Yacktman U.S. Equity Fund

Q2 2025 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 **Yacktman US Equity Fund** (the "Fund") is a sub-fund of Heptagon Fund ICAV, an open-ended umbrella-type investment vehicle authorised under 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 USD 359 million as of 30th June 2025. During Q2 2025, the Fund's C USD share class outperformed its benchmark, returning 3.7% compared to 3.6% for the Russell 1000 Value NR USD Index.

The views expressed represent the opinions of Yacktman as of 30th June 2025. They are not intended as a forecast or guarantee of future results and are subject to change without notice.

Introduction

The S&P 500, after posting mid-20 percent returns in both 2023 and 2024, reached all-time highs in the second quarter after a challenging first quarter. The risks in this environment are plentiful, and companies and investors alike are managing through a period of great uncertainty. Yacktman approaches investing with an owner's mindset, evaluating the underlying fundamentals of the businesses and analysing how the companies have performed during a wide array of economic environments. Because we seek to produce strong, risk-adjusted returns over a market cycle, we require the price we pay for a given investment to compensate for these risks. Historically, environments that follow lofty valuations like today's market have been when Yacktman produces its most attractive returns.

Contributors

Samsung

Samsung has continued to be a strong contributor this year after being a significant detractor in 2024. It remains one of the most prominent global technology companies, and with its market position in memory chips, foundry and phones, there are multiple paths to unlock value. South Korea has a new administration in office this year that is focused on closing the "Korean discount" that has existed for decades. The government has passed a broad set of regulatory changes to the Korean Commercial Code and additional legislation is anticipated. South Korea announced its Value-Up program last year, but participation for Korean companies was purely voluntary and adoption was limited. The new regulations require companies to significantly improve governance practices in South Korea, and the equity market should respond accordingly. MSCI elected not to reclassify South Korea from Emerging Market to Developed Market earlier this summer, but the new administration has established a taskforce specifically charged with meeting the requirements to be classified as a Developed Market by MSCI.

Microsoft

Microsoft performed well this quarter with strong performance in its cloud business.

Detractors

Pepsi

Pepsi was a detractor for the quarter with concerns about tariff impacts to its global beverage and snack businesses. However, Pepsi continues to be an example of a resilient company, enjoying dominant market share and pricing power.

U-Haul

U-Haul traded down in large part due to macro sentiment related to its self-storage REIT competitors. The truck rental business is undergoing an anticipated refresh cycle that dates back to supply chain constraints during the COVID-19 pandemic. Management continues to invest in the company with a long-term view that aligns well with our investment philosophy.

Energy Sector

The energy names in the portfolio also detracted from performance for the quarter. Oil prices responded to macro effects such as trade tensions and associated concerns about economic weakness. Both Diamondback and ConocoPhillips traded lower during the quarter, but the investment thesis remains intact.

Conclusion

The market continues to post record highs despite a risky and uncertain environment. Passive indices represent a concentrated one-way trade in equities, and many of the largest companies are “priced for perfection.” The underlying uncertainty that we hear from company leaders stands in sharp contrast to the over-valuation of many companies.

At Yacktman, we focus on risk-adjusted returns. Historically, markets like these have been when we have produced some of our strongest results that protect capital for our investors. We continue to feel very confident about the positioning of the portfolio in this environment.

Sincerely,
Heptagon Capital and Yacktman Asset Management

Annualized Total Returns

	Q2 25	YTD	1-Year	3-Year	5-Year	10-Year
Yacktman US Equity Fund (UCITS)*	3.7%	4.5%	5.0%	8.7%	11.3%	9.3%
Russell 1000 Value NR USD	3.6%	5.7%	13.0%	12.0%	13.2%	8.4%

** Since C share class inception 14th December 2010*
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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