

Qblue Global Sustainable Leaders Fund

Q1 2022 Commentary

Fund Manager



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Investment Objective

The investment objective of the Fund is to provide long-term capital growth, investing globally in companies that the Fund's Sub-Investment Manager believes contribute positively to social and environmental factors.

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The **Qblue Global Sustainable Leaders Fund** (the "Fund") is 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 Qblue Balanced A/S ("Qblue") is the Sub-Investment Manager meaning Qblue exercises discretionary investment authority over the Fund. The Fund was launched on 12th January 2022 and had an AUM of \$137m as of 31st March 2022. Since launch to 31st March 2022, the Fund (C share class) underperformed its benchmark, returning -5.7% compared to -4.7% for the MSCI World NR USD.

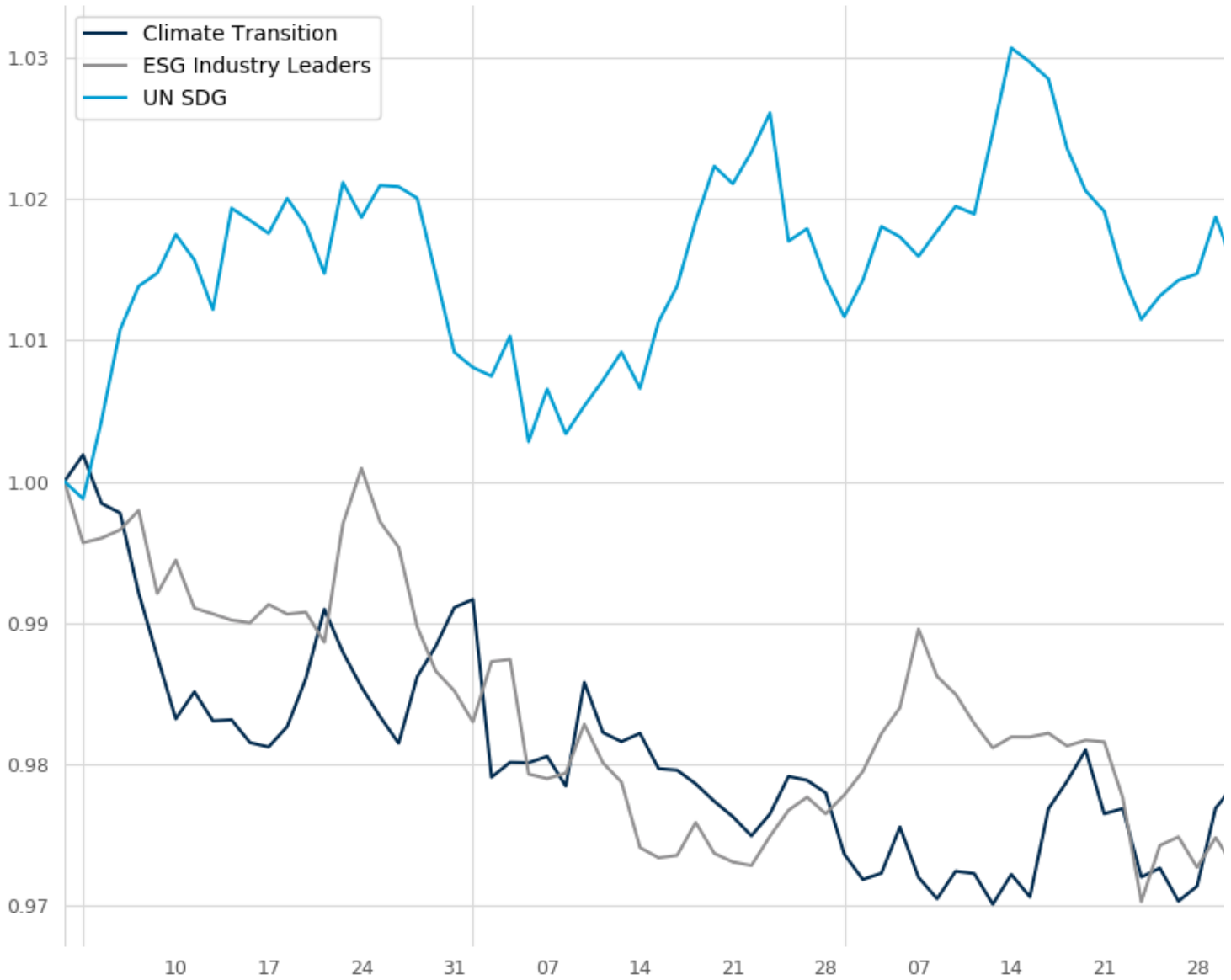
So far, 2022 has been characterised by increased market volatility as well as heightened geopolitical tensions. The persistence of higher inflation figures and associated expectations of earlier and larger FED interest rate hikes have led to higher US government bond yields and resulted in a decline in global equity markets before the Russian invasion of Ukraine on 24th February 2022. This development put significant pressure on recent equity market strong performers, including companies with significant sustainability characteristics. After the Russian invasion of Ukraine, equity markets continued to decline as market participants continue to reduce risk. As expected, the FED raised interest rates by 25 bps and at the same time outlined more hawkish hiking plans for the rest of 2022 than previously expected by the market. The reduced uncertainty about the speed and extent of rate hikes supported global equity markets and in particular large cap growth, which rebounded from lows as investors looked past the Russian invasion of Ukraine.

