



# Quarterly Report

Singularity Strategies | Q3 2025



# Content Overview

## Market Commentary

Global equities rallied to fresh highs in Q3, with Applied Innovation companies delivering strong earnings growth as AI adoption and the ever-growing demand for compute continue to drive a durable investment cycle despite persistent geopolitical noise.

[Q3](#)

## Is AI Driving the World’s Economy?

Are we living in an AI bubble? This question has been increasingly coming up in conversations with our investors, as scrutiny of the AI sector grows and improvements in large language models (LLM) appear to plateau.

## Performance Update

While end-applications are not (yet!) revolutionizing our daily lives, our analysis shows how much broader the reach of the AI value chain is: from semiconductors to data centers to sensors and energy infrastructure, the AI revolution is reshaping corporate growth, separating innovative winners from commoditized laggards, and redefining where tomorrow’s economic value will be created.

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*Please find the Fact Sheets with performance charts on our website*





# Market Commentary

Global equities extended their advance in the third quarter, with the MSCI ACWI Index up +7.6%, and momentum accelerating in September as the global benchmark set fresh highs. A gentler tone on policy, underscored by the Federal Reserve's September rate cut, helped investors look through typically weak seasonality and lingering macro noise. Despite political headlines heating up at the end of the quarter, risk assets proved resilient.

Our portfolios were exceptionally well positioned to benefit from the continued trend of robust demand for the Artificial Intelligence value chain. **Strong Q2 earnings across our Applied Innovation universe surprised further on the upside, bringing a clear tailwind for our portfolios.**

Recent conversations with experts from our **Singularity Think Tank** point in the same direction: earnings power behind AI-enabled workloads is increasing and the ever-growing demand for compute continues to compound, as multi-year investment plans from hyperscalers roll-out. Despite external uncertainties, like elevated geopolitical risk and unclear policy path, our core Applied Innovation exposure in Artificial Intelligence, Compute Power, Big Data, and New Energy is poised to benefit from this new wave of progress.





# 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 filter global equity indices for their exposure to innovative companies (SI-Score >10), and create investment strategies that select only those.

## Singularity Innovation Score (SI-Score)

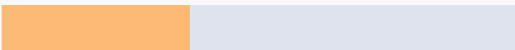
Figure 1

Oracle 84%



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.

Delta Electronics 38%



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).

AppLovin 32%



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 +7.9% in Q3 2025, outperforming the MSCI ACWI by +0.3%, bringing YTD performance to +18.9%, slightly ahead of the benchmark by +0.4%.**

The fund delivered **the best September month in its now 7 years of existence.**



Second quarter earnings were a clear tailwind across our **Applied Innovation** universe. In Big Data, the fund's biggest overweight **Oracle** (SI-Score: 84) highlighted multi-year commitments on its AI-ready cloud infrastructure, and delivered the best contribution. **Broadcom** (SI-Score: 42) continued to benefit from custom accelerators and high-throughput networking tied to hyperscale build-outs. The cloud platforms—**Microsoft Azure** and **AWS**—emphasized broad-based AI adoption across customer cohorts.

Upstream, in our Compute Power sector, **NVIDIA** (SI-Score: 89) delivered another powerful quarter as next-gen systems ramped, **TSMC** (SI-Score: 98) signaled robust AI-related foundry demand, while memory suppliers such as **Micron** (SI-Score: 82) and **SK Hynix** (SI-Score: 68) pointed to solid HBM dynamics; recent partnership steps with OpenAI further illustrate the scale of the compute cycle.

Further in the value chain, New Energy industrial names also gained, with **ABB** (SI-Score: 68), **Delta Electronics** (SI-Score: 38) and **Legrand** (SI-Score: 100) all up north of +20%, as “electrons” to power AI are becoming the new focus.

