

Seeking Singularity



November 2018



The
Singularity
group



UPCOMING EVENTS

NEXT January 25, 2019, Panel and Lunch @ Baur au Lac Zurich, 11.30am

Expert Access: Space - Launching Into 2019

Featuring the Following Executives: Collin Lee, General Dynamics; Rainer Horn, SpaceTec Partners ; Kyle Acierno, ispace

Sign up: events@singularity-group.com

NEW March 28, 2019, Lunch @ Baur au Lac Zurich, 12pm

Expert Access: Virtual & Augmented Reality - Brave New Worlds

Featuring: Lukas Schleuniger, Founder of Red or Blue Labs

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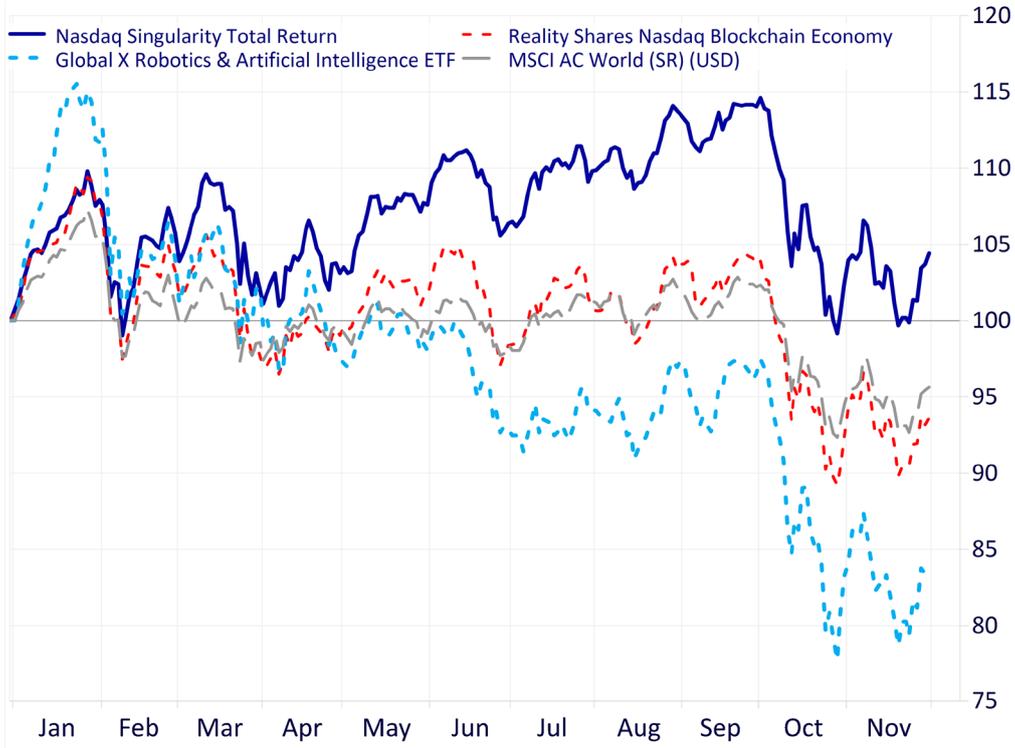
SINGULARITY PERFORMANCE

Monthly Nasdaq Singularity Index NSI (NQ2045) vs. benchmarks: Over the month of November, equity markets remained volatile after the October market correction. In particular, technology related sectors struggled to find a foothold. **Performance of the NSI vs benchmarks and peers stood out positively at +1.85%** vs -1.06% for MSCI AC World, +0.34% for the Nasdaq Composite, and +1.30% for the MSCI World Index. **The Singularity Fund (+1.96%)** slightly outperformed the NSI in the rebound following the correction.

Year to date, the NSI is up 4.40%, continuing to outperform the benchmark MSCI AC World (-4.32%). The Singularity Fund is proving relatively defensive vs peers.

