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.

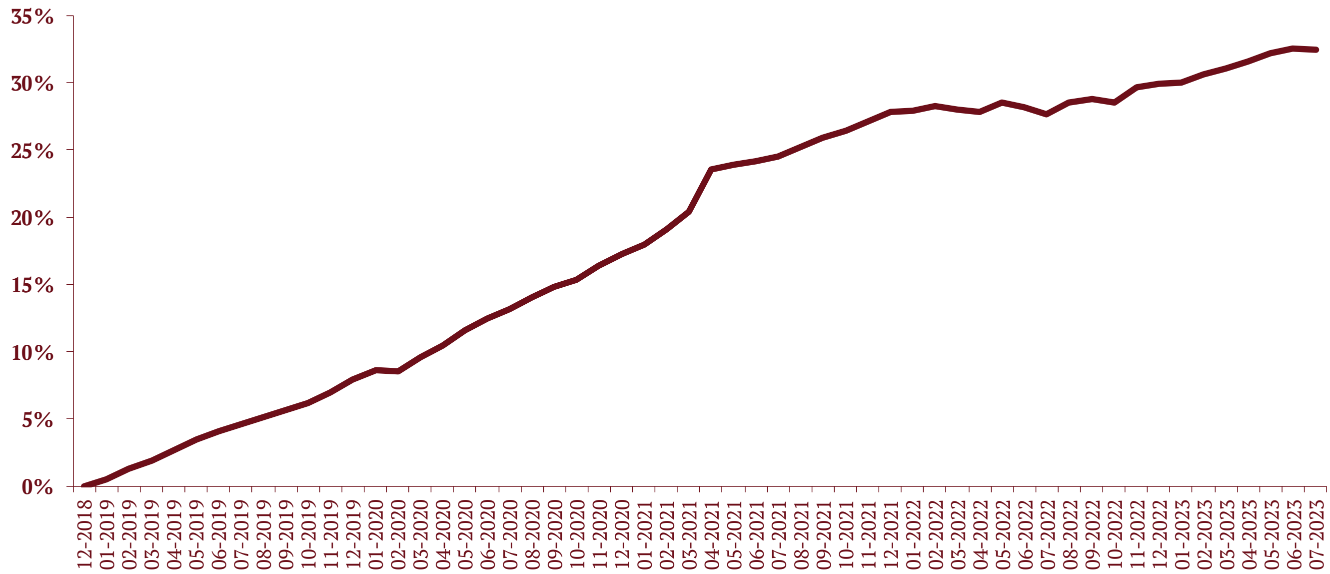
Target Portfolio Attributes

Number of positions:	15-25
Position Limit:	<10% per position
Manager Limit:	<12% per manager
Strategy Class Limit:	<20% per strategy class >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) A: EUR (CYF000002354, LEGHRVA CY)
Min Investment	USD 300'000 / EUR 250'000
Subscriptions/NAV	Monthly
Redemptions	Quarterly, with 95 calendar days notice Max. 25% of investor's position per quarter
Launch date	May 2022
Fund manager	LEON MFO Investments Limited (regulated by CySEC, License No. AIFM 37/56/2013)
Depositary	EFG Luxembourg
Fund Admin	PricewaterhouseCoopers
Fees	Management fee: 1,0% of AUM p.a. Perf. fee: 10% (3% hurdle, HWM)
Other expenses	0,3% of AUM p.a. (depositary 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
Total	**100.0**

Regional Breakdown, % of portfolio	
USA	57.4
UK	7.7
Europe	2.5
Other	11.8
Global	20.4
Cash	0.3
Total	**100.0**

Strategy Class, % of portfolio	
Trade Finance	17.6
Real Estate Bridge Credit	13.5
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
Total	**100.0**

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