



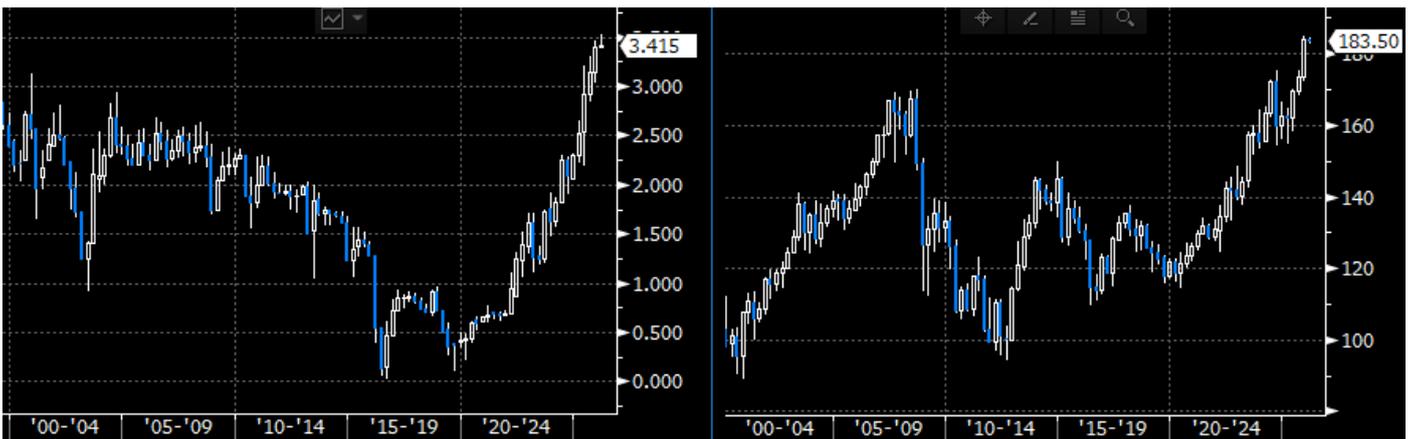
It's All About Asset Allocation

January 2026, Newsletter#111

As is typical at this time of year, we receive a flood of publications with economic, financial, and all sorts of other forecasts, trying to predict where the markets are headed. Frankly, I have no idea where we'll be a year from now (well, actually, I wouldn't even dare to make a prediction a week in advance). What I do enjoy is **observing market anomalies, which generally go unnoticed and can be a source of profit for a patient investor.**

And for 2026, we have found some:

JGB 0.4% March 2056: Yes, my friend, you read that right, **30-year Japanese bonds** with a very low coupon, but with a yield to maturity (YTM) of **5.08%** and with a Yen at historic **lows** against the USD.



The return could come from three sources:

The obvious one, currency appreciation (right graph) with a possible mean reversion, common in top currencies. The less obvious one: we are buying sovereign debt with a yield premium of more than 1.5% over the YTM of generic Japanese bonds at that maturity (5.08% vs. 3.41%, left graph). This effect occurs due to the negative convexity premium of low-coupon bonds in the face of sharp interest rate hikes, but a long-term investor, like fLAB Core, doesn't mind taking that risk.

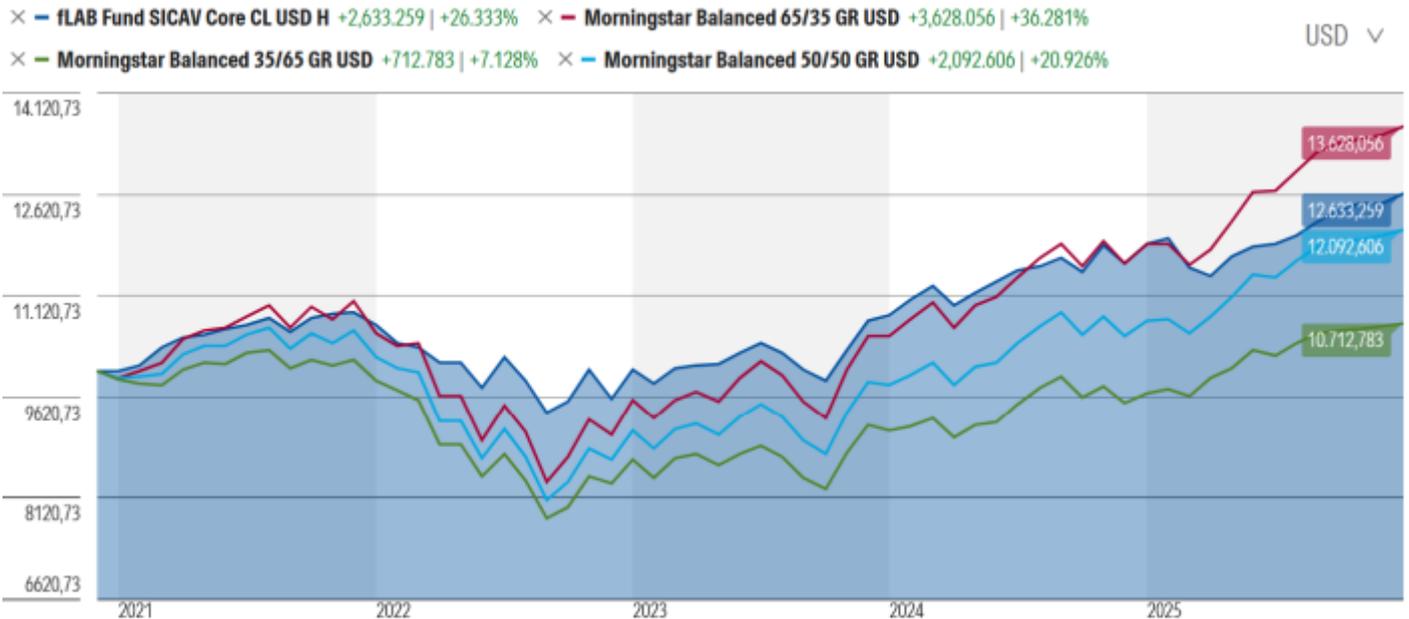
The third source: the recent surge in yields across the entire Japanese curve to these record highs encourages the scenario of a brutal repatriation of Japan's huge foreign holdings in 2026.

