Seeking Singularity

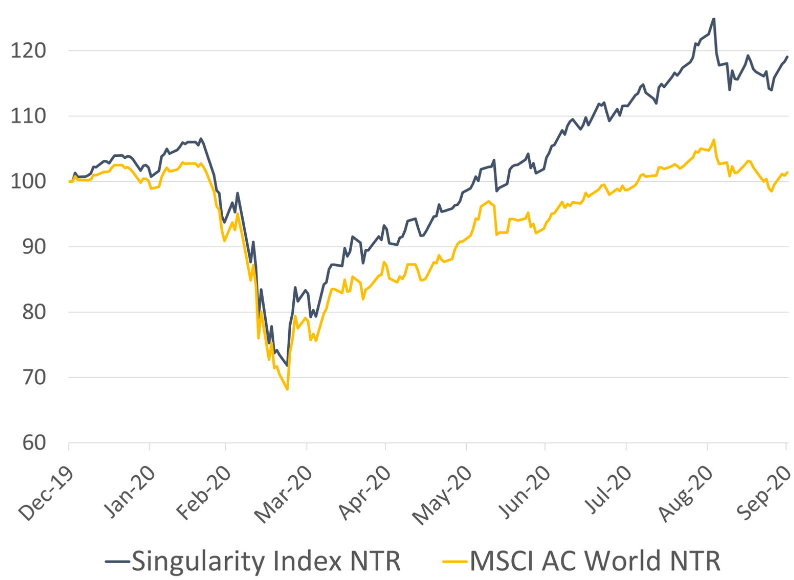
Q3 2020

The Singularity group

SINGULARITY PERFORMANCE - Q3 2020

Singularity Index (SI; NQ2045) vs. benchmarks: Global stocks posted a solid 3rd quarter with **the Singularity Index gaining +14.9%, outperforming the MSCI AC World Index** (MSCI ACWI), which advanced by +8.1%. Global equity markets largely finished in the green: S&P 500 +8.8%, MSCI AC Asia Pacific +8.6%, MSCI Europe +0.1%, SMI +1.5%. **On a YTD basis the SI is up by +19.1% vs MSCI ACWI (+1.4%),** S&P 500 (+5.1%), MSCI AC Asia Pacific (+1.6%), SMI (-0.8%), MSCI Europe (-12.7%).

Performance YTD Singularity Index vs. MSCI ACWI per end September 2020



Source: Bloomberg, TSG

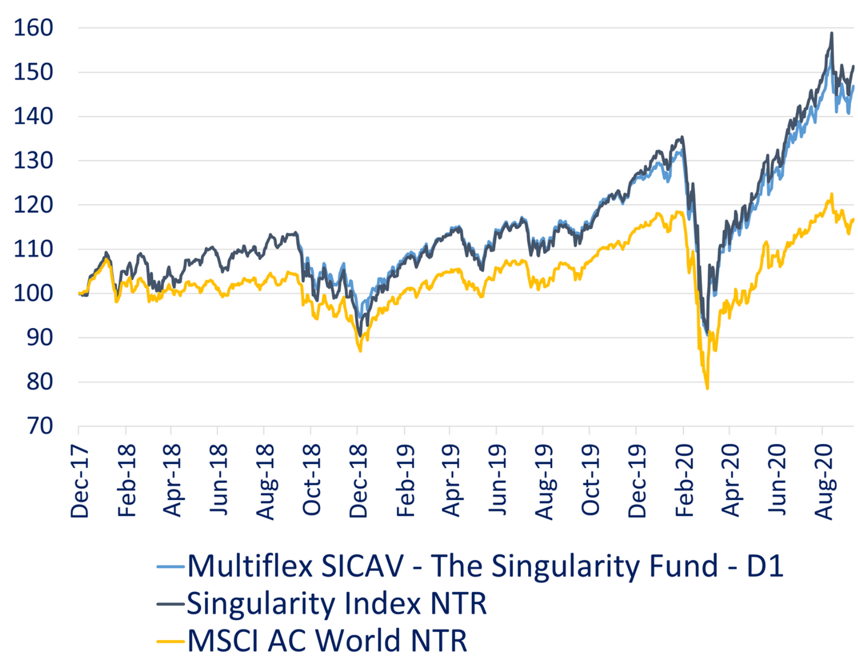
Over the third quarter, compared to the MSCI ACWI, the SI had a strong positive contribution from stock selection (+7.2%) and was flat in sector allocation (-0.4%). Stock selection was positive across sectors with the biggest gains coming from Consumer Discretionary and Energy. In terms of names, relative overweights in Tesla, NVIDIA, ADM, Alibaba, Nidec, Intuitive Surgical, Broadcom and Danaher drove relative outperformance vs the MSCI ACWI. There were no significant relative underperformers. Overweights in Intel, VMware and Illumina were small negative contributors. From a sector perspective, an overweight in Information Technology and Healthcare benefited performance, whereas an underweight to Consumer Discretionary and Materials were detrimental this quarter. **YTD, stock selection and sector allocation accounted for +12.6% and +5.1% respectively relative to MSCI ACWI.** Outperformance of the SI vs MSCI ACWI has continued to trend higher over the course of the year.

Seeking Singularity

YTD Outperformance Singularity Index vs. MSCI ACWI per end September 2020

Source: Bloomberg, TSG

Performance Since Inception: Singularity Index vs. MSCI ACWI per end of September 2020



Source: Bloomberg, TSG

The ex-ante tracking error vs the SI averaged 0.42% over the quarter and ended at 0.26%. Since 21st January, when measures to bring the fund closer to the SI started to take hold, the Singularity Fund has performed in line with the SI and as expected.

