The Singularity group

Full Year Report

Singularity Strategies | 2025

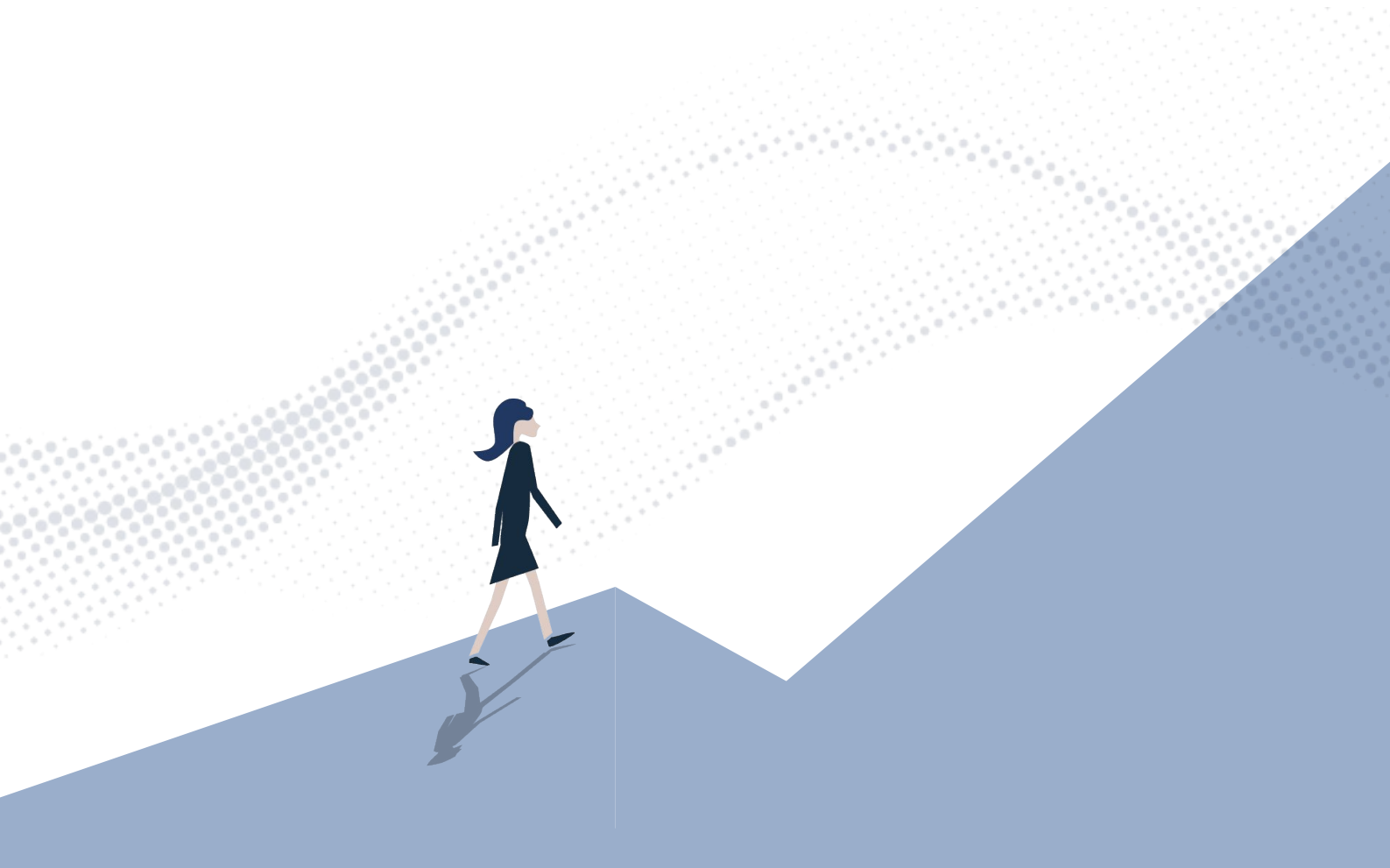
Content Overview

Market Commentary

2025 ended on a positive note for global equities, with the MSCI All Country World Index (MSCI ACWI) up +3.3% in Q4 2025 and adding to an overall strong year. The index closed the 3rd consecutive year of double digits performance with a +22.3% return.

After a rather volatile first half of the year, where geopolitical tensions weighed on equity markets, culminating in a sharp drawdown with the tariff announcement by the Trump administration, the second half saw a continued pick up in investor sentiment. Central banks remained supportive across the board, but it was clearly the relentless AI ramp-up which underpinned sustained earnings growth for key players in the value chain that drove the market higher, in spite of the - in our view unjustified - bubble narrative towards the year end.

