



## It's All About Asset Allocation

**November 2019,  
Newsletter#43**

Dear ;

As “record highs” have returned to the headlines, complacency has returned as well. Global Sentiment Composite has reached levels of optimism previously seen before the market declines that started in July, April and last January. Yet breadth has remained divergent and global confirmation has been lacking. Among the 49 MSCI indices, the U.S. and four other indices have reached record highs. But only 20% of the indices are within 5% of record highs. However, a big difference between today and previous runs at new highs after Jan. 2018 is that far more global markets are participating, which is encouraging. **To think about the start of a strong new upleg, it is an indispensable condition that the movement becomes global. On the contrary, the confirmation of a new FOMO episode, would be the prelude to a correction.**

We believe there's reason to hope a yearend rally, as two of our three prerequisites have been met, more reasonable earnings expectations and reduced recession fears. The third, “extreme pessimism”, has not. The recent recovery should continue with the caveat that optimistic sentiment could drive short-term pullbacks, as it must be relieved. Once it happened, given the positive correlation between equities and bond yields, a broadening stock market advance would most likely be accompanied by a bond yield breakout.

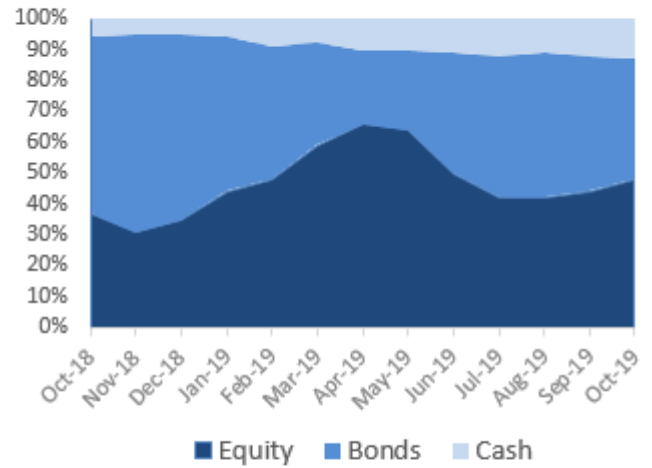
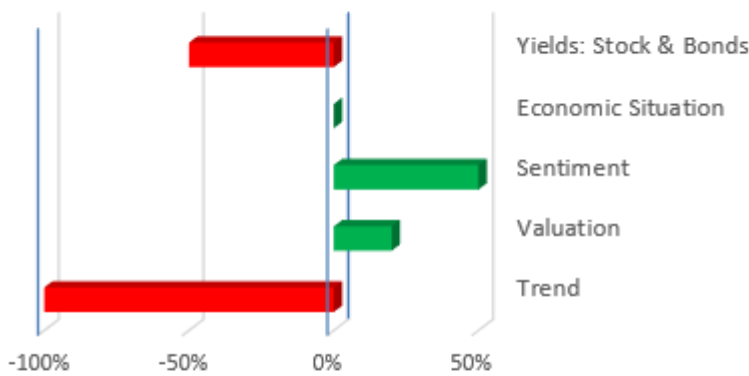
**Our Global Asset Allocation Fund, fLAB Core H-USD, has remained practically unchanged in October (+0.07%), thus performing 10.07% YTD.**

For November, our Asset Allocation model increases 4% stocks against bonds, standing at: 48% Equities, 39% government bonds and 13% cash. At 31st October, we don't see a clear improvement of indicators yet, especially in those about relative trend of stocks versus bonds.

# fLAB Core Asset Allocation Model - November 19

	Model	Benchmark
Stocks	48%	55%
Bonds	39%	35%
Cash	13%	10%

Equity Strength by Betalping 5 groups of Indicators



## Equity Regional Allocation vs MSCI World AC

Market Weighed All Geo Areas

Benchmark (US 53.2%, Eur 15.5%, Emerg Mk 9.8%, Jap 7.9%, UK 6.8%, Pacific 3.9%, Can 3%)

## Equity World Sector Allocation

ConsDiscr. & Utilities **OW**

Industrials & Energy **UW**

## Government Bond Allocation vs Barclays Global Government Bond Index

Europe **OW**

US **UW**

Benchmark (US 49%, Europe 26%, Japan 19%, UK 6%)

Within equity allocation, few changes to note. We have carried out the monthly rebalancing adding more exposure to Emerging Markets and the US. Even so, we stay quite neutral on a geographical basis and continue to hold a defensive/cyclical exposure until we see more evidence that a new market advance is sustainable. On the fixed income side, we have seen that between negative rates, inverted yield curves, and dysfunctional money markets, the world's leading central banks are beginning to rethink their approaches to monetary policy. As a result, the developed world's yield curves, as measured by the 10-2 spread, have converged in the increase. The global bond rally may be nearing its end, at least temporarily. If broad market confirms US breakout, we are likely to see bond prices correct its overvaluation. For now, we have reduced US Treasuries exposure on the 7-10 Tranche getting slightly underweight, but keeping our fixed income duration around 9 (being 3.57 for the overall portfolio) aligned with our objective models. In terms of currency, our real dollar exposure remains around 14%.

**Our Relative Return Fund, fLAB Satellite H-USD, has been almost flat during the past month (+0.04%), thus accumulating 1.83% YTD.**

In October, the preference for risky assets has benefited some of our Multi strategy bets, such as commodities and thematic investments. Gold, which weights 4.3%, has also been a great contributor. Unfortunately, these good results have been offset by the negative performance of our low risk diversified fixed income portfolio, which represents 74% of the fund. We believe the equity market might need to consolidate recent gains in order to relieve short-term excesses, and we will try to take advantage of it without forgetting our target volatility of 3%. On the other hand, if the economic outlook turns bullish with broad based confirmation, we will adapt our portfolio duration being able to turn it into negative territory.

5 year Ranking: June 2014 to June 2019

LIPPER LEADERS 

	fLAB Core	fLAB Satellite
Total Return	5	3
Consistent Return	5	3
Preservation	4	5
Expense Ratio	5	3



MORNINGSTAR

fLAB Fund SICAV Core A | ★★★★★

fLAB Fund SICAV Core H-USD | ★★★★★



Mixed Asset Flexible Global Absolute Return Low Risk



**Note :** We remind you that we have launched fLAB Core & fLAB Satellite clean share classes in both EUR and USD, applying the same management fees as the cheapest Institutional class. Please check new ISIN codes by clicking the links down here.

## Monthly factsheets

Please find attached the Fact Sheets of our main Luxembourg products fLAB Core & fLAB Satellite, available in EUR, USD, GBP and SGD



You can find all Technical Info, KIIDs, Prospectus, Investment Strategy and all about the Ucits Fund at: <http://www.flabfunds.com>

Please keep us informed if you need further information.

Kind regards,

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