Top Q3 Contributors by Singularity Sector

Sector	Company	Performance (%)	Contribution (%)
New Energy	Tesla	98.7	2.77
Virtual Reality	NVIDIA	42.5	1.69
Artificial Intelligence	Apple	27.2	1.05
Internet of Things	Qualcomm	29.7	0.39
Robotics	Intuitive Surgical	24.5	0.30
Bioinformatics	Danaher	21.9	0.23
Big Data	Mastercard	14.5	0.21
Advanced Materials	United Parcel Service	50.8	0.18
3D Printing	Johnson & Johnson	6.6	0.14
Space	Amphenol	13.3	0.03
Neuroscience	Amgen	8.5	0.02

Source: Bloomberg, TSG

Singularity Stocks: Best performing stocks for the quarter were **Tesla (TSLA US, +98.7%), Advanced Micro Devices (ADM US, +55.8%) and UPS (UPS US, +50.8%).** The biggest performance attributions came from Tesla (TSLA US, +2.8%), NVIDIA (NVDA US, +1.7%), Apple (AAPL US, +1.1%), and Alibaba (BABA US, +0.7%). The largest relative detractors were Intel (INTC US, -0.2%), Illumina (ILMN US, -0.1%), and VMware (VMW US, -0.1%).

Tesla completed a 5-1 stock split at the end of August. Of course, from an economic point of view, nothing changes when a stock splits, but it's possible that by appearing cheaper it may attract additional investors. The bigger story behind the price surge remains investors buying into Tesla's pursuit of a transportation and energy revolution as well as its vertically integrated fully autonomous vehicle technology which could potentially power a fully autonomous ride-hailing taxi fleet ("Tesla Network"). It's not far fetched that Tesla could eventually achieve a lower per mile price which would allow them to undercut both UBER and Lyft. The company's Battery Day, held on September 22, also revealed longer-term plans for an affordable $25,000 electric car using drastically lower-cost battery technology. A point often overlooked is the fact that Tesla designs its own computer chipset architecture optimized for neural net training to power its fully autonomous vehicle technology. It's "Dojo" supercomputer is used to improve and optimize its autopilot autonomous algorithms which will enable full self-driving cars, giving it a headstart vs competitors. Access to Dojo will be given as a web service to allow people to train their machine learning algorithms and thus further improv the system. Tesla is a leader in alternative energy car manufacturing, battery and autonomous vehicle technologies and as such carries a high Singularity Score.

NVIDIA is the leader in GPU chip design essential for graphics and image processing, virtual and augmented reality as well as gaming applications among others. Moreover, GPUs have become standard for certain AI and machine learning computations. NVIDIA's cutting-edge technology is able to handle large deep learning workloads in parallel. Furthermore, it provides both the necessary hardware and software solutions (the company employs more software than hardware engineers) including widely adopted algorithm libraries and ancillary software products which allows customers to scale and modify their software stacks for their applications in robotics, automotive, healthcare etc. This is a huge competitive advantage because in addition to the chips you need software to adapt these solutions for training and inference. GPU performance improvements are outpacing even Moore's Law. The performance of silicon chips that power artificial intelligence more than double in performance every year.

[1]https://www.carandbike.com/news/tesla-plans-to-offer-its-dojo-supercomputer-as-a-service-for-ai-training-2298814

The industry has named this phenomenon “Huang’s Law”, named after the founder and CEO of NVIDIA. The performance increase can be attributed to the combination of hardware and software and makes it a unique enabler of everything from autonomous cars, to the face, voice and object recognition in our personal handhelds. The acquisition announcement of ARM has gotten a lot of media attention recently. The transaction is pending antitrust approval and represents one of the most strategic deals in the semiconductor industry. It is predominantly about the future of data centers which run CPUs based on Intel, IBM and ARM architectures, the latter being the leader in data center CPU chips. GPUs play a key role in accelerating high performance computing tasks, faster than the CPU can do this alone. Upon completion of the transaction, Nvidia will have CPUs, GPUs, and DPUs (Data Processing Units) - the most fundamental components required to build servers - all under one roof, which would eventually enable its own vertically-integrated servers. NVIDIA is a key enabler of a range of Singularity Sectors including AI, Robotics, IOT, VR, Blockchain and Big Data with a commensurately high Singularity Score.

UPS, a global leader of parcel deliveries, is continuously pursuing new solutions with an innovation-driven approach such as additive manufacturing (aka 3D printing), which enables the dematerialization of certain stock of parts by producing only the units required at a certain moment. This also enables a more efficient inventory use across its over 1000 warehouses globally. 3D printing allows for faster design and improved time to market of manufacturing parts, ultimately enabling UPS to play a key role in the market for Manufacturing as a Service (MaaS). Items like engineering parts, functional prototypes, acting props, architectural models, fixtures for cameras, lights and cables can be 3D printed. Importantly, localized production can simplify supply chains and reduce reliance on suppliers. With currently over 100 UPS 3D printing enabled locations, the company plays an important role at the intersection of our Advanced Materials and 3D Printing sectors with a moderate total Singularity Score.