Our current selection of Applied Innovation directly benefited from this trend. **The companies in our portfolios were able to overdeliver on revenue and earnings growth throughout the year, which translated into solid outperformance**..

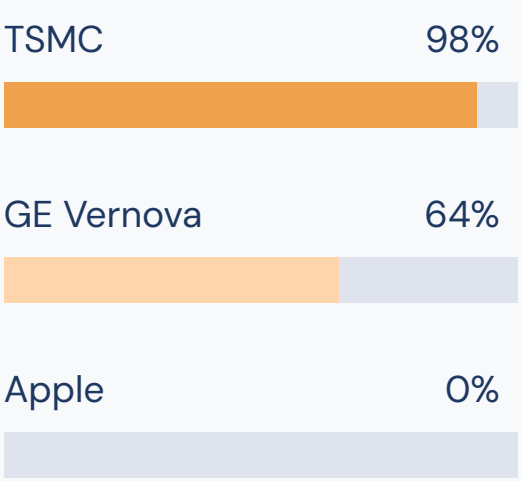


Performance Update

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



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™ was up +3.8% for the last quarter of 2025, and ended the year up +23.4%, outperforming the MSCI ACWI by +1.0%. **The fund shined within its Morningstar Global Large Cap Growth category, beating the average by +9.1% and ranking in the first quintile. It keeps ranking consistently in the first quartile over all meaningful time horizons.**

Indeed, since launch in December 2017, the strategy delivered a cumulative net return of +142.6% (+11.7% annualized), outperforming the benchmark by +15.0%.

In 2025, the portfolio's exposure to Compute Power, in particular data center chip manufacturers (TSMC: SI-Score 98) and dedicated memory players (Micron: SI-Score 82, SK Hynix: SI-Score 68) produced most of the relative gains. Our Big Data sector, home to cloud service providers (Alphabet: SI-Score 12, Broadcom: SI-Score 100) followed. Industrial automation also delivered good contributions, with Celestica (SI-Score 100) and Kion Group (SI-Score 100) among the top performers for the year.

Additionally, the portfolio gained from not being invested in non-Applied Innovation companies, such as Apple (SI-Score 0) and Tesla (SI-Score 0). On the other hand, our exposure to some AI end applications like Adobe (SI-Score 77) or Atlassian (SI-Score 100) weighed on performance, as these names were sold amid undue AI bubble fears. Despite lackluster stock performance, these companies continue to deliver well in terms of sales growth and margin expansion, and our longer term thesis, as confirmed by the conversations with our Think Tank experts, remains on accelerating monetization in 2026.

Singularity US Innovation Leaders

The Singularity US Innovation Leaders strategy was up +5.0% in the last quarter of 2025, with an outperformance of +2.6% versus its benchmark, the Nasdaq 100. **The strategy ended the year up +28.9%, outperforming the Nasdaq 100 Index by a strong +8.1%**. The portfolio's overweight to Compute Power (Nvidia: SI-Score 89 , Micron: SI-Score 82) and Big Data (Alphabet, Broadcom) names delivered strong gains, but the main source of relative outperformance was to avoid those names with a SI-Score of 0: Apple, Costco, T-mobile or Netflix.

Singularity US Equity

The Singularity US Equity strategy was up +5.8% in Q4, **ending the year with a cumulative return of +25.4%, well above the +17.4% return of the S&P500.** The strategy benefited from the same core drivers of performance, albeit with greater diversification. Among the top contributors were also the obesity drug manufacturer Eli Lilly (now exited) and the power equipment maker GE Vernova (SI-Score 64), whose gas turbine business is critical in powering data centers. Relative detractors were business automation software companies such as Salesforce (SI-Score 33) and ServiceNow (SI-Score 100).

Please find our Partner Product "LUKB Smart Farming" here.

