

Qblue Global Sustainable Leaders Fund

Q3 2022 Commentary

Fund Manager



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Investment Objective

The investment objective of the Fund is to provide long-term capital growth, investing globally in companies that the Fund's Sub-Investment Manager believes contribute positively to social and environmental factors.

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Opinions expressed whether in general or in both on the performance of individual investments and in a wider economic context represent the views of the contributor at the time of preparation.

The **Qblue Global Sustainable Leaders Fund** (the "Fund") is a sub-fund of Heptagon Fund ICAV which is an open-ended umbrella type investment vehicle authorised pursuant to UCITS regulations. Heptagon Capital Limited ("Heptagon") is the Investment Manager and Qblue Balanced A/S ("Qblue") is the Sub-Investment Manager, meaning that Qblue exercises discretionary investment authority over the Fund. The Fund was launched on 12th January 2022 and had an AUM of \$327m as of 30th of September 2022. During Q3 2022, the Fund (C share class) returned -8.60% compared to -6.19% for the benchmark the MSCI World NR USD. Since launch until 30th of September 2022, the Fund has returned -26.58% versus -25.04% for the benchmark.

In the first half of Q3 2022, equity market volatility dropped back to the 20 percent range from very elevated levels in the first half of 2022 despite the continued high inflation numbers in the US as well as in Europe, making it clear that the Fed and ECB are behind the curve. In July, the Fed delivered another 75bps interest rate hike, while the ECB raised rates by 50bps, which was more than what was expected in June. The market sentiment seemed to lean even more towards the recession scenario and a less dramatic increase in official interest rates, even though this was not in line with central bank rhetoric. Furthermore, reported company earnings in July continued to show strength and exceed forecasted estimates. Amid this background, the global equity markets rallied and recovered their losses from June.

In mid-August, the equity markets again turned negative. This was on the back of continued inflation worries and rising Treasury yields combined with Jerome Powell's message at Jackson Hole which stressed that the Fed will keep rates higher for longer in its efforts to fight inflation. In September, the Fed hiked rates by another 75bps, followed by the ECB with 75bps to tame the continued high inflation. The third quarter overall ended on a very negative note.

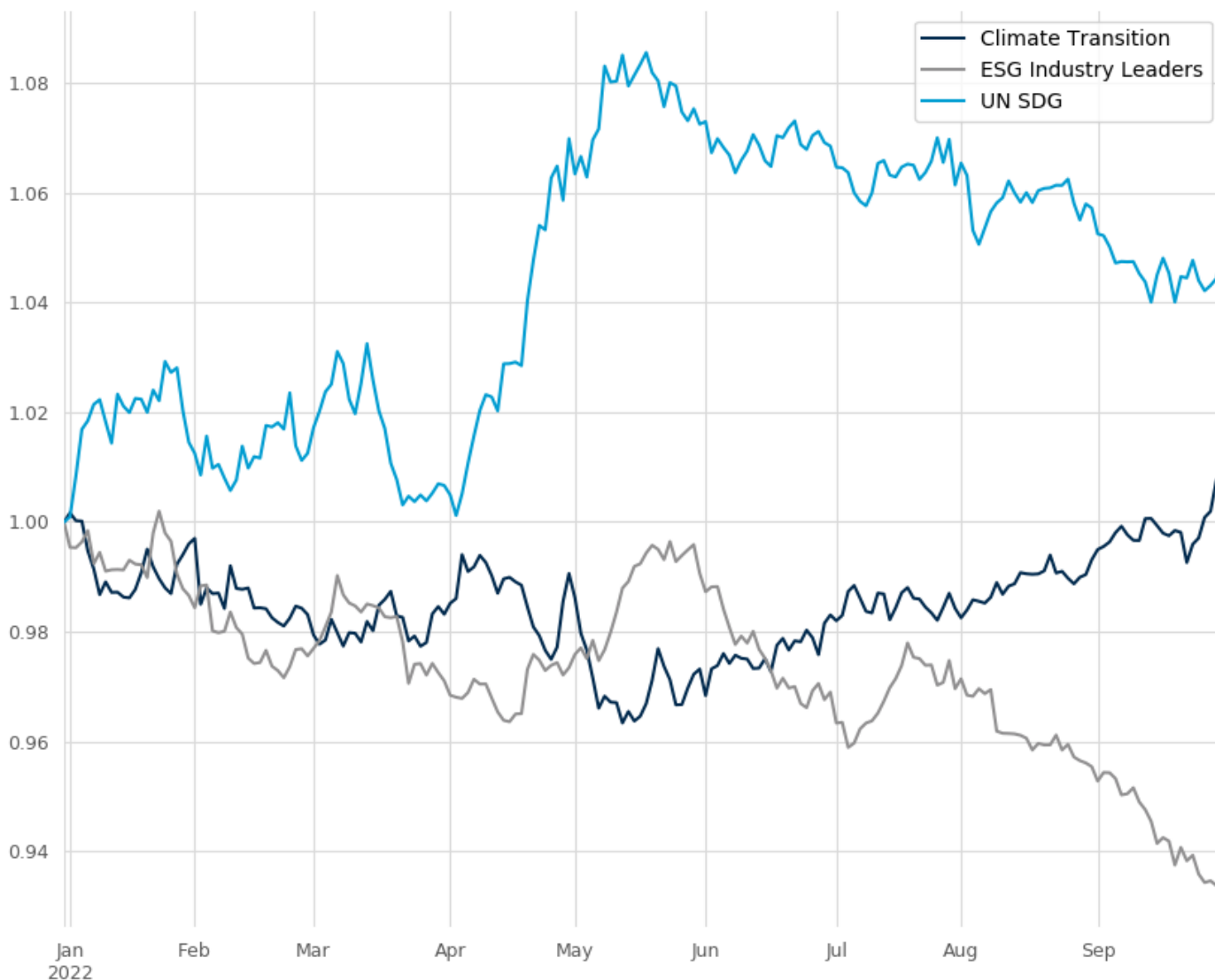
During Q3 2022, ten out of eleven sectors in the MSCI World Index were down, the only exception being Consumer Discretionary which was marginally up while Communication Services and Information Technology were the worst performers. The Fund outperformed the benchmark in six out of eleven sectors, with

