Yacktman U.S. Equity Fund

Heptagon Yacktman US Equity Fund

The Heptagon Yacktman US Equity Fund (the “Fund”), 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 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 502m as of 31st December 2020. During Q4 2020, the Fund (I USD share class) outperformed its benchmark returning 19.7% compared to 16.1% for the Russell 1000 Value NR USD Index.

TOTAL RETURNS

As of 31st December 2020

				ANNUALIZED		
	Q4 20	YTD	1-Year	3-Year	5-Year	10-Year
Yacktman US Equity Fund (UCITS)*	**19.7%**	**18.1%**	**18.1%**	**12.5%**	**12.6%**	-
Russell 1000 Value NR USD	*16.1%*	*2.0%*	*2.0%*	*5.3%*	*8.9%*	-
AMG Yacktman Fund (YACKX)	**20.5%**	**15.3%**	**15.3%**	**11.7%**	**12.9%**	**11.4%**
Russell 1000 Value TR USD	*16.3%*	*2.8%*	*2.8%*	*6.1%*	*9.7%*	*10.5%*

* Class I Shares

Source: Morningstar

Yacktman manages the Irish regulated Yacktman US Equity UCITS Fund according to the same investment principals, philosophy and execution of approach as it manages the Yacktman Strategy (YACKX) a US mutual fund, 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 fund.

Yacktman Asset Management LP – Sub advisor Q4 2020 Commentary

We hope you have managed through the difficulties of 2020 as safely and healthily as possible.

The Yacktman U.S. Equity Fund (the Fund) performed exceptionally well during the fourth quarter as stocks moved higher following the U.S. presidential election, positive vaccine announcements, and additional fiscal stimulus. With a more visible light at the end of the tunnel, investor enthusiasm returned to stocks like Macy’s and Disney, whose businesses have been significantly impacted by COVID. We continued to find new investment opportunities during the quarter, adding positions in Charles Schwab and Tyson Foods.

In 2020, we delivered solid results in the Fund compared to the Russell 1000® Value Index. It was an incredibly busy year with many new additions to the portfolio, which reduced cash and contributed significantly to our outperformance versus the value index. We are pleased to have again performed well in a challenging environment for value investing.

While investors in U.S. equities have enjoyed favorable return rates for the last decade, they are likely to be set up for low returns versus the major indices over the long-term. Many have forgotten the pain that paying crazy high prices led to in the late 1990s technology bubble and should be highly concerned about today’s latest story stock’s valuations.

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

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Equity returns result from free cash flow, growth, and multiple change, and most of the returns in recent years have come from the last variable. With the high-priced index offering a low free cash flow yield along with a likely continuation of low growth, future long-term index returns look challenging. Our approach of finding individual securities that we believe are mispriced and offer solid risk-adjusted returns is more important in the current, costly market environment.

Contributors:

Samsung was the top contributor to results for the quarter and is the Fund's largest position. The company has a strong market position in high growth markets, including foundry, sensors, and 5G equipment, and a good position in emerging industries like artificial intelligence, autonomous driving, and the internet of things. It sells at an extremely low multiple of earnings and has a significant amount of net excess cash and securities on the balance sheet. Samsung's core semiconductor business appears to be set up for high growth over the next few years. We think the stock could be in the early phase of positive re-rating, when a stock goes from a low multiple to a higher one, better reflecting the company's business prospects.

Disney's stock moved sharply higher in the fourth quarter, with an extra boost of enthusiasm after their investor day. Disney's traditional businesses, including theme parks, sports programming, advertising, hotels, cruises, and more, were severely impacted in 2020. Still, the company continued its hugely successful launch of Disney+, highlighting a vast growth opportunity. We believe prospects of a recovery in the core businesses, combined with the growth of Disney+, positions the company well for the future.