During Q1 2022, seven out of eleven sectors in the MSCI World Index were lower, with Energy, Materials, Health Care and Utilities being the exceptions. The Fund outperformed the benchmark in five out of eleven sectors, with Communication Services and Financials being the strongest and Information Technology and Materials the weakest. Regionally, Europe outperformed the benchmark, while North America and Asia underperformed.

In the first quarter of 2022 most active sustainable funds, including Qblue Global Sustainable Leaders, struggled to keep up with the benchmark. This can be explained by the underlying performance of the three sustainability dimensions. The figure below demonstrates how a portfolio based on only one of the dimensions of the Sustainability Cube™ would have performed in Q1 2022 relative to the benchmark.

The Climate Transition and ESG Industry Leaders dimensions have both contributed to the underperformance while the UN SDG dimension has been outperforming the benchmark. This confirms our belief that a multidimensional approach to sustainability is required for a more robust portfolio construction.

Excess Return over MSCI World of Sustainability Cube Dimension Portfolios (01/01/2022 - 31/03/2022)



Source: Qblue Balanced A/S
Excess Returns over MSCI World (in USD gross of fees)

Methodology: QGSL Portfolio Construction with same parameters as the live portfolio but using individual dimension as the sustainability factor. Portfolios are rebalanced monthly.

On the portfolio construction front, we continue to focus on innovation and improvements. As of 15th February, the latest version of our Sustainability Cube™ has been implemented as planned, including a “SDG innovation score” based on our proprietary patent classification framework. At the same time the equity factors algorithm was updated to ensure an even better balance between the five equity factors used in the model.

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

In conclusion, we believe the portfolio has behaved as could be expected given the volatile market environment and we continue to feel confident that we can deliver on our expectations over the business cycle.

Stock Contribution

Top 3 Stocks	Average weight in Portfolio (%)	Portfolio's Stock Return (%)	Portfolio's Stock Contribution (%)
Baker Hughes Co	1.03	37.14	0.36
Novo Nordisk A/S	3.38	11.74	0.36
Vertex Pharmaceuticals Inc	2.41	15.40	0.32
Bottom 3 Stocks	Average weight in Portfolio (%)	Portfolio's Stock Return (%)	Portfolio's Stock Contribution (%)
Applied Materials Inc	2.95	-17.24	-0.60
Autodesk Inc	1.86	-20.49	-0.49
Adobe Inc	3.45	-14.42	-0.46

Source: Heptagon Capital, Morningstar. *Since 12th January 2022

Industry Contribution & Industry Attribution

GICS Sector	Portfolio Avg Wgt(%)	Benchmark Avg Wgt (%)	Portfolio Sector Cont (%)	Benchmark Sector Cont (%)	Portfolio's Attribution Effect		
					GICS Sector Allocation (%)	Selection (%)	Active Return (%)
Communication Services	5.97	8.16	0.44	-0.76	0.11	0.97	1.08
Consumer Discretionary	8.06	11.87	-1.36	-1.22	0.22	-0.55	-0.34
Consumer Staples	6.04	7.09	-0.57	-0.19	0.00	-0.41	-0.41
Energy	1.91	3.86	0.42	0.57	-0.37	0.13	-0.24
Financials	15.49	14.01	-0.58	-0.94	-0.03	0.44	0.41
Health Care	15.16	12.44	0.14	0.03	0.13	0.13	0.26
Industrials	9.69	10.09	-0.66	-0.62	0.00	-0.09	-0.09
Information Technology	28.43	22.71	-3.21	-1.57	-0.13	-1.23	-1.36
Materials	4.15	4.29	-0.44	0.04	0.01	-0.50	-0.50
Real Estate	2.50	2.72	-0.05	-0.04	0.00	-0.06	-0.06
Utilities	1.93	2.78	0.17	0.10	-0.07	0.10	0.03
Cash	0.67	0.00	0.00	0.00	0.12	0.00	0.12