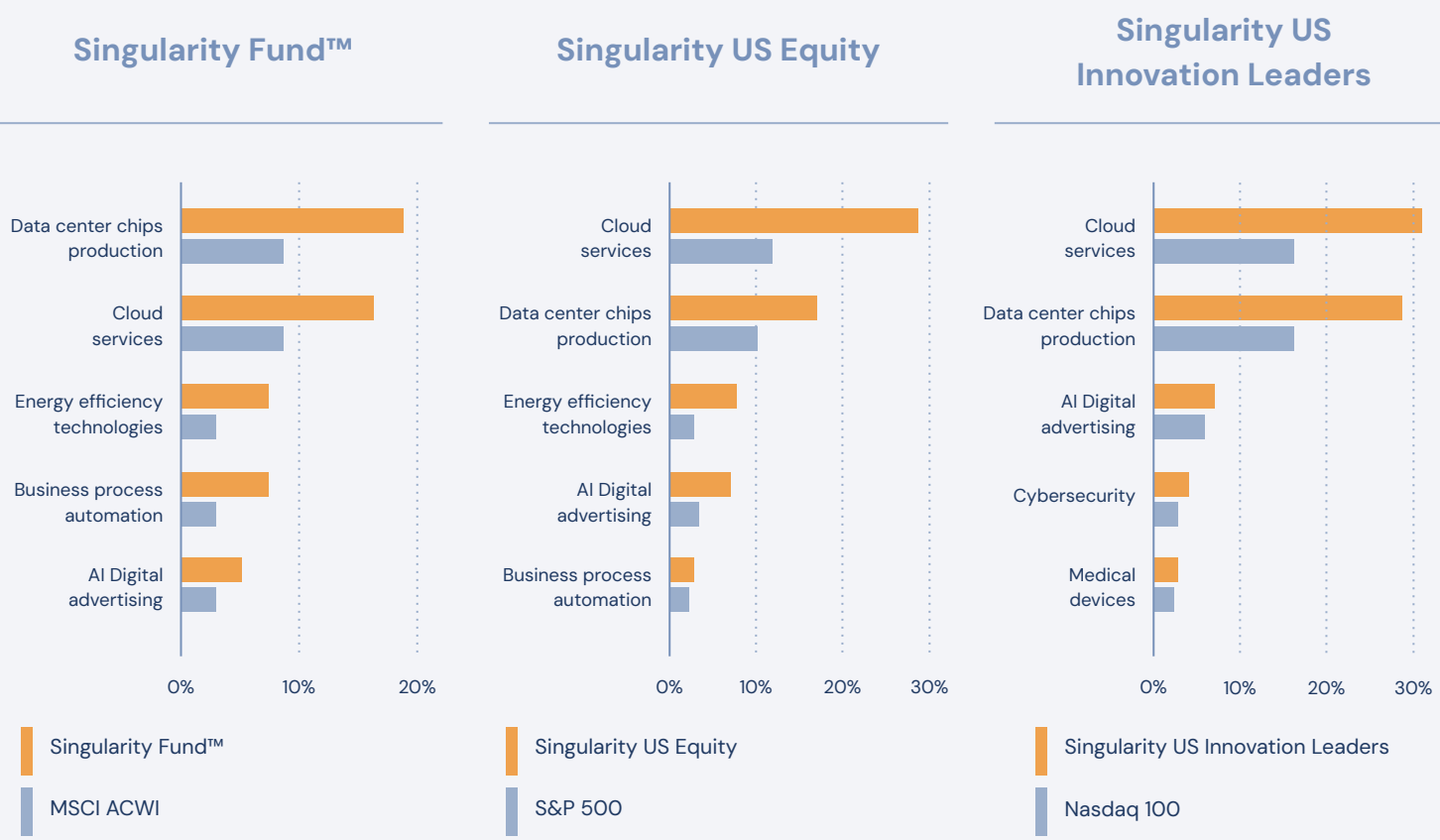
2026: Innovations at the Forefront

Our investment approach and portfolio construction process strive to find innovation across different sectors and regions, without specific preference or focus. Our portfolios reflect true, value-generating innovations and are immune to hype.

After the most recent Rebalancing in November 2025 and going into 2026, let's have a look at the main innovations across our portfolios. The following charts show the top 5 innovations in the Singularity Fund, the Singularity US Equity strategy, and in the Singularity US Innovation Leaders strategy.