Macy's share price nearly doubled in the fourth quarter as the potential for a return to a more normal environment sometime in 2021 became more realistic due to vaccine progress. In the 2020 downturn, the company was able to take many steps to productively realign its business, positioning the company significantly better for the future.

Detractors:

No positions materially detracted from results during the fourth quarter. However, **Tyson**, a new position initiated at quarter-end, was slightly lower than the initial purchase cost. **Fox** was somewhat negative to results during the quarter. Some of Fox's core audience was frustrated by its election coverage and results. **Cash**, which we reduced meaningfully during the year, was a drag during the quarter when stock prices raced higher.

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Conclusion

Today, many of our favorite investments continue to be in complicated, mispriced, family-controlled companies like Samsung Electronics, Bolloré, News Corp, and AMERCO, better known for its U-Haul business. All of these companies have underappreciated growth assets, which, on their own, would trade for significantly higher prices than they receive within the conglomerate structure. We think Samsung, Bolloré, and News Corp are unlocking value by better disclosing or separating the more vital business units. These kinds of mispriced securities often require a great deal of time and patience (qualities we take great pride in possessing), especially in an industry that affords few a truly long-term approach.

We will continue to work hard to find mispriced opportunities to deliver results over the long-term while also considering risk. The time to be most aware of potential risks is when others completely ignore them. We never forget that the price you pay matters both for potential returns and to mitigate losses if things turn out worse than expected. We wish everyone the best for New Years and, as always, will be objective, patient, and diligent when managing the Yacktman U.S. Equity Fund.

Sincerely,

Heptagon Capital and Yacktman Asset Management

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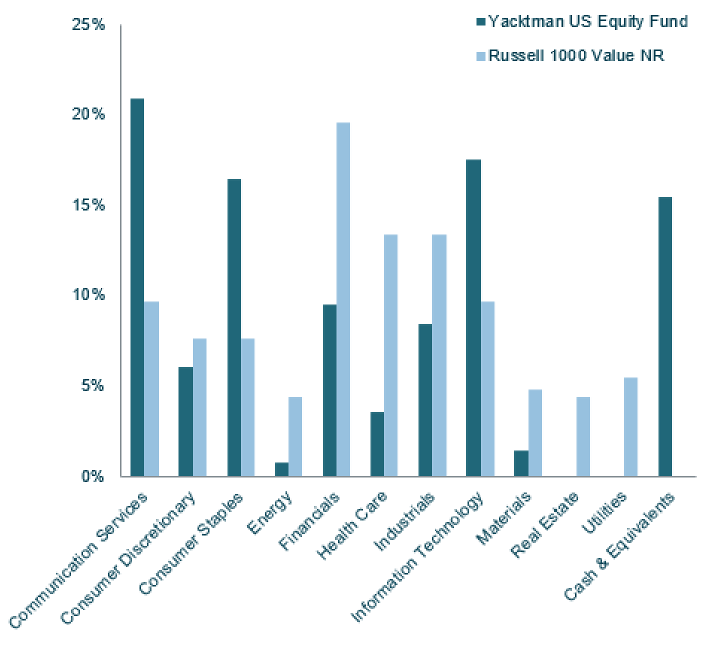
Yacktman US Equity UCITS Fund Positioning

Top Ten Holdings by Issuer as of 31st December 2020

Name	% of portfolio
Samsung Electronics Co.	9.7%
Bollore SA	8.4%
AMERCO	4.2%
Sysco Corporation	3.1%
The Walt Disney Co.	3.1%
PepsiCo Inc.	3.0%
Alphabet Inc.	3.0%
News Corp	2.9%
Cognizant Technology Solutions Corp	2.9%
Procter & Gamble Co.	2.8%
Total of Top 10 Holdings	**43.1%**

Portfolio Sector Weights as of 31st December 2020



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Important Information

Past performance is not an indication or guarantee of future performance and no representation or warranty is made regarding future performance. This communication is for information purposes only. It is not an invitation or inducement to engage in investment activity.

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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 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.

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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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