

# Forbes



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TALKS TO FORBES ABOUT  
CYPRUS SHIPPING AND  
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LEON MFO INVESTMENTS LIMITED

**THE EUROMONEY AWARD WINNING  
CYPRUS COMPANY WHICH MANAGES  
FUNDS OVER \$1 BILLION**

THE CEO **ANDREY NARUTSKIY**, TALKS TO FORBES ABOUT THE  
EUROMONEY AWARDS OF EXCELLENCE FOR WEALTH MANAGEMENT  
AND OTHER INVESTMENT SERVICES THEY OFFER



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# THE EUROMONEY AWARD-WINNING CYPRUS COMPANY WHICH MANAGES FUNDS OVER \$1 BILLION

THE CEO OF LEON MFO INVESTMENTS LIMITED, ANDREY NARUTSKIY, TALKS TO FORBES ABOUT THE EUROMONEY AWARDS OF EXCELLENCE FOR WEALTH MANAGEMENT AND OTHER INVESTMENT SERVICES THEY OFFER. HE ALSO TALKS ABOUT THEIR NEW INVESTMENT FUNDS AND THE FUTURE PLANS OF THE COMPANY. FINALLY, HE OFFERS HIS VIEWS ON THE FUTURE OF THE CYPRUS ECONOMY.

**W**hen was your company founded and how many employees do you have today?

We started as a multifamily office (MFO) in 2013 and over the years have developed strong wealth management expertise by investing high-net-worth individuals' (HNWIs) liquid assets in global capital markets. Our team has grown to 30 people. It consists of professionals with many years of experience and strong track record in the key areas of wealth management, investment management, financial analysis and succession planning.

LEON MFO Investments Limited has received the prestigious Euromoney Awards of Excellence for its Private Banking and Wealth Management Services. What does this award mean for your company?

«THIS AWARD IS ALSO IMPORTANT FOR THE CYPRUS FUNDS INDUSTRY WHICH IS ALSO GAINING GROUND AS A PREFERRED JURISDICTION. IT REALLY HELPS INVESTORS TO SEE CYPRUS FUND MANAGERS BEING INTERNATIONALLY RECOGNIZED AND IT GIVES CREDIBILITY TO OUR WHOLE INDUSTRY»

LEON received the highest ratings and awards in a number of categories.

- No. 1 in Cyprus in 6 categories:
- Best Investment Management
- Best Research and Asset Allocation Advice
- Best ESG/Sustainable Investing
- Best Family Office Services
- Best Next Generation
- Best Family Governance/Succession Planning

We are honored that our wealth management associates rated our investment services and products so highly. This distinction is an affirmation of our team's ongoing efforts to offer best-in-class services. We view this as a milestone for our firm and also as a new benchmark that we always need to strive to exceed and improve further.

This award is also important for the Cyprus funds industry which is also gaining ground as

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a preferred jurisdiction. It really helps investors to see Cyprus fund managers being internationally recognized and it gives credibility to our whole industry.

#### **Please elaborate on your MFO services**

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

#### **What are the main investment services and products you offer as a company?**

In addition to our strong wealth management services, we offer a number of services such as:

- **Fund Management.** Managing funds mostly investing in highly liquid assets in global capital markets. Our funds are addressed to well-informed and professional investors.
- **Investment Management.** We provide discretionary portfolio management and related investment services to meet each client's investment objectives.
- **Investment Advice.** We offer customized investment advice and wealth management strategies, succession planning and other family office services.

**«LEON MFO INVESTMENTS LIMITED, WITH ITS NEW RAIFs, PLANS TO ENHANCE THE INVESTMENT OFFERING TO WELL-INFORMED AND PROFESSIONAL INVESTORS ESPECIALLY IN THE AREA OF LIQUID STRATEGIES».**

#### **How many funds are under your management now? And what type of portfolios?**

We have built a successful wealth management business and as of end 2021 LEON has \$1 billion of assets under management. This has been achieved within 8 years and with a distinguished track record.

Our portfolios are mostly invested in liquid strategies like stocks, bonds, and ETFs. A smaller portion of our assets is invested in alternative strategies and private equity. Our investment philosophy is based on extensive fundamental analysis, rigorous due diligence, ongoing screening and monitoring.

#### **What are your future plans?**

Based on our solid platform and the backbone of our existing business, we are launching new funds that will replicate our already successful investment strategies.

