fLAB

It´s All About Asset Allocation

November 2020, Newsletter#55

Political uncertainty in the U.S. and Europe, along with rising COVID counts and partial shutdowns, had driven volatility higher across markets in October.
Before the election, some asset classes took a risk-off feel. **However, how the markets priced in another wave caught our attention.** COVID laggards didn’t underperform nearly to the same degree as they did in the spring and summer. We attribute this to the market not anticipating as large of an economic impact, and to the market focusing on other drivers, like the election. It also opens the door for more COVID leader strength if the current wave is worse than expected. Expectations for fewer restrictions and a vaccine in the coming months are possible drivers of the more modest performance. A change in either could drive the COVID leaders to a new relative strength high.
Now that the election is over, although it may take some weeks for the final outcome to be fully known, **what can we expect with Biden President and a split Congress?** It means many campaign policy proposals could end up being watered down or fail to come to fruition. Higher taxes, more technology and environmental regulation, a large-scale infrastructure bill, and a public health care option could all be at risk with a Republican-controlled Senate. Utilities and Industrials could see investor enthusiasm wane with the possibility of less clean energy and infrastructure investment, while it could have the opposite effect in Health Care. At the very first, markets perceived technology as an immediate winner, perhaps on possibility that gridlock makes additional regulations of the tech giants less likely. The status quo of low economic growth, low tax rates, and less regulation apparently favor the winners of the last four years, namely Growth over Value and large-caps over small-caps. But at the same time we could be on the verge of a big Sector Rotation

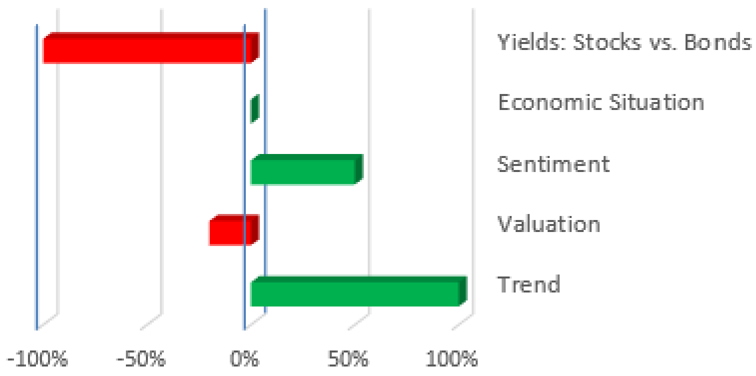
Our Global Asset Allocation Fund, fLAB Core H-USD, retreated slightly in October but has recovered strongly since then (-2.28% YTD, Nov 9th).

For November our positioning is: 60% stocks, 30% bonds and 10% cash. The broader participation has enabled long term breadth indicators to continue to improve, setting the stage for a year-end rally.

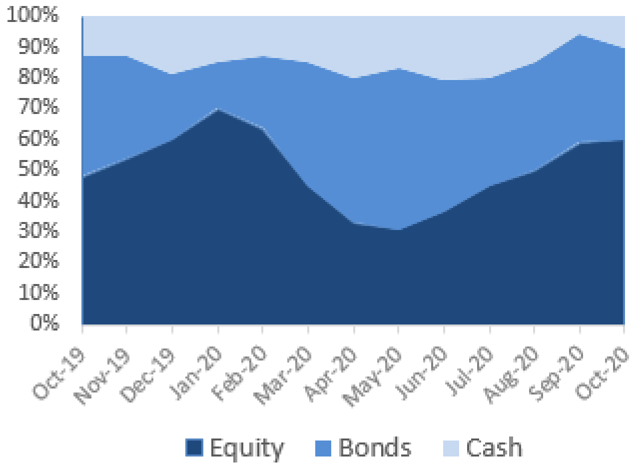
fLAB Core Asset Allocation Model - November 2020

	Model	Benchmark
Stocks	60%	55%
Bonds	30%	35%
Cash	10%	10%

Equity vs. Bonds Relative Strenght by Betalphing 5 Indicators



red (bond preference) green (equity preference)



Equity Regional Allocation vs MSCI World AC			
Emerging Markets	*OW*	*UK & Pacific Ex-Japan*	*UW*

Benchmark (US 57%, Eur 13.4%, Emerg Mk 12%, Jap 7.1%, UK 4.3%, Pacific 3.3%, Can 2.9%)

Equity World Sector Allocation			
Technology & Industrials	*OW*	*Energy & Real Estate*	*UW*

Government Bond Allocation vs Barclays Global Government Bond Index			
Euro	*OW*	*US*	*UW*

Benchmark (US 50%, Europe 26%, Japan 19%, UK 5%)

Within equities we are overweight Emerging markets, a clear outperformer during October's pullback and a great contributor this month. The MSCI China Index has already reached a 21-year high, helping to move the MSCI Emerging Markets Index to highs this year. In terms of sectors, we remain overweight Technology and Industrials and underweight Energy and Real Estate. We are watching for reflation signs from bond yields and relative strength of Financials, the cheapest sector. While the commodity benchmark has been confirming the reflation message, in reaching new highs for the year, the Financials sector has not. A developing uptrend in bond yields would indicate that inflation expectations had started to rise, likely to be seen by the stock market as a positive sign of economic recovery. In October, Treasury market did not act as a hedge, in contrast with other bonds such as European, and this is a worrisome sign that keep us vigilant in order to reduce duration currently at 10.82, being 3.23 for the whole fund. In terms of currency, we have decreased our real dollar exposure from 32% to 14%.

Our Relative Return Fund, fLAB Satellite H-USD, withstood very well market volatility (+0.33% in October) and is almost flat in the year (-0.30%).

The compartment is invested 70% in a low risk & low duration diversified fixed income portfolio plus 28% in some decorrelated and tactical positions. In October the fund has benefited from its short tactical bets on world equities and Itraxx Cross Over (each one representing 5,5%) along with our thematic investment in Clean energy (1.8% of the portfolio) which has continued to skyrocket on hopes for a Biden victory (+6% in the month, 70% YTD at the end of the month). Instead our credit and gold exposure, have contributed negatively this month. We have taken advantage on market volatility to increase our Equity Multistrategy position up to 9% through: +1% Global water, +1.4% Industrial Metals and 2% in Global Infrastructures. As in fLAB Core, we have reduced dollar exposure, in this case from 14% to 5%.

fLAB Core Awards, June 2020

LIPPER LEADERS

10 year Ranking

Total Return	Consistent Return	Preservation	Expense Ratio
4	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.*