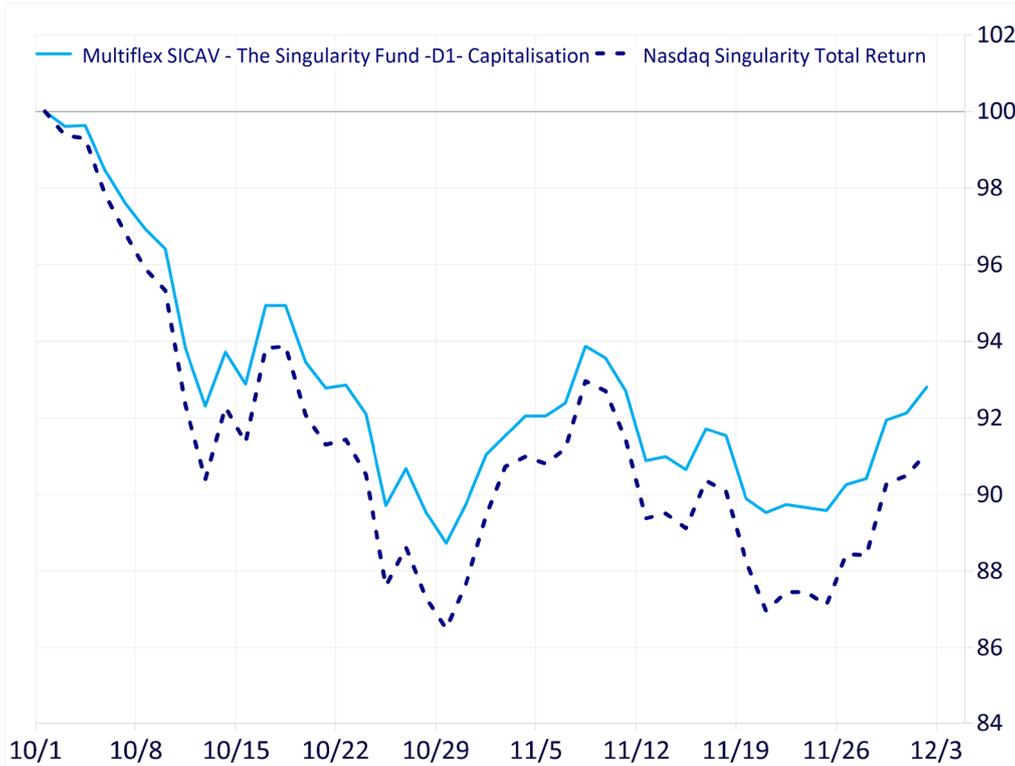


Performance Year to Date as of November 30 2018



Source: FactSet

Performance Since Launch Singularity Fund as of November 30 2018



Source: FactSet



SINGULARITY SECTORS

Top Sector Performers: **Bioinformatics** (+6.08%) and **New Energy** (+5.04%) were the two top performing sectors in the NSI. In Bioinformatics, it was **Agilent Technologies (A; +11.67%)**, originally a spin-off from *Hewlett Packard*, that has built expertise in cell research and analysis tools as well as semiconductor manufacturing. For New Energy, **Xinjiang Goldwind Science & Technology (2208; +33.52%)**, a Chinese wind turbine manufacturer and wind park developer, posted strong growth expectations as China continues to implement its renewable energy standards.

The weakest sector was repeat offender **Virtual and Augmented Reality** (-14.11%) – extending losses since the correction started in October related primarily to Software and Semiconductor companies' negative market outlook

SINGULARITY STOCKS

Top performing single stock was also Goldwind. Goldwind has been a negative performer in the NSI since May 2018, and has recently been able to re-embark on a growth path in turbine sales and installations. Growth outside Asia had been weaker than expected by the company. The focus back on Asia and Africa has stabilized returns lately.

Bombardier (BBD; -35.30%) was the worst performer in the NSI portfolio for November. The train and plane maker had enjoyed a rapid recovery in the last two years and in November failed to meet continued high growth expectations by analysts in the plane sector. In light of its positioning in the Space sector, Bombardier could mitigate some of the lower growth areas with higher exposure to Space and Defense.