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 fund jurisdiction. However, we decided to launch the first funds on the island and bring our expertise to the local market.

Another initiative for the future is our ongoing commitment to technology. We have invested in systems that offer our investors ongoing transparency and 24/7 access to their portfolios.

To enhance our client communication, we keep upgrading

our systems to offer investors online access to the performance data of their funds, NAVs, portfolio composition, periodic reports, and more. In an age where everyone is using smart phones and everything is just a click away, a new generation of investors prefers using online access to view and manage their investments.

Looking further into the future, we are prepared to adapt to other challenges such as ESG issues, regulatory changes, new technologies, political and macroeconomic shifts and other factors that are transforming the financial world.

#### **What about your new funds?**

At the moment, we just launched two new funds that are open to subscriptions. One of them, LEON Income Fund RAIF, provides an opportunity to invest primarily in U.S. and global corporate bonds. The other, LEON Global Hedge Fund RAIF, is investing in a diversified portfolio of hedge funds specializing in alternative credit and arbitrage.

I would say that both strategies were scarce in the local market. There are many investors in Cyprus who still keep all their money in banks. 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.

The first fund, LEON Income Fund RAIF, invests directly in corporate bonds. This is a strategy that we have implemented since 2015 with a consistent track record.

The second fund, Leon Global Hedge Fund RAIF invests in other funds that specialize in private credit like trade finance, receivables, bridge loans, etc. The fund also invests in some arbitrage strategies that take advantage of arbitrage opportunities between indices, currencies, and other assets.

As you are aware, funds offer to investors a set of regulations for transparency and investor protection. We are tightly regulated both at a firm's and at each fund's level. We have a comprehensive infrastructure of depositories, custodians, administrators, auditors, and counterparties.

#### **How do you view your company's role in the local market?**

We are a Cyprus company regulated by CySEC. We promote Cyprus as a fund jurisdiction and hence we have established our funds here as well. Being one of the largest AIFMs locally, we want to offer investment choices to the local market. Both to institutional and individual investors. Investors in Cyprus do not have a long-standing culture of investing in funds.

Our goal is to offer them attractive fund strategies and also educate them about the benefits of such investments. If we succeed it will be for the benefit of the entire funds industry. We are already communicating with institutional investors and see good demand from them, particularly for our hedge fund strategies which have low correlation to traditional markets. In



the longer-term we also plan to offer our RAIFs to investors in other jurisdictions.

#### **What makes you stand out from competing companies?**

What differentiates us from global fund players is that our fund managers are physically based in Cyprus, they can be easily reached at practically any time. Investors can always contact us and get instant updates which is a big advantage.

In addition, we are working hard on building an ethical culture and recruiting the right people. The cost of compliance has gotten very high, but it reinforces the effort to show to all investors that their interests are a priority to us.

Also, our funds are liquid and also global which offers better diversification. Other local funds primarily invest in low liquidity strategies such as real estate and private equity.

#### **Are you optimistic about the future of the Cyprus economy?**

The Cyprus economy is based mainly on tourism, construction, and shipping. Following 2013, the contribution of financial services has declined considerably due to the downsizing of the banks. This gap should be gradually filled by the investment sector and the technology sector. We welcome

the ongoing efforts of CySEC to provide credibility to the investment sector and of CIPA to promote the attractiveness of Cyprus for research, development, and technological innovation.

Despite its small size, Cyprus has well-educated human capital which is a very important contributor to long-term GDP growth. As more companies establish presence in Cyprus the economic benefits will multiply. Cyprus has the potential to become a hub for many investment and technology companies.

#### **Is there something you would like to see changed as regards Cyprus' funds industry?**

The funds industry in Cyprus has been steadily growing in recent years. However, there are still gaps in the local market in terms of the investment strategies offered to investors.

LEON MFO Investments Limited, with its new RAIFs, plans to enhance the investment offering to well-informed and professional investors especially in the area of liquid strategies.

