

# LEON Global Hedge Fund

RAIF V.C.I.C. PLC

July 2023

USD share class | NAV per share: 1027.77



**LEON**  
MFO Investments

The Fund's objective is to generate consistent uncorrelated returns from investments in a diversified portfolio of hedge funds. The Fund employs a flexible absolute return strategy, with about 65% of the portfolio invested in short-term liquid Private Credit strategies with strong collaterals, and the remainder in Arbitrage and other uncorrelated strategies. The Fund prioritizes niche opportunities with direct institutional-level access to managers, building on a vast network accumulated since 2009.

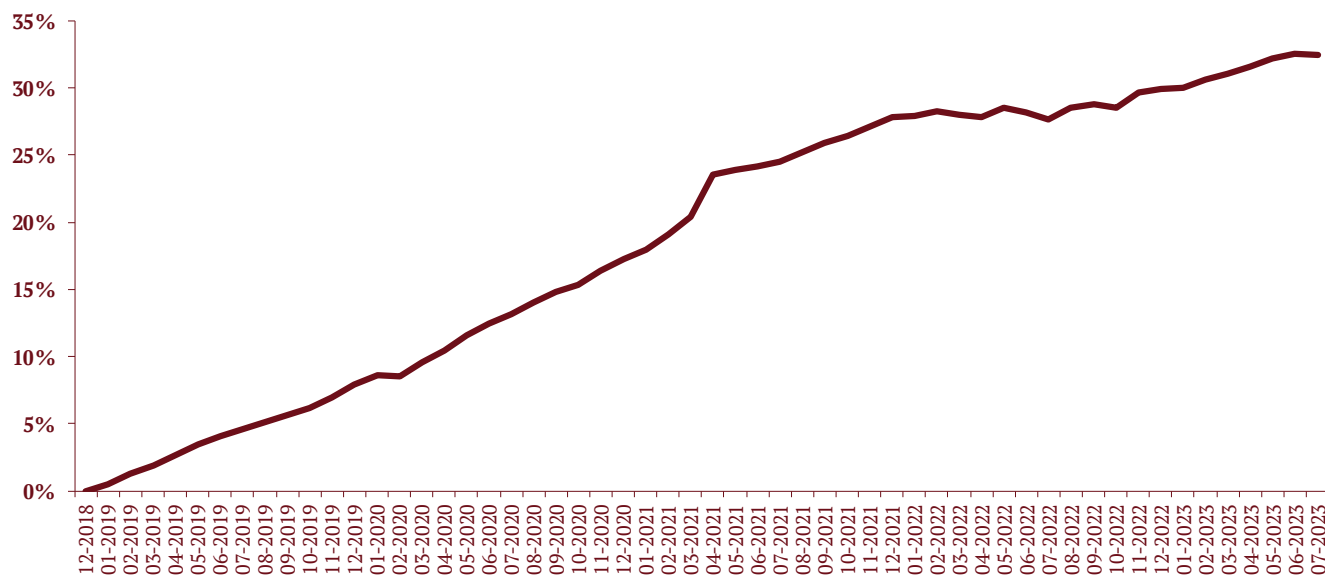
## Target Portfolio Attributes

|                       |  |
|-----------------------|--|
| Number of positions:  | 15-25  |
| Position Limit:       | <10% per position  |
| Manager Limit:        | <12% per manager   |
| Strategy Class Limit: | <20% per strategy class<br>>50% Liquid Private Credit strategies |
| Leverage:             | None   |

## Fund Terms

|                   |  |
|-------------------|--|
| Legal form        | Cyprus-domiciled RAIF, V.C.I.C.  |
| Share classes     | B: USD (CYF000002362, LEGHRVB CY)<br>A: EUR (CYF000002354, LEGHRVA CY)                 |
| Min Investment    | USD 300'000 / EUR 250'000  |
| Subscriptions/NAV | Monthly  |
| Redemptions       | Quarterly, with 95 calendar days notice<br>Max. 25% of investor's position per quarter |
| Launch date       | May 2022   |
| Fund manager      | LEON MFO Investments Limited<br>(regulated by CySEC,<br>License No. AIFM 37/56/2013)   |
| Depository        | EFG Luxembourg   |
| Fund Admin        | PricewaterhouseCoopers   |
| Fees              | Management fee: 1,0% of AUM p.a.<br>Perf. fee: 10% (3% hurdle, HWM)                    |
| Other expenses    | 0,3% of AUM p.a.<br>(depository and fund administration)                               |