Top 5 Innovations in the Three Singularity Portfolios

Chart 1, 2 & 3



Source: TSG

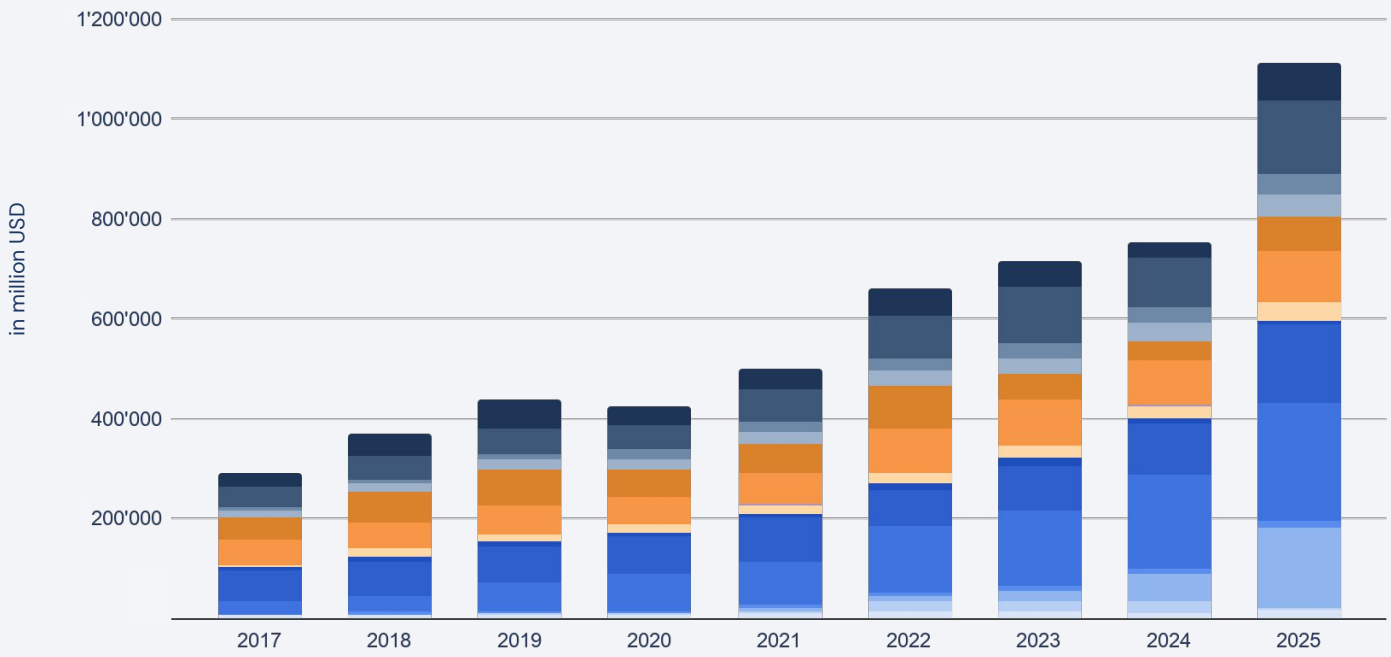
We see that the top innovations currently cluster around three main areas: cloud and compute power, energy efficiency, and AI end applications. **In this report, we dive into key underlying drivers for these innovation areas, and what to expect for each going into 2026.**

Compute Power and Cloud Services

Cloud infrastructure exposure in the Singularity Strategies has been increasing over time. First, driven by the overarching progress in digitalization, and more recently through a pick-up in cloud and data center demand spurred by the AI revolution.

High Demand for Cloud Infrastructure (Cumulative Revenue Growth)

Chart 4



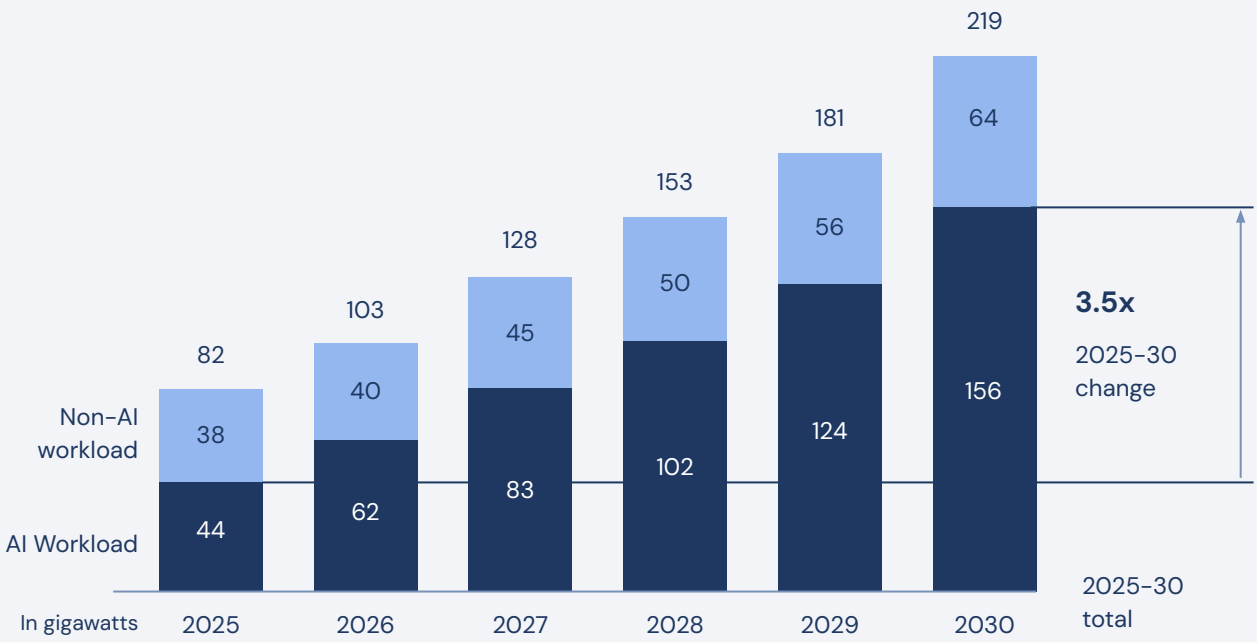
The chart includes the revenues of products and services that The Singularity Group has identified as connected to cloud computing and its value chain, such as hosting services, data storage, and semiconductor manufacturers.

