

Yacktman U.S. Equity Fund

Q3 2021 Commentary

Fund Manager



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The **Heptagon Yacktman US Equity Fund** (the “Fund”), 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 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 754m USD as of 30th September 2021. During Q3 2021, the Fund (I USD share class) outperformed its benchmark returning 0.8% compared to -0.9% for the Russell 1000 Value NR USD Index.

Investment Objective

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

In the third quarter, equities were relatively flat, showcasing the first pause since the market bottom in February of 2020. Prices today are high due to a continued economic recovery, significant central banking stimulus, and a lack of attractive investment alternatives that has continued enthusiasm for stocks. Paying high prices will likely produce low real returns over time and could cause significant downside if the current euphoric market conditions wane.

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Our results over time will be largely determined by our ability to find standout individual securities which we think can deliver solid returns when adjusting for risk. We remain extremely excited about some of our top positions like Samsung Electronics Co., Ltd. (Samsung) and Bolloré.

Contributors

Bolloré’s stock appreciated during the quarter and has been a strong performer for the year. In late September following a spinoff from Vivendi, Bolloré received approximately 18% of newly public Universal Music Group (UMG), the number one owner of music content and publishing rights, which are requisite for operating a streaming platform. The new holding in UMG is worth more than Bolloré’s market cap, and remaining businesses like port/infrastructure/logistics and electric vehicle batteries provide substantial opportunity for upside. Recently there have been reports in the press that port/logistic assets are for sale, and if these businesses command the valuations we think they deserve, there could be huge upside from current prices.

Alphabet Inc. contributed to results after posting stellar earnings results and also benefiting from general strength in the technology sector.

Macy's stock performed well due to strong earnings. The strength continued in early fourth quarter after an activist investor announced a position in the company and investors began to consider the value of Macy's significant online business. Last year, Macy's shares collapsed during the pandemic, which allowed us to add to the position and benefit from a recovery in price this year. These events demonstrate how share price movement in shorter periods of time can mean little, which is why we constantly have a long-term focus.

Detractors

Samsung's shares were weaker in the third quarter and have lagged in 2021 after producing exceptional returns in 2020. The stock has been out of favor recently due to concerns about a down cycle in the memory semiconductor market in the near term. We believe the valuation of Samsung does not appropriately value its significant memory business, even though it is the number one producer of memory chips, is highly profitable, and should produce strong growth over time as the world continues to need more processing and storage.

News Corp.'s shares lagged during the quarter after rising significantly in the last year. We think the company is significantly undervalued and—like Bolloré and Samsung—trades at a significant discount to its various businesses.

Graitech International LTD shares underperformed during the quarter; however, we believe they remain attractively positioned and priced for a positive future. Similarly, Arcosa Inc.'s transportation segment was impacted by higher steel costs in the short term, which led to underperformance. We think the company is well positioned for the long term.

Conclusion

We continue to be pleased with the overall portfolio and are optimistic about the opportunities presented by some of our favorite holdings and how they stand out in a high-priced investment environment. As always, we will continue to be patient, diligent, and objective when managing the Yacktman US Equity Fund.

Sincerely,

Heptagon Capital and Yacktman Asset Management

The views expressed represent the opinions of the Yacktman Asset Management L.P., as of 30th September 2021, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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

Annualized Total Returns As of 30th September 2021

	Q3 21	YTD	1-Year	3-Year	5-Year	10-Year
Yacktman US Equity Fund (UCITS)*	0.8%	14.3%	36.9%	15.2%	14.1%	12.3%
Russell 1000 Value NR USD	-0.9%	15.6%	34.2%	9.3%	10.1%	12.7%

* Class I Shares

Source: Morningstar

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I 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.

I 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 identify 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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