SINGULARITY OUTLOOK

Equity investors seem hesitant to see the correction in October as an entry opportunity. Scepticism in our view is still justified in technology equities, particularly in areas such as Biotech and Software as well as the FANG stocks that had enjoyed valuation premiums for quite some time. In our view, this premium is largely due to lack of investor knowledge in terms of where to find value creation from innovation and new technologies. **The rebalancing effects in November (discussed below) show there is increasing innovation reaching conventional sectors outside Technology.** The winners in those areas are likely to be the ones concerning themselves with innovation earlier rather than later.

Areas where investors seem more willing to dip their toes now are Emerging Markets. A rotation to Emerging Markets to escape Developed Market valuations can be tricky though. The focus in our view should also there be on companies that are allowing new technologies to become an integral part of the business model. **Particularly in Artificial Intelligence**, but also in Neuroscience, New Energy and Space, Emerging Markets companies are increasing their foothold and revenue share.



Towards the end of 2018, we expect continued hesitance as political uncertainty weighs on markets. **Investors with a longer-term view can use this hesitance to build exposure in areas currently overlooked by the market.** Early-stage value creation linked to exponential innovation is showing up in less expected areas. In our view, these are the gems of the future.

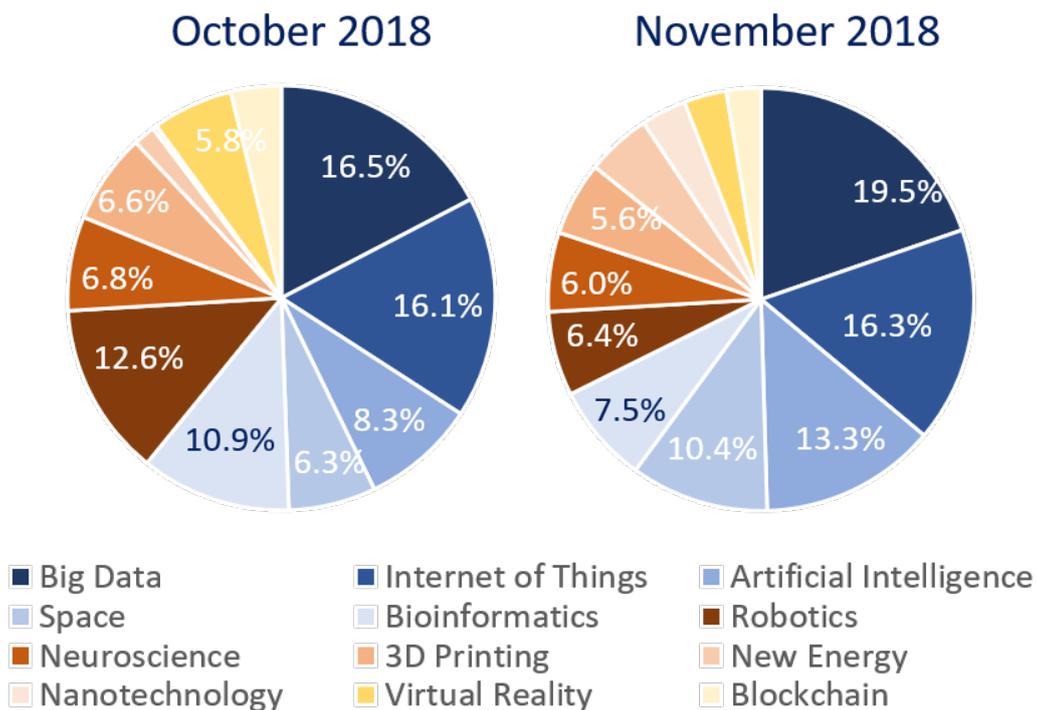
REBALANCING EFFECTS IN NOVEMBER 2018

Every month, Seeking Singularity will dive into one of the Singularity Sectors to highlight some of the exciting developments and companies making waves in that space. **This month, this section is dedicated to rebalancing effects in the NSI portfolio.**