Source: TSG

The demand for cloud infrastructure as well as for related chips continues to be high going into 2026. According to our Singularity Think Tank experts, the market for data centers and cloud services remains concentrated among few top players, the only ones that have the ability to continue investing in the infrastructure to remain top-tier providers. This market has a natural moat given the enormous capital investments that are needed to operate at scale, and as such, **the players in this space tend to be price-makers more than price takers.**

McKinsey Estimates that Data Center Capacity Demand is About to Triple (2025-2030)

Chart 5



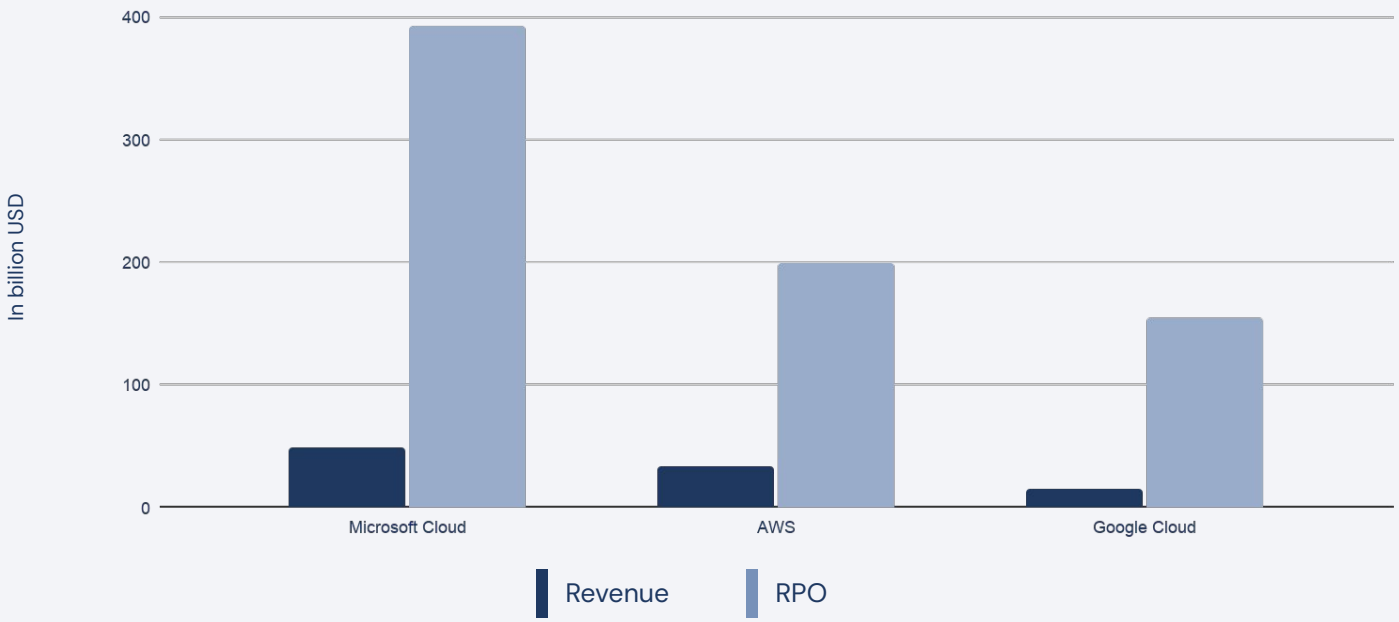
Source: McKinsey

The chart above was published by McKinsey in April 2025 and shows the estimated global data center capacity demand until 2030, split by AI and non-AI workload. Other research entities (including Gartner and Grand View Research) also see total data center capacity demand nearly tripling over the next five years, with the large majority of growth coming from AI workloads.

We observe that the companies offering cloud services have substantial backlogs in their cloud business. The following chart shows the most recent quarterly revenues of the cloud segment versus the outstanding cloud backlog of the three main hyperscalers, Microsoft, Amazon, and Alphabet, as of September 2025:

Enormous Upcoming Demand for Cloud Services - Hyperscalers with Huge Backlogs

Chart 6



Quarterly revenues and remaining performance obligations for three hyperscalers.

Source: Microsoft, Amazon.com, Alphabet

All three have backlogs that are between 6x and 10x their revenues, confirming the huge upcoming demand for cloud services.

