



It's All About Asset Allocation

January 2020, Newsletter#45

Dear ;

We have started a very exciting 2020, completing the **merger with the Kronos compartments and raising our AUMs to \$200 M** (172.3 fLAB Core and 27.6 fLAB Satellite).

Four fundamental drivers largely explained last decade's performance: inflation, economic growth, demographics, and technological change. Undoubtedly, these factors will continue to be felt in the new decade. **The biggest macro risks for this new year are geopolitical, U.S. politics, inflation (we see an upside risk), asset bubbles and a reassessment on technology sector valuations.**

In 2020 we expect better performance from global equities, rising bond yields, and increased global economic growth. The more risk-on environment should include rising oil prices, outperforming credit, and steepening yield curves. The economic recoveries should be most notable in Europe and among emerging markets, with EM equities outperforming. That trend should be supported by U.S. dollar weakness, a trend likely to help gold maintain its uptrend. But we are not expecting a knockout year. Our expectations for improvement are measured, stretched equity valuations and complacency are keeping us watchful.

With global growth showing signs of bottoming, the major central banks on hold, inflation low, plenty of liquidity, and steady demand for bonds, yields should be range-bound to modestly higher and the curve a little steeper. We remain focused on Europe, particularly Germany, as the primary driver of global bond yields in 2020.

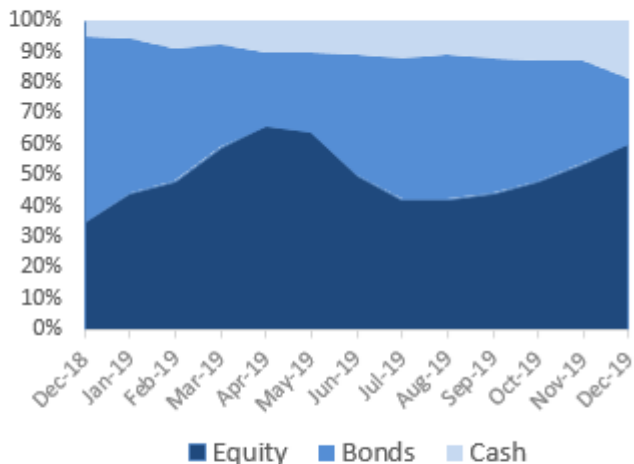
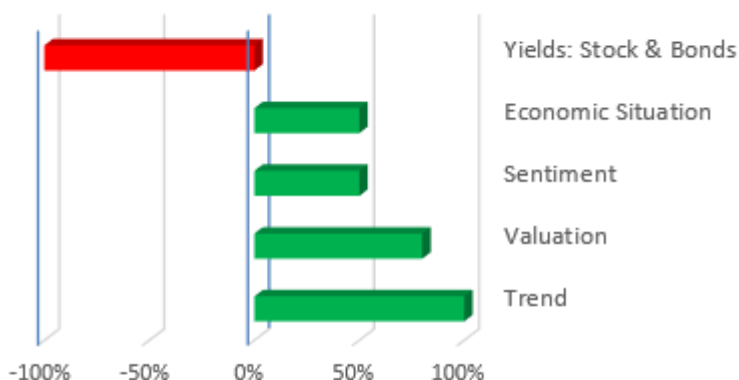
Our Global Asset Allocation Fund, fLAB Core H-USD, has appreciated 12.27% in 2019, registering its best performance since inception.

For January, our Asset Allocation model increases stocks (+6%) and cash (+6%) against bonds (-12%), recognizing the improvement of trend indicators as well as based on economic situation. We start the year invested 60% in equities, 21% in government bonds and the remaining 19% in cash.

fLAB Core Asset Allocation Model - January 2020

	Model	Benchmark
Stocks	60%	55%
Bonds	21%	35%
Cash	19%	10%

Equity Relative Strength by Betafing 5 groups of Indicators



Equity Regional Allocation vs MSCI World AC

Market Weighted 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 & Utilities **OW**

Consumer Discretionary **UW**

Government Bond Allocation vs Barclays Global Government Bond Index

US **OW**

Europe **UW**

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

Within equity allocation, we remain neutral regarding all seven regions comprising MSCI ACWI and on a sector basis, we overweight Health Care & Utilities and underweight Consumer Discretionary. After strong returns in equity markets in December and during the last quarter, we wonder if momentum can continue. One would think taking out Iran's top general would be seen as significantly increasing geopolitical risk. The gold, oil, and bond markets did react to the rising tensions, but the equity markets appear to have shrugged it off. We still want to increase our cyclical sector exposure. As a first step, we will likely remove our Discretionary underweight (due that Holiday sales were better than expected) and lift Energy to overweight, sourcing the shift from Consumer Staples and Utilities. We would like to see interest rates breakout before reducing our bond proxy exposure, though it is not a requirement. Our objective indicators and models will dictate the next bias change. **On the fixed income side**, we have underweight European government bonds (selling the 5yr tranche of the curve), lowered our Japanese exposure and increased Treasuries allocation, in order to keep our portfolio duration around 9 (1,77 for the overall portfolio). In terms of currency, our real dollar exposure is at 20%.

Our Relative & Return Fund, fLAB Satellite H-USD, has performed 1.97% during the last year.

The Compartment aims to provide long-term capital growth with low volatility, being a suitable option for the most conservative part of the portfolios. The fund is strategically invested (68%) in a low risk low duration (1,81) diversified **fixed income portfolio plus some decorrelated and tactical positions** (21%). Regarding the latter, we enter 2020 keeping our main bets: 8% in commodities (with Gold representing 4.7%), 8% in Equity multistrategy and the remaining 5% in a short position on iTraxx Crossover. We believe credit should remain well-supported and spreads tight. In terms of duration, we keep the range 1-3, until we get more clarity on the economic and/or signs of a yield

breakout to the upside.

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 | ★★★★★



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



MUFEX
MUTUAL FUNDS EXCHANGE

inversis
BANCO



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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