Danaher is a diversified medical and industrial conglomerate committed to improving quality of life around the world. It owns more than 20 operating companies which are built around the Danaher Business System, which provides a playbook and set of tools for continuous operational improvement across the portfolio. Its subsidiaries hold leadership positions in diagnostics, life sciences, and environmental and applied solutions. For example, it provides leading solutions in diagnostic systems for disease and blood diagnosis, early disease identification and treatment, development of life-saving vaccines, biologic drugs, and novel cell and gene therapies, as well as DNA products for crop improvement and sustaining biodiversity. As a leader in the analysis of biological data, Danaher is a highly relevant and competitive company in our Bioinformatics sector.

Amphenol designs, manufactures, and markets electrical, electronic and fiber optic connectors, interconnect systems, sensors and sensor-based products, as well as coaxial and high-speed speciality cables. The company's products are used in a variety of industries, including wireless and data communications systems, and commercial and aerospace electronics. For the space industry Amphenol produces, for instance, high performance, lightweight interconnect applications that can withstand particularly harsh environments at reduced size and weight. Other applications include temperature, pressure, humidity, and solar sensors. Amphenol is an important electronics equipment manufacturer for space applications along with companies like Heico Corp and Teledyne Technologies. It carries an overall low to medium Singularity Score.

[2] https://www.wsj.com/articles/huangs-law-is-the-new-moores-law-and-explains-why-nvidia-wants-arm-11600488001
[3] https://blogs.nvidia.com/blog/2020/05/20/whats-a-dpu-data-processing-unit/
[4] https://www.mckinsey.com/business-functions/operations/our-insights/additive-manufacturing-a-long-term-game-changer-for-manufacturers#

SINGULARITY PERFORMANCE - 2-YEAR REVIEW

On October 1, 2020 the Singularity Fund reached its 2-year track record with assets in the fund in excess of $30m. While the fund has now celebrated its second anniversary, the Singularity investment strategy has been live for close to 3 years when the Singularity Index started ticking on the Nasdaq on December 21, 2017.

With a full 2 years under our belt it's worth looking at performance attribution compared to global equities since fund inception from different dimensions. Over the entire period the Singularity Fund generated a gross return of 33.1% (vs. 12.8% for the MSCI AC World Index) resulting in an active return of 20.3%. This can be further broken down into the components of (industry) allocation, (stock) selection and currency.

From an industry sector perspective, the bulk of the active return came from stock selection (15.9%) while 4.3% was attributed from industry allocation. Currency effects were negligible. As our investors know well, we do not actively determine industry sector weights. They are rather a result of our bottom up stock selection process based on companies' quantified revenue share in the key focus areas of our 12 Singularity Sectors. Nevertheless, it is useful to differentiate how much of the outperformance came from a more or less favorable sector allocation and how much was attributable from intra-sector stock selection.

2-Year Performance Attribution by Sector (Oct 1, 2018 - Oct 1, 2020)

Total Return		Active Return Decomposition	
Singularity Fund (gross)	33.12	Active Return	20.28
MSCI ACWI	12.84	*Allocation*	4.33
Active Return	20.28	*Selection*	15.90
		Currency	0.04

Fund Weight	MSCI Weight	Weight Diff	Sector	Total Attribution	Allocation	Selection	Currency
38.34	17.02	21.32	Information Technology	9.16	8.48	0.40	0.28
4.51	15.56	-11.05	Financials	3.85	1.32	2.51	0.03
7.28	10.95	-3.67	Consumer Discretionary	3.81	-3.24	7.19	-0.14
0.53	4.93	-4.4	Energy	3.65	0.17	3.47	0.01
9.87	8.98	0.89	Communication Services	1.81	0.06	1.71	0.04
19.61	11.92	7.69	Health Care	0.74	0.44	0.37	-0.06
0.13	3.18	-3.05	Real Estate	0.23	0.13	0.13	-0.02
1.2	4.66	-3.46	Materials	0.21	-0.16	0.34	0.04
0	1.43	-1.43	Not Classified	0.10	0.04	0.05	0.01
2.67	8.15	-5.48	Consumer Staples	0.07	-0.70	0.81	-0.03
0.4	3.3	-2.9	Utilities	-0.05	-0.31	0.28	-0.01
15.45	9.93	5.52	Industrials	-2.86	-1.78	-0.99	-0.08

Source: Bloomberg, TSG

All sectors with the exception of Industrials contributed positively to the outperformance. The largest selection effect was generated in Consumer Discretionary, a sector which was overall underweighted vs the benchmark on average and performed well over the period, resulting in a negative allocation effect. Financials and Energy contributed significantly on a relative basis while Information Technology was responsible for the largest overall attribution. We did poorly in Industrials due to our exposures in the Space sector with names like Boeing and Airbus hit badly in the Covid sell-off. These names and others were removed from our eligible investment universe following the introduction of our ESG filter at the rebalancing event in May.