Source: Heptagon Capital, Morningstar. *Since 12th January 2022

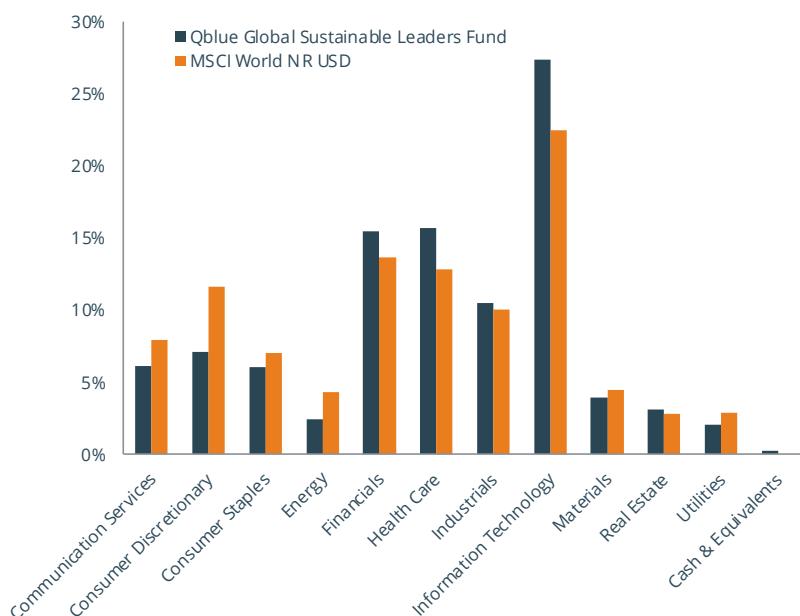
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Region Attribution

Morningstar Super Region	Portfolio Avg Wgt (%)	Benchmark Avg Wgt (%)	Portfolio Region Cont (%)	Benchmark Region Cont (%)	Portfolio's Attribution Effect		
					Region Allocation (%)	Selection (%)	Active Return (%)
Americas	70.49	71.69	-3.63	-2.77	-0.01	-0.94	-0.94
Asia/Pacific	8.12	9.56	-0.88	-0.42	-0.01	-0.53	-0.55
Europe	20.72	18.75	-1.19	-1.41	-0.06	0.33	0.27
Cash	0.67	0.00	0.00	0.00	0.12	0.00	0.12

Source: Heptagon Capital, Morningstar. *Since 12th January 2022

Portfolio Sector Weights



Top 10 Holdings by Issuer	% of Portfolio
The Toronto-Dominion Bank	4.5%
Nvidia Corp	4.1%
Novo Nordisk A/S	3.3%
Cummins Inc	3.2%
Qualcomm Inc	3.0%
Applied Materials Inc	2.9%
Automatic Data Processing, Inc.	2.8%
Hologic Inc	2.8%
Texas Instruments Inc	2.5%
Adobe Systems Inc	2.5%
Total of Top 10 Holdings	31.6%

Source: Heptagon Capital, Morningstar. *Since 12th January 2022

Portfolio Activity

During Q1 2022 the portfolio turnover has been higher than normal due to higher market volatility and balancing of the equity factor exposures. In the period, the five most significant names entering and leaving the portfolio were:

Buys

Name	Country	Sector
Cummins	US	Machinery
Qualcomm	US	Semiconductors & Semiconductor Equipment
Unilever (UK)	GB	Personal Products
Agilent Techs.	US	Life Sciences Tools & Services
Kellogg	US	Food Products

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Sells

Name	Country	Sector
Intuit	US	Software
General Mills	US	Food Products
Akzo Nobel	NL	Chemicals
L'Oréal	FR	Personal Products
Zurich Insurance Group	CH	Insurance

Sincerely,

Heptagon Capital and Qblue Balanced A/S

The views expressed represent the opinions of Qblue Balanced A/S as of 31st March 2022, are not intended as a forecast or guarantee of future results, and are subject to change without notice

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Total Returns as of 31st March 2022, net of fees

	Jan	Feb	Mar	Since Inception
Qblue Global Sustainable Leaders Return	-5.6%	-3.1%	3.3%	-5.7%
MSCI World NR USD Return	-4.8%	-2.5%	2.7%	-4.7%

Source: Qblue Balanced A/S. *Since inception date 12th January 2022. Returns shown for the C USD share class.

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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

Please change to 'The Fund has been classified as an Article 9 for the purposes of the EU's SFDR. The Fund has sustainable investment as its objective alongside financial return. The Fund invests primarily in assets classified as sustainable investments as defined under the SFDR. Please see [Prospectus](#) for further information on the Fund's sustainable objective and relevant sustainability risks and principal adverse impacts which may impact the Fund's performance.

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