*Disclaimer: This interview does not disclose all associated risks and should not be considered as an offer or invitation to subscribe to units or shares of the RAIFs mentioned.*



BY DEMETRIS NICOLAOU, CFA

HEAD OF BUSINESS DEVELOPMENT  
OF LEON MFO INVESTMENTS LIMITED

# LEON MFO INVESTMENTS LIMITED IS ENTERING A NEW CHAPTER WITH THE LAUNCH OF ITS TWO NEW FUNDS

THESE LAST COUPLE OF MONTHS HAVE BEEN VERY EXCITING FOR LEON MFO INVESTMENTS LTD. FIRST, THE 2022 EUROMONEY SURVEY HAS PLACED THE FIRM IN THE NUMBER ONE RANKING FOR MANY CATEGORIES INCLUDING WEALTH MANAGEMENT, INVESTMENT MANAGEMENT, AND MORE. SECOND, THE COMPANY IS LAUNCHING TWO NEW FUNDS THAT WILL OFFER INVESTORS ACCESS TO OUR WELL-PROVEN INVESTMENT STRATEGIES.

**L** EON is utilizing its strong investment expertise in wealth management and portfolio construction and is launching these two new funds (RAIFs). These funds will allow investors to access the corporate bond and credit markets in unique ways.

The first fund is **Leon Income Fund RAIF V.C.I.C. PLC**. The original idea was to take advantage of the yield difference between USD and EUR corporate bonds. Bond coupons in USD are 2% higher than in EUR and this spread is not expected to change any time soon. This investment strategy has been implemented by our portfolio managers since 2015 for some client portfolios. Having built a track-record of 7 years and in various market conditions throughout this period, it was time to emulate this strategy into a new fund.

This fund will target an absolute return strategy of medium to low risk. At the portfolio construction stage two

approaches are utilized. The bottom-up selection of bonds, where our team of analysts will research the bonds of 300-400 companies, identify 80-100 companies with improving fundamentals, and select the bonds of 30-40 companies

**«AS CYPRUS' FUNDS SECTOR IS DEVELOPING WE HOPE THAT, THROUGH OUR OWN FUNDS, WILL CONTRIBUTE TOWARDS ITS FURTHER PROMOTION AND ADDITIONAL PROVISION OF CHOICES TO PROFESSIONAL INVESTORS»**

whose price levels are more attractive. Simultaneously, a top-down risk control approach is implemented where our team determines the country selection and the industry. Then they will look at the average duration of each bond and of the portfolio.

Typically, the fund's portfolio consists of larger companies, leaders in

their industries, with stable cash flows, and reasonable debt levels. The investment team performs deep credit analysis to identify bonds that will increase in price as their business quality improves. The focus is mainly on leading companies with ratings of BB and above.

The targeted geographical allocation of the fund's portfolio is 52% USA and Canada, 42% Emerging Markets, and 6% Europe. The allocation is also well diversified by industry and by company. With interest rates on deposits being close to zero, this fund offers a reasonable low risk alternative with optimal diversification.

The second fund is **Leon Global Hedge Fund RAIF V.C.I.C. PLC**. This fund utilizes an investment strategy that has also performed consistently well for existing client portfolios since 2018. This is a fund of hedge funds and will invest in specialized hedge funds which focus on two broader themes: a) Short-term alternative credit and b) Arbitrage.

The opportunities in short-term private credit exist in activities like 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. Private credit is usually issued at variable interest rates that provide a hedge against inflation and interest rate risk.

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. After 8 years of lower volatility, arbitrage has 3-5 strong years ahead. Volatility is expected to emerge from various sources such as:

- a) Macroeconomic disparities between countries, industries and companies,
- b) Unpredictable fiscal policies and rising regulation,
- c) Trade wars, ESG trends, social changes, and more.

Managed by an experienced team, this fund identifies hedge funds that have steadily 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.

This fund will provide investors access to markets which are hard to access and where arbitrage opportunities persist.

The portfolio construction process for LEON Global Hedge Fund is a four-step process:

1. The Primary Screening where about 100 funds are identified.
2. The Preliminary Due Diligence which will distinguish the 50 funds for further analysis.
3. The Detailed Due Diligence where 15-20 funds are short-listed of 15-20 and a more rigorous follow-up is initiated.
4. The Portfolio Construction process where the top 12-20 funds are selected.



Great attention is also paid to risk management, where we evaluate a) Liquidity gap risks, b) Market risks and c) Performance risk, using a very disciplined methodology.

In addition to these funds, our group remains strong through its international network providing all family office services like wealth planning, tax, legal, investment advisory, and succession planning. Our team's expertise and our client focus are our key competitive ad-

vantages.

As the Cyprus funds industry is growing, we hope with our own funds to contribute to higher visibility of the sector and offer more choices to professional and well-informed investors.

*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 funds.*