2-Year Performance Attribution by Region (Oct 1, 2018 - Oct 1, 2020)

Total Return		Active Return Decomposition	
Singularity Fund (gross)	33.12	Active Return	20.28
MSCI ACWI	12.84	*Allocation*	0.36
Active Return	20.28	*Selection*	19.88
		Currency	0.04

Fund Weight	MSCI Weight	Weight Diff	Sector	Total Attribution	Allocation	Selection	Currency
67.28	60.17	7.11	North America	13.62	1.69	11.76	0.17
16.21	18.77	-2.56	Asia Pacific	4.67	-0.27	5.02	-0.08
15.3	18.04	-2.74	Western Europe	1.98	0.26	1.88	-0.17
0.55	1.21	-0.66	Africa / Middle East	0.35	-0.01	0.32	0.05
0.12	0.67	-0.55	Eastern Europe	0.28	-0.40	0.57	0.10
0.06	0.03	0.03	Central Asia	-0.03	-0.02	-	-
0.47	1.12	-0.65	South & Central America	-0.13	-0.88	0.78	-0.03

Source: Bloomberg, TSG

On a regional basis, the Singularity Fund generated value across the board with strong selection effects in all regions. For instance, in Western Europe the fund generated an attribution of ca. 2% on an average weight of ca. 15%. corresponding to an outperformance of close to 15% on a normalized basis.
Finally, **from a market capitalization perspective the strategy generated positive total attributions for all segments.**

2-Year Performance Attribution by Market Capitalization (Oct 1, 2018 - Oct 1, 2020)

Total Return		Active Return Decomposition	
Singularity Fund (gross)	33.12	Active Return	20.28
MSCI ACWI	12.84	*Allocation*	5.80
Active Return	20.28	*Selection*	14.44
		Currency	0.04

Fund Weight	MSCI Weight	Weight Diff	Sector	Total Attribution	Allocation	Selection	Currency
61.66	53.55	8.11	Large Cap	7.61	0.49	7.45	-0.32
21.29	18.17	3.12	Mega Cap	6.69	3.09	3.51	0.10
14.02	17.59	-3.57	Mid Cap	3.82	-0.53	4.37	-0.01
4.97	10.2	-5.23	Small Cap	2.51	3.05	-0.79	0.26
0.05	0.48	-0.43	Not Classified	0.28	-0.19	0.25	0.01

Source: Bloomberg, TSG

Turning to the top contributors over the last 2 years, a couple of points stand out. The portfolio is generally well-diversified. The largest position over the period was Microsoft with an average weight of close to 3% and a contribution of 2.5%. The second largest position was NVIDIA and happened to be the second best contributor. Tesla was the biggest contributor (5.8%) on an average weight of 1.5% thanks to a performance of 621%. The median weight of the top 20 winners was 1.2%, the median performance was 70%. Roughly half of the top contributions came from the tech sector, close to a third from consumer discretionary, and the rest from communications services, healthcare and industrials.

Top 20 Contributors (Oct 1, 2018 - Oct 1, 2020)

Company	Avg Weight (%)	Performance (%)	Contribution (%)
TESLA	1.49	621.2	5.76
NVIDIA	2.41	89.4	3.46
MICROSOFT	2.96	88.8	2.47
APPLE	2.05	110.8	2.42
TENCENT	1.59	60.7	1.36
ALIBABA GROUP	1.13	79.0	1.14
BROADCOM	1.21	60.9	1.02
ADVANCED MICRO DEVICES	0.59	170.1	1.01
AMAZON	1.61	60.7	0.99
ADOBE	1.87	81.3	0.99
AT&T	0.95	38.7	0.83
ALPHABET	2.20	23.1	0.73
DANAHER	0.71	98.3	0.64
FACEBOOK	0.95	64.1	0.63
THERMO FISHER SCIENTIFIC	0.74	77.3	0.59
SAP	0.93	30.5	0.56
TAIWAN SEMICONDUCTOR MAN.	2.09	22.5	0.54
KEYENCE	0.92	60.2	0.53
MASTERCARD	0.52	74.2	0.51
VISA	0.99	46.7	0.50

Source: Bloomberg, TSG

On December 21, 2020 the Singularity Index will celebrate its third anniversary. We'll take this opportunity to review the strategy's 3-year track record in our next quarterly letter.

PORTFOLIO INSIGHTS

<u>Portfolio Characteristics:</u> **Compared with the MSCI ACWI, the SI continues to have a better profitability and growth profile, a stronger balance sheet, and better liquidity at a reasonable valuation.** The portfolio's profit margin is 11.9% (vs 6.0%), the revenue and EBITA compound annual growth rates over the last 5 years were 16.1% (vs. 7.9%) and 15.8% (vs 9.7%) respectively, debt to EBITDA is 2.4x (vs 4.4x), and the current ratio stands at 1.5x (vs 1.3x). These portfolio characteristics are significantly more attractive compared with the benchmark, naturally gravitating to a comparatively higher valuation. However, **taking into account the portfolio's superior growth characteristics, valuations appear fairly reasonable.** This is especially true in the context of a yield-starved world in which attractive growth firms command a valuation premium. It is also worth noting that in **Q2, which bore the brunt of the economic shutdown measures, the Singularity Fund posted flat revenue growth and a 20% increase in earnings growth year-over-year, giving testament to the resilience of the portfolio during such a difficult period.**

Portfolio Characteristics as of September 30, 2020

Indicator	Singularity Fund	MSCI ACWI	+/- (%)
Profitability			
Profit Margin	11.9%	6.0%	97%
Return on Capital	10.0%	4.7%	114%
Return on Common Equity	14.5%	7.9%	82%
Return on Assets	5.0%	1.3%	292%
Balance Sheet / Solvency			
Net Debt to Shareholders Equity	22%	54%	-60%
Total Debt to EBITDA	2.4	4.4	-46%
Liquidity			
Quick Ratio	1.1	0.8	43%
Current Ratio	1.5	1.3	23%
Growth Rates (5 Year CAGR)			
Revenue	16.1%	7.9%	105%
EBITDA	15.8%	9.7%	63%
Valuation			
EV/EBITDA	22.2	14.0	58%
P/E Ratio	41.9	27.2	71%
P/S Ratio	4.8	1.8	172%
Dividend Yield	1.0%	2.1%	-54%
Valuation (forward looking 1Y)			
EV/EBITDA-to-Growth Ratio	0.96	0.86	13%
Fwd PEG* Ratio	1.94	1.80	8%
Fwd PSG** Ratio	0.34	0.19	82%