## Singularity US Innovation Leaders

The Singularity US Innovation Leaders strategy **gained an impressive +11.3% in Q3 2025, outperforming the Nasdaq 100 by +2.3%, with YTD performance at +22.7% versus +17.9% for the index.**

The strategy captured the dominating position of US companies in the AI roll-out, particularly within Cloud platforms (e.g., **Broadcom**, SI-Score: 42 ; **Alphabet**, SI-Score: 12), to the notable exception of Oracle which is not part of the Nasdaq 100 (!). Compute Power (see above) also drove strong gains, benefiting from accelerating demand for advanced chips and memory solutions powering next-generation AI workloads. But actually this quarter's top performer was **AppLovin** (SI-Score: 32), up +105%, as its AI-powered advertising platform gained further traction amid increasing ad spending.

## Singularity US Equity

The Singularity US Equity strategy was **up +8.2% in Q3 2025, outperforming the S&P 500 by +0.2%, with YTD performance at +18.5% versus +14.5% for the index.**



The strategy benefited from the same dynamic in its AI value chain exposure as the flagship Singularity Fund. A notable contribution came from the New Energy sector with **GE Vernova** (SI-Score: 14.2) up +16.3% in Q3 2025, thanks to an increasing backlog of orders for its gas turbines, the central element to power ever-growing data centers build-out.

## Singularity Small & Mid

The Singularity SMID strategy posted a +6.1% return in Q3 2025, though underperforming the Russell 2000. Most gains stemmed from Robotics, with holdings like **Zurn Elkay Water** (SI-Score: 100 – advanced water-management systems), **Resideo** (SI-Score: 27 – smart-home, sensing & control solutions), and **Watts Water** (SI-Score: 65 – specialized flow control) benefiting from infrastructure spending trends. Compute Power also contributed, led by **Rambus** (SI-Score: 41) and **Axcelis** (SI-Score: 100) as demand for advanced chip equipment remains strong.

## LUKB Smart Farming– Powered by The Singularity Group

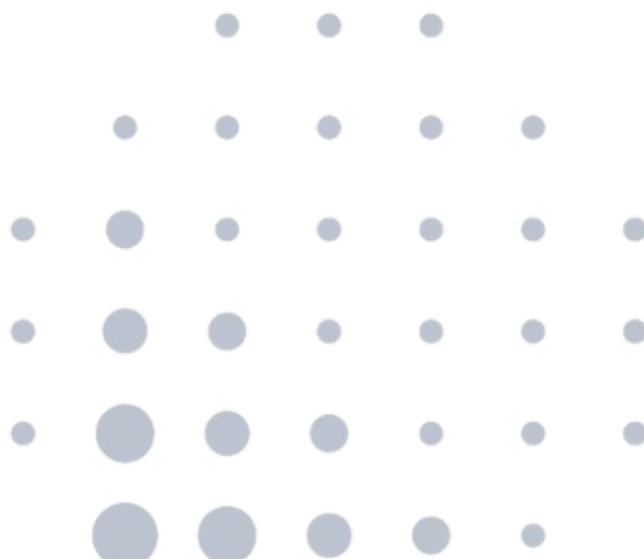
The LUKB Smart Farming strategy posted a modest gain of +1.3% (CHF) in Q3 2025. The **Robotic Equipment & Automation** segment was the best contributor with companies like **Modine** (SI-Score: 12 – Thermal management systems) and **Valmont** (SI-Score: 26 – Smart watering solutions) rallying.

The **Seed, Chemicals, Biologicals, and Additives** theme detracted from the performance as **Novonosis** (SI-Score: 36), a key supplier of biological solutions and agricultural inputs enhancing crop yields, suffered from US tariff uncertainty.

Finally, the **Data Analytics & AI** theme declined, with **Iridium** (SI-Score: 11) being the worst performer after it trimmed growth guidance, amid softer high-margin service revenues, and mounting competition from rivals like Starlink, in its non-agriculture related activities.

# Is AI Driving the World's Economy?

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# Is AI Driving the World's Economy?

## Gen AI end applications where art thou?

GenAI seems to be one of those topics where everyone has an opinion. Lately, the opinion leans towards how GenAI end applications are sub-par, still heavily affected by biases, overall disappointing, and how companies will not be able to recover the huge investments they are making in this space. We agree that some applications are behind expectations, but others are already changing dramatically the way we work, live, and interact with the digital world. We continue to see great opportunities in the value chain as AI solutions mature and penetrate.

