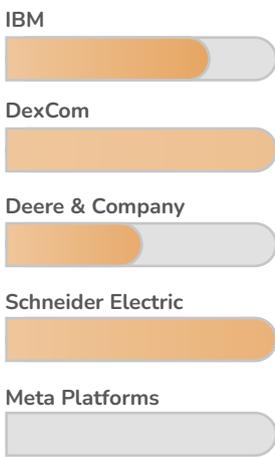


### MARKET COMMENTARY

Global equity markets closed 2022 with the largest correction since the Global Financial Crisis in 2008, making it the 4th worst year in the past 50 years. Among the main driving factors were fast rising inflation, monetary policy responses, increasing risk of a global recession, Russia's ongoing war in Ukraine, surging energy prices, and China's COVID-19 policy. The fear of impending earnings downgrades at a time of historically high profit margins weighed additionally on prices. Higher interest rates also took their toll on so-called "growth" companies after their strong rally of the past few years. Although undesirable and far-reaching, this share price correction has the merit of laying the foundations for a return to fundamentals in the years to come.

### Singularity Score



The Singularity Score represents the percentage of a company's revenues associated with innovation. It reflects a company's ability to create innovation revenues vs base/commoditized business and cash flows, and its ability to participate in technological evolution. Changes in the Singularity Score are just as important as the absolute score. A company's Singularity Score relative to its overall GICS sector Singularity Score can say a lot about the company's competitive standing and ability to gain and maintain market share. Regional Singularity Scores can be used to evaluate a market's innovation power, as well as gauge companies' standings in different regions. Some mentioned companies have a zero score, reflecting the most recent evaluation after the semi-annual rebalancing in May and November.

### INNOVATION EQUITIES IN CONTEXT

Against this backdrop, the Singularity Index (see below) finished 2022 with a gross return of -33.0%, whereas the MSCI All Country World Index (MSCI ACWI) returned -18.0% and the Nasdaq 100 Index was down -32.4%. This decline notwithstanding, the Singularity Index experienced a strong fourth quarter post rebalancing (+8.6%) against the Nasdaq 100 Index (-0.0%), primarily from our exposure in Robotics (e.g., AgriTech, factory automation, diagnostic medical devices), Big Data (e.g., cloud computing, payment networks), and Compute Power (e.g., logic semiconductors) and our lower exposure to some structurally challenged mega cap tech companies as anticipated by the respective Singularity Scores.

The best performing Singularity Sectors of 2022 were Bioinformatics (-20.5%), New Energy (-22.3%) and Big Data (-24.8%), while Blockchain (-71.3%), Artificial Intelligence (-43.8%), and Extended Reality (-38.2%) were the laggards. These results mirror the Energy, Industrials and Healthcare sectors holding up better than Information Technology and Communication Services sectors.

At the stock level, the top three contributors were IBM (Singularity Score: 75), Oracle (Singularity Score: 93), and Visa (Singularity Score: 100), all of which are in our Big Data sector. The largest detractors were Nvidia (Singularity Score: 98) and TSMC (Singularity Score: 97) within our Compute Power sector, as well as former Artificial Intelligence member Meta Platforms (Singularity Score: 0), which was divested in the last rebalancing. Both Nvidia and TSMC remain leaders in the most advanced semiconductors' design and manufacturing respectively, which are instrumental to Cloud and AI/ML expansion, as touted by our Think Tank experts.



December 21 2022 marked the 5th anniversary of the Singularity Index. Since inception, the strategy has delivered a compelling gross return of +44.1% (+7.6% p.a.) vs the MSCI ACWI's return of +33.0% (+5.8% p.a.).

The main contributing sectors were Big Data (+13.5%), Internet of Things (+12.6%), and New Energy (+6.9%). All Singularity Sectors contributed positively to the Index's performance, with the exception of the now defunct Space sector (-4.3%) and the recently added Compute Power sector (-2.6%).

Over the years, our innovation-centric approach offered investors exposure to companies generating superior revenue growth and resilient earnings from innovative technologies. Many of these applied innovations are experiencing an accelerating pace of demand (e.g., cloud computing), while some have reached the stage of commoditization (e.g., EVs), and still others are in the early days of revenue growth (e.g., farming robots). Our Singularity Scores regularly adjust for the evolution of where shareholder value is created in innovation timelines.

Among the top past and current performing companies in our portfolio are Tesla, the EV pioneer (+900%, Singularity Score: 0) held from launch through early 2022, AMD (+495%, Singularity Score: 57) a leading advanced semiconductor provider, and Dexcom (+280%, Singularity Score: 100), a manufacturer of continuous glucose monitoring devices for diabetes patients.

Figure 1

### Singularity Index Performance Since Inception



NTR: Net Total Return | Source: TSG, FactSet

### 5 YEARS SINGULARITY INDEX - INNOVATION DELIVERS A DIVERSIFIED STREAM OF RETURNS

Entering into its 6th year of existence, the Singularity Index has experienced a variety of market conditions since launch, making this a unique opportunity to reflect on the benefits a global innovation-led portfolio offers to investors.

