fLAB

It´s All About Asset Allocation

October 2019, Newsletter#42

Dear ;

Indices have failed to break out, and breadth indicators haven't been confirmed, **maintaining divergent trends of lower highs**. The early September yield back-up and curve steepening could not persist, thus providing to be a temporary corrective move rather than a positive economic sign. September's rally was uneven. Not only US indices failed to regain July highs, but outperformance in large-caps stocks was masking signs of weakness in other areas of the global stock market. As the megacaps have been propping up the ACWI and other cap-weighted indices, underlying deterioration has been reflected by the equal-weighted ACWI, a sign of mounting economic pessimism.

The two biggest stories from September were interest rate volatility and the shift to cyclical Value, opening the door to two possible scenarios. One possibility for the shift to Value is that investors are preparing for a bottom in earnings growth in Q3, and may have repositioned to get ready for a broader, bullish market uptrend. While the other possibility, is that investors are preparing for a market correction. The goal is to position into lower P/E multiple (Value) sectors in hopes they will go down less than higher P/E (Growth) sectors in a shift market correction. We are leaning more toward the bearish scenario given: 1) the last time Value outperformed Growth this much was October 2018, right before a big market correction, 2) the 10-year Treasury yield is quickly retreating from its September 13 high, and 3) despite multiple tries, the S&P 500 has been unable to sustain breakouts above 2930 for more than five weeks.

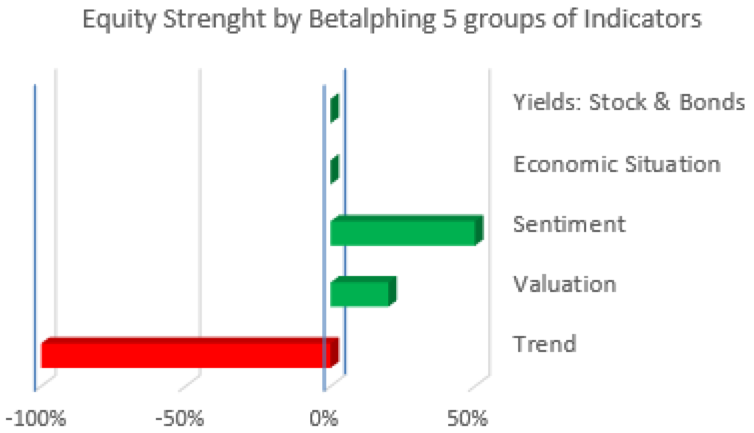
We are unsure what all the volatility means at this point, **and prefer to be a bit cautious**, since the bullish scenario did not confirmed.

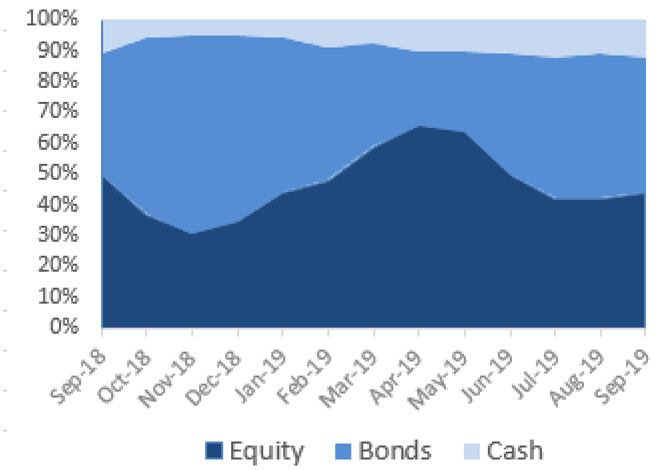
Our Global Asset Allocation Fund, fLAB Core H-USD, has appreciated 0.75% in September, well performing 10% YTD.

For October, our asset allocation model keeps practically unchanged. We add 2% into equities and 1% into cash, thus reducing 3% fixed income part. We are at 44% stocks, 44% bonds and 12% cash. Trend indicators continue to favor bonds over equities.

fLAB Core Asset Allocation Model - October 19

	Model	Benchmark
Stocks	44%	55%
Bonds	44%	35%
Cash	12%	10%





Equity Regional Allocation vs MSCI World AC

Market Weigthed 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%)

We enter the last quarter of the year, with a **more neutral positioning regarding geographical allocation.** If the markets are heading into another period of sustainable weakness, we can expect the decline to be global in scope, with correlations strengthening and safety only to be found in the other asset classes. At sector level, we hold a defensive/cyclical exposure until market and economy works out their direction. Beyond equities, investors need to digest weak manufacturing data, near-record high economic policy uncertainty, and a possible impeachment trial. On the fixed income side, we have reduced slightly our overweight position in European government bonds, but kept our fixed income duration at 9.24, being 4.06 for the overall portfolio. Our real USD exposure remains around 14%.

Our Relative Return Allocation Fund, fLAB Satellite H-USD, has retreated 0.21% this past month but still accumulates 1.79% YTD.

The Fund is strategically invested in a low risk low duration (1.78) **diversified fixed income portfolio (74%) plus some tactical and decorrelated bets** (16%), in order to produce an excess return above the free risk rate (G7 3 month T-Bill). In September, the reversal in Gold and bond market prices have been the main drivers of the negative return. Given our market outlook, for now we don't want to change our asset allocation. If global equity indices break significant supports, we will try to take advantage with punctual trades, never forgetting our target volatility (now constraint at 3%). If, on the other hand, the economic outlook turns bullish with broad based confirmation, we will adapt and flexible in terms of portfolio duration.

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
	Mixed Asset Flexible Global	Absolute Return Low Risk

MORNINGSTAR

fLAB Fund SICAV Core A | ★★★★

fLAB Fund SICAV Core H-USD | ★★★★

CITYWIRE GOLD

Funds People 2019 Ⓐ Ⓑ Ⓒ

FE CROWN FUND RATING

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

fLAB Core

fLAB Satellite

allfunds BANK Leaders in Open Architecture — MFEX MUTUAL FUNDS EXCHANGE — inversis BANCO — AVIVA Aviva's investment platform - Navigator

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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