## Where is the growth?

The MSCI ACWI tracks global stock markets, making it a useful benchmark to see if AI-linked revenues and companies are outpacing the broader economy. The cumulative revenues of the MSCI ACWI grew from \$26tn in 2017 to \$49tn in 2024, with an annualised growth of 8%. We can see the trajectory in the chart below: fairly steady growth between 2017 and 2020, then the dip from the Covid-19 pandemic and the lockdown, followed by revenge spending, and slower growth in the last couple of years.

### 3X Revenue Growth in the AI Value Chain

Chart 1 & 2

MSCI ACWI- Cumulative Revenues



AI Value Chain- Cumulative Revenues

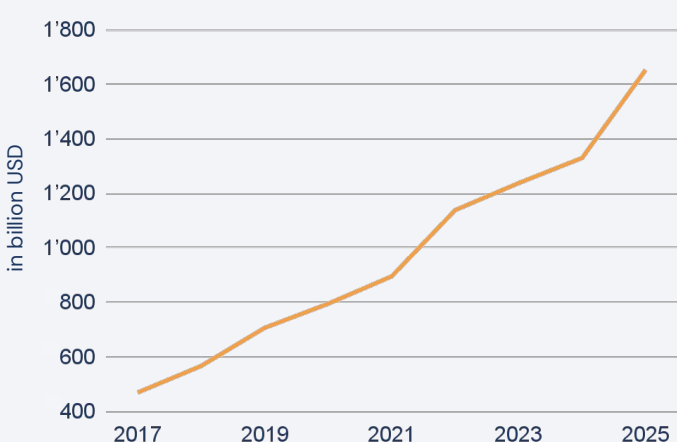


Chart 1 and 2: Cumulative revenue of the companies in the MSCI ACWI and of the companies in the MSCI ACWI that are part of the AI value chain.

Source: Factset, TSG





Over the same period, the cumulative revenues driven by the AI value chain, for the companies within the MSCI ACWI, **tripled, from \$0.5tn to more than \$1.5tn: a cumulative annualised growth of 17.0%.** AI-connected revenues grew faster than overall MSCI AC World revenues every year, with the exception of 2020 and 2023.

