



LEON MFO INVESTMENTS: CAPITALISING OPPORTUNITIES IN CYPRUS

The fund industry in Cyprus has been steadily growing in recent years. However, there are still gaps on the local market in terms of the investment strategies offered to investors. Successful Business speaks to Andrey Narutskiy (AN), CEO and Executive Director, Mikhail Borisov (MB), Portfolio Manager, and Demetris Nicolaou (DN), Head of Business Development at LEON MFO Investments Limited about the situation on the market and how they plan to enhance the investment offering to well-informed and professional investors.

As an entity established in Cyprus, how do you see the LEON's role on the local market?

AN: We started as a multifamily office in 2013 and over the years have developed strong wealth management expertise by investing ultra-high-net-worth individuals' (UHNWIs) liquid assets on global capital markets. We aim to replicate the established successful investment strategies in fixed income and hedge funds in collective funds schemes. We want to do it in Cyprus to support the fund industry here and help it grow. We could have implemented our strategies in Luxembourg which is a more established jurisdiction. However, we decided to launch the first funds on the island bringing our expertise to the local market, and then, in a couple of years we may also launch some funds in Luxembourg.

How many funds and of what type do you have now?

Currently, we have three funds that are already closed, so we are not accepting new subscriptions from new investors. At the moment, we are launching two new funds that will be open to

subscriptions. One of them provides an opportunity to invest primarily in U.S. corporate bonds. The other deals with investing in a diversified portfolio of hedge funds.

MB: The LEON Global Hedge Fund is built on our expertise accumulated in LEON for over 3 years and on my personal experience of 10 years in hedge fund strategies. We have decided to focus on private credit because we believe that in this area the most stable excess returns can be earned. This is all due to the ongoing process of banks retreating from these businesses following Basel III regulations. The fund industry has a solution and we want to capitalise on the existing opportunity.

How do the strategies of the two funds differ?

While the first one invests in U.S. corporate bonds, the hedge fund invests in companies that, in turn, invest in private credit. One company buys another's receivables at a discount and essentially earns a yield on that. It is similar to the fixed income strategy that earns a yield but very different in terms of risk drivers and sources of return. For the hedge fund, return is not a credit risk;

In Cyprus, the total Assets Under Management for 3Q2021 reached

€11.6b
(+8.6% q-o-q).

The Undertakings of Collective Investments managed by Management Companies had a Net Asset Value of **€9.8b**

**WE PROVIDE AN OPTION
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WELL-DIVERSIFIED PRODUCTS**



it is more of liquidity risk, a legal risk. The focus will be on selecting the most reliable partners, checking all the processes, verifying the information, and arranging favourable terms for us and our investors.

There are five funds with LEON. Besides expertise, what other security guarantees could you provide to people trusting you with their financial assets?

The standard security a fund can offer is a set of regulations. We are tightly regulated both at a firm's and at each fund's level. We have a comprehensive infrastructure of custodians, auditors, and counterparties. In addition, with the hedge fund, most of the strategies imply that loan arrangements should be collateralised. In terms of credit risk, such approach provides much higher level of security than investing directly in bonds.

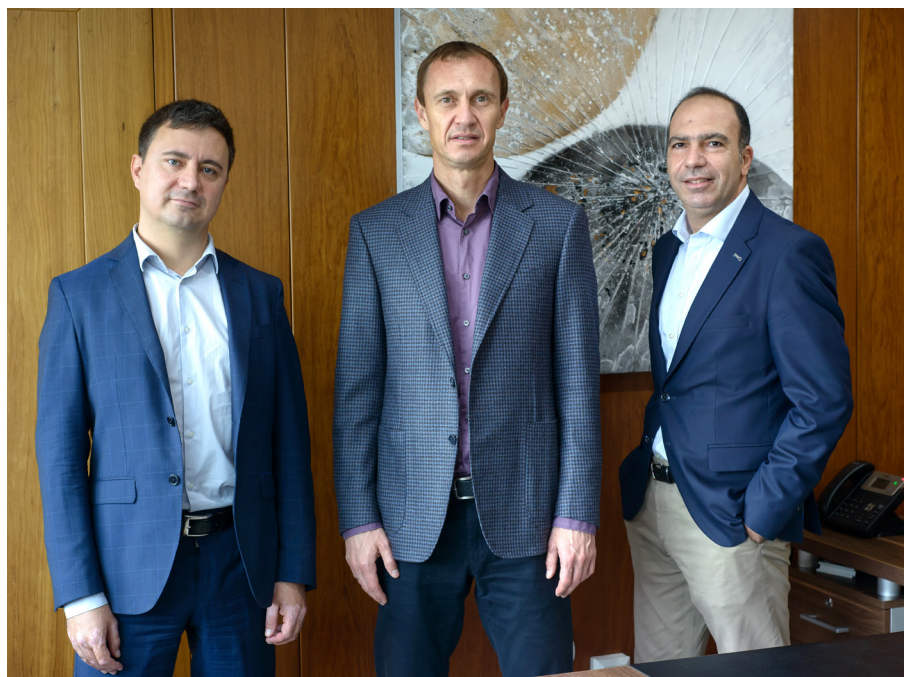
DN: I would say that both strategies were missing from the local market. There are many investors who still keep their money in local banks getting a next-to-zero return. We provide an option for investors to explore international bond and credit markets with well-diversified products and a possibility to achieve returns well above the minimum that they get from the banks.

What would be the specific advantages the investors participating in the LEON's new funds may get?