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Industrials and Consumer Staples being the strongest and Information Technology and Consumer Discretionary being the weakest. By geography, Europe outperformed the benchmark while Asia and North America underperformed.

The elevated energy and commodity prices, as well as the war in Ukraine has created quite a strong headwind for sustainable investments (including the Qblue Global Sustainable Leaders Fund) this year. This can mostly be explained by the underlying performance of the three sustainability dimensions. In the figure below you can see how a portfolio based on only one of the dimensions of the Sustainability Cube™ would have performed year-to-date relative to the benchmark. During Q3 2022, Climate Transition showed strong performance and is now positive for the year, while ESG Industry Leaders continued its downtrend. The UN SDG, the strongest dimension year-to-date, gave back some previous gains during the quarter. This development once again confirms our belief that a multidimensional approach to sustainability is necessary to create more robustness in the portfolio.

Excess Return over MSCI World of Sustainability Cube Dimension Portfolios (01/01/2022 - 30/09/2022)



Source: Qblue Balanced A/S
Excess Returns over MSCI World (in USD gross of fees)

Methodology: QGSL Portfolio Construction with same parameters as the live portfolio but using individual dimension as the sustainability factor. Portfolios are rebalanced monthly.

In conclusion, we believe that the portfolio has behaved as could be expected given the volatile market environment and continue to feel confident that we can deliver on our expectations over the business cycle.

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Stock Contribution

Top 3 Stocks	Average weight in Portfolio %	Portfolio's Stock Return %	Portfolio's Stock Contribution %
First Solar	0.72	94.14	0.57
Texas Instruments Inc	1.38	8.21	0.21
Trane Technologies Plc	1.21	11.98	0.21

Bottom 3 Stocks	Average weight in Portfolio %	Portfolio's Stock Return %	Portfolio's Stock Contribution %
NVIDIA Corp	4.74	-19.90	-0.96
Intel Corp	1.52	-19.27	-0.91
Advanced Micro Devices Inc	3.14	-17.14	-0.87

Source: Heptagon Capital, Morningstar.

Sector Attribution

	Portfolio Avg Wgt (%)	Benchmark Avg Wgt (%)	Portfolio Sector Cont (%)	Benchmark Sector Cont (%)	Portfolio's Attribution Effect		
					GICS Sector Allocation (%)	Selection (%)	Active Return (%)
Communication Services	5.82	7.35	-0.62	-0.99	0.10	0.13	0.22
Consumer Discretionary	7.59	11.04	-0.79	0.02	-0.20	-0.71	-0.92
Consumer Staples	6.80	7.66	-0.27	-0.52	-0.01	0.17	0.16
Energy	2.56	5.05	-0.53	-0.06	-0.13	-0.47	-0.60
Financials	14.44	13.39	-1.10	-0.81	-0.02	-0.24	-0.25
Health Care	16.65	13.62	-0.96	-0.94	-0.04	0.15	0.11
Industrials	10.61	10.00	-0.23	-0.57	0.02	0.22	0.24
Information Technology	26.29	21.63	-3.19	-1.32	-0.10	-1.33	-1.43
Materials	3.81	4.19	-0.47	-0.33	-0.01	-0.21	-0.22
Real Estate	2.86	2.89	-0.34	-0.34	-0.01	0.02	0.01
Utilities	2.45	3.18	-0.20	-0.26	0.03	0.04	0.07
Cash	0.12	0.00	0.00	0.00	0.01	0.00	0.01

Source: Heptagon Capital, Morningstar.