Our experts confirm order backlogs as a driver for continuing investments into the cloud space, as companies need to adapt their capacities. Similarly, despite the efficiency gains, we expect the demand for dedicated compute and related semiconductors to remain elevated.

While these statistics and estimates are widely known in the market, we have observed a general tendency to discount them as excessively optimistic, particularly when paired with the current status of some AI end applications. **Our perspective is different, as expert observations point in the direction of increasing demand for cloud services as well as greater investments into real, value-adding, AI end-applications.**

1.https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-cost-of-compute-a-7-trillion-dollar-race-to-scale-data-centers
2.https://www.goldmansachs.com/insights/articles/cloud-revenues-poised-to-reach-2-trillion-by-2030-amid-ai-rollout
3.https://www.grandviewresearch.com/industry-analysis/cloud-computing-industry

AI Applications

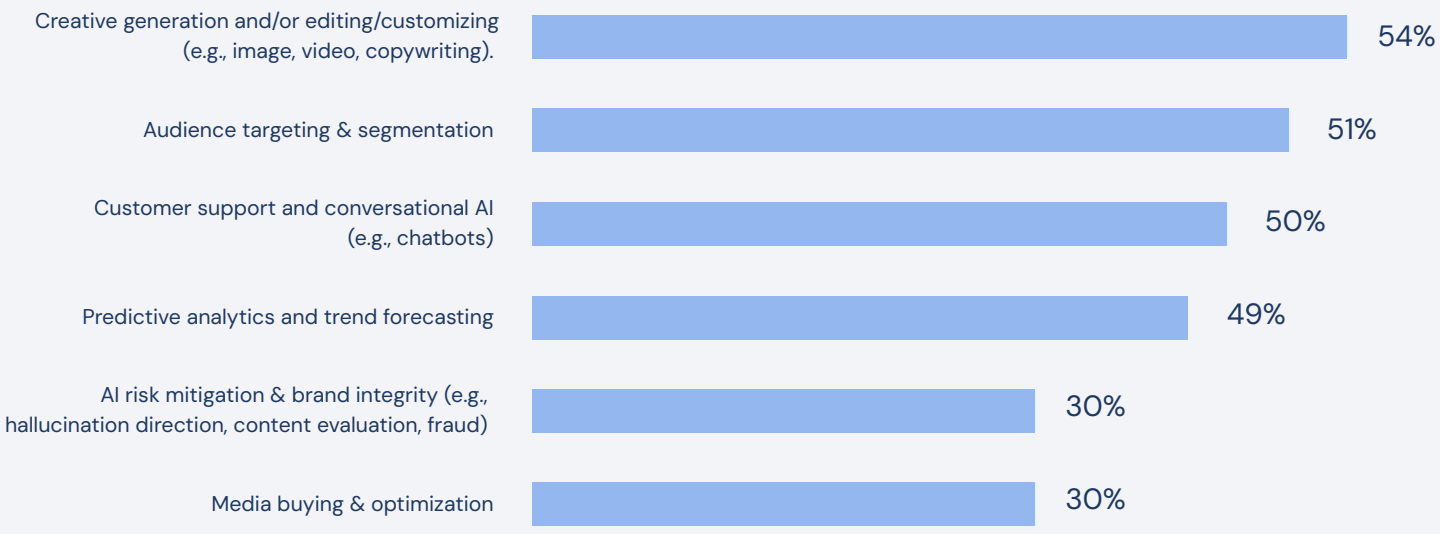
Within AI end-applications, AI in advertising has been used for a while, mainly for data analytics and audience targeting. Recent Think Tank discussions point to a relevant **pickup in ROIs from the usage of GenAI for ad generation and placement.** While some areas of GenAI for ad generation are still in their infancy (a clear example of this is the Coca Cola 2025 holidays-are-coming ad, which showed significant errors in the content generated and faced a lot of backlash online), most creative agencies are now integrating AI into their creative process, for instance for rapid prototyping and testing: also in the realm of holiday advertisements, t**he Boots 2025 holiday ad made use of AI early in the creative process, while relying on humans for producing the video.**

According to a survey of 125 advertising industry executives in the U.S. conducted by the Interactive Advertising Bureau (IAB) and published in August 2025, the majority of the interviewed organizations have adopted AI in at least some part of the ad generation process. 54% of the organizations are using AI in the creative process as well as for editing or customizing, and 58% expect to increase AI usage in this space in the next 12 months. The value of AI for creative generation and editing is also confirmed by our experts: **companies use AI to generate marketing assets such as product descriptions and product videos.**

IAB Survey Results on AI Adoption in Advertisement and Marketing

Chart 7.1

How is your organization currently using AI in advertising and marketing efforts?