* Price/Earnings-to-Growth

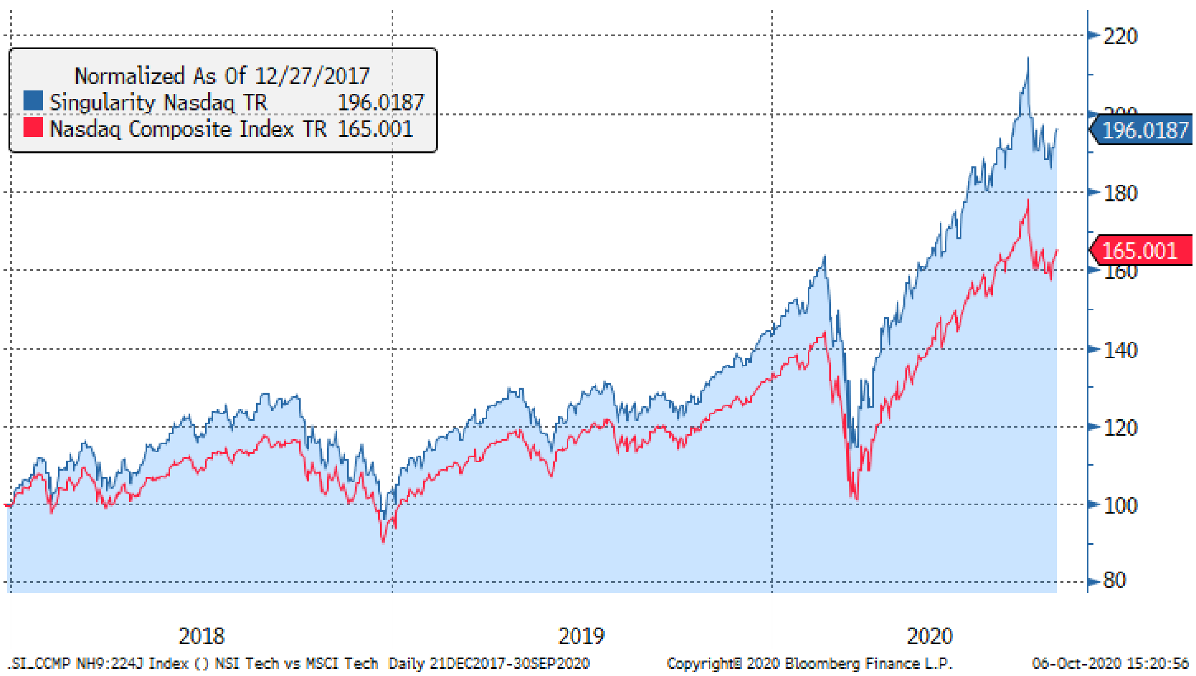
** Price/Sales-to-Growth

Source: Bloomberg, TSG

Seeking Singularity

<u>Singularity vs Nasdaq and pure tech:</u> Two questions we often get asked is 1/ how the Singularity Strategy compares against a tech index and 2/ how it performs vs the Nasdaq Composite Index. The performance analysis in the previous sections suggests that the strategy adds value across the board based on a global equity universe. Hence plotting the Information Technology carve out portfolio of the Singularity Strategy against the MSCI AC Information Technology Index in a like for like comparison, we find an outperformance of almost 12% since strategy inception. Similarly, taking the Nasdaq Composite as the underlying universe and applying our methodology in an unconstrained way ("Singularity Nasdaq"), the strategy outperforms as well. **A key takeaway is that our methodology is able to create a portable alpha on top of different starting equity universes.**

"Singularity Nasdaq" vs Nasdaq Composite Index Since Strategy Inception



Source: Bloomberg, TSG

A VIEW ON RECENT DEVELOPMENTS

Are valuations getting stretched?

No doubt, valuations have been on the up. But higher equity valuations always need to be seen in the context of the interest rate environment. **Interest rates are to investing as gravity is to earth.** In investing everything comes down to the yield on "risk-free" assets, i.e. government bonds (which are of course by no means risk-free). For example, the yield on a 10-year US treasury note traded at 0.68% at the end of September. Said differently, the 10-year note has a P/E of 147, the inverse of its yield. Against this backdrop, what is an appropriate P/E for stocks?

Growth and valuations: The required return on equities is typically considered to be the sum of the risk-free rate (Rf) and the equity risk premium (ERP). Adding up the risk-free rate and an equity risk premium of say 5% for arguments sake, this would result in an appropriate P/E of around 18. However, that's not the entire story. Assuming that companies can increase their earnings by 2% per year, the appropriate P/E then becomes 27 (1/[Rf + ERP - growth]), a 50% increase to the previous figure. Now, if you consider that some companies will be able to grow their earnings by more than 2%, the P/E can rise dramatically: a 3% and 5% growth rate bump this number to 38 and 61 respectively. Ultimately, for a company whose growth exceeds the sum of the risk-free rate and the equity risk premium, the right P/E ratio is singular (pun intended). This is why the market offers a significant premium for companies it believes will be able to sustainably grow their earnings, even though in the long-run superior growth rates sooner or later tend to normalize. The further out this normalization, the higher the P/E. On that basis, stocks may still have quite a bit of runway and stocks that can maintain a high Singularity Score could have the longest runway of all.

