fLAB

It´s All About Asset Allocation

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We already knew the power of acronyms: ASAP, FYI, LOL, and countless others populate our daily lives. In recent years, the financial sector has been no stranger to using these type of words (BRICS, FAANG, MAG7, etc.).
In fact, four years ago, at fLAB, we took a chance and published a very well-received newsletter: "**When FOMO Met TINA**," in which we discussed the (then nascent) craze of buying anything. The apparent risk was missing out on the latest big investment fad (Fear of Missing Out), so you had to buy whatever came out, from Meme Coins, Teslas, to ridiculous NFTs (There Is No Alternative).

Well, a few years and wars later, a new acronym has arrived and **surely some of us will easily identify with: FOBI (Fear of Being Included)**
FOBI describes that uneasy feeling when you'd rather not be invited to join the group. It's the opposite of FOMO (Fear of Missing Out) - instead of worrying you'll be left out, you're stressed about being pulled in.

The first time FOBI appears in our lives is in the second season of a Netflix series, Wednesday. It's when Wednesday Addams, asked by her new principal to join in the festivities so she doesn't miss out, simply replies, "I've FOBI, Fear Of Being Included."

Here's the scene:

I Think I Also Have "FOBI"

It's not exactly introversion or general social anxiety. FOBI is more specific - it's about the mental load and energy drain that can come with social inclusion. For some, each new invitation is like yet another browser tab opening in an already cluttered headspace.

What led me to write this newsletter is the more than obvious analogy with our work. When managing funds, we must strive for financial excellence adjusted for the promised risk. We must constantly make decisions. And that's **where my financial FOBI comes in: I don't want to be included in certain things. I'm talking about the fact that, by pursuing a return equal to or greater than the index we want to beat (in our case, the MSCI ACWI), we can induce clients to take risks that, at this point, I don't believe are worth the risk assumed.**

And that's what's happening now, and it's similar to what happened in 2000. I won't go into long analyses, just comment on some scars. In 1999, there was as much enthusiasm for AI as there is today, for any company that even smelled of the internet. It didn't matter: simply creating a corporate website or advertising online sales could double the value of any mediocre company in a few days. We know how that craze finished: only the real champions survived. I remember it very well.

However, 2025 isn't 1999, and **the tools we have at our disposal weren't there then. We propose using factors (Quality-Value-Momentum-LowVol) as a weapon to minimize the risk** of a stock market crash that could happen (and, as history reminds us, any day).
Therefore, I believe the best way to weather the current implicit risk storm, if we want to outperform the index, is the one implemented in fLAB Equity:

- Sector neutrality with the ACWI;
- When selecting stocks for each sector in the portfolio, prioritize the factors with the highest scores, weighing our three key variables: Macroeconomic Situation, Market Sentiment, and the Momentum of the four factors;
- Use the Bloomberg Optimizer to control tracking error.

In fact, fLAB Equity's performance in the six months since its launch has been outstanding, with a 19.90% increase. We've been above the benchmark these past six months, but in the last two weeks we've moved away slightly from the MSCI ACWI… And this is simply the effect of factor weighting. **The factor model has become more conservative**, favoring less Value and Momentum and a little more Quality and Low Vol.

Apparently, if Investment Funds went to the psychiatrist, **fLAB Equity would have been diagnosed with FOBI.** Maybe like some of us.
**And frankly we're not at all against this idea**: maintaining a 100% invested portfolio, with the same percentage of sectors than MSCI ACWI, but with the less-hot stocks in each sector, seems like a good strategy for the coming months. fLAB model will tell...

Finally, the experts, who are none other than our children, Gen Z, have chosen neither FOMO nor FOBI…they choose JOMO: **The Joy of Missing Out (JOMO)** is far better according to them. It's the calm, guilt-free decision to opt out, without dread or self-criticism. Practice JOMO lets you disconnect, focus on your own needs, and enjoy the present moment, no FOMO, no FOBI.

Whatever you like best, in all cases, I wish you good luck for this last quarter of the year