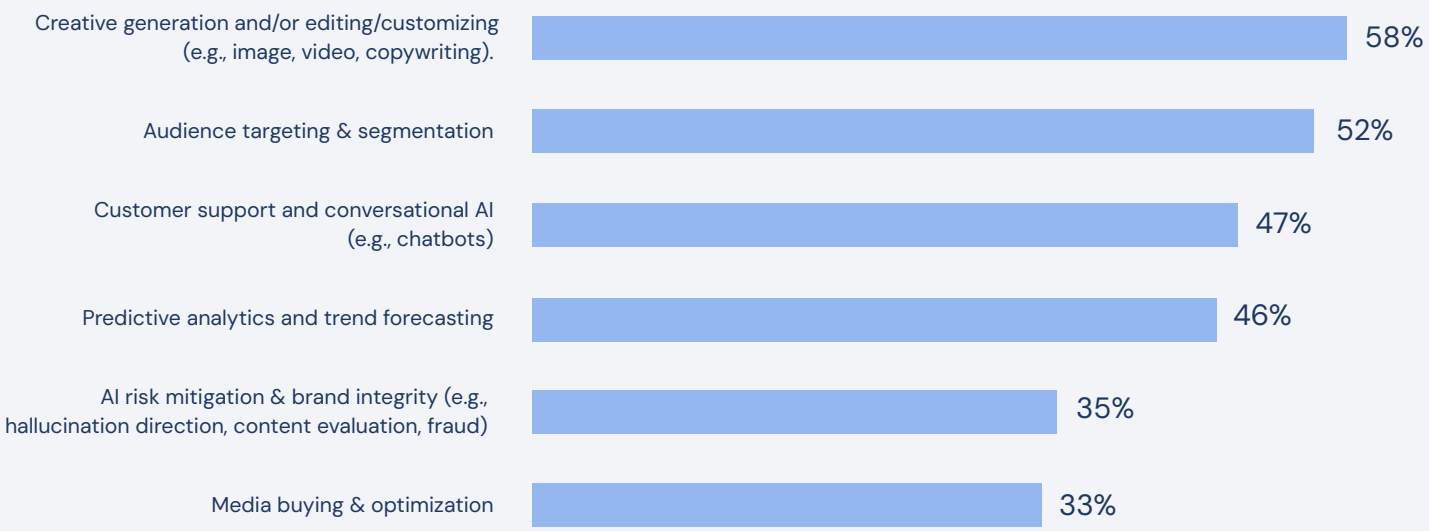
Source: IAB

4. https://creative.salon/articles/features/boots-christmas-puss-in-boots-gift-happily-ever-after
5. https://www.iab.com/insights/ai-adoption-is-surging-in-advertising-but-is-the-industry-prepared-for-responsible-ai/

IAB Survey Results on AI Adoption in Advertisement and Marketing

Chart 7.2

What areas do you expect to increase AI usage in the next 12 months?



Source: IAB

Another key application of AI in advertising is the hyper personalisation of ad content, leveraging on personal data such as shopping habits and prior purchases: rather than a generic ad, every user is shown a version of the ad that better reflects their context and preferences, improving engagement and conversion. According to our experts, hyper personalisation of ads as well as audience targeting is a space where companies show growing interest to increase conversion rate while realizing substantial efficiency gains.

More broadly, within the business process automation space, the corporate world is transitioning from inflated expectations of AI to practical ROI-generating applications, with organizations prioritizing safe bets (like coding assistants and administrative task automation) over experimental investments.

The lack of full integration of AI in advertising and related industries is leading skeptics to conclude the technology has failed on its promise. The contrary is true: key to the success of any innovation is its application in businesses. High penetration rates of AI use across the ads/creative industries have already significantly improved effects and reach to various application areas in a short amount of time, allowing for even faster speed of further progress.

