HEPTAGON Capital

Q4 2020

Levin Easterly US Equity Fund

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The Levin Easterly US Equity Fund (the “Fund”) is a sub-fund of Heptagon Fund Plc which is an open-ended umbrella type investment company authorised pursuant to UCITS regulations. Heptagon Capital Limited (“Heptagon”) is the Investment Manager and Levin Easterly Partners LLC (“Levin Easterly”) is the Sub-Investment Manager meaning Levin Easterly exercises discretionary investment authority over the Fund. The Fund was launched on June 30, 2020 and had AUM of USD 28m as of December 31st, 2020. During the fourth quarter of 2020, the Fund outperformed its benchmark, the Russell 3000 Value Index NR (the “Index”), returning 21.0% (C USD share class) compared to 17.0% for the Index.

Annualized Total Returns

As of December 31st , 2020 gross of fees

	Q4 20	YTD	1-Year	3-Year	5-Year	7-Year
Levin Easterly All-Cap Value	21.5	7.7	7.7	4.7	10.7	9.4
Russell 3000 Value Index TR	*17.2*	*2.9*	*2.9*	*5.9*	*9.7*	*8.1*

Source: Levin Easterly Partners LLC, Morningstar, Date sourced: 11.02.2021

Levin Easterly manages the Irish regulated Levin Easterly US Equity UCITS Fund according to the same investment principals, philosophy and execution of approach as it manages the Levin Easterly All-Cap Value strategy, however it should be noted that due to different regulation, fees, taxes, charges and other expenses there can be variances between the investment returns demonstrated by each portfolio. The Levin Easterly All-Cap Value is provided in the table above to show a longer track record for the underlying strategy.

Levin Easterly Partners LLC– Sub-advisor Q4 2020 Commentary

Market Environment

During the fourth quarter of 2020, the U.S. stock market, as measured by the Russell 3000 Value Index®, increased 17.2%. The best performing sectors during the quarter were Energy (+29.1%), Financials (+26.9%), and Industrials (+21.1%). The worst performing sectors were Consumer Staples (+6.7%), Utilities (+7.7%) and Materials (+2.1%). This was the first quarter since the 4th quarter of 2018 where the Value index outperformed the broader market index.

Equity markets retreated in October as COVID-19 cases rose rapidly in the U.S. and abroad, which clouded the outlook for an economic recovery that had been strong over the summer. However, November brought results from Phase III studies on three separate vaccine candidates, and eventually the Pfizer-BioNTech and Moderna vaccines were approved for use, and distribution began in late December. On the political front, the U.S. presidential election concluded with a Democratic win. The market reacted positively to both the initial election results and the subsequent outcome of a slim Democratic Senate majority following the Georgia runoffs in January. Meanwhile, the economy has grown at a slower pace in recent months after rebounding strongly from May through September. Overall consumer spending remains stable and we have seen green shoots in both housing and autos. With consumer debt down sharply in 2020, expectations are that economic growth will again be high when COVID-19 restrictions can be lifted, and the service sectors of the economy can recover.

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Levin Easterly US Equity Fund- Review

The Fund was up 21.0%, outperforming the Russell 3000 Value Index® by 400 basis points during the quarter. Stock selection was the main driver of the outperformance as sector allocation detracted from relative performance, mostly due to cash drag. The Fund's performance since inception is strong as well, outperforming the index by 740 basis points.

Contributors

General Motors (GM) – rose 40.7% during the quarter, contributing 176 basis points to performance, even though it finished the year down from its highs in late November. GM posted excellent Q3 results, with EPS of $2.82, well above street expectations of $1.45. They were able to generate $9.1b in free-cash-flow during the quarter, which will put them on pace to start buying back stock in the 1st quarter of 2021. They also held an analyst day in mid-November, where they reaffirmed their plan to have over 1 million EV's globally by mid-decade. We continue to see upside from here as the company makes strides toward a greener and all-electric future. They have multiple upcoming catalysts in early 2021, including a new logo and advertising campaign, which kicked off in mid-January at CES.

American International Group (AIG) – rose 38.7% and contributed 157 basis points to performance. AIG's turnaround of their General Insurance (GI) business was complex, and took longer than expected, but has been successful. Due to the strong resurgence of this business, AIG is pursing the separation of the GI and Life & Retirement units, with a minority sale of GI likely coming through an IPO. They plan to use proceeds to bring debt back down to pre-COVID-19 levels. 2020 was a dynamic environment with COVID-19 and another active storm season and as a result, AIG is seeing positive pricing in almost every line and they are well positioned to capitalize on these current trends.

Morgan Stanley (MS) – rose 42.8% during the quarter and contributed 127 basis points to performance. The stock performed well on strong Q3 results with $1.67 of EPS versus street expectations of $1.20. They continued to grow their fee-based business, announcing in October the purchase of asset manager Eaton Vance. The stock also rallied post the election of Joe Biden on the rise in the ten-year Treasury, as expectations of additional economic stimulus have increased under a Democratic administration. We believe Morgan Stanley is transitioning from a book value story to an EPS story, as street estimates for 2022 have moved up from $5.77 to $6. We also believe the market will realize that MS is as much an asset manager as a bank, and the stock trading at 10x was far too cheap for a firm with their business mix and the ability to once again buy back stock after regulations are lifted in 2021.

