



# Finlabo, Market View September 2019

## Market view

Value stocks this month, for the first time in a long time, have begun to out perform VS growth stocks.

The Estoxx strong value index gained +2% vs. -1% of the strong growth index.

As of the beginning of the year, the difference in performance however remains huge: growth stocks are up +32% vs. an average return of -2% of value stocks.

We believe that this gap will reduce in the near future.

Indeed value stocks have a negative correlation to the flattening of interest rate curve and we believe that a steepening phase may have started also due to the important monetary stimulus launched by the FED and ECB.

Furthermore we are seeing a growing consensus among economists who are pushing for expansionary fiscal policies as further economic stimulus maybe needed: this would be very bullish for value stocks

## Market view

Finally we are seeing various phenomena that make us believe that the growth bubble is gradually losing its strength. A lot of US lead stocks have been going down for some months now (eg Netflix, Amazon...) and especially the IPO fever is starting to cool down: in recent days, for example, we have seen the flop of the WeWork IPO and then that of Peloton which closed the first day of trading with a -10%.

We believe that we could really be facing a historic turning point, which would open to a very long period of outperformance of value stocks, which historically have always done better than growths stock

We consider therefore the strong underperformance of value in the last 2/3 years as the consequence of a speculative bubbles in growth stocks very similar to what happened in the 1999/2000 period.

We believe that in this scenario our strategy can start generating a remarkable alpha again, also considered the undervaluation of the portfolio, which in our opinion could have a potential for appreciation of more than 50%.

# A difficult situation for Investors

## Negative yield

### Germany »

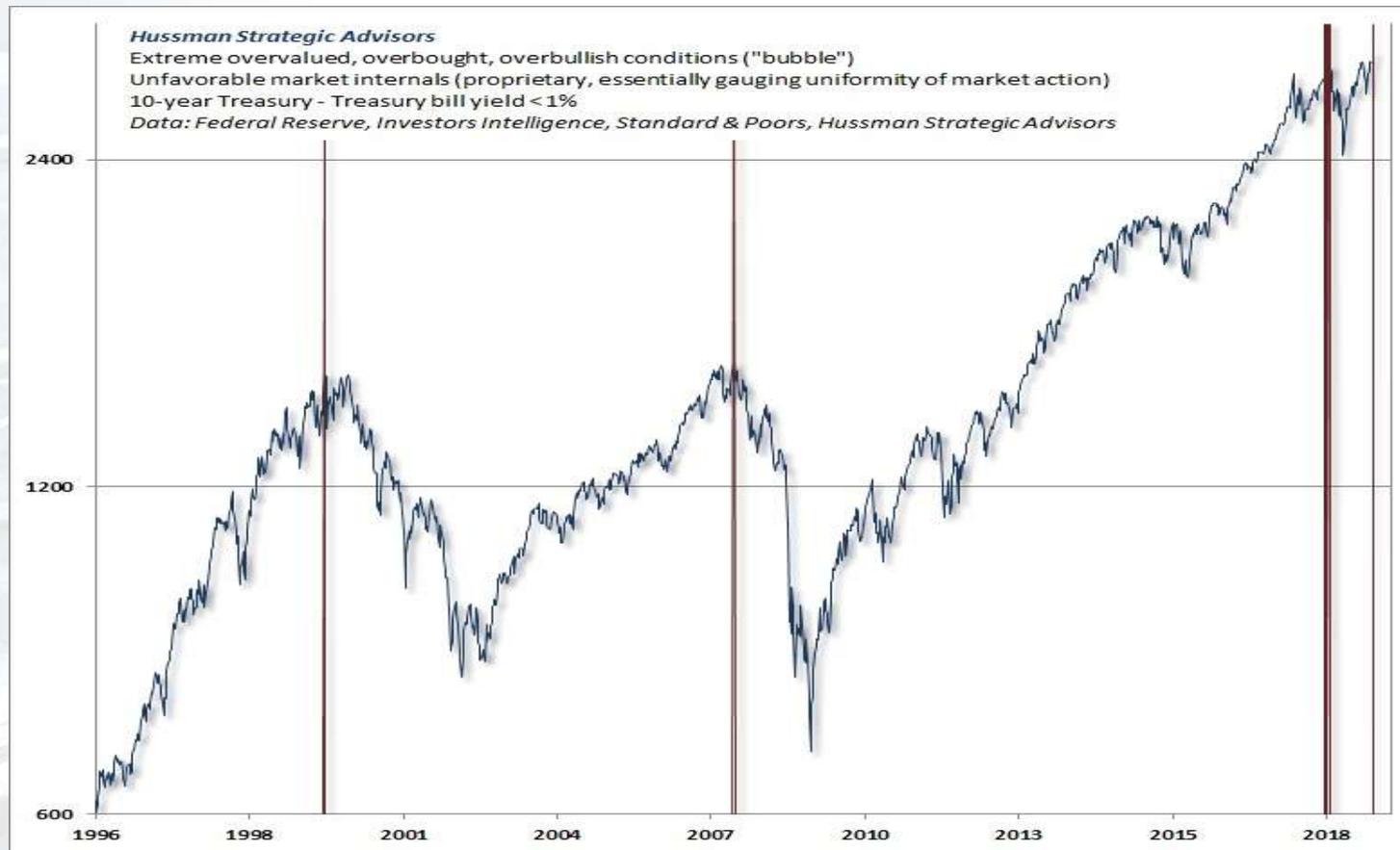
Name ↕	Yield	Prev.	High	Low	Chg. ↕	Chg. % ↕	Time ↕
Germany 3M	-0.569	-0.546	-0.519	-0.619	-0.023	-4.21%	05:56:58
Germany 6M	-0.608	-0.594	-0.584	-0.612	-0.014	-2.36%	05:58:57
Germany 9M	-0.679	-0.677	-0.648	-0.690	-0.001	-0.30%	05:57:34
Germany 1Y	-0.697	-0.694	-0.680	-0.708	-0.003	-0.43%	05:53:57
Germany 2Y	-0.776	-0.771	-0.751	-0.781	-0.005	-0.65%	05:58:57
Germany 3Y	-0.790	-0.782	-0.771	-0.793	-0.009	-1.07%	05:59:17
Germany 4Y	-0.758	-0.748	-0.736	-0.761	-0.010	-1.38%	05:59:15
Germany 5Y	-0.704	-0.694	-0.678	-0.708	-0.010	-1.44%	05:59:15
Germany 6Y	-0.648	-0.637	-0.625	-0.652	-0.011	-1.81%	05:59:13
Germany 7Y	-0.583	-0.569	-0.558	-0.586	-0.014	-2.46%	05:58:57
Germany 8Y	-0.520	-0.503	-0.482	-0.523	-0.017	-3.44%	05:59:15
Germany 9Y	-0.466	-0.455	-0.440	-0.472	-0.012	-2.46%	05:59:14
Germany 10Y	-0.336	-0.322	-0.314	-0.340	-0.014	-4.35%	05:58:48
Germany 15Y	-0.144	-0.131	-0.116	-0.153	-0.013	-9.92%	05:59:15
Germany 20Y	0.040	0.052	0.059	0.032	-0.012	-24.04%	05:59:16
Germany 25Y	0.189	0.200	0.213	0.183	-0.010	-5.35%	05:59:13
Germany 30Y	0.263	0.275	0.283	0.257	-0.013	-4.36%	05:58:53

