fLAB

It´s All About Asset Allocation

As we get older, our visits to the doctor, for various reasons, increase, but let's not dramatize. We already know that human beings spend the first half of their lives ruining their health and the other half trying to restore it.

Thus, in my last blood test and due to family history, in addition to bad cholesterol (LDL), the doctor decided to look for something called Lp(a).

Lp(a) is an independent risk factor for cardiovascular diseases. The level of Lp(a) found in a person's blood is genetically determined and remains constant throughout the individual's life. This means that, unlike other cardiac risk factors, such as cholesterol, triglycerides, smoking, sedentary lifestyle and ~~good~~ bad life in general, Lp(a) cannot be improved by diet or practicing sports.

Summary: your Lp(a) level is the same at 55 years old as it was at 5.

The fact is that the doctor explained to me that Lp(a) is **truly unknown**, not only to us but even to the majority of health professionals, and now it is beginning to be given the importance it deserves. Well, apparently they have realized that a **large percentage of heart attacks and strokes in the adult population, whose previous analysis showed they were healthy, may be due to high levels of Lp(a).** And it turns out that it might be affecting over 20% of the population (I am not alone) … That figure is huge, since no matter how much you control all the risk factors mentioned above, a high Lp(a) can damage your arteries even when the conventional blood tests show you have a fantastic heart health.

Tricky, isn´t it?

Due to professional deformation, as you can imagine, I started looking for pharma or healthcare companies that were looking for a treatment. And the truth is that there aren't that many. **Only a few RNA-based therapies are being studied** for the prevention and treatment of cardiovascular diseases such as high Lp(a). Thus, 4 companies are leading clinical trials with four Lp(a)-reducing therapeutic treatments: three of them, Olpasiran (Amgen), SLN360 (Silence Therapeutics) and LY3819469 (Ely Lilly), use the siRNA principle, and one, Pelacarsen (Novartis), oligonucleotides.
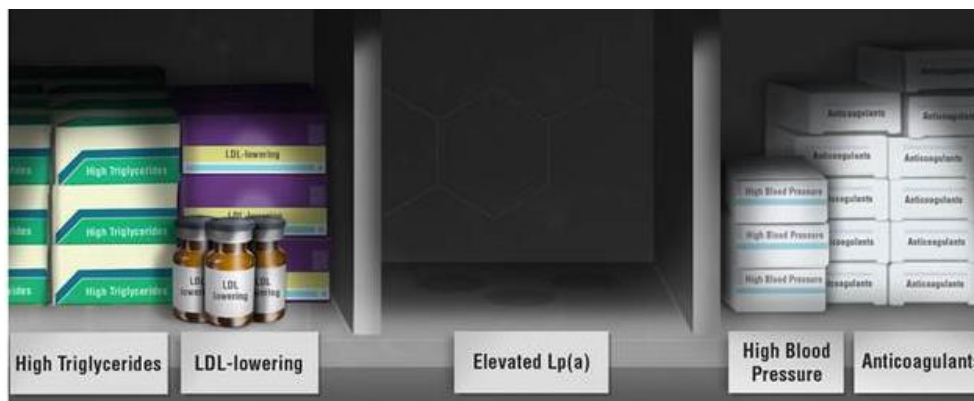
Still in the midst of clinical trials, there is no winner in sight at this point. Furthermore, I have always been a rather lousy stock picker, so I have gone to the Tracker Universe to see what is going on in such an exciting sector. There is the **BITA Messenger RNA Tech Index** (Bloomberg BMRNAIN) that is more than interesting, but not investable, and some ETF, such as the **CURE** (VanEck Genomics and Healthcare Innovators UCITS ETF) or the **GNOM** (Global X Genomics & Biotechnology UCITS ETF), we got this one in some portfolios, which contains 41% of the companies that make up the Messenger RNA index. In any case, **the companies that lead the development of therapies based on RNA interference technology are, without a doubt, going to be great bets** for portfolios that want to invest in Pharma and Healthcare in the long term.

If you are interested in the topic, I recommend the very interesting link from the US National Center for Biotechnology Information: ttps://www.ncbi.nlm.nih.gov/pmc/articles/PMC9781646/