DN: It is important to mention the expertise of the team managing the funds, the easiness with which investors can subscribe, manage, and invest in these funds, as well as transparency, investor protection, and regulations.

MB: I would like to add that it is a perfect excess product that is usually hard to access, especially in the hedge fund's case. Normally, the minimum subscription is €1 million per fund. Building a diversified portfolio will require €15 million from the investor. Our minimum threshold is much lower.

AN: We already have a distinguished track record. We have built a successful



**NORMALLY, BUILDING A DIVERSIFIED PORTFOLIO
REQUIRES 15 MILLION FROM THE INVESTOR.
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wealth management business; LEON currently manages €1 billion in individual portfolio management. This has been achieved within 7-8 years. Now we are launching a new line of business based on a solid platform, on the backbone of our existing business. It gives us credibility. We also have seed capital from our existing individual investors. All the funds that are launching will have €5-10 million of seed capital. Which means that we are not desperate to raise money at all costs.

What differentiates us from global players is that our managers are in Cyprus, they can be easily reached at practically any time. Investors can always contact us which is another big advantage.

What size will the funds be?

Our target is to raise €100 million within 3 years for each fund, but the sky is the limit at this stage.



LEON MFO INVESTMENTS LIMITED

MARKET OUTLOOK

In 2021, we witnessed the post-pandemic recovery for some economies, especially the U.S. economy. In 2022, this recovery is expected to continue and become more global as Europe and other major economies are forecasting higher GDP growth rates. Global trade resumed in 2021 and is expected to remain strong this year.

Bond and credit markets typically reflect macroeconomic conditions. With improving consumer confidence and healthy corporate performance, credit investors will have a wider range of opportunities going forward. In addition, the relatively high valuations of equities may induce investors to look further into bonds/credit and consider various strategies.

LEON MFO Investments Limited is launching two funds in the first quarter of 2022 that will allow investors to access the corporate bond and credit markets. Our firm is using its strong investment expertise in wealth management for MFO clients (with more than \$1 billion under management) and is offering its best performing investment strategies through these funds to the local Cypriot institutional and HNWI clients. For investors who prefer to invest in EUR, the funds offer EUR currency hedge. This is why two share classes are available (EUR and USD) allowing investors to select the share class most appropriate for them.

LEON FUNDS

The Leon Income Fund RAIF V.C.I.C. PLC offers investors the opportunity to participate in the global bond market with a medium-risk strategy that has worked well for Leon's discretionary portfolios since 2015. This fund's portfolio is well diversified and consists of leading U.S. and global companies. With well-defined portfolio parameters, the fund achieves optimal diversification

and risk reduction. This fund is targeting a net return of 3.0% in EUR or 4.0% in USD terms. With banks offering very low or sometimes negative interest rates on deposits, this fund provides a choice that was missing for the local market. The minimum investment is EUR 125,000 and investors can subscribe or redeem monthly.

The Leon Global Hedge Fund RAIF V.C.I.C. PLC invests in specialised hedge funds which focus on two broader themes: a) Short-term alternative credit and b) Arbitrage. Short-term alternative credit includes trade finance, consumer finance, receivables, bridge credit, and more. The Alternative credit portfolio benefits from increases in short-term interest rates and provides a good hedge against inflation. On the other hand, arbitrage opportunities are sought in interest rate arbitrage, equity index arbitrage, FX or commodity arbitrage, and volatility arbitrage. The Arbitrage portfolio benefits from market volatility and provides a good hedge against market corrections. Managed by an experienced team, this fund identifies hedge funds that have consistently performed well in the above areas and funds that have low correlations between them. This is a disciplined strategy that has consistently offered attractive returns to investors since 2018. The targeted net return is around 5% in EUR or 6% in USD terms. The minimum investment is EUR 250,000 with monthly subscriptions and quarterly redemptions with 190-day notice.

Both funds are managed by LEON MFO Investments Limited and addressed only to well-informed and professional investors. For more information, please contact LEON MFO Investments Limited at 25 268 120 or demetris.nicolaou@leonmfo.com

Disclaimer: This article does not disclose all associated risks and should not be considered as an offer or invitation to subscribe to units or shares in the above RAIFs.

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LEON MFO INVESTMENTS LTD

Leon MFO Investments Ltd was established in 2013 and was initially authorised as an Investment Firm by the Cyprus Securities and Exchange Commission (CySEC), with authorisation number 245/14.

In April 2020, the Company received authorisation from the CySEC as an Alternative Investment Fund Manager (AIFM) in accordance with the provisions of the AIFM Law, with authorisation number AIFM 37/56/2013.

MISSION

Our mission is to help clients manage their wealth by implementing thorough, bespoke, and disciplined investment strategies. We continuously strive to provide objective, unbiased, and professional advice for optimal investment decisions.

TEAM

Our team combines professionals with many years of experience and strong track record in the key areas of wealth management, investment management, financial analysis, and succession planning.

APPROACH

We aim to provide truly customised investment solutions to high-net-worth individuals and their families. In addition to our in-house expertise, we collaborate with selected partners among leading investment banks, asset managers, tax and legal experts to provide practical and sophisticated solutions to our clients.

SERVICES

- **Fund Management.** We manage various types of funds mostly investing in highly liquid assets at global capital markets. Our funds are addressed to well-informed and professional investors.
- **Fund Hosting.** We can host funds as investment structures for high-net-worth individuals and undertake the entire fund management process.
- **Investment Management.** We provide discretionary portfolio management and related investment services to meet each client's investment objectives.
- **Investment Advice.** We offer customised investment advice and wealth management strategies, succession planning, and other family office services.



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