More growth for longer: This brings us to another aspect of valuation adjustments raised by Charlie Songhurst on the Invest Like The Best podcast: "The old way of valuing a business would build a DCF model, have some current growth numbers and then a terminal growth rate that was much slower. But we now have networked, global businesses where you can see growth spike in year 6 right when the model would tell you to use the terminal growth number. In year 6, your business could become the market standard. A lot of our valuation tools are built for an industrial era where a) growth was much lower b) there were little network effects and c) return on incremental capital were not high." This phenomenon is underappreciated.

Cheaper than we thought? A final thought on valuations: it's been suggested to adjust P/E ratios for money supply - after all the money needs to go somewhere. Against this backdrop, M2-adjusted Shiller P/E ratios for the S&P 500, for instance, don't look elevated but rather cheap. For what it's worth, the Singularity Strategy aims to at all times be exposed to exponentially growing technologies and companies that can integrate and apply them. As such, the Singularity Portfolio defies some of the assumptions made in traditional valuation methods and might be even cheaper than the P/E suggests.

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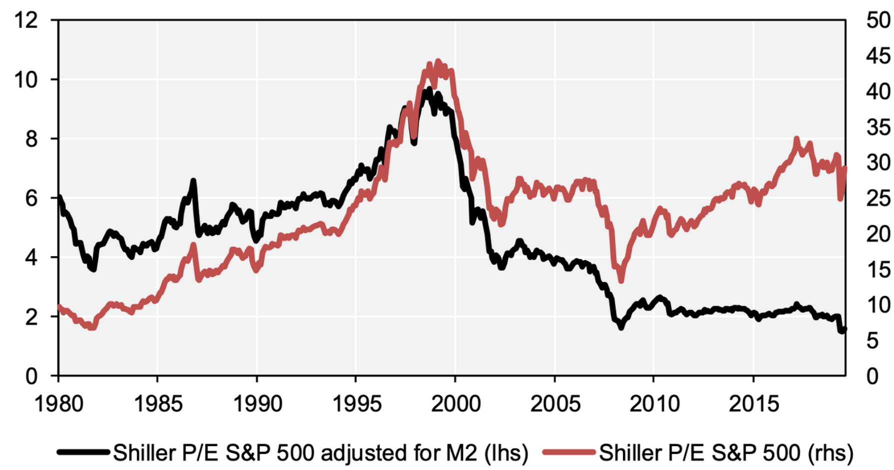
[5] Estimating the equity risk premium is not straightforward and fraught with challenges. As with many things, it is more of an art than a science.
[6] http://investorfieldguide.com/songhurst/

Shiller P/E Ratios for the S&P 500 adjusted for M2 Money Supply



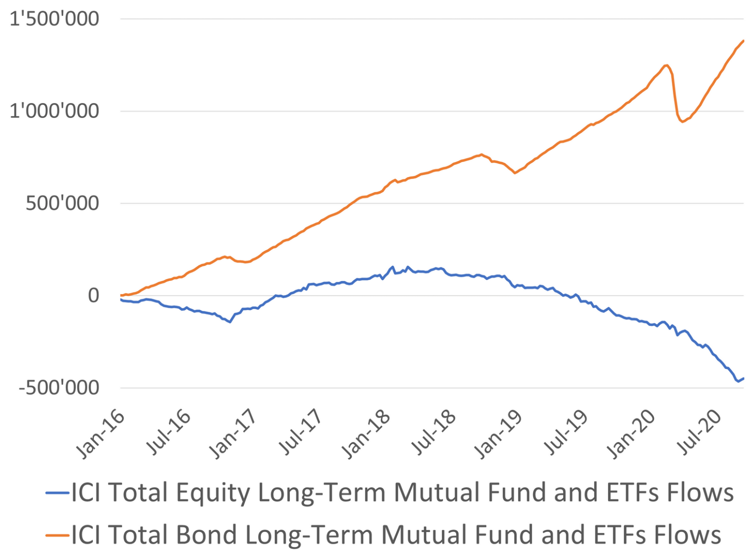
Source: William F, Ahmed Husain

Is September the beginning of a bear market?

The correction we've seen during the first two weeks of September was a healthy one in our opinion given the rapid recovery of stock markets from the Covid sell-off from the end of March up until the end of August. Stocks naturally cannot (or at least shouldn't) go up in a straight line. The fact that many investors are currently worried is likely a good thing. It means that people haven't forgotten about the Dot-com bubble of the late 1990s. We offered our thoughts about whether or not we believe we are headed for another burst of a tech bubble fuelled by irrational exuberance in our last quarterly letter. To recap: we still don't think so. Looking at relative valuations in terms of P/E of global technology stocks vs the broader market, the ratio does not seem particularly stretched given commensurately superior earnings growth, and is still a far cry from the levels seen during the tech bubble. Also, let's also not forget that during that time the Fed was hiking rates into a bursting bubble unlike today, and earnings yields were 300bps below 10-year yields whereas today they are 300bps above.

Interestingly, judging by cumulative fund flows in the US, investors have been exiting the equity markets since 2018 (-$307bn YTD) and flocking into bonds to the tune of +$265bn on a YTD basis. If anything, one could argue that a bubble is forming in bonds rather than in equities.

