

# LEON Income Fund

## RAIF V.C.I.C. PLC



July 2023

EUR-hedged share class | NAV per share: 869,11

The Fund's objective is to generate long-term capital gains and income from investments in corporate and sovereign bonds. The Fund follows a strategy with a focus on efficient allocation among different bond types through the economic cycle. The Fund is not benchmark-constrained and it is flexible in terms of duration, sector or country allocation. The portfolio is mainly invested in high-quality bonds with average portfolio rating above BB, based on a proven in-house research process.

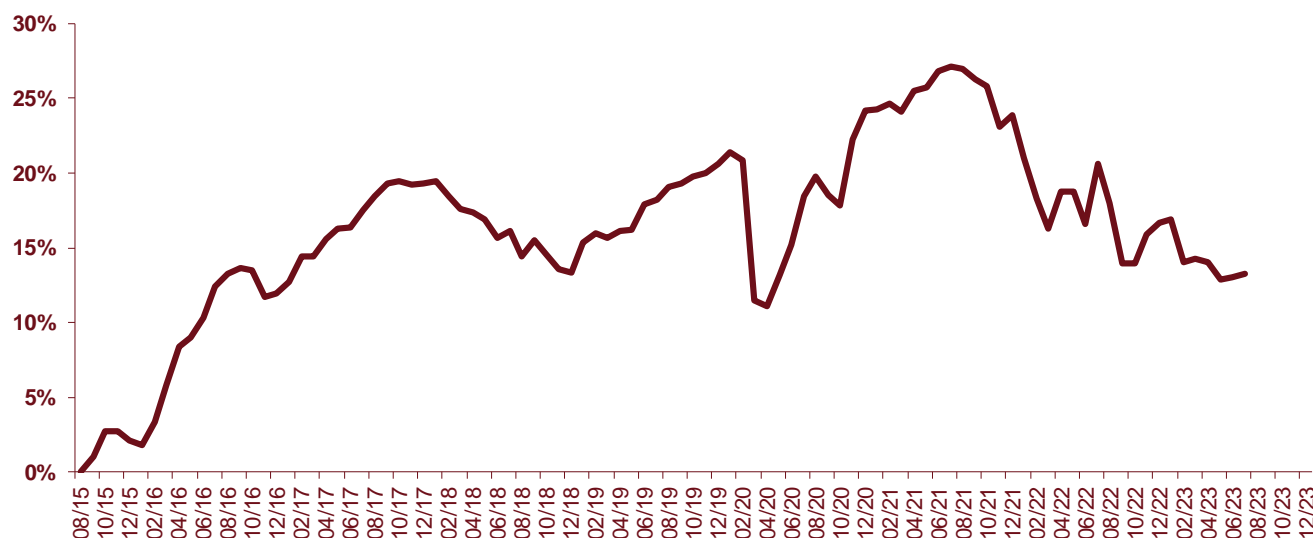
### Target Portfolio Attributes

Number of positions:	30-40
Average credit rating:	BB or higher
Position limit:	<5% per issuer
Sector limit:	<30% per industry
Country limit:	>50% US
limit	<10% per other countries
Leverage:	None

### Fund Terms

Legal form	Cyprus-domiciled RAIF, V.C.I.C.
Share classes	EUR (CYF000002198), FX-hedged USD (CYF000002347)
Bloomberg codes	EUR-hedged class: LENIFRA CY USD class: LENIFRB CY
Min Investment	USD 150.000 / EUR 125.000
Launch date	April 2022
Liquidity	Monthly redemptions, no penalties
Fund manager	LEON MFO Investments Limited (regulated by CySEC, License No. AIFM 37/56/2013)
Depository	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. (depository and fund administration)