Singularity Sectors

Big Data and Internet of Things remain the larger areas of exposure within the NSI. Robotics, which used to be the third largest, is now in sixth position with Artificial Intelligence and Space as well as Bioinformatics ahead of it. This shift is in our view less due to less activity in Robotics, but more so a result of **other sectors increasingly showing up on our radar in terms of true value creation, leaving the capex and R&D stage and generating revenues now.**

Rebalancing Effects: Singularity Sector Exposure

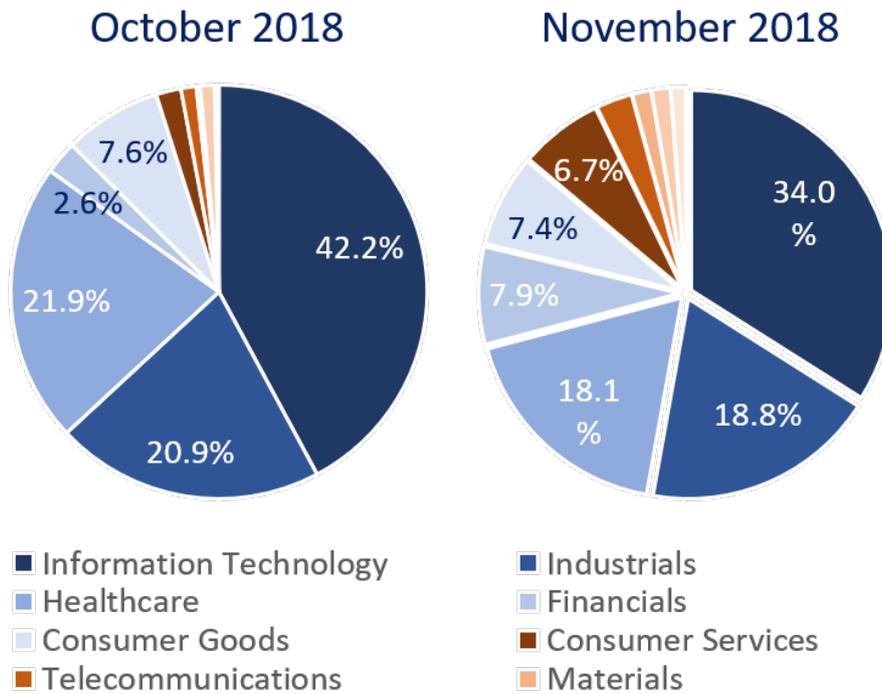




Conventional Sectors

The most relevant change in conventional sector exposure is obviously the **shift from above 40% Technology to now 34%**, in line with our expectation that companies outside the technology space are increasingly allowing new technologies to become part of their business models. Note that Financials and Consumer Services as well as Telecommunications sectors were only marginally represented only six months ago. While companies in Insurance and Banking are moving forward primarily in Big Data and Artificial Intelligence, Telecom companies show higher activity related to Internet of Things.