Cumulative Weekly US Equity and Bond Fund Flows Since Dec 2015

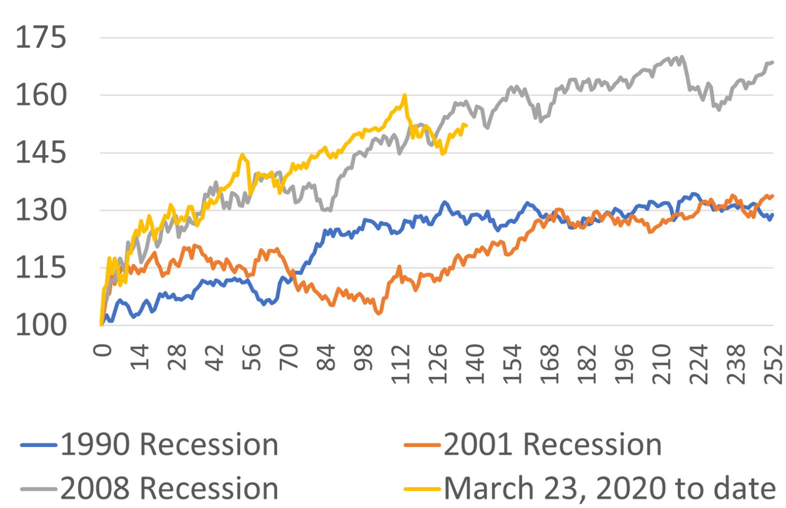


Source: Bloomberg, as of September 30, 2020

The current fiscal and monetary backdrop remains stimulative and it seems rather unlikely that the Fed will deviate from its ultra-loose monetary policy stance any time soon. The global economy is recovering, households are in good shape and businesses are aggressively trying to catch up with pent-up demand, particularly in services. For instance, global PMIs have recovered sharply, household net worth has increased to a new all time high thanks to soaring asset prices including real estate, equities and bonds (though this certainly did not benefit all population groups equally, further widening the gap between the haves and have-nots), new orders are roaring and an elevated savings rate in the US is somewhat normalizing from a peak of 33.7% to currently 17.8% with an average of 7.5% over the prior 5 years.

Looking at stock price recoveries from prior recessions, so far it looks like we're tracking the 2008 recession rather well. While the US election certainly has more volatility in store for Oct/Nov, perhaps the best course of action would be to sit tight.

S&P 500 Price Level Indexed to Day 0 Representing Trough Levels of Past Recessions