AI Revenue Growth 2x Faster

Chart 3

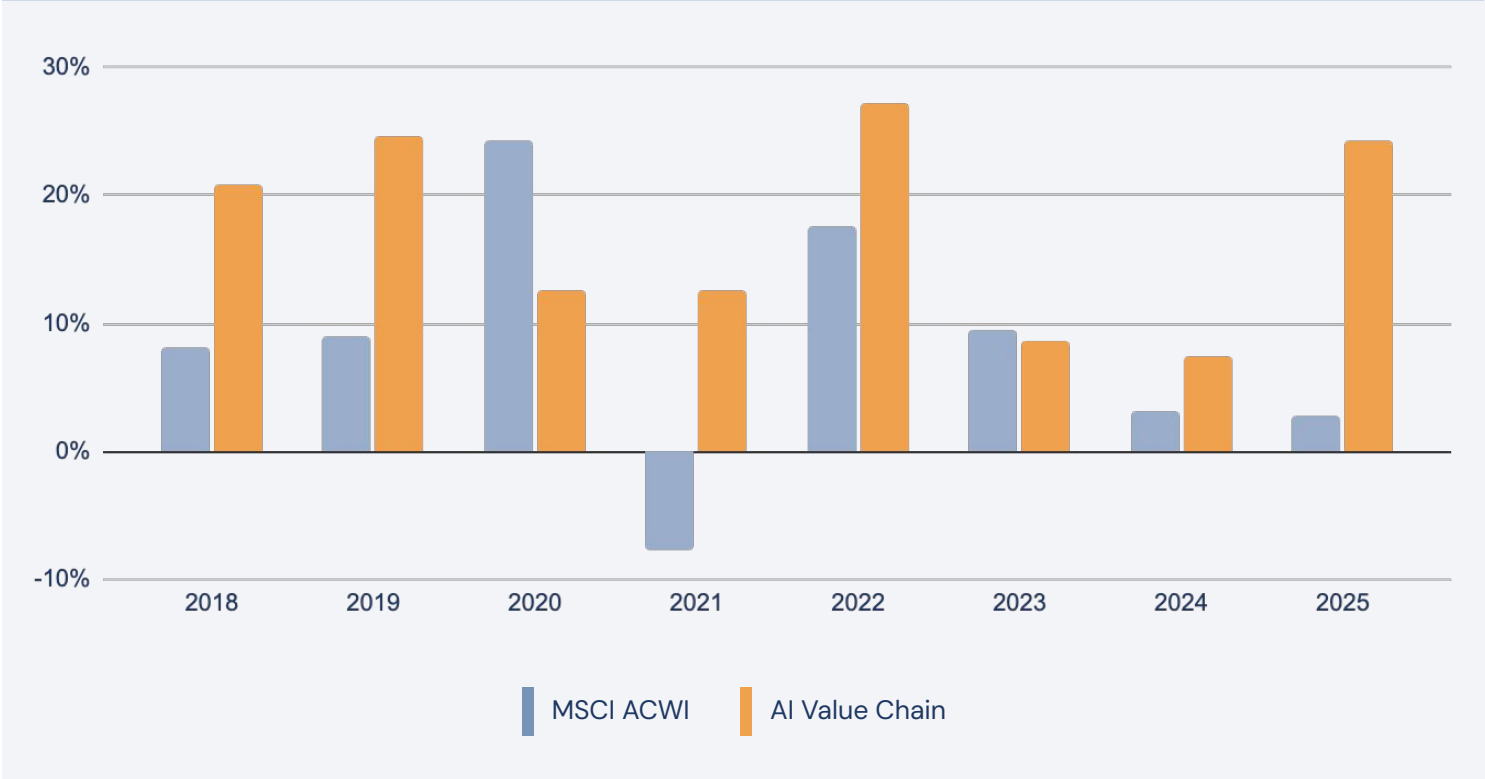


Chart 3: Year-on-year revenue growth of the companies in the MSCI ACWI and of the companies in the MSCI ACWI that are part of the AI value chain.

Source: Factset, TSG

This demonstrates a clear outperformance: **AI-linked revenues have grown more than two times faster than the revenue growth of the global benchmark.**

Beyond software: the AI value chain

When one thinks of the disappointing status of AI, one is usually referring to software applications. At The Singularity Group, we meticulously evaluate where and how any innovation has impact and creates value, not just the end-applications. As a result, a different picture emerges: The AI value chain touches many sectors and industries through compute power, data, energy infrastructure, and end-applications in software as well as in industry.



## Sector dynamics

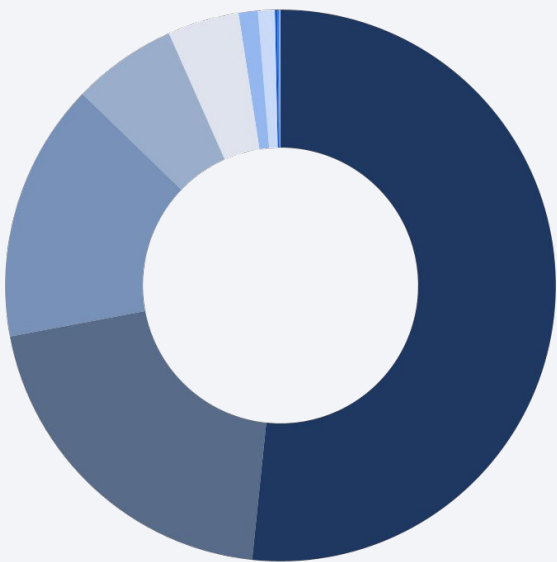
The sectors that are most impacted by the AI value chain are Information Technology (IT), as one would expect, but also Industrials, Communication Services and Consumer Discretionary.