The second asset class in which we increased our position is **UK gilts**. In fact, the yield on European junk bonds, at 5.4%, is only 90 basis points higher than that of 10-year UK government bonds. As Vincent Deluard (StoneX) reminds us, jokes about the U.K. becoming an emerging market without natural resources and palm trees are excessive: the cheap Pound is finally shrinking the trade deficit, the government passed an OK-ish budget in the fall, and inflation is falling. British gilts should outperform most developed markets' bonds in 2026.

Regarding other currencies, we have also **increased our allocation to CHF**, especially in

cash and top SMI stocks.

To conclude with fLAB Core, the year's profitability has been good (+7.68%) keeping our **historical outperformance over our peers.**



Regarding our **fLAB Equity fund**, we're delighted with its performance and encourage you to invest in this very special fund (you can view the clean and retail share classes by clicking on the Fact Sheet below).



Since its inception on March 31st, we've outperformed the MSCI ACWI using our factor model. Here are our top picks for the first quarter of 2026, along with a comparison to the benchmark and how we are allocating to factors.

Where fLAB Equity Alpha comes from? Our biggest bets vs ACWI

OVER WEIGHTS vs MSCI ACWI				UNDER WEIGHTS vs MSCI ACWI		
1	Western Digital Corp	Information Technology	1,61%	Amazon.com Inc	Consumer Discretionary	-2,53%
2	Cisco Systems Inc	Information Technology	1,43%	Apple Inc	Information Technology	-2,01%
3	Synchrony Financial	Financials	1,28%	Broadcom Inc	Information Technology	-1,71%
4	Cencora Inc	Health Care	1,13%	Tesla Inc	Consumer Discretionary	-1,16%
5	Lam Research Corp	Information Technology	1,13%	JPMorgan Chase & Co	Financials	-0,93%
6	Alphabet Inc	Communication Services	1,09%	Meta Platforms Inc	Communication Services	-0,88%
7	ACS Actividades de Cons	Industrials	1,03%	Berkshire Hathaway Inc	Financials	-0,77%
8	Ameriprise Financial Inc	Financials	1,02%	Visa Inc	Financials	-0,67%
9	Darden Restaurants Inc	Consumer Discretionary	0,97%	Eli Lilly & Co	Health Care	-0,67%
10	TJX Cos Inc/The	Consumer Discretionary	0,96%	Oracle Corp	Information Technology	-0,45%
11	Incyte Corp	Health Care	0,95%	AbbVie Inc	Health Care	-0,43%
12	Expedia Group Inc	Consumer Discretionary	0,92%	Procter & Gamble Co/The	Consumer Staples	-0,43%
13	Willis Towers Watson PLC	Financials	0,86%	Bank of America Corp	Financials	-0,41%
14	NetApp Inc	Information Technology	0,83%	Palantir Technologies Inc	Information Technology	-0,40%
15	Dell Technologies Inc	Information Technology	0,83%	Microsoft Corp	Information Technology	-0,38%
16	Ulta Beauty Inc	Consumer Discretionary	0,82%	ASML Holding NV	Information Technology	-0,35%
17	Rio Tinto PLC	Materials	0,81%	Chevron Corp	Energy	-0,34%
18	Endesa SA	Utilities	0,80%	General Electric Co	Industrials	-0,34%
19	Sysco Corp	Consumer Staples	0,76%	UnitedHealth Group Inc	Health Care	-0,33%
20	Fox Corp	Communication Services	0,76%	Coca-Cola Co/The	Consumer Staples	-0,32%
21	Banco Santander SA	Financials	0,74%	Wells Fargo & Co	Financials	-0,29%
22	Cummins Inc	Industrials	0,73%	AstraZeneca PLC	Health Care	-0,29%
23	Raymond James Financi	Financials	0,71%	Philip Morris International I	Consumer Staples	-0,29%
24	OMV AG	Energy	0,67%	Advanced Micro Devices Inc	Information Technology	-0,28%
25	Home Depot Inc/The	Consumer Discretionary	0,66%	Nestle SA	Consumer Staples	-0,28%
23,49%				-16,94%		

Adaptive Quarterly Multi-Factor World Allocation

overweight / underweighth those stocks with the following Factor combinations in each Geographic Area

	dec-25	Quality	Momentum	Value	Low Vol	USA
			Macro	30	16	
	Momentum	30	20	40	10	
	Market Sentiment	20	33	33	14	
28 21 29 22						fLAB Factor

	dec-25	Quality	Momentum	Value	Low Vol	Europe
			Macro	35	35	
	Momentum	20	30	40	10	
	Market Sentiment	23	27	35	15	
27 31 29 13						fLAB Factor

	dec-25	Quality	Momentum	Value	Low Vol	Japan
			Macro	30	10	
	Momentum	28	32	30	10	
	Market Sentiment	30	15	20	35	
29 20 24 27						fLAB Factor