any time means the value of the Assets less the Liabilities excluding application money in respect of applications that have not been accepted by the Responsible Entity.

Offer means the offer to subscribe for Units under this PDS.

PDS means product disclosure statement.

Performance Fee means the performance fee payable in respect of the Fund as set out in section 7.

Performance Period means:

(a) For the first Performance Period, the period commencing 16th October, 2017, ending on 30 June, 2018;

(b) Subsequently, the period commencing after the end of the previous Performance Period, and ending on the earlier of:

- the end of the next Half Year Date; or
- the end of the day on which the Fund is wound up.

Perpetual means The Trust Company (RE Services) Limited ACN 003 278 831.

Pricing Day means the last Business Day of the month unless otherwise determined by the Responsible Entity.

RITC means Reduced Input Tax Credits.

Responsible Entity means the responsible entity of the Fund, being Perpetual.

Retail Client means a retail client within the meaning of section 761G of the Corporations Act.

Total Return means the total investment return of the Fund after the accrual of the Management Fee and Fund expenses above the High-Water Mark.

Unit means a unit in a class in the Fund.

Unitholder means the holder of a Unit in the Fund.

Volatility means the extent of fluctuation such as share prices, exchange rates and interest rates. The greater the volatility, the less certain an investor is of return, and hence volatility is one measure of risk.

Wholesale Client means a wholesale client within the meaning of section 761G of the Corporations Act.

Withdrawal Price means the price at which a Unit the subject of a withdrawal request is redeemed pursuant to the Constitution.

14. DIRECTORY

Client Services

Email: laif@lucernepartners.com
Phone: 03 8560 1440

Responsible Entity and Issuer

The Trust Company (RE Services) Limited
ABN 45 003 278 831
AFSL No. 235150
Phone: 02 9229 9000

Investment Manager

Lucerne Funds Pty Ltd
ACN 661 669 718
Corporate Authorised Representative No. 1299102
www.lucernepartners.com

Custodian and Administrator

Mainstream Fund Services Pty Ltd
ABN 81 118 909 891

Auditor

Ernst & Young
ABN 75 288 172 749