## Net Performance, USD\*



## Net Performance, USD\*

| %    | Jan | Feb  | Mar  | Apr  | May | Jun  | Jul     | Aug | Sep | Oct  | Nov | Dec | YTD | Since incept. |
|------|-----|------|------|------|-----|------|---------|-----|-----|------|-----|-----|-----|---------------|
| 2023 | 0.0 | 0.5  | 0.4  | 0.4  | 0.5 | 0.3  | -0.1 ** |     |     |      |     |     | 1.9 | 32.5          |
| 2022 | 0.1 | 0.2  | -0.2 | -0.2 | 0.5 | -0.2 | -0.4    | 0.7 | 0.2 | -0.2 | 0.9 | 0.2 | 1.7 | 30.0          |
| 2021 | 0.6 | 0.9  | 1.1  | 2.7  | 0.3 | 0.2  | 0.2     | 0.6 | 0.6 | 0.4  | 0.5 | 0.5 | 9.0 | 27.8          |
| 2020 | 0.7 | -0.0 | 1.0  | 0.8  | 1.0 | 0.8  | 0.6     | 0.7 | 0.7 | 0.5  | 0.9 | 0.8 | 8.7 | 17.3          |
| 2019 | 0.5 | 0.8  | 0.6  | 0.8  | 0.8 | 0.6  | 0.5     | 0.5 | 0.5 | 0.5  | 0.7 | 0.9 | 7.9 | 7.9           |

\* Before May 2022: Net of fees USD performance of a discretionary strategy managed by the Fund's team on individual accounts since December 2018. Starting from June 2022: The actual track record of LEON Global Hedge Fund RAIF, class B (USD). Class B launch date: May 23rd, 2022; launch price: 1000.

\*\*Fund Administrator estimate based on position prices available as of last day of the month.

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## Monthly Commentary

In July, inflation decelerated across all major economies, reaching levels not witnessed in over a year. The US Fed hiked 25bps but indicated that the current level of 5.5% is likely the top. The slightly dovish tone provided support to risk assets throughout the month, which, however, did not persist in August. The Fed also reiterated its target of 2% inflation. We believe a lot of the inflation is structural, owing to factors such as the de-globalization of supply chains and demands for more labor compensation, already visible in unions' negotiations. So, 2% is probably out of reach, barring a recession. Thus far, however, the US GDP growth for Q2 2023 exceeded projections, supporting the "soft landing" narrative. EU, in particular Germany, and China remain sluggish at best.

We do observe signs of stress in the US. Firstly, the consumer is weakening. The \$2+ trillion of excess savings due to Covid-related stimulus have been all but exhausted by the end of Q2. Credit scores are reverting down: after 2 years of repaying debt, consumers' ability and willingness to pay both are dropping. The labor market still looks strong but is also deteriorating at a pace consistent with the onsets of previous recessions. Secondly, corporate balance sheets are strained, as highlighted by the Bloomberg Bankruptcy Index, which has surged to its highest level in five years. Recall that US banks sit on deep losses from their long-duration bond holdings. It is optimistic to believe that US corporates were wiser than banks in managing their duration risk. While some companies refinanced at low rates, those who didn't are struggling; and not because of closed credit markets, but simply because operating margins cannot absorb the spike in cost of debt. Thirdly, should a broad crisis happen in an election year, we would not count on US policymakers to navigate it well.

All in all, we are concerned that credit spreads and other risk premia remain too low, failing to reflect these risks. Even in private credit, the 2-3% higher yield lags both the risk-free rate hike and our expectations. Until new equilibrium is found, we consider shifting our focus towards Arbitrage strategies for the months ahead, in particular those with embedded funding rates. Our longer-term view is unchanged as we still believe that 2024 will be the year of fixed income, with US Fed under pressure to cut rates in an election year.

