

Qblue Global Sustainable Leaders Fund

Q4 2023 Commentary

Portfolio Management



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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 \$558M as of 31st of December 2023. During Q4 2023, the Fund (C share class) returned 12.21% compared to 11.42% for the benchmark, the MSCI World Index. In 2023, the Fund (C share class) was up 18.37% compared to 23.79% for the MSCI World Index.

Q4 started on a positive note with stronger than expected US Nonfarm Payrolls (NFP) demonstrating the continued strength of the US labour market. However, a strong US economy might eventually force the Fed to maintain higher interest rates for longer, with the possibility of additional hikes. Moving into the Q3 earnings season, interest rates started to rise, putting pressure on equity markets, despite most companies reporting strong numbers.

November 2023 proved to be a strong month for global equity markets. The month kicked off with a FOMC meeting where the Fed decided to keep interest rates unchanged. This was followed by a weaker-than-expected Nonfarm Payrolls (NFP). Subsequently, in the following week, both regular and core CPI numbers from the US were weaker than expected. These developments significantly decreased the probability of an interest rate hike in December. The perception that interest rates have peaked and an expectation of future rate cuts, bolstered equities, in particular small caps and other more rate sensitive parts of the market.

At the December 2023 FOMC meeting, the Fed as expected, decided to keep interest rates unchanged. At the same time the Fed's statements indicated three quarter-point cuts in 2024 which marked a Fed pivot, i.e. the Fed is expected to transition from tight to loosening monetary policy sometime in 2024. The continued decline in inflation supported the rally in equities that had begun during the holiday season. As was the case in November, the rally was more broadly driven by riskier parts of the market.

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

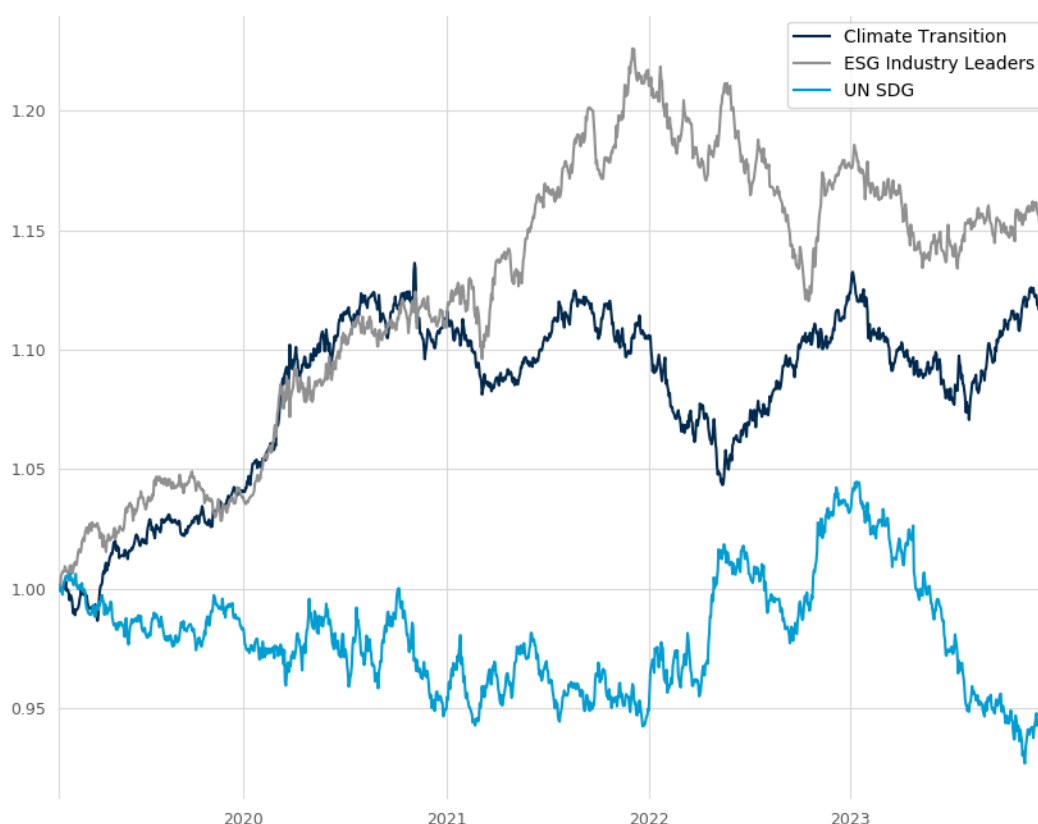
Q4 marked the continued outperformance of 2023's market leaders, the "Magnificent 7", whilst the broader group of mega caps (i.e. companies with market capitalization > 200 bn USD) underperformed the overall market. The weaker performance of the mega caps, which tend to have lower Sustainability Cube™ scores, was helpful for the QGSL fund's relative performance.

