

# LEON Income Fund

RAIF V.C.I.C. PLC

March 2024

USD share class | NAV per share: 988,58



**LEON**  
MFO Investments

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.

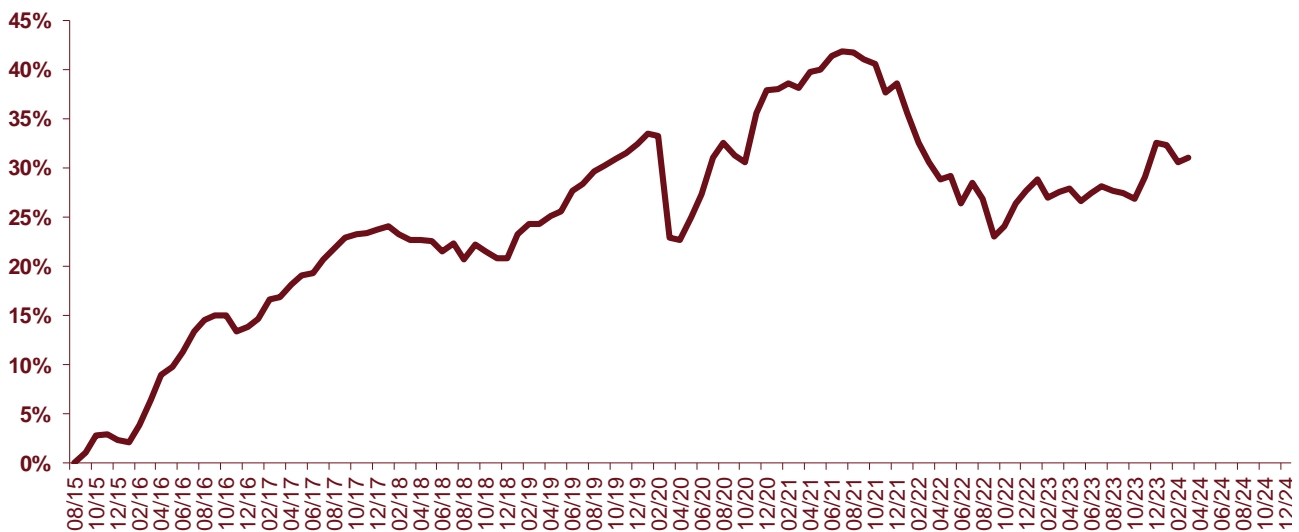
## Target Portfolio Attributes

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 <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	March 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 (USD Share Class)\*



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%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since incept.
2024	-0,2	-1,3	0,4										-1,1	31,0
2023	0,9	-1,5	0,5	0,3	-1,0	0,6	0,6	-0,4	-0,2	-0,5	1,8	2,6	3,8	32,5
2022	-2,2	-2,2	-1,5	-1,3	0,3	-2,2	1,6	-1,3	-3,0	0,8	1,9	1,1	-7,8	27,7
2021	0,1	0,4	-0,4	1,2	0,2	0,9	0,3	-0,1	-0,5	-0,3	-2,0	0,7	0,5	38,5
2020	0,8	-0,2	-7,7	-0,3	2,0	1,8	2,9	1,2	-1,0	-0,5	3,9	1,6	4,1	37,8
2019	2,0	0,8	0,0	0,7	0,3	1,7	0,6	0,9	0,4	0,6	0,4	0,7	9,5	32,4
2018	0,3	-0,6	-0,5	0,0	-0,1	-0,9	0,7	-1,3	1,2	-0,6	-0,5	0,0	-2,3	20,9
2017	0,8	1,7	0,2	1,1	0,8	0,2	1,2	0,9	0,9	0,3	0,1	0,2	8,6	23,7
2016	-0,2	1,6	2,5	2,4	0,7	1,4	2,0	0,9	0,5	-0,0	-1,4	0,3	11,2	13,8
2015									1,1	1,7	0,1	-0,6	2,4	2,4

\* Until March 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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### Monthly Commentary

**Bond markets.** The main outcome of the month was investors' disappointment in the prospects of a near-term rate cut by the Fed. This was prompted by strong economic data (retail sales, labor market), consistently high inflation (steadily at 3.5% compared to the Fed's target of 2%) and renewed hawkish comments from the FED members. It's worth noting that a new risk has emerged for US government bond yields: the risk of investor positioning. Over the past two quarters, expectations of imminent rate cuts have become the norm, and many investors have increased their allocation to long-term bonds in their portfolios precisely under this idea. Now, with rising yields, they are forced to close these positions urgently. We believe this creates additional technical pressure on prices. Credit spreads on corporate bonds are at unsustainably low levels, implying both a FED rate cut and a strong economy. We consider this scenario unlikely, as the strong US economy continues to fuel inflationary risks. It's worth noting that the risk of further sell-offs is not limited to US government bonds but also extends to other countries (Europe, emerging markets). We consider it highly unlikely that any of the central banks of major countries will start cutting rates before the Fed (with the exception of Switzerland, where inflation is slowing at record pace).

**Portfolio.** We still believe that at the current moment there is no investment case for increasing the portfolio's duration. We keep the portfolio's duration at 1,1 (as of April 15th). We also see no reason to increase the share of corporate bonds in the portfolio due to too narrow spreads that do not compensate for the risks. We believe that the good spot lies in the subordinated bonds of large banks with a short time to maturity or call option (up to 1 year), the weight of these securities in the portfolio is 15.2%. Among potential ideas, we see bonds of mining companies (industrial metals, gold, oil), whose business will benefit from rising commodity prices.

#### Key Characteristics

# of positions	21
Duration	3,3
Average Rating	A
YTM %	5,8
Current Yield %	6,0
Net return since incept., % p.a.*	3,2
Sharpe Ratio since inception *	0,65

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#### Country (%)

US	77,6
Europe	13,8
Australia	2,5
India	2,5
South Africa	1,3
Brazil	1,2
Turkey	1,2
Mexico	0,0
Colombia	0,0
Cash	-0,1
<b>Total</b>	<b>100,0</b>

#### Sector (%)

Sovereign	68,1
Financials	11,3
Materials	6,2
Consumer	6,1
Industrials	5,1
Oil & Gas	1,2
Telecom	1,2
Transport	0,6
Auto	0,2
Fund	0,0
Tech	0,0
Utilities	0,0
Health Care	0,0
Cash	-0,1
<b>Total</b>	<b>100,0</b>

#### Top 10 Holdings (%)

UNITED STATES TREASURY	68,1
Intesa Sanpaolo SPA	2,7
Manitowoc Co	2,5
AMS-osram AG	2,5
Dave & Buster's Entertainment In	2,5
Mineral Resources Ltd	2,5
Abercrombie & Fitch Co	2,5
JSW Steel Ltd	2,5
Barclays Plc	2,4
Lloyds Banking Group PLC	2,4
<b>Total</b>	<b>90,7</b>

#### Duration (%)

0 to 3 years	74,6
3 to 5 years	3,8
5 to 10 years	8,8
Cash	-0,1
Less than 0	0,0
10+ years	12,9
<b>Total</b>	<b>100,0</b>

#### Credit Quality (%)

AAA	0,0
AA	68,1
A	0,0
BBB	0,0
BB	26,8
B	5,2
Cash	-0,1
Lower than B	0,0
Not rated	0,0
<b>Total</b>	<b>100,0</b>

### Contacts

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**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 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. 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.