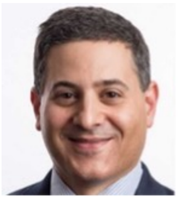
Yacktman U.S. Equity Fund

Q2 2021 Commentary

Fund Manager



Stephen Yacktman **Jason Subotky** **Russell Wilkins**

Investment Objective

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

Contact

Heptagon Capital
63 Brook Street, Mayfair,
London W1K 4HS

Tel: +44 20 7070 1800
Fax: +44 20 7070 1881
email london@heptagon-capital.com

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 864m USD as of 30th June 2021. During Q2 2021, the Fund (I USD share class) underperformed its benchmark returning 3.4% compared to 5.1% for the Russell 1000 Value NR USD Index.

Markets moved higher during the second quarter as improved earnings, a continued economic recovery, significant central banking stimulus, and a lack of attractive investment alternatives fed uninterrupted enthusiasm for stocks. It was the fifth quarter in a row of strong returns, and equities are priced at high or record valuations using many typical market valuation metrics. Owning a large-cap benchmark and paying high prices is a recipe that will likely produce low returns over time and potentially cause significant, painful declines along the way. Today, however, the investor party continues with little thought of the future.

Our approach differs from indexing or benchmark-oriented investing. We strive to produce returns by focusing on individual securities and the price paid, with an eye on the risks associated with each investment and the overall portfolio. Many of the companies held in the Fund are misunderstood or neglected, enabling us to care more about the future of these particular securities without too much regard for the general market.

Contributors

Bolloré's shares were a strong performer during the quarter due to its highly anticipated September public offering and share distribution of Universal Music Group (UMG). This will result in Bolloré directly owning approximately 18% of UMG and indirectly owning another 3% through its position in Vivendi. The UMG position alone could be worth the current stock price. Besides this continued ownership of Vivendi, the company has a valuable port/logistics/transportation infrastructure business, plus an electric vehicle battery business that we think is underappreciated. We believe this is just one of several simplification steps that might occur over the next 12-24 months leading to a significant re-rating in Bolloré's share price.

Technology stocks generally performed well during the second quarter, with Alphabet and Microsoft shares being sound contributors to results. Both companies delivered excellent earnings and have solid prospects for the next several years.

Detractors

Cognizant Technology, an information technology services provider, was a lag on Fund performance. The company has struggled in the last few years versus its peers, but we think management is taking concrete steps to improve the business, and the shares sell at a significant discount to competitors.

Booking Holdings shares detracted due to reduced travel expectations in Europe as COVID-19 variants delayed travel plans. Over the long term, Booking Holdings is a well-positioned business with significant scale, sound management, and innovative DNA that should help drive earnings growth over time.

Walt Disney's shares were weaker during the quarter due to lower Disney+ subscriber numbers. We think the company's streaming platform remains strong and well-positioned for the long-term.

Conclusion

While results for the Fund were modest, we believe we achieved them with a healthy respect for risk. Many of our favourite holdings, like Bolloré, trade at prices we think are meaningfully discounted in an environment where valuations for benchmarks trade at prices we see as overly optimistic. We think the best way to achieve outperformance in difficult markets is the following: Be disciplined and opportunistic, be patient in periods of momentum, manage risk, and own misunderstood bargains. While some bargains might not be appreciated in the near term, we imagine they'll eventually represent significant opportunity once they are more widely discovered. As always, we will continue to be patient, objective, and diligent in managing the Yacktman U.S. Equity Fund.

Sincerely,
Heptagon Capital and Yacktman Asset Management

Annualized Total Returns As of 30th June 2021

	Q2 21	YTD	1-Year	3-Year	5-Year	10-Year
Yacktman US Equity Fund (UCITS)*	3.4%	13.3%	43.9%	16.5%	14.1%	11.0%
Russell 1000 Value NR USD	5.1%	16.7%	42.8%	11.6%	11.1%	10.8%

* Class I Shares

Source: Morningstar

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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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.

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.

Authorised & Regulated by the Financial Conduct Authority (FRN: 403304)

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