Within IT, the key beneficiaries are cloud computing platforms (hyperscalers) as well as semiconductor companies, both benefiting from the increasing need for data center buildout. There are also some AI-enhanced software companies, such as business automation softwares, but the AI deployments in this field, as well as the monetization, remain early stage and limited for the time being.

Within Industrials, the main beneficiaries are the companies that operate in building automation, industrial heating and cooling systems manufacturing, and robotics.

AI Value Chain by GICS Sectors

Chart 4



50.99%	Information Technology
20.13%	Industrials
14.99%	Communication Services
6.06%	Consumer Discretionary
4.15%	Health Care
1.11%	Financials
0.98%	Utilities
0.14%	Materials
0.09%	Energy
0.07%	Real Estate
0.03%	Consumer Staples

**Chart 4:** GICS sector breakdown of the companies in the MSCI ACWI that are part of the AI value chain. **Source:** Factset, TSG



## Company-level dynamics

We have seen how AI drives revenue growth within the broad market index, and which sectors are most affected by the AI value chain. Let us now turn to company level dynamics, looking at two diversified companies active in different industries: Alphabet and Siemens.

**Alphabet** (SI-Score: 12) is primarily known for its Google search engine, which represents 57% of its revenues, but has only been growing at 7% a year from the end of 2021 to the beginning of this year. On the other hand, Alphabet's cloud solutions business, represented only 7% of the company's revenues at the end of 2021, but has been growing at almost triple the rate of the online marketplace business, and it now represents about 12% of Alphabet's revenues. The growth in the cloud business reflects the rising demand for AI infrastructure, which relies on scalable cloud solutions.

### Alphabet

Chart 5

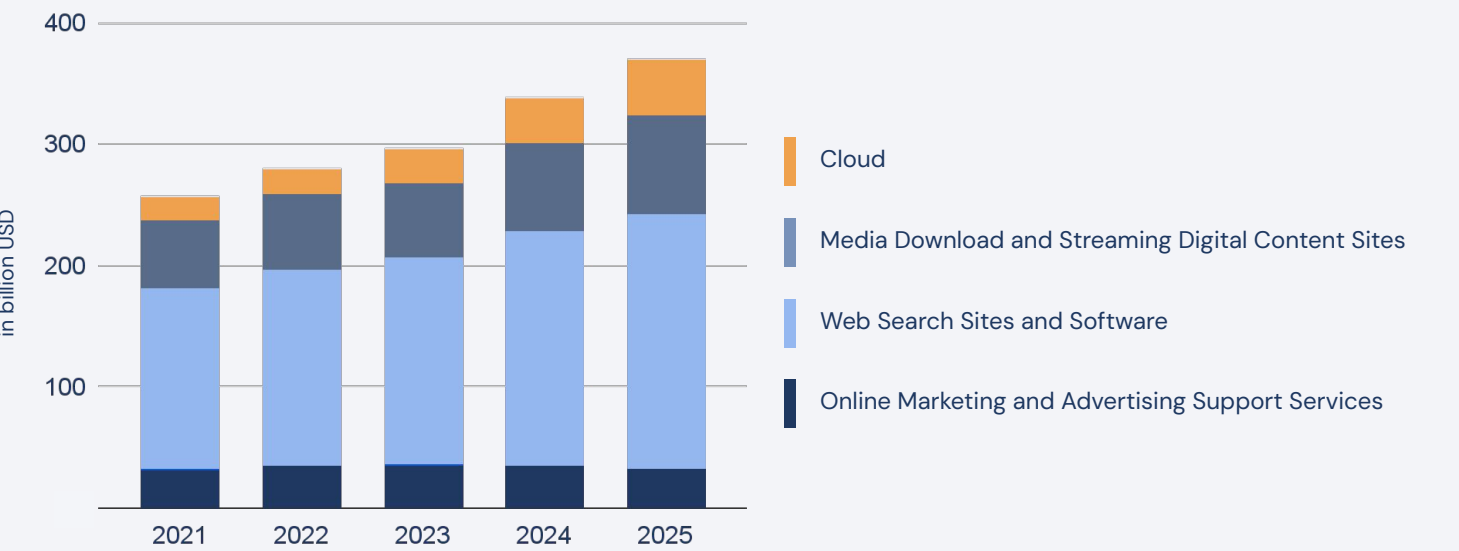


Chart 5: Alphabet’s revenues by business.