6.https://www.inbeat.co/articles/generative-ai-in-advertising/

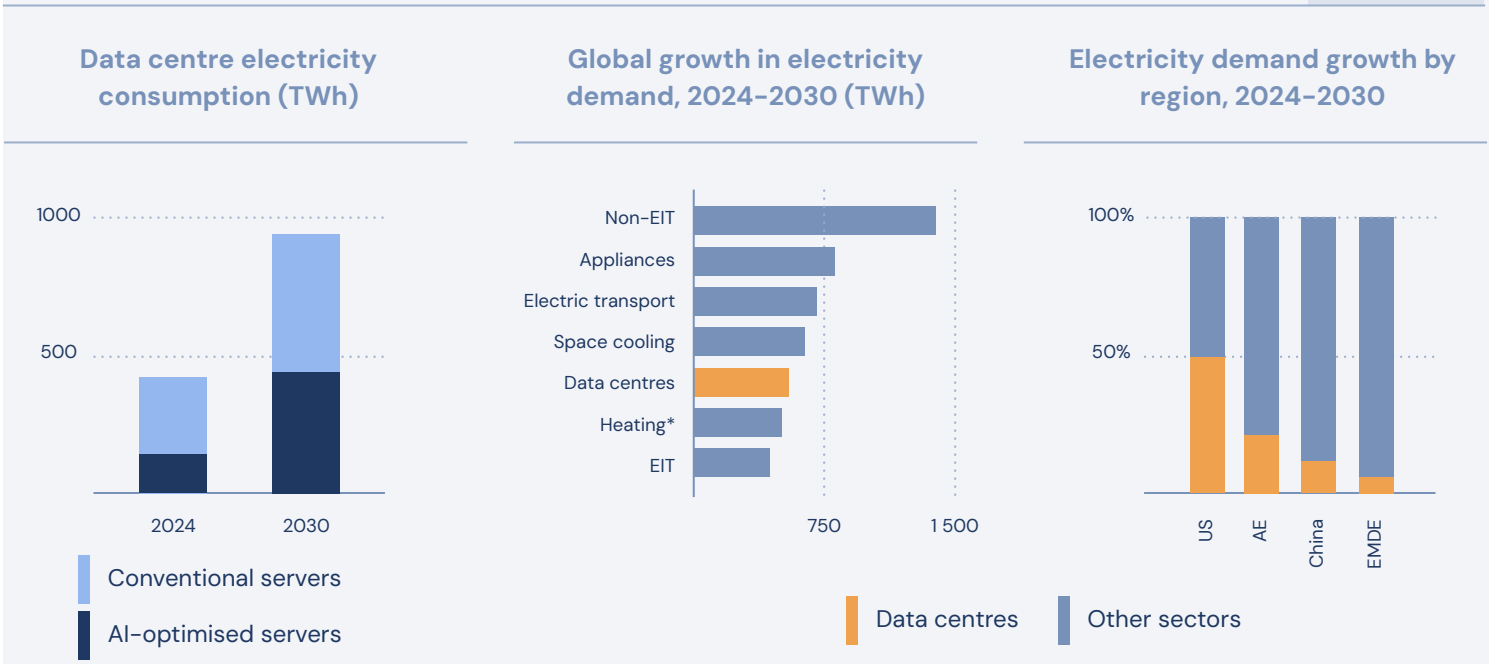
Energy Efficiency

A significant portion of our portfolios focuses on energy efficiency and power generation. While the AI ramp-up commands reliable and flexible power sources, heightened power needs had already been projected for the broader economy, coupled with ever increasing demands on electricity generation and distribution, begging for practical solutions.

According to the International Energy Agency's 2025 World Energy Outlook, the largest increase in global electricity consumption for the period 2024-2030 is not caused solely by the computing power needs of AI, which is set to remain below 10% of the total increase in energy consumption, but mainly by appliances, electric vehicles, and heating/cooling of living spaces. The growth of data center - related consumption is also not uniformly distributed: the US is the biggest market for data centers and, in the period 2024-2030, their energy consumption is expected to increase by 50%, mostly concentrated in areas with existing data center infrastructure and large urban areas. Such concentration is likely to strain the existing grid infrastructure that requires accelerated modernization meanwhile.

IEA Estimates on Electricity Consumption in Data Centers by Server Type and Global and Regional Electricity Demand (2024-2030)

Chart 8



*Space and water heating in buildings.

Source: IEA

Note: **TWh** = terawatt-hour; **AI** = Artificial Intelligence; **EIT** = energy-intensive industry; **US** = United States; **AE** = advanced economies; **EMDE** = emerging market and developing economies.

These trends are largely reflected in our current portfolio positioning: **efficient HVAC (heating, ventilation, and cooling) systems, together with smart grid management systems, essential to increase the renewable share in the power mix, and with energy production through advanced gas turbines, represent some of the most impactful and necessary innovation clusters of our time. Companies leading these markets make up significant exposure across the Singularity portfolios, in particular in the Singularity Fund.**

These industrial innovations continue to support a growing economy with strong productivity gains, while improving the associated energy consumption via efficiency improvements. Beyond 2026 we closely monitor further advancements in the field, for instance from lower-power edge AI and more decarbonized power base-load with next generation nuclear reactors.

Overall, our top portfolio positioning paints a picture of real growth driven by Applied Innovations from multiple sectors coming together: from chips to cloud infrastructure to applications of Artificial Intelligence in different fields, and through the energy needs to power a modern, more efficient and productive world. This is Applied Innovation for us, at the beginning of 2026.

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