Rebalancing Effects: Conventional Sector Exposure

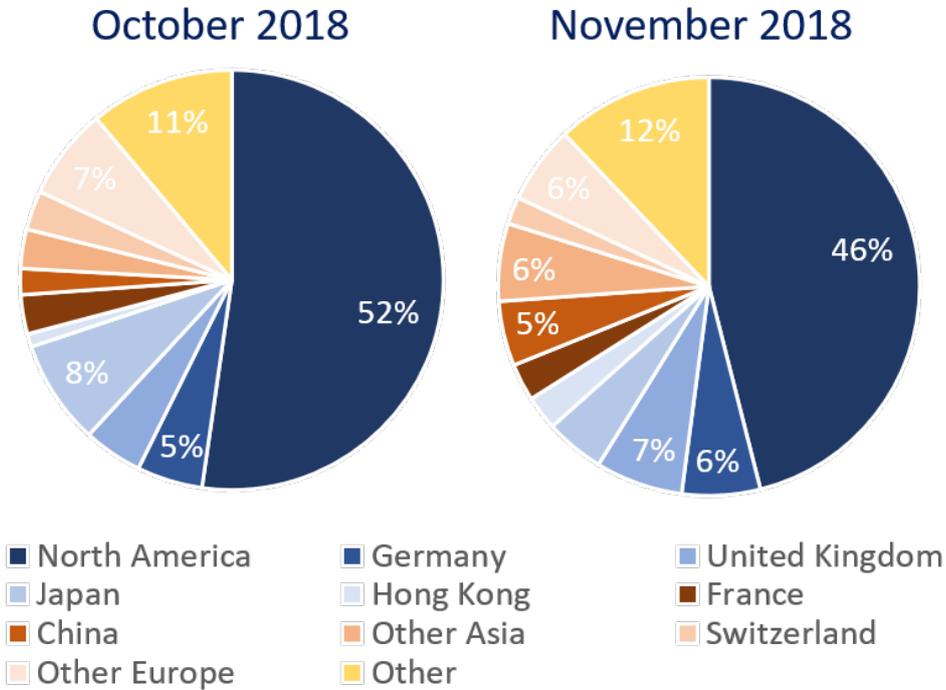


Country Exposure

Country exposure of the NSI still remains strong in North America. Having said that, **areas such as Hong Kong, China as well as the UK mark higher growth while North America is showing some declines**. This is not to say that overall growth from innovation is negative in North America, but more so that other areas are starting to grow at a faster pace from lower bases.

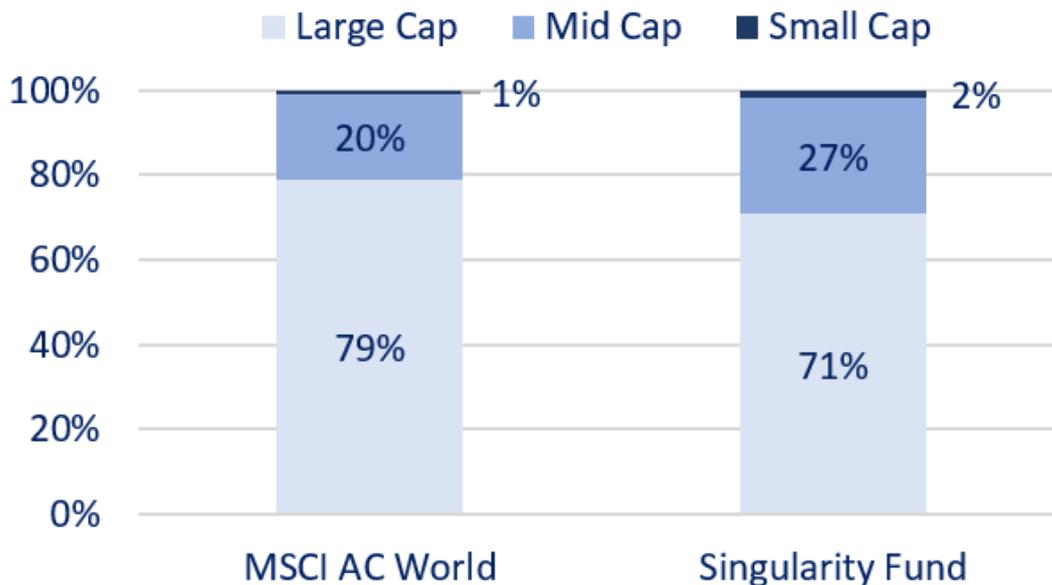


Rebalancing Effects: Country Exposure



Market Cap Exposure

NSI market cap composition has shifted towards more mid- and large-cap companies since previous rebalancing, still showing bigger exposure to small cap companies than the benchmark MSCI AC World. This also is in-line with our expectations that **not only new small pure-play companies would be active in these exponential technologies, but that well-known larger companies are gaining traction in Singularity Sectors.**





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