fLAB

It´s All About Asset Allocation

April 2020, Newsletter#48

Dear ;

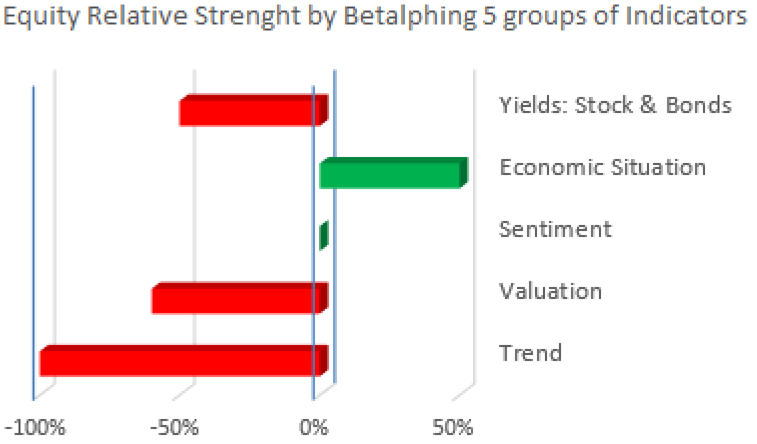
It took me 89 years to experience something like this; ***Warren Buffett, March 11th, 2020***

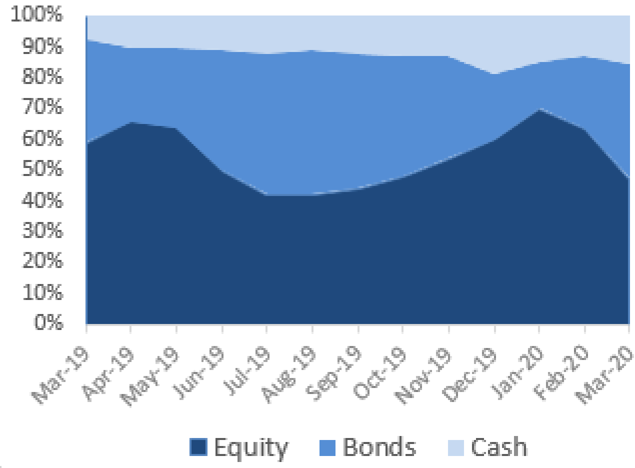
The S&P 500 plunged 20.0% in Q1, its worst ever start to the year. At 18 trading days, the **decline was the fastest from a record high to a bear market on record.** After 15%+ quarterly drops, the S&P 500 has rebounded sharply, on average. COVID-19 volatility hit all asset classes, with US Treasury bonds soaring, high yield plunging, oil collapsing, and all equity sectors and countries falling. The market is oversold and unless the economy is entering a depression, the market has priced in a lot of bad news.
Policy makers' actions in the monetary and fiscal fields have provided a relief to volatility and has given some help but it should not be confused with a guarantee at all. In terms of monetary policy we are again into QE operations and these have been complemented by an array of asset purchases and credit lines all over the world markets. Central banks are providing liquidity and acting as buyer and lender of last resort to ensure the stability of the financial system. And certainly the dramatic volatility was reduced somewhat in the past week thanks to these actions.
Until the pandemic aspect of the crisis is under control, **it will be hard to know where the true bottom lays and high volatility will remain a fact.** After a waterfall decline, there is almost always a retest. The Dow Jones Industrial Average has broken the waterfall lows nearly 70% of the time. The stock market might be on stage two of four-step bottoming process, which comprises the following phases: Oversold, Rally, Retest and Breadth thrust. Market bottoms are not linear, so we can move back and forth, depending on market action. Only when the breadth thrusts have given the all clear signal can the bottoming process be declared complete and a new uptrend established.

Our Global Asset Allocation Fund, fLAB Core H-USD, fell 12.37% during this turbulent quarter. The record speed of the market plunge has made it really difficult to avoid it, compared with other bear markets (such as in 2011, 2015/2016 and 2018).

For April, our Asset Allocation model responds to the deterioration of the relative strength of stocks versus bonds, reducing equity exposure (-21%) in favor of government bonds (+17%) and cash (+4%). We enter the second quarter with 45% equities, 40% bonds and the remaining 15% in money market.

fLAB Core Asset Allocation Model - April 2020		Model	Benchmark
	Stocks	45,0%	55%
	Bonds	40,0%	35%
	Cash	15,0%	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

Health Care & Consumer Staples	*OW*	*Financial, Industrials & Energy*	*UW*

Government Bond Allocation vs Barclays Global Government Bond Index

Market Weigthed All Geo Areas

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

We have made **sector allocation shifts** to get in line with a more cautious outlook. We have upgraded Consumer Staples to overweight, and lowered Financials, Industrials and Energy to a more underweight positioning. The equity portfolio has suffered as all sectors finished Q1 with double-digit losses. Energy suffered its worst quarter since at least 1972, plummeting over 50%, while technology was the best performing during this period. Growth outperformed Value...again.
At geographical level, we remain quite neutral against the MSCI ACWI.
On the fixed income side, we have increased our allocation in the long part of the US Treasury yield curve (+20y) and in the 5-7yr tranche of the German curve, being underweight Gilts. Our portfolio duration is at 9.49, being 3.60 for the whole fund. In terms of currency, we keep real USD exposure around 25%.

Our Relative Return Fund, fLAB Satellite H-USD, is down 2.71% ytd, not such a bad result if we consider the damage all around asset classes.

The compartment is 73% invested in low risk-low duration (2.04) diversified fixed income portfolio, plus some decorrelated/tactical positions (17%) and cash (10%).
We believe performance will improve in the coming months as most of the corporate ETFs where we are investing recover some value **with the help of Central Banks bazooka**. We have to mention here , the loss of some corporate ETFs (where we include the usually quiet Floating Rate Note ETFs) regarding their true Net Asset Values. The huge search for liquidity and USD cash, has made that market makers in the ETF universe have widened the spreads they quote Corporate ETFs causing important difference between real NAVs and prices quoted in the market. This finished just as the FED started buying all type of fixed income assets including ETFs, but could happen again if things get worse. We have not changed our Satellite portfolio and keep our bets on Gold (5%), iTraxx Crossover Short (6%) and Dollar (19%).

fLAB Core Awards, Jan 2020

LIPPER LEADERS

10 year Ranking

Total Return	Consistent Return	Preservation	Expense Ratio
5	5	4	5

MORNINGSTAR

10 year Ranking

fLAB Fund SICAV Core A | ★★★★

fLAB Fund SICAV Core H-USD | ★★★★

CITYWIRE GOLD

Highly Rated Fund SharingAlpha

Funds people 2020 A B C

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,

Oscar Alvarez, Chairman
oscaralvarez@flabfunds.com
fLAB fUNDS Sicav

44 Rue de la Vallée
L-2661 Luxembourg
www.flabfunds.com

fLAB

This email message is exclusively for Well Informed Investors and is not allowed for distribution