### Italy »

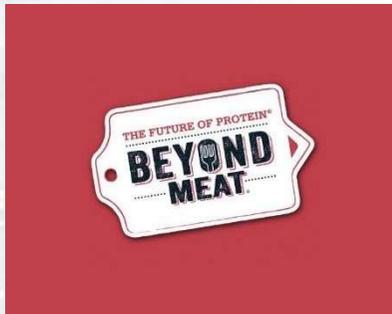
Name ↕	Yield	Prev.	High	Low	Chg. ↕	Chg. % ↕	Time ↕
Italy 1M	-0.279	-0.281	-0.244	-0.287	+0.002	+0.71%	03:46:48
Italy 3M	-0.244	-0.232	-0.219	-0.249	-0.012	-5.17%	06:00:05
Italy 6M	-0.195	-0.219	-0.180	-0.202	+0.024	+10.96%	05:55:57
Italy 9M	-0.122	-0.128	-0.116	-0.166	+0.006	+4.69%	05:57:14
Italy 1Y	-0.087	-0.092	-0.086	-0.145	+0.005	+5.43%	06:00:14
Italy 2Y	0.021	0.036	0.061	-0.022	-0.015	-41.67%	06:00:15
Italy 3Y	0.350	0.335	0.350	0.304	+0.015	+4.48%	06:00:12
Italy 4Y	0.576	0.571	0.577	0.527	+0.005	+0.88%	06:00:09
Italy 5Y	0.879	0.864	0.879	0.829	+0.015	+1.74%	06:00:13
Italy 6Y	1.034	1.013	1.034	0.982	+0.021	+2.07%	06:00:06
Italy 7Y	1.160	1.137	1.160	1.107	+0.022	+2.02%	06:00:13
Italy 8Y	1.326	1.304	1.326	1.275	+0.023	+1.69%	06:00:06
Italy 9Y	1.372	1.345	1.372	1.321	+0.026	+2.01%	06:00:07
Italy 10Y	1.630	1.604	1.630	1.576	+0.025	+1.62%	06:00:13
Italy 15Y	2.155	2.135	2.157	2.110	+0.020	+0.94%	06:00:13
Italy 20Y	2.339	2.314	2.340	2.292	+0.026	+1.08%	06:00:12
Italy 30Y	2.706	2.689	2.706	2.667	+0.017	+0.63%	06:00:12
Italy 50Y	2.843	2.818	2.844	2.798	+0.025	+0.89%	05:59:47

# A difficult situation for Investors

## US markets all-time high



## A bubble in growth and negative earning stocks



Revenues 200 M  
Losses 40 M  
Mkt Cap >10 B !



Revenues 14 B  
Losses 10 B  
Mkt Cap >70 B !

NETFLIX

Revenues 15 B  
FCF -3 B  
Mkt Cap >130 B !



Revenues 500 M  
Losses >50 M  
Mkt Cap >1.5 B !

...but we see also many opportunities



Revenues 30 B  
Profit 2,6 B  
FCF 2,8 B !  
Mkt Cap <8 Times UN



Revenues 120 B  
Profit 20 B  
Mkt Cap <4 Times UN



Revenues 12 B  
Profit 0,9 B  
Mkt Cap <9 Times UN



Revenues 2 B  
Profit 130 M  
Mkt Cap <1 B

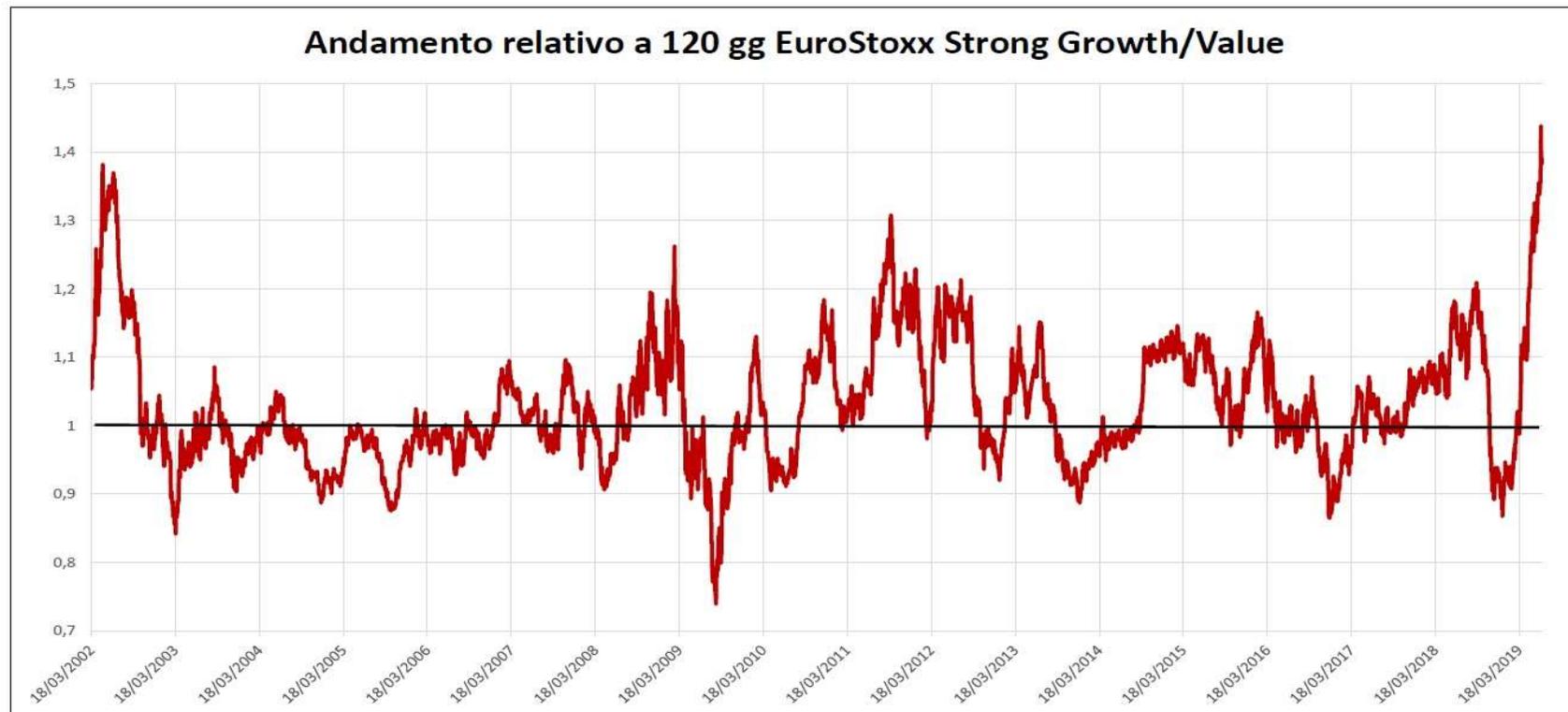
## Our investment approach

Our fundamental rating has been overperforming the market 24 times a over 20- years period.



## Drawdown reasons

The main reason for the underperformance of our fund this year is the extreme divergence in the value/ growth spread.



## Drawdown reasons

A lot of competitors had the same trend but with larger drawdown.



## An strongly undervalued portfolio

Our long portfolio is deeply undervalued according to an analysis performed with Reuters Starmine, while having also a better quality and earning growth vs the index

	Prezzo/Intrinsic Value	Momentum ranking	Earning Revision ranking	P/E, NTM
DE	0,71	62,44	62,06	11,64
STOXX600	1,00	50,53	49,70	16,79

We believe that the fund has a theoretical upside of at least 50% vs the general market!

## A long-term excellent return

Despite last year's drawdown, due to unfavorable market conditions for our strategy, the fund maintains one of the best long-term track records.



Investors who bought our fund after a drawdown period, have had remarkable risks adjusted returns !

## ***Contacts***

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