Innovation is the primary driver of long-term revenue and earnings growth and consequently drives stock performance over the long run. While this core principle is rooted in the experience of many seasoned investors as well as academic



research, the market is also subject to short term cycles and investor sentiment, be it more or less rational. This market sentiment may create a discrepancy between a company's true value and its stock price. While such inefficiencies may offer interesting short-term opportunities for the savvy investor, it is difficult to time accurately.

The Singularity Index offers a portfolio that is broadly diversified across domains of technology and applied innovations. Figure 2 provides a ranking of the annual performance of each of the Singularity Sectors, i.e., technological families of applied innovations, over each of the past 5 calendar years.

The main element that stands out is the high variability of this ranking year after year. This is one of the primary justifications for a broad, global, and integrated approach to value creation from innovation, offering a welcome diversification to investors that will reap the long-term benefits of innovative companies while limiting the inherent volatility as much as possible.

Looking more closely, we see that groups of sectors have very different ranking patterns. More "established" innovation sectors, such as Robotics, Advanced Materials, and New Energy tend to move few positions up or down each year, while younger, and arguably more disruptive areas such as Bioinformatics, Extended Reality, and Blockchain see much larger fluctuations, but also often rank among the best performing sectors.

Chasing maximum short term return potential would have led us to solely focus our efforts on identifying the latter group. Indeed, the Blockchain sector, which accounts for less than 1% of the index, would have returned 4x what the Singularity Index delivered in the first three years of its existence (+317% vs +77%) - only to offset that gain in the following two years. Conversely, our Robotics sector has gradually gained in weight to become the 3rd largest sector in the Index, while also moving up in the ranking.

With its unique [expert led investment approach](#), based on tangible company revenues, the Singularity Index can more easily mitigate the exuberance of technological hype. Throughout market cycles, our strategy remains focused on true value creation from applied innovation to deliver superior returns over the long term.

Figure 2:

## Singularity Sector Performance Ranked Annually

Broad Innovation allows for diversification of return streams

	2018	2019	2020	2021	2022
#1	Bioinformatics	Extended Reality	New Energy	Extended Reality	Compute Power
#2	Blockchain	Blockchain	Blockchain	Internet of Things	Bioinformatics
#3	Neuroscience	Internet of Things	Internet of Things	Bioinformatics	New Energy
#4	3D Printing	Big Data	Extended Reality	Artificial Intelligence	Big Data
#5	Big Data	New Energy	Advanced Materials	New Energy	Robotics
#6	Artificial Intelligence	Artificial Intelligence	Robotics	Space	Advanced Materials
#7	New Energy	Space	Big Data	Advanced Materials	Internet of Things
#8	Internet of Things	Robotics	Artificial Intelligence	3D Printing	Extended Reality
#9	Extended Reality	3D Printing	Bioinformatics	Robotics	Artificial Intelligence
#10	Space	Bioinformatics	3D Printing	Big Data	Blockchain
#11	Robotics	Advanced Materials	Neuroscience	Neuroscience	
#12	Advanced Materials	Neuroscience	Space	Blockchain	

Sector composition subject to reevaluations over time

Source: TSG, FactSet





**We work closely with the Singularity Think Tank, a network of industry practitioners and academics with deep insights into innovation value chains. Their input forms the foundation of our proprietary innovation scoring system.**

## ABOUT THE SINGULARITY GROUP AND THE SINGULARITY INDEX

*The Singularity Group (TSG) makes applied innovation investable in listed equities. We are the initiator of the Singularity Index™ (Bloomberg ticker: NQ2045), a global, all-sector benchmark and gold standard for applied innovation. The Singularity Strategies include The Singularity Fund (UCITS Lux) and the Singularity Small&Mid (UBS AMC). We work closely with the Singularity Think Tank, a network of industry practitioners and academics with deep insights into innovation value chains. Their input forms the foundation of our proprietary innovation scoring system that quantifies the engagement of companies within a set of curated Singularity Sectors worldwide across all market capitalizations and industries. The Singularity Score defines how much value listed companies are generating through applied innovation. For more information, please visit [www.singularity-group.com](http://www.singularity-group.com).*

## IMPORTANT LEGAL INFORMATION

THE SINGULARITY FUND (the "Fund") is a sub-fund (compartment) of the investment company with variable capital MULTIFLEX SICAV, which has been incorporated under Luxembourg law and which has been approved by the CSSF as a UCITS-fund pursuant to Directive 2009/65/EC. GAM (Luxembourg) S.A., 25, Grand-Rue, L-1661 Luxembourg, is the Management Company of the Fund. The Fund is currently only authorized for offering in Luxembourg, Switzerland, Germany, Austria, the Netherlands and Spain. This material is therefore intended solely for the use by persons who are nationals of, resident in or domiciled in jurisdictions where distribution, publication, making available or use of this material is not prohibited. The information in this document does not constitute investment, legal, tax or other advice and should not be relied upon as the sole basis for investment decisions.

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