In Q4 2023, ten of the eleven sectors in MSCI World NTR (USD) were up, the strongest performers were in Information Technology and Financials sectors, whilst Energy and Utilities saw the weakest growth. The QGSL fund outperformed the benchmark in seven out of eleven sectors, with Information Technology and Materials being the strongest, whereas Industrials and Consumer Discretionary were the weakest. Regionally, Europe outperformed the benchmark while North America and Asia underperformed.

During the UN Climate Change Conference (COP28), held in Dubai in December 2023, the participants agreed on tripling investments in renewable energy, thus prioritising the "transition away" from fossil fuel use in power systems. Even though this was less ambitious than many nations had expected, it was the first time COP singled out fossil fuels as the primary driver of the climate crisis.

Despite seeing positive performance from all three sub-dimensions of the Sustainability Cube™ during the last quarter of 2023, it has been a difficult year. The Climate Transition dimension yielded positive returns. Climate Transition measures how well a company is positioned to deal with the current and future challenges imposed by climate changes and is therefore linked to the COP decisions. Climate Transition started the year underperforming, along with the two other sub-dimensions, but has seen a significant rebound since the summer. Last year's strongest dimension, UN SDG, ended 2023 as the weakest, having given back most of 2022's good performance.

Excess Return in USD of Sustainability Cube™ Dimension Portfolios (01/01/2019 -29/12/2023)



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 dimensions as the sustainability factor. Portfolios are rebalanced monthly.

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Despite some headwinds this year, we continue to feel confident that we can deliver on our performance expectations over the business cycle.

Stock Attribution

Top 3 Stocks	Average weight in Portfolio %	Portfolio's Stock Return %	Portfolio's Stock Contribution %
Intel Corporation	5.18	41.82	+2.00
IBM Corp	5.13	17.89	+0.95
Advanced Micro Devices, Inc.	2.01	43.37	+0.83

Bottom 3 Stocks	Average weight in Portfolio %	Portfolio's Stock Return %	Portfolio's Stock Contribution %
Hasbro, Inc.	0.95	-21.60	-0.37
Automatic Data Processing, Inc.	4.68	-2.57	-0.19
BorgWarner Inc.	1.04	-10.91	-0.18

Source: Heptagon Capital, FactSet Research Systems

Sector Attribution

GICS Sector	Portfolio Avg Wgt (%)	Benchmark Avg Wgt (%)	Portfolio Sector Cont (%)	Benchmark Sector Cont (%)	Portfolio's Attribution Effect		
					GICS Sector Allocation (%)	Selection + Interaction (%)	Total Effect (%)
Communication Services	5.47	7.27	0.56	0.79	0.01	-0.07	-0.06
Consumer Discretionary	8.81	10.85	0.09	1.23	-0.01	-0.83	-0.84
Consumer Staples	4.99	7.04	0.39	0.37	0.13	0.12	0.25
Energy	2.61	4.85	-0.01	-0.27	0.36	0.12	0.48
Financials	15.53	14.95	1.96	1.95	0.00	-0.07	-0.07
Health Care	12.07	12.39	0.99	0.67	0.00	0.36	0.36
Industrials	11.77	10.84	0.77	1.47	0.02	-0.85	-0.82
Information Technology	29.44	22.73	5.81	4.03	0.38	0.72	1.10
Materials	4.28	4.06	0.97	0.50	-0.00	0.42	0.41
Real Estate	2.27	2.37	0.41	0.40	-0.01	0.04	0.03
Utilities	2.57	2.64	0.51	0.29	-0.01	0.23	0.23
Cash	0.20	0.00	0.01	0.00	-0.02	0.00	-0.02