Detractors

Intel (INTC) – fell 3.1% during the quarter and detracted 30 basis points from performance. The stock dropped on poor 3Q earnings, as they saw a decrease in gross margins due to unfavorable sales mix. Concerns on delays in the 7-nanometer chip persist, but the company is on pace to exceed their cash flow guidance for 2021 and the stock remains cheap.

Lowe's Companies (LOW) – fell 2.9% and detracted 13 basis points from performance. Lowe's posted Q3 gross margins that were below expectations. Strength on low-margin lumber sales was a headwind, and they also saw increased SG&A expenses due to recent supply chain investments. We continue to believe in the secular trend of increased home improvement sales, coupled with positive fundamental changes under new management. With more catalysts on the horizon, we think there is still room for the stock to perform well.

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Buy/Sell Example

Below is commentary on three names that we added to the portfolio during the quarter:

Owens Corning (OC) - this name represents our positive view on household formations, which are driving housing starts 10-20% higher than expected. In OC's Insulation business, industry capacity is unusually tight. We expect to see price and volume surprises in insulation as early as 2Q 2021, which will allow the company to both gain share and expand margins. We believe their Roofing business is poised to benefit from a strong 20-year replacement cycle while the Composites business will continue to benefit from cyclical recovery in housing, auto, and industrials. Combining those with the company's focus on ESG via the introduction of a new Foam NGX product that significantly reduces greenhouse gases and the development of a recyclable shingle, we think OC is poised for multiple expansion.

Merck (MRK) - we initiated a position on the belief that Merck is undervalued on a sum-of-the-parts basis, specifically its pharma business and the cornerstone Keytruda franchise. The pharma business is currently trading at 7x 2021 earnings, which is well below its peers. While the street is focused on Keytruda coming off patent in 2028, we believe there are many avenues to extend its patent life through combination therapies and new drug delivery models. Merck is also spinning off its Organon business in 2Q 2021 and has the embedded value of a high multiple animal health business in its portfolio that could be spun off in the future. Finally, they have a large opportunity in COVID-19 antiviral therapies that we believe can be accelerated given the urgency of the pandemic.

eBay (EBAY) - hired a new CEO in April of 2020 that is acting as an agent of change for the firm, which had ineffectively tried to compete head-to-head with Amazon and Walmart. The CEO is accelerating innovation, including recent initiatives to certify fine watches, sneakers and other refurbished items. They are on track to close the sale of their Classified business in Q1 2021 to Adevinta, which will result in eBay owning approximately 44% of that business, currently valued at ~$8B. We believe eBay's core business is trading at 10x earnings, which is undervalued compared to peers, given some of the changes and improvements being made.

Sincerely,

Heptagon Capital and Levin Easterly Partners LLC

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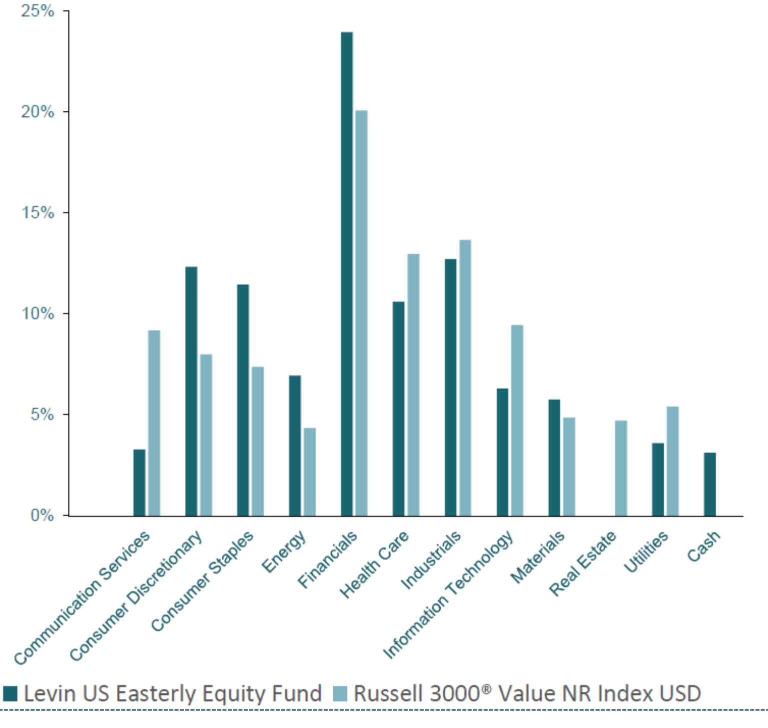
Levin Easterly US Equity UCITS Fund Positioning

Top Ten Holdings by Issuer as of 31st December 2020

Name	% of portfolio
Archer Daniels Midland Co	4.4%
Primo Water Corp	4.4%
American International Group	4.3%
Merck & Co Inc	4.3%
Voya Financial Inc	4.2%
General Motors Co	4.2%
Owens Corning	3.6%
Centerpoint Energy Inc	3.6%
International Paper Co	3.6%
Abbvie Inc	3.6%
Total of Top 10 Holdings	**40.2%**

Portfolio Sector Weights as of 31st December 2020



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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

Risk Warning

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.

The views expressed represent the opinions of Levin Easterly Partners LLC, as December 31st, 2020, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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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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