Source: Factset, TSG

**Siemens** (SI-Score: 52) is active in the industrial space, where it focuses mainly on industrial automation. Siemens integrates industry-specific AI applications across its product portfolio. Their sensing and monitoring business is both powered by and benefitting from AI. Their smart sensors embed edge AI for monitoring and predictive maintenance while Siemens' sensor technology is used in various industrial settings, including data centers, for monitoring characteristics like temperature, airflow, and for building automation.



The sensing and monitoring business has been growing at a rate of 10% between the end of 2021 and the beginning of this year, while the legacy business’ revenues grew 5% annually over the same period.

Siemens

Chart 6

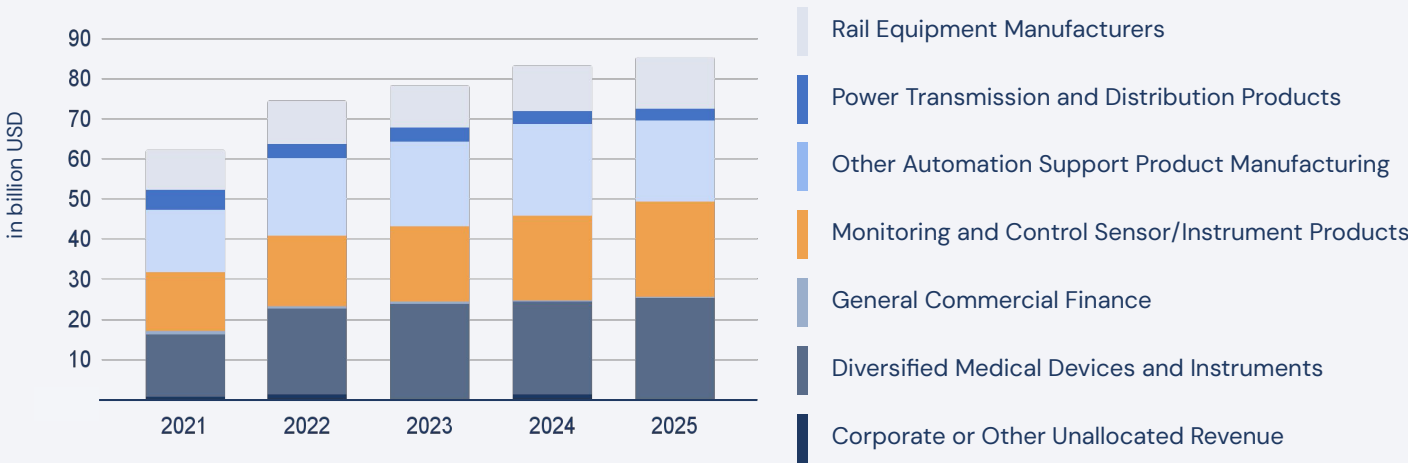


Chart 6: Siemens’ revenues by business.

Source: Factset, TSG

These two examples highlight a common pattern: **AI-linked products and services are expanding much faster than legacy businesses, showing that the AI ecosystem is not just complementary but core to corporate growth.**

Differentiating winners and commoditized players

Is AI lifting everything indiscriminately? To understand that, let’s look at a space that is benefitting considerably from the AI rollout: data centers.