The Fund's NAV decreased by 0.1% in July. Most positions were positive, but one consumer finance strategy in the LATAM region took a sizeable write-down. Notably, this was not attributed to defaults but rather a misappropriation of funds by one of their loan servicing agents. We commend the manager's immediate action to transfer all existing loans to an alternative collections servicer. Overall, this strategy has consistently delivered high-teen performance figures, which, in our assessment, compensates for its inherent risks, inclusive of regional ones.

### Key Characteristics

|                                   |      |
|-----------------------------------|------|
| # of positions                    | 26   |
| Liquid Private Credit             | 15   |
| Arbitrage                         | 11   |
| Net return since incept., % p.a.* | 6.3% |
| Sharpe Ratio since inception *    | 3.5  |

### Strategy Type, % of portfolio

|                       |              |
|-----------------------|--------------|
| Liquid Private Credit | 66.9         |
| Arbitrage             | 32.8         |
| Cash                  | 0.3          |
| <b>Total</b>          | <b>100.0</b> |

### Regional Breakdown, % of portfolio

|              |              |
|--------------|--------------|
| USA          | 57.4         |
| UK           | 7.7          |
| Europe       | 2.5          |
| Other        | 11.8         |
| Global       | 20.4         |
| Cash         | 0.3          |
| <b>Total</b> | <b>100.0</b> |

### Strategy Class, % of portfolio

|                             |              |
|-----------------------------|--------------|
| Trade Finance               | 17.6         |
| Real Estate Bridge Credit   | 15.5         |
| Receivables                 | 11.7         |
| Litigation Finance          | 11.4         |
| Short-term Consumer Finance | 10.5         |
| Credit Arbitrage            | 10.1         |
| Equity Arbitrage            | 6.9          |
| Market-neutral Algo         | 6.8          |
| Other                       | 11.6         |
| Cash                        | 0.0          |
| <b>Total</b>                | <b>100.0</b> |

### Top-5 Positions

|                                |     |
|--------------------------------|-----|
| US Healthcare Receivables      | 6.9 |
| UK Consumer Litigation Finance | 6.5 |
| US Trade Finance               | 6.2 |
| US Trade Finance               | 5.9 |
| Global Trade Finance           | 5.6 |

\* Before May 2022: Net of fees USD performance of a discretionary strategy managed by the Fund's team on individual accounts since December 2018. Starting from June 2022: The actual track record of LEON Global Hedge Fund RAIF, class B (USD).

## Contacts

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## Risk Disclosure Statement

This document is addressed to professional and well-informed investors only. Every type of financial instruments has its own characteristics and entails different risks, depending on the nature of each investments. A general description of the nature and the risks of financial instruments are summarized in the risk disclosure statement of the Company which could be accessed through the following link: <https://leoninvestments.com.cy/wp-content/uploads/2020/04/leon-mfo-risk-disclosure-final-10.04.2020-v1.0.pdf>. It should be noted the Company's risk disclosure statement does not disclose all the associated risks or other important aspects of the financial instruments and it should not be considered as investment advice or recommendation for the provision of any service or investment in any financial instrument. There are no guarantees of profit nor of avoiding losses, when trading in financial instruments. The clients of the Company or its prospective clients/investors should not carry out any transaction in any financial instruments, unless he/she is fully aware of their nature, the risks involved and the extent of his/her exposure to these risks. In case of uncertainty as to the meaning of any of the warnings described in the aforementioned risk disclosure statement, the client or the prospective client/investor must seek an independent financial, legal and/or tax advice before taking any investment decision. **Sustainability Risks:** The RAIF is not expected to qualify as sustainable. The External Manager is committed to integrating sustainability risks into its investment decision-making process and in its investment advice to the minimum extent, as required by Regulation (EU) 2019/2088 ("SFDR") and Commission Delegated Regulation (EU) 2022/1288. However, the External Manager does not consider the principal adverse impacts of its investment decisions or of its investment advice on sustainability factors. The External Manager may reassess its consideration in the future in regards to adverse impacts and sustainability objectives.