Definitely, biological drugs and RNA-based therapies are gaining exponential prominence and will allow personalized medicine, that until now was difficult even to imagine. We are witnessing great news about the evolution in various areas of HealthCare, such as the detection and treatment of diseases (Oncology, Sclerosis, Alzheimer's), as well as new challenges and innovations, which make us very positive in a sector that does not have any limits by its very nature and has all the economic and social support to become a strategic position in any type of portfolio.
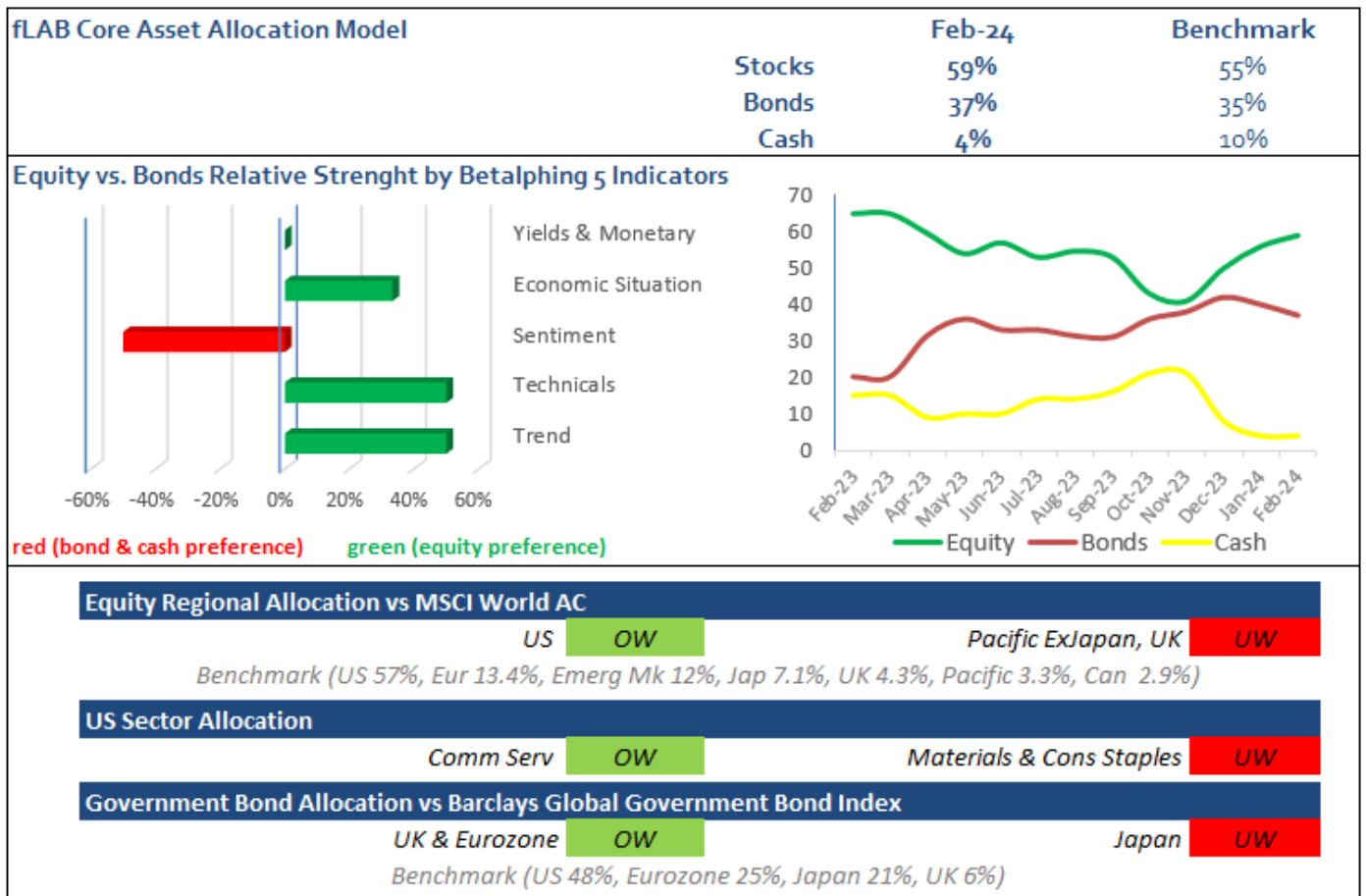
Therefore, today I am not urging you to incorporate fLAB into your portfolios, but rather to request that your Lp(a) be measured in your next blood test, together with our old friends: cholesterol, triglycerides and such. It costs nothing and can help you avoid unpleasant surprises.

And how about the market and fLAB funds in January?
As widely expected last week, the FED kept the target range for the federal funds rate unchanged at 5.25-5.50%. The decision was unanimous. The door was opened to rate cuts, but indicating that March may be too soon. The key is to confirm or not that inflation is returning to 2% in a sustainable manner and this requires more data. The ECB will also remain 'on hold'. Anyhow, I think it is good news, since it frequently happens that it is the 'fantasy' about future rate cuts that the market perceives positively and lowering them prematurely could knock out the markets in the event that inflation were to become more sticky than anticipated. And we very much fear that this will be the case, since it will be very difficult to maintain the disinflation of 2023, which was largely the result of temporary factors: very mild weather, recovery of the supply chain, Chinese subsidies and consumption of the excess inventories built in 2022, among others. Furthermore, inflation in services and housing continues to show no convincing signs of relaxing. And Friday strong Payrolls didn´t help either.

fLAB Core H-USD experienced a good January (+0.77%). We slightly raise Stocks to 59%, reducing Bonds to 37%.
We continue to overweight US stocks and underweight the UK and Pacific ex-Japan. At a sector level, since the beginning of the year, we have been overweight Communication Services and underweight Materials and Consumer Staples. In the Govies side, we overweight Euro and UK and underweight Japan, for an overall duration of 8.5

fLAB Core Asset Allocation Model		Feb-24	Benchmark
Stocks		59%	55%
Bonds		37%	35%
Cash		4%	10%

Equity vs. Bonds Relative Strenght by Betalphing 5 Indicators

- Yields & Monetary
- Economic Situation
- Sentiment
- Technicals
- Trend

red (bond & cash preference)   green (equity preference)

Legend: Equity — Bonds — Cash

Equity Regional Allocation vs MSCI World AC

US — OW   Pacific ExJapan, UK — UW

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

US Sector Allocation

Comm Serv — OW   Materials & Cons Staples — UW

Government Bond Allocation vs Barclays Global Government Bond Index

UK & Eurozone — OW   Japan — UW

Benchmark (US 48%, Eurozone 25%, Japan 21%, UK 6%)

In **fLAB Satellite** H-USD, after a great 2023 (+6.29%), we started January on the bad side (-1.63%), since both our 15% multi-strategy and our currency bets have not performed as expected. As you know, since the risk-free rates are in the high zone, our objective for 2024 is to obtain that rate + 3%, increasing the maximum allowed volatility up to 9%, although our realized one will be much lower. We have a portfolio designed for this aim, with the goal of obtaining a minimum Sharpe Ratio of 0.33