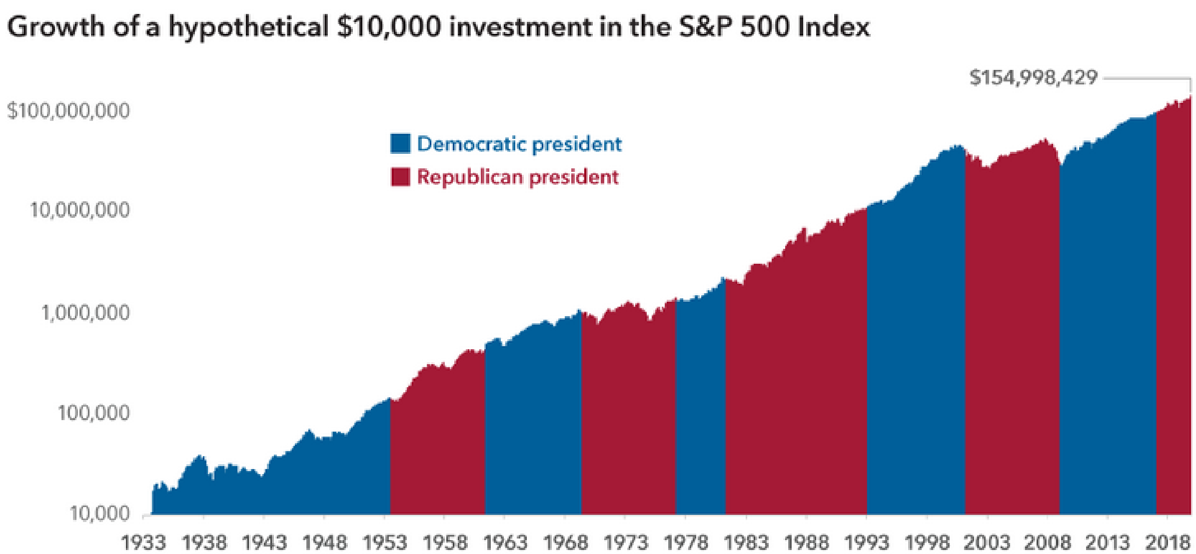


Source: Bloomberg, as of September 30, 2020

<u>Elections as a buying opportunity?</u>

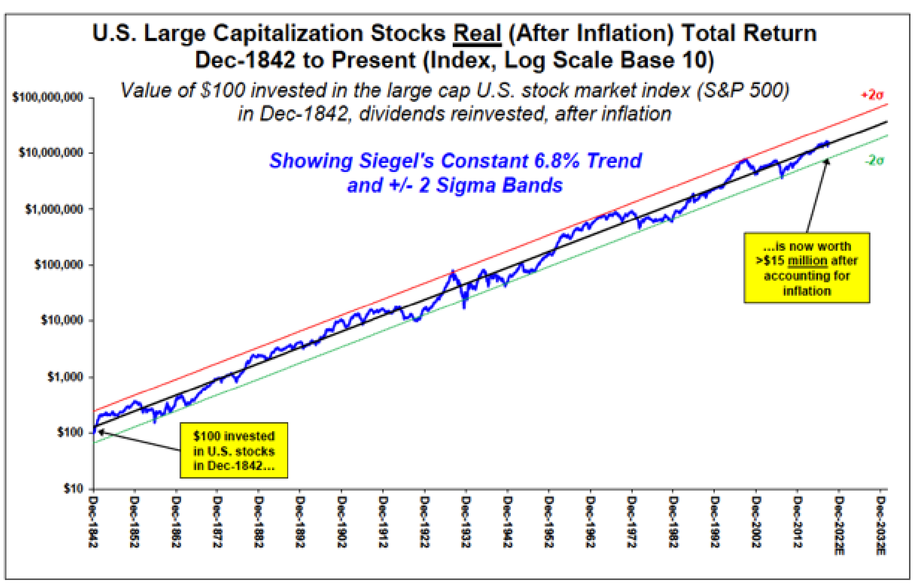
With regards to the upcoming US elections, while voters have a strong preference for either Biden or Trump, we take comfort in the fact that for long-term investors, the outcome of U.S. presidential elections hasn't mattered nearly as much as just staying invested and maintaining a diversified portfolio. Stocks have tended to power through presidential elections - with some volatility along the way - regardless of whether a Republican or Democrat won the presidency.

Stocks Have Trended Higher Regardless of Which Party Has Been in Office



Source: Morningstar, Standard & Poor's, Capital Group

In summary, we do not think we are at the beginning of a bear market but continue to see strong structural underpinnings for equity markets going forward. Finally, taking an ultra long-term perspective on equity markets, the below chart offers a very interesting view: Based on real total returns from December 1842 to present, US large cap stocks currently trade at around their long-term trend line, representing a 6.8% historical real return.



Source: Stocks Jan-1871 to present from Robert Shiller, Yale University and Jan-1842 to Dec-1871 NBER Working Paper #2985 G. William Schwert, Jeremy Siegel, Siegel's Constant.

SINGULARITY INSIGHTS

Read about TSG: Our retail launch communications efforts have led to coverage in media such as Börsen-Zeitung and Börse online (see below). We also got quite some press attention for the extension of our Expert Advisory Board. Please find a selection under the press section of our website. Another article we would like to point out features our CIO as an expert in a Handelszeitung 2-page spread commenting on and putting common investment wisdom into perspective.

rendite
Das Anlagemagazin der Börsen-Zeitung — Oktober 2020 | Seite 12

NEUE PRODUKTE

Singularity Fund auch für Privatanleger

Fokus auf innovative Unternehmen aus konventionellen Branchen

Ab sofort können auch Privatanleger in den Singularity Fund (LU2209331995) investieren, wobei die laufenden Kosten der Retail-Tranche 1,79% pro Jahr betragen. Bislang war der globale Innovationsfonds ausschließlich für professionelle Investoren verfügbar. Der Aktienfonds will Anlegern ein frühzeitiges Engagement in exponentielle Technologien und angewandte Innovation über alle Branchen, Marktkapitalisierungen und Länder hinweg bieten. Der Fonds bildet den Singularity Index ab, den die Schweizer Singularity Group im Jahr 2017 gemeinsam mit der Nasdaq auf den Markt gebracht hat. Die Überzeugung hinter dem Fonds: Innovation findet nicht nur in Technologieunternehmen statt, sondern wird als Schlüssel zum Erfolg über alle Branchen und Wertschöpfungsketten hinweg eingesetzt.

„Innovation nur über die klassischen Tech-Werte abzudecken greift zu kurz", erklärt Gregory Hung, CIO und Partner bei The Singularity Group. Der Fonds basiere auf einer einzigartigen Konstruktionsmethode, die den Einsatz von Innovationen bei börsennotierten Unternehmen erfasse. „Unternehmen aus allen konventionellen Sektoren und Branchen werden innerhalb der Singularity-Sektoren gewichtet und neu klassifiziert, was zu einer deutlich breiteren Branchendiversifizierung als bei Technologiefonds führt." Durch den speziellen Ansatz des Fonds seien die Bewertung sowie die Volatilität des Portfolios vorteilhafter als die typischer Tech-Investments. Der Investmentansatz habe sich seit Auflage bewährt.

In the pipeline: Our research department has been busy exploring and diving deep into topics that are driven and spearheaded by our portfolio companies, among them digital payments. The payments industry is becoming one among many critical protagonists in an emergent digital economy. We believe this trend is poised to accelerate, propelled by advances in Internet of Things (IoT) technologies, the distributed ledger, tokenization, and evolving e-commerce dynamics. We will publish a white paper towards the end of the month that unpacks the role of established and new players alike and how social media magnates become more and more intertwined with the payments landscape. This will also mark the launch of our research newsletter that brings you closer to our thought-leading in-house efforts to understand the perpetuum mobile we call innovation and how it changes and will change the world.

Sign up for a personal CIO update: October is an extra exciting month for us as it comes with an accumulation of events: We celebrated 2 years since inception of The Singularity Fund on October 1st, 3 years since our company's founding on the 4th - and now we look back on a third quarter that falls short of comparison in history. We invite you to a virtual presentation on October 19th at 11am, predominantly looking back on the past three months and giving you an overall performance update. Please register here.

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