### Net Performance (EUR-hedged Share Class)\*



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%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since incept.
2023	0,2	-2,5	0,2	-0,2	-1,0	0,1	0,3						-2,9	13,3
2022	-2,3	-2,3	-1,7	2,1	0,0	-1,9	3,5	-2,2	-3,4	-0,0	1,7	0,7	-5,8	16,6
2021	0,1	0,3	-0,4	1,1	0,2	0,9	0,3	-0,1	-0,6	-0,4	-2,1	0,6	-0,3	23,8
2020	0,7	-0,4	-7,8	-0,3	1,9	1,7	2,8	1,1	-1,1	-0,6	3,8	1,6	3,0	24,2
2019	1,8	0,6	-0,2	0,4	0,1	1,4	0,3	0,7	0,2	0,4	0,2	0,5	6,4	20,6
2018	0,1	-0,9	-0,7	-0,2	-0,4	-1,1	0,4	-1,5	1,0	-0,8	-0,8	-0,3	-5,0	13,3
2017	0,7	1,5	0,0	1,0	0,6	0,1	1,0	0,8	0,7	0,1	-0,2	0,1	6,6	19,3
2016	-0,3	1,6	2,4	2,4	0,6	1,3	1,8	0,8	0,3	-0,2	-1,6	0,2	9,6	11,9
2015									1,0	1,7	0,0	-0,6	2,1	2,1

\* Until April 2022 it is net performance of similar strategy managed by the Fund's team on individual accounts, afterward - LEON Income Fund official track record.

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**LEON**  
MFO Investments

## Monthly Commentary

**Bond markets.** The most important event in July and August was a sharp rise in Treasury yields. Despite the hype around the downgrade of the US credit rating by Fitch to AA+, we do not think it was the main reason for growth. There were more important factors. First, a continuous lack of dovish signs from the FED (Powell's Jackson Hole remarks signaled that another hike is probably likely, however the market does not believe in that opportunity). Second, still stable US economy - basically speaking the bet on US recession in 1H23 was perceived by most investors as a nearly 100% guaranteed deal. However, that bet did not work, and higher long-term yields reflected the repositioning for a higher growth economy. We think that both factors are still relevant. Moreover, it seems that the risk of re-acceleration of inflation due to higher oil prices seems not to be priced in the market at all. Breakevens are at 3-year lows, however the Core CPI stopped deceleration and rising Brent price may lead to higher gasoline prices in the US. That said we are not convinced that it is a proper moment to buy longer-duration Treasuries even though yields are near 2022 high of 4,2%.

**Portfolio.** We still prefer to keep a low portfolio duration (in the range of 2,0-3,0). In July and August, we made several tactical trades in 10Y US Treasuries, however, all of them were closed and major part of the portfolio is kept in short-duration 3–6-month Treasuries. We prefer to keep a conservative stance due to a combination of factors: 1) risk of a one more acceleration of inflation due to higher oil prices; 2) generally mediocre economic data (especially rising share of bad retail loans). Despite generally weak performance of Emerging Market bonds, we are comfortable with our top position in Brazil (low inflation, start of monetary easing, recent upgrade by Fitch to BB).

### Key Characteristics

# of positions	28
Duration	2,9
Average Rating	A
YTM %	6,0
Current Yield %	4,7
Net return since incept., % p.a.*	1,6
Sharpe Ratio since inception *	0,31

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### Country (%)

US	77,4
Brazil	7,0
South Africa	4,8
Australia	2,4
Turkey	2,4
India	2,4
Mexico	1,6
Europe	1,2
Cash	0,4
Colombia	0,3
<b>Total</b>	<b>100,0</b>

### Sector (%)

Sovereign	56,8
Materials	11,9
Transport	7,7
Consumer	6,0
Oil & Gas	3,1
Auto	2,7
Tech	2,5
Telecom	2,4
Food	2,4
Utilities	2,3
REIT	1,1
Health Care	0,6
Cash	0,4
Industrials	0,0
<b>Total</b>	<b>100,0</b>

### Duration (%)

0 to 3 years	55,3
3 to 5 years	23,3
5 to 10 years	21,0
Cash	0,4
Less than 0	0,0
10+ years	0,0
<b>Total</b>	<b>100,0</b>

### Credit Quality (%)

AAA	0,0
AA	56,8
A	0,0
BBB	4,1
BB	33,7
B	4,9
Cash	0,4
Lower than B	0,0
Not rated	0,0
<b>Total</b>	<b>100,0</b>

## Contacts

**Contacts Fund manager:** LEON MFO Investments Limited.

**E-mail:** [marketing@leonmfo.com](mailto:marketing@leonmfo.com) **Website:** [www.leoninvestments.com.cy](http://www.leoninvestments.com.cy)

**Fund administrator:** PwC Fund Services. **Website:** [www.pwc.com.cy](http://www.pwc.com.cy)

## Risk Disclosure Statement

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 can 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. This presentation is addressed to professional and well-informed investors only.

**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.