Source: Heptagon Capital, FactSet Research Systems

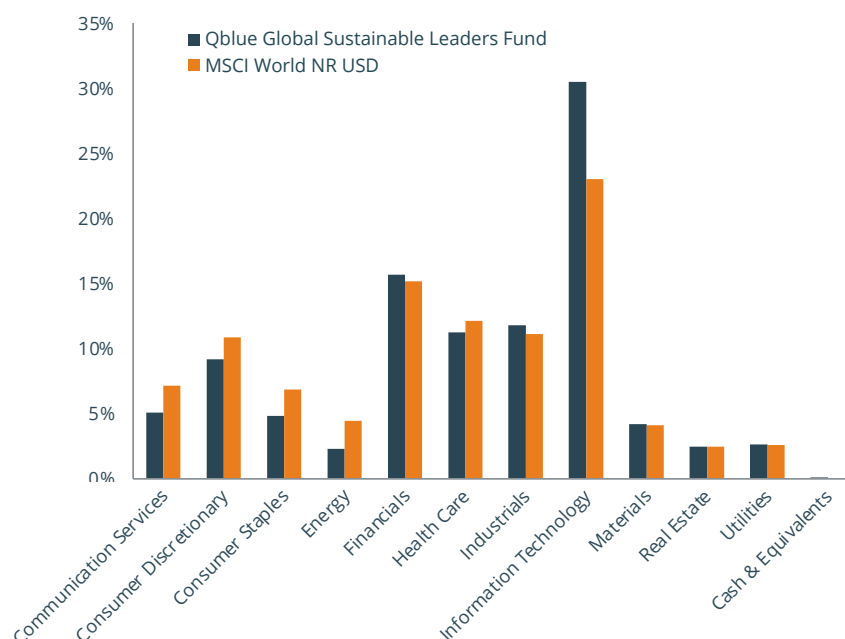
Region Attribution

Region	Portfolio Avg Wgt (%)	Benchmark Avg Wgt (%)	Portfolio Region Cont (%)	Benchmark Region Cont (%)	Portfolio's Attribution Effect		
					Region Allocation (%)	Selection + Interaction (%)	Total Effect (%)
Americas	72.55	73.46	8.42	8.72	0.00	-0.06	-0.06
Asia/Pacific	8.60	9.05	0.62	0.80	0.01	-0.14	-0.13
Europe	18.65	17.37	3.37	1.90	0.00	1.21	1.20
Cash	0.20	0.00	0.01	0.00	-0.02	0.00	-0.02

Source: Heptagon Capital, FactSet Research Systems

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Portfolio Sector Weights



Source: Heptagon Capital, Morningstar.

Top 10 Holdings by Issuer

% of Portfolio

Intel Corp.	5.33%
NVIDIA Corp.	4.94%
International Business Machines Corp.	4.92%
Automatic Data Processing, Inc.	4.56%
Elevance Health, Inc.	3.03%
Bank of Nova Scotia	3.03%
Adobe Incorporated	2.38%
TELUS Corporation	2.37%
Advanced Micro Devices, Inc.	2.28%
Gilead Sciences, Inc.	2.08%
Total of Top 10 Holdings	34.92%

Portfolio Activity

Top 5 Bought

Name	Country Code	Industry (GICS 3)	Weight
Deckers Outdoor Corporation	US	Textiles Apparel & Luxury Goods	1.82
Henkel AG & Co. KGaA Pref	DE	Household Products	1.00
Panasonic Holdings Corporation	JP	Household Durables	0.91
Mineral Resources Limited	AU	Metals & Mining	0.54
Neste Corporation	FI	Oil Gas & Consumable Fuels	0.52

Top 5 Sold

Name	Country Code	Industry (GICS 3)	Weight
Danone SA	FR	Food Products	0.98
General Mills, Inc.	US	Food Products	0.90
Sumitomo Chemical Co., Ltd.	JP	Chemicals	0.63
Pearson PLC	GB	Diversified Consumer Services	0.58
Eisai Co., Ltd.	JP	Pharmaceuticals	0.56

Source: Heptagon Capital, FactSet Research Systems

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Total Returns as of 31st December 2023.

	Q4	YTD	October	November	December	Since Inception* (ann.)
Qblue Global Sustainable Leaders	12.21%	18.37%	-3.73%	10.57%	5.42%	-0.28%
MSCI World NR USD	11.42%	23.79%	-2.90%	9.38%	4.91%	0.94%

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

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

Sincerely,

Heptagon Capital and Qblue Balanced A/S

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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.

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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