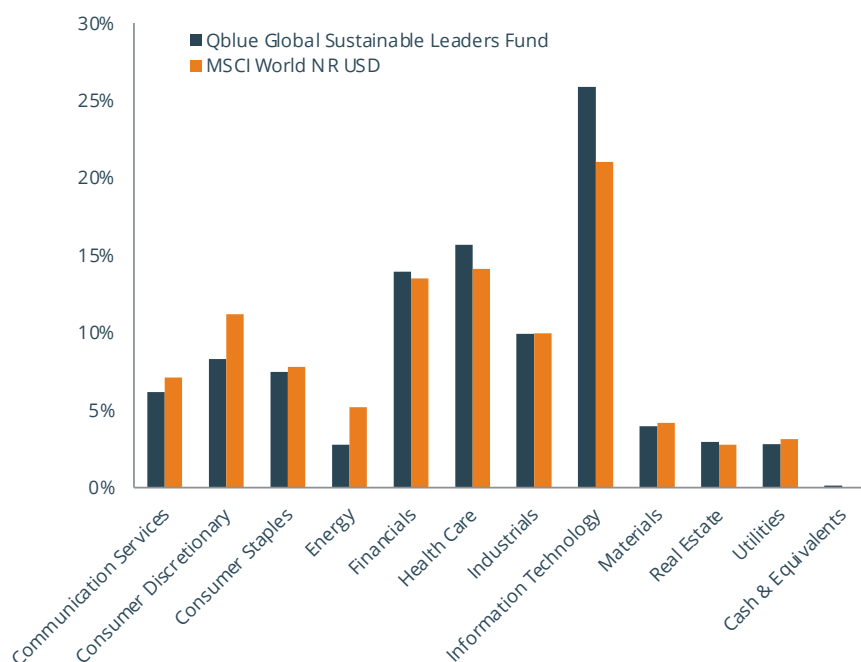
Region Attribution

Morningstar Super Region	Portfolio Avg Wgt (%)	Benchmark Avg Wgt (%)	Portfolio Region Cont (%)	Benchmark Region Cont (%)	Portfolio's Attribution Effect		
					Region Allocation (%)	Selection (%)	Active Return (%)
Americas	72.62	72.44	-6.01	-3.48	0.00	-2.38	-2.38
Asia/Pacific	8.59	9.63	-1.07	-0.80	0.02	-0.37	-0.34
Europe	18.66	17.91	-1.64	-1.84	-0.05	0.17	0.12
Cash	0.12	0.00	0.00	0.00	0.01	0.00	0.01

Source: Heptagon Capital, Morningstar.

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Portfolio Sector Weights



Source: Heptagon Capital, Morningstar.

Top 10 Holdings by Issuer

Top 10 Holdings by Issuer	% of Portfolio
Gilead Sciences Inc	4.95%
Automatic Data Processing, Inc	4.95%
Adobe Systems Inc	4.37%
Intel Corp	3.46%
The Toronto-Dominion Bank	3.36%
TELUS Corporation	3.31%
Nvidia Corp	3.25%
Advanced Micro Devices Inc	2.94%
National Bank of Canada	2.48%
Edwards Lifesciences Corp	2.41%
Total of Top 10 Holdings	35.48%

Portfolio Activity

Bought

Name	Country Code	Industry (GICS 3)
Intl. Flavors & Fragrances	US	Chemicals
SGS	CH	Professional Services
Sumitomo Mitsui	JP	Banks
Metcash	AU	Food & Drug Retailing
Azbil Corp	JP	Electronic Equipment & Instruments

Sold

Name	Country Code	Industry (GICS 3)
KPN	NL	Diversified Telecommunication Services
Sun Life Financial Inc.	CA	Insurance
Lam Research	US	Semiconductors & Semiconductor Equipment
Shionogi	JP	Pharmaceuticals
Fujitsu	JP	IT Consulting & Services

Source: Qblue Balanced A/S.

Sincerely,
Heptagon Capital and Qblue Balanced A/S

The views expressed represent the opinions of Qblue Balanced A/S as of 30th September 2022, are not intended as a forecast or guarantee of future results, and are subject to change without notice

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Total Returns as of 30th September 2022, net of fees

	Q3	July	August	September	Since *Inception
Qblue Global Sustainable Leaders Return	-8.60%	8.03%	-5.77%	-10.22%	-26.58%
MSCI World NR USD Return	-6.19%	7.94%	-4.18%	-9.30%	-25.04%

Source: Morningstar, Bloomberg. *Since inception date 12th January 2022.

All figures shown are net of fees for the C USD share class.

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I Risk Warnings

The Fund is subject to special risk considerations including geographic concentration risk, portfolio concentration risk and operational risk. The investment return and principal value of an investment will fluctuate so that the investor's shares, when redeemed, may be worth more or less than their original cost. Any investor should consider the investment objectives, risks and charges and expenses of the fund carefully before investing. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment.

I SFDR

The Fund has been classified as an Article 9 for the purposes of the EU's SFDR. The Fund has sustainable investment as its objective alongside financial return. The Fund invests primarily in assets classified as sustainable investments as defined under the SFDR. Please see [Prospectus](#) for further information on the Fund's sustainable objective and relevant sustainability risks and principal adverse impacts which may impact the Fund's performance.

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For all definitions of the financial terms used within this document, please refer to the glossary on our website: <https://www.heptagon-capital.com/glossary>

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