

Qblue Global Sustainable Leaders Fund

Q2 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. The Fund was launched on 12th January 2022 and had an AUM of \$151m as of 30th June 2022. Since launch until 30th of June 2022, the Fund (C share class) outperformed its benchmark by 42 bps, returning -19.67% compared to -20.09% for the MSCI World NR USD.

The increased market volatility continued during Q2 on the back of persistently high inflation numbers in the US as well as in Europe, confirming that the Fed and ECB are behind the curve. The risks of either *i)* a vigorous monetary policy tightening in order to fight inflation, risking a recession or *ii)* a monetary policy that is too accommodative in an effort to avoid a recession, potentially causing higher inflation for a prolonged period, both seem to have risen, whereas a soft-landing scenario seems less likely. The market sentiment towards the different scenarios appears to have shifted during June, where the markets seem to have leaned more towards the recession scenario. In June, the Fed raised interest rates by 75 bps, while the ECB announced that they intend to raise by 25 bps in July. The uncertainty around the growth outlook has driven the global equity markets lower again in June after some relief in May, where we saw a string of better-than-expected corporate earnings results.

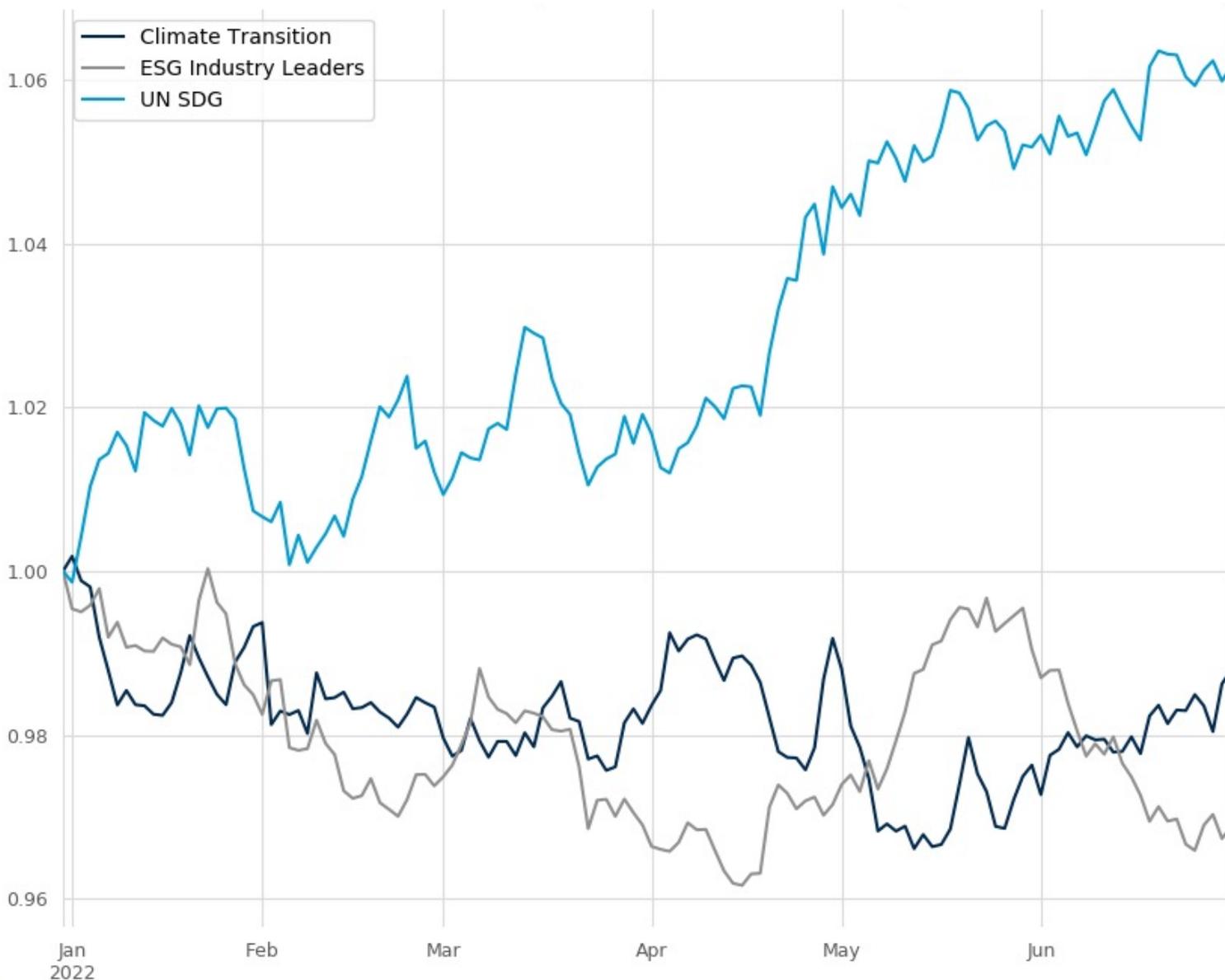
During Q2 2022, all eleven sectors in the MSCI World Index were lower, with Utilities and Energy declining the least and Information Technology and Consumer Discretionary the most. The Fund outperformed the benchmark in nine out of eleven sectors, with Consumer Discretionary and Consumer Staples being the strongest and Information Technology and Energy the weakest. By geography, all three regions in the Fund outperformed the benchmark, with North America being the strongest.

After a difficult first quