The Singularity group

SINGULARITY STRATEGIES Q2 2025

QUARTERLY REPORT

OVERVIEW

MARKET COMMENTARY

Equity markets staged a sharp rebound in Q2 2025, with easing trade tensions, moderating inflation, and strong earnings from innovation leaders driving equities to new all-time highs and offering compelling opportunities for long-term investors.

PERFORMANCE UPDATE

Singularity Fund™

Singularity US Innovation Leaders

Singularity Small & Mid

LUKB Smart Farming

→ **Find the Fact Sheets with performance charts on the product page of our website**

AI GLASSES AND THE NEXT WAVE OF WEARABLE INNOVATION

Can wearables still be innovative after years of commoditization? Isn't the category played out? Investors often dismiss smart watches and goggles as old news, but they're missing a new frontier. The integration of Artificial Intelligence is redefining what these devices can do, moving from simple data collectors to intelligent, contextual assistants. Our analyses highlight how this evolution is creating genuine, scalable value for users and unlocking new growth opportunities for leading companies.

MARKET COMMENTARY

The second quarter of 2025 delivered a remarkable turnaround for global equity markets. The MSCI All Country World Index surged +11.5%, marking one of its strongest quarterly performances in years and reaching new all-time highs. This rebound came as trade tensions eased meaningfully: the U.S. and China agreed on a fragile but critical truce, reducing fears of a prolonged tariff war. Meanwhile, inflation trends moderated, with headline numbers drifting lower in key markets. Central banks responded by maintaining a patient stance; the Federal Reserve held rates steady in June, and investors even began to price in potential cuts later this year.

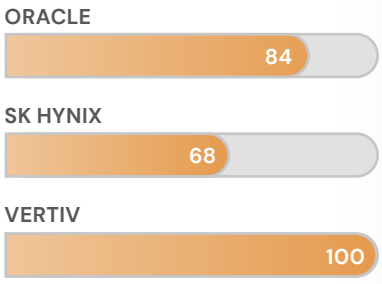
Our portfolios were exceptionally well positioned to benefit from this recovery. Notably, our semi-annual rebalancing at the end of May increased exposure on the Singularity Sectors where we see the most robust growth and innovation momentum—Artificial Intelligence, Compute Power, Big Data, and Networks & Connectivity. These shifts aligned well with **a strong earnings season that broadly exceeded expectations, highlighting the fundamental resilience of our Applied Innovation universe**.

Crucially, externally induced corrections—driven largely by macro uncertainty— have historically created exceptional entry points for long-term investors in Applied Innovation. **Q2's swift and powerful rebound reinforces our conviction that staying disciplined through volatility can unlock substantial value**. With geopolitical risks easing, inflation pressures moderating, and earnings trends for Applied Innovation remaining robust, we see excellent conditions for continued strong performance ahead.

PERFORMANCE UPDATE

*The Singularity Group screens the global equity universe for Applied Innovations. With the help of a global community of innovation experts, The Singularity Think Tank, we continuously map which future technologies are on the horizon, **which innovations find application in markets today**, and which established or commoditized innovations should no longer be of interest to investors. Our curated knowledge base currently maps more than 300 innovations. Our screening methodology allows us to screen global equity indices for their exposure to innovative companies, and create investment strategies that select only those.*

Singularity Innovation Score (SI-Score)



A company's **SI-Score** represents the percentage of its revenues associated with Applied Innovation. It reflects a company's ability to create cash flows from innovation versus commoditized business, and its ability to participate in technological evolution.

Based on TSG's ongoing innovation screening, we divide listed companies globally into two categories: Applied Innovation leaders - those deriving at least 10% of their revenues from innovative products and services (SI-Score > 10) - and others (SI-Score < 10). The Singularity Universe comprises companies with an SI-Score above 10, and forms the foundation for innovative investment strategies.

SINGULARITY FUND™

The Singularity Fund™ delivered an exceptional +19.3% in Q2 2025, outperforming the MSCI ACWI by +7.7%, bringing YTD performance to +10.1%, slightly ahead of benchmark.

Strong rebounds as portfolio earnings surprise heavily to the upside are nothing new in the history of the Singularity Fund. Combined with trade tensions easing, **the Fund was propelled to yet another all-time-high**.

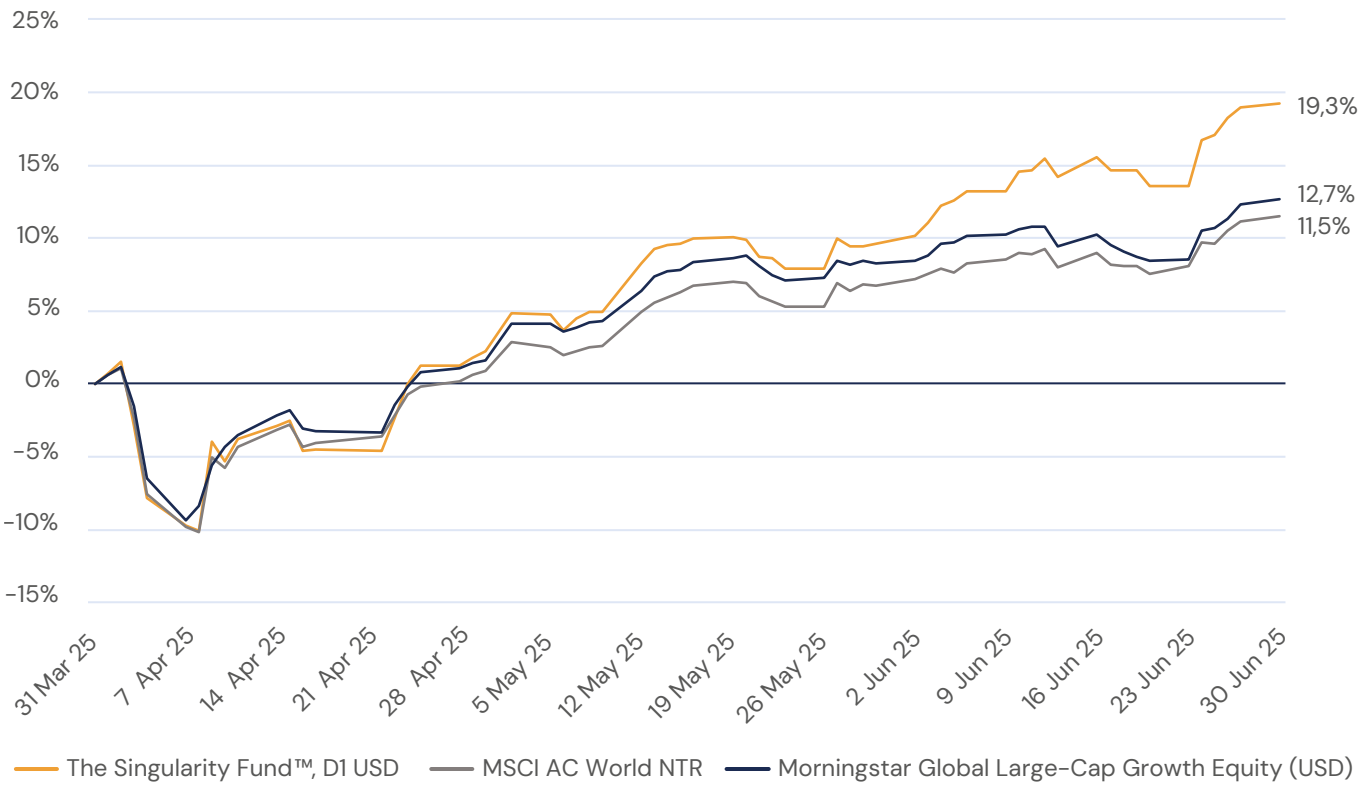
Notable contributions in Q2 came from Big Data (e.g., **Oracle**, SI-Score: 84 ; **Broadcom**, SI-Score: 42) with demand for Cloud infrastructure strengthening, and Compute Power (e.g., **SK Hynix**, SI-Score: 68 ; **Micron**, SI-Score: 82)

capitalizing on the demand for AI dedicated memory. New Energy holdings gained on increased demand for efficient thermal management systems, notably from the Data centers industry (e.g., **Vertiv**, SI-Score: 100 ; **Trane**, SI-Score: 100), while Networks & Connectivity benefited from continued growth in Cybersecurity (e.g., **Zscaler**, SI-Score: 100 ; **Palo Alto**, SI-Score: 52). Sectors weighing on relative performance included Advanced Materials (e.g., **Novo Nordisk**, SI-Score: 75 ; **Eli Lilly**, SI-Score: 64) and Bioinformatics.

Overall, the Fund's systematic approach delivered excellent results, **ranking 18 among 189 global peers for Q2 and maintaining a strong outperformance against the peer group average across multiple time horizons.**

Figure 1

Singularity Fund™ Performance Q2 2025 vs MSCI ACWI and Morningstar Global Large-Cap Growth Equity (USD)



NTR: Net Total Return.
Source: TSG, FactSet. Bloomberg

SINGULARITY US INNOVATION LEADERS

The Singularity US Innovation Leaders Strategy gained an **outstanding +28.8% in Q2 2025, outperforming the Nasdaq 100 by +11.0%**, with YTD performance at +10.3% versus +8.2% for the index.

The strategy captured the powerful resurgence in US innovation equities, particularly within Cloud and AI-enabled Big Data platforms (e.g., **Broadcom**, SI-Score: 42 ; **Microsoft**, SI-Score: 69), which rebounded sharply as enterprise spending remained intact and investor confidence returned. Compute Power (e.g., **NVIDIA**, SI-Score: 89; **AMD**, SI-Score: 49; **Micron**, SI-Score: 82) also drove strong gains, benefiting from accelerating demand for advanced chips and memory solutions powering next-generation AI workloads. Cybersecurity exposure (e.g., **Zscaler**, SI-Score: 100 ; **CrowdStrike**, SI-Score: 95) further supported performance, with sustained demand amid heightened geopolitical tensions and the growing need for robust digital protection.

SINGULARITY SMALL & MID

The Singularity SMID Strategy was up +8.9% in Q2 2025, outperforming the Russell 2000 by +0.5%, but remained down -10.3% YTD. Q2 outperformance was supported by strong gains in New Energy, with holdings like **SPX Technologies** (SI-Score: 76 – advanced thermal management and energy efficiency systems), **Fluence** (SI-Score: 100 – grid-scale battery storage solutions), and **Itron** (SI-Score: 80 – smart metering and grid management) benefiting from structural electrification trends. Robotics and Electronics Manufacturing also contributed, led by **Mueller Industries** and **Watts Water** (SI-Score: 12 & 65 – specialized flow control) as demand for infrastructure upgrades persisted. Meanwhile, Artificial Intelligence holdings such as **Appian** and **Asana** (SI-Score: 100 & 100 – enterprise workflow automation software), and Bioinformatics firms like **Twist Bioscience** and **Neogen** (SI-Score: 86 & 31 – genomic and bioanalytical tools) weighed on relative performance.

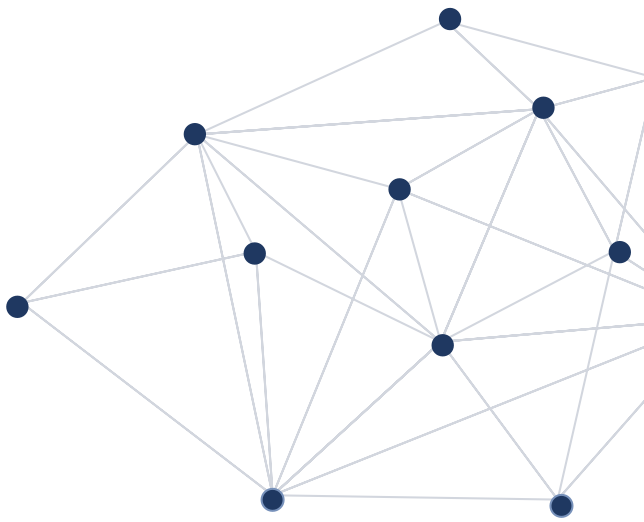
LUKB SMART FARMING - POWERED BY THE SINGULARITY GROUP

The LUKB Smart Farming strategy declined -2.6% (CHF) in Q2 2025, but gained +8.5% in USD. The **Robotic Equipment & Automation** segment provided resilience thanks to contributions from companies like **Bucher Industries** (SI-Score: 37) and **GEA Group** (SI-Score: 25), which supply advanced agricultural machinery and processing systems, as well as **Modine Manufacturing** (SI-Score: 12) and **Pentair** (SI-Score: 28), supporting precision thermal management and fluid control in farming operations.

The **Seed, Chemicals, Biologicals, and Additives** theme delivered solid positive contributions, led by **Novonesis** (SI-Score: 36) and **DSM-Firmenich** (SI-Score: 31), both innovators in biological solutions and agricultural inputs aimed at enhancing crop yields sustainably.

Meanwhile, the **Data Analytics & AI** theme weighed on overall results, with **Bruker** (SI-Score: 92) and **Thermo Fisher Scientific** (SI-Score: 40) underperforming amid short term challenges in bioanalytical instrumentation markets for precision agriculture data solutions.

Despite recent headwinds, largely due to currency effects, the strategy remains committed to investing in scalable innovations that drive sustainable productivity gains across the agricultural value chain.



WEARABLES: THE AUGMENTED HUMAN

Over the past decade, the wearable technology market has grown rapidly, both in size and in scope. As the category has matured, so too has our understanding of what a "wearable" can be.

At the Singularity Group, we define wearables in the broadest possible sense: any technology device that can be worn on our bodies. In the early days, this primarily meant fitness trackers. Over time, the definition expanded to include smartwatches, connected rings, and more recently, smart glasses that integrate artificial intelligence.

We have been both active users and investors in wearable technologies and their enabling components for the past seven years.

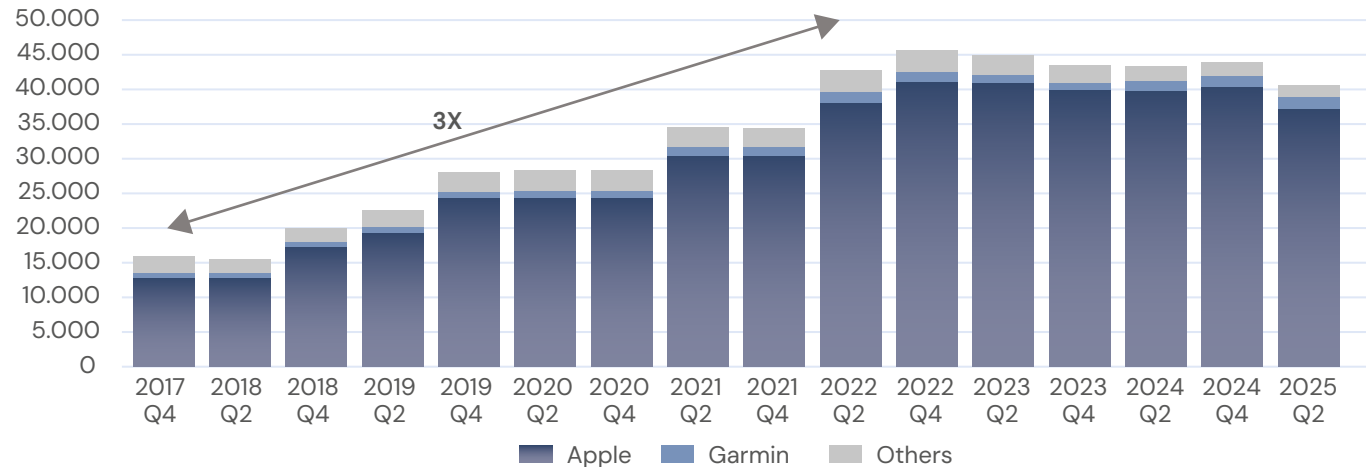
DRIVING THE FIRST REAL WAVE OF WEARABLES PENETRATION: SMART WATCHES

The first generation of connected wearable devices such as smart watches and health and fitness trackers, was a focus innovation for us between 2018 and 2023. There were several reasons to concentrate on wearable technology: improved battery life, smaller and lighter components, increased computing power, and the integration of more advanced and accurate sensors, including heart rate monitors, GPS, and motion tracking. Moreover, public interest in healthy lifestyle and longevity provided further tailwind for adoption. Smart watches in particular, thanks to their enhanced functionalities, were the winners in the wrist-wearable race, and quickly surpassed fitness trackers' popularity. Brands like Apple and Garmin increasingly captured the attention of health-conscious consumers, many of whom had previously relied on Fitbit for step counting and activity monitoring.

The following graph shows the revenue growth of the connected wearable devices business for all the companies active in this space. We can see a stark increase in revenues in the years leading up to 2022-2023, and then a plateau and a gradual decrease in recent years. The overall revenues tripled in the period 2018-2022.

Figure 2

Revenues Generated in the Wearables Segment for the Companies Active in this Space



The revenues of Apple are reported under the Wearables, Home and Accessories category, which also includes Airpods and Airtags, among others. The revenues of Fitbit have been estimated for the period 2021-2025 based on the number of Fitbit users and device shipments. Fitbit was acquired by Alphabet in 2021 and its revenues are no longer reported separately.

Source: TSG, FactSet.

We moved this innovation to "out of focus"-status during the first Rebalancing of 2024. At that time, both our own observations and the conversations with our Singularity Think Tank experts clearly pointed out that the first generation of these devices had become largely commoditized while technology improvement was plateauing. The data collected by these devices is still limited to a narrow set of metrics, such as steps, heart rate, and sleep patterns, and it is only checked by the user, but it is not (for the time being) incorporated by doctors and hospitals when looking at the physical health of a patient or when suggesting a treatment plan. At the same time, the next generation, with additional sensors and expanded functionality, is still too far away in the future while closely monitored.

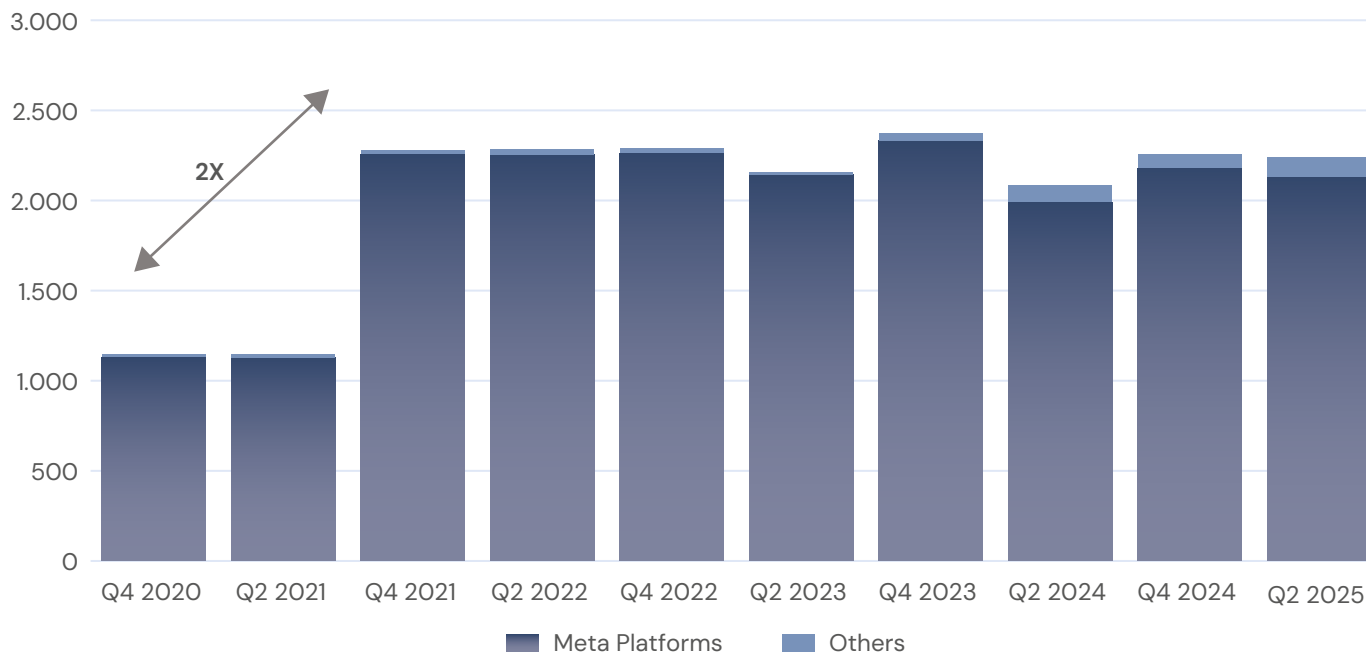
BULK AND BATTERY - THE KEY BARRIERS FOR VR

Similarly to smartwatches and fitness trackers, Extended Reality (XR) equipment, which includes AR glasses and VR headsets, was also a focus area for us from 2018 to the beginning of 2022, along with its value chain, like dedicated video chips and motion sensors. During this time, quite a few players emerged in the space, both smaller, focused companies and big, diversified tech players. The products were marketed initially for consumers, for instance for gaming, as opposed to more recent years when these products have found several applications in enterprise Augmented Reality, with use cases like surgery, factory maintenance, and field training.

Broader interest was created with the idea of the Metaverse (peaking in 2021, when Facebook's famous rebranding to Meta Platforms took place) and related to the increasingly important role that Virtual Reality would play in our everyday lives.

Figure 3

Revenues Generated in the Virtual Reality Segment for the Companies Active in this Space



Meta Platforms started reporting the Virtual Reality segment (Reality Labs), in 2021 and retroactively for one year.
Source: TSG, Factset

The above chart shows the revenue growth of the virtual reality equipment segment for the companies active in XR devices. Meta Platforms was the only company we were directly exposed to in this space, as other players were too small or generated too little revenues. Remaining exposure was through the value chain.

Here as well, we can see good growth, with the revenues roughly doubling in the period we were exposed. However, growth remained substantially lower than that of wristbands and revenues plateaued earlier.

Reasons abound, key culprits hindering further VR and AR device adoption stand out: hardware issues such as the bulkiness and the weight of the headsets as well as their limited battery life definitely played a role, however a key component was the aesthetics of their design. AR and VR headsets were geeky, and a consumer product that sits on people's faces the whole time needs to be cute and comfortable. The price of these products was an additional pain point: prices were ranging from the $600 of the first Oculus Rift CV1 to $2,300 of the Magic Leap 1, to $3,000 of the original Microsoft Hololens and $3,500 of the Apple Vision Pro. Not having a clearly defined use case was another issue, and integration with other apps was spotty or non-existent. Finally, social acceptance and privacy issues were other problems, particularly with AR glasses with recording capabilities, as people were not feeling comfortable in the presence of a device that could record their image without their knowledge. As a result, many companies have been scaling down or even discontinuing their AR wearables efforts in recent years: Apple is just the latest example, discontinuing the production of Apple Vision Pro in early 2025, only one year after the much hyped launch.

Just as wristbands and smartwatches were becoming commoditized and XR headsets were struggling to find a wide audience, another wearable technology was emerging in the background: **AI glasses** - something we highlighted in May 2024.

2025 - THE REAL VALUE OF AI: CONTEXT AND PRIVACY

AI glasses do not overlay reality with computer generated images, they do not have screens, they have traditional lenses, microphones, speakers and cameras, and aim at providing additional value for users through the key factor that allows AI to transform the value creation of wearables: context. They see what the user is seeing and can help with directions, translations, and live recommendations.

In this space, the Ray-Ban Meta AI Glasses have been very successful so far: they sold 1 million pairs in 2024 and EssilorLuxottica is aiming to produce 10 million Meta glasses each year by the end of 2026. It just unveiled the **Oakley Meta Glasses**, which are currently available for pre-order and should arrive later this summer. The sports brand's version is promising an upgrade in video-recording quality and in battery life versus the Ray-Bans. The use cases are various: from language translation to navigation, from hands-free photo and video capture – a popular feature for sport addicts – to voice-controlled AI assistance, and accessibility for visually impaired users. At the same time, the design is sleek and stylish, the frame is rather light and prices are attractive.

There remains the issue of privacy with the ability to record others' images and audio without their knowledge. While the general attitude towards being recorded has slightly improved as compared to ten years ago, and people understand that every day they are being recorded by doorbell security cameras, and the passing smartphone, there is still a lot of skepticism on

wearable devices that can record images. **Here, too, AI can become part of the solution**, automatically recognizing and blurring the people in the images to protect their privacy for instance.

Going forward, the conversations with our experts point towards a convergence between AI and AR glasses: future generations of smart glasses will likely also feature an AR display and have integrated AI capabilities.

THE FUTURE OF WEARABLES IS IN HEALTHCARE: AUGMENTED DIAGNOSIS AND DECISION MAKING

Similarly, our experts anticipate that the next major wave of innovation in skin wearables will happen with a broader integration in our healthcare journey. Wearables will evolve from passive data collectors to certified medical devices, officially approved tools used to detect early signs of illness, guide behavior, and support clinical decision-making. This will be supported by a new generation of advanced and non-invasive sensors for metrics like blood pressure and blood glucose. While sensors and AR displays are advancing and miniaturizing rapidly, the timeline for the development and approval of such devices is still uncertain and will require further progress on both the technical and regulatory fronts.

Co-Author: Alessia Favotto

Figure 4

Comparison of Different AI/AR/VR Wearables

Feature	AR Glasses	VR Headsets	AI Glasses
Function	Overlay digital info on the real world	Fully immersive virtual environments	Using AI to assist with everyday tasks
Display Type	Transparent lenses with projections	Screens	No display; uses audio and cameras
User Experience	Augmented reality while seeing surroundings	Fully replaces physical surroundings	Enhances real-world vision via audio + AI
Hardware Bulk	Medium	Bulky and heavy	Low (light, sunglasses-style frames)
Battery Life	Limited	Limited	Moderate
Design/Aesthetics	Often industrial or bulky	Not wearable in public settings	Stylish (e.g. Ray-Ban Meta)
Price Range	$1,500 - $3,000+	$600 - $1,500+	$300 - $500
Privacy Concerns	High (often includes cameras, opaque use)	Moderate	High (due to discreet image/audio capture)
Market Adoption	Low (niche, enterprise-led)	Mixed (gaming-focused)	Growing (consumer-focused)

Source: TSG

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