Yacktman U.S. Equity Fund

Q3 2023 Commentary

Fund Manager

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Investment Objective

The Fund aims to achieve capital growth by investing predominantly in a concentrated portfolio of U.S. Equities.

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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 **Heptagon Yacktman US Equity 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 Yacktman Asset Management LP ("Yacktman") is the Sub-Investment Manager meaning Yacktman exercises discretionary investment authority over the Fund. The Fund was launched on 14th December 2010 and had AUM of 633m USD as of 30th September 2023. During Q3 2023, the Fund (I USD share class) outperformed its benchmark, returning -1.8% compared to -3.3% for the Russell 1000 Value NR USD Index.

Energy was the best-performing sector in the quarter, with rising oil prices and the demand/supply imbalance. We have a significant position in the energy sector, which has seen some short-term price volatility because of demand concerns amidst recessionary fears. While this sector is viewed through a cyclical lens, there have been a number of major changes seen recently, including stronger balance sheets, reduced investment, and increased shareholder returns. Combined with attractive valuations and our view of a medium-term supply/demand imbalance, we have maintained our recent overweight positioning in the sector despite weakening consumer spending. One example is Canadian Natural Resources (CNQ). As an oil sands producer, CNQ benefits from "manufacturing" oil from a known reserve base with no decline. This translates into reduced capital intensity and an enviable track record (consistent dividend increases for 20+ years), even during difficult periods.

Some of the largest positions in the portfolio (e.g., Bolloré, Samsung) detracted from performance for the quarter but remain high-conviction investments in the Fund. We added a position in Kenvue through the spin-out from Johnson & Johnson. Kenvue represents a robust collection of consumer brands with quality management and strong free cash flow generation.

We remain optimistic about the outlook for the Yacktman U.S. Equity Fund. In this rising rate environment, companies with high leverage face new challenges. Overall market valuations are historically very high, which we think will cause lower returns over longer periods, even though there has been significant upside momentum this year. We believe the portfolio is well-positioned to generate strong risk-adjusted returns over time.

Sincerely,
Heptagon Capital and Yacktman Asset Management

The views expressed represent the opinions of the Yacktman Asset Management L.P., as of 30th September 2023, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Past performance is no guide to future performance, and the value of investments and income from them can fall as well as rise

Annualized Total Returns As of 30th September 2023

	Q3 23	YTD	1-Year	3-Year	5-Year	10-Year
Yacktman US Equity Fund (UCITS)*	-1.8%	2.1%	12.6%	10.2%	8.4%	8.3%
Russell 1000 Value NR USD	-3.3%	1.3%	13.6%	10.3%	5.5%	7.7%

** Class I Shares*
Source: Morningstar

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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.

SFDR

The Fund takes sustainability risks into account within the investment process, and this is disclosed in accordance with Article 6 requirements of the Sustainable Finance Disclosure Regulation ('SFDR') in the Fund's Prospectus. However, the Fund does not have as its objective sustainable investment and does not promote environmental or social characteristics for the purposes of the SFDR. Sustainability risks may occur in a manner that is not anticipated by the Sub-Investment Manager, there may be a sudden, material negative impact on the value of an investment and hence the returns of the Fund. As a result of the assessment of the impact of sustainability risks on the returns of the Fund, the Sub-Investment Manager aims to identified that the Fund may be exposed to sustainability risks and will aim to mitigate those risks.

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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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