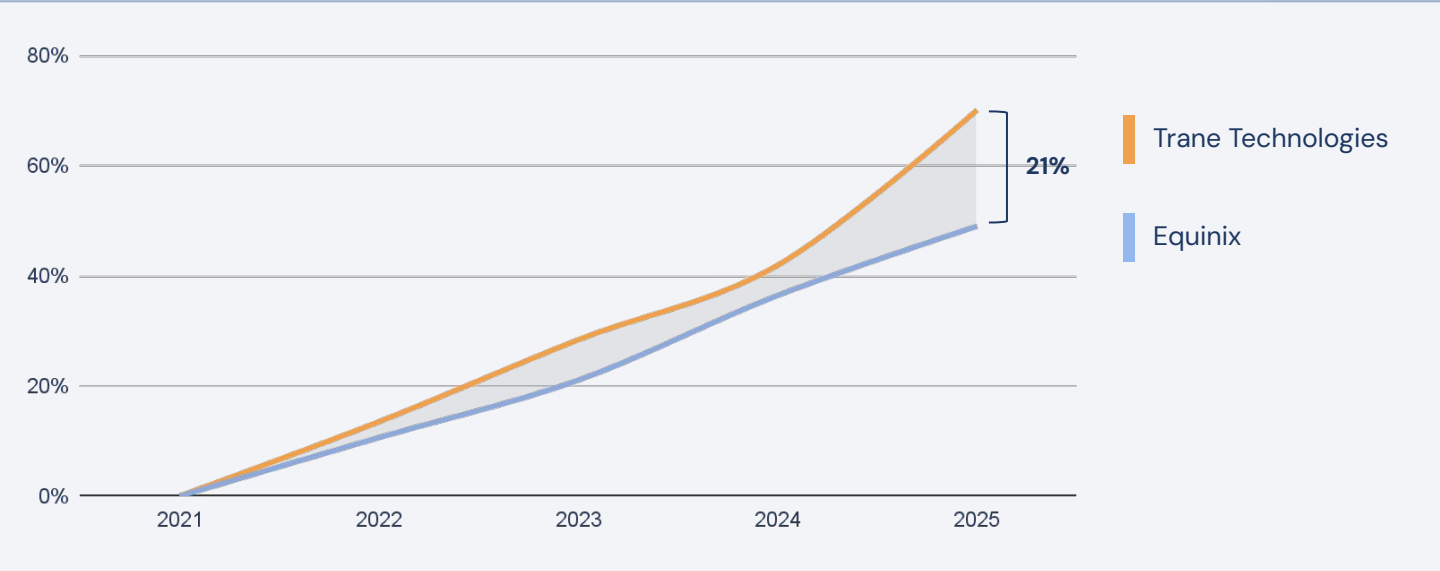
Singularity Think Tank insights suggest that, within the data center space, there are some parts that are very innovative and exciting, while others are by now commoditized. A good example of the latter are the providers of data center facilities, such as Equinix and Digital Realty Trust (SI-Score: 0 for both). In this space, there is not much innovation and differentiation among the players and margins are low. As a consequence, earnings growth is limited.



On the other hand, industrial HVAC (heating, cooling, ventilation and air conditioning) is a technology very much needed by data centers, which need cooling and have increasing power demands. In this space, industry players with superior technology, such as **Trane Technologies** (SI-Score: 100), can really capture the growth potential.

Cumulative Revenue Growth

Chart 7



**Chart 7:** Cumulative revenue growth Trane Technologies and Equinix. **Source:** Factset, TSG

If we look at the revenue growth of these two companies we can see that between the end of 2021 and the first part of this year, Equinix has been growing steadily at around 8%, while Trane Technologies delivered a revenue growth of 11%, substantially picking up lately. Within the AI value chain, we still need to differentiate between innovative and commoditized providers, in order to identify innovators with superior technology that capture outsized growth.



## Conclusion

While AI has not yet delivered the full transformation that many anticipated, its value chain is rapidly building, allowing for some applications to come to fruition, if not yet as the holy grail. The conviction of industry leaders to position themselves in this race is already reshaping revenues across sectors. Our analysis shows that firms with AI enabling technologies are capturing outsized growth, while commoditized players only see baseline gains. At The Singularity Group we experience that great investment opportunities lie in understanding where value is created along innovation value chains and timing the exposure to the innovators that are building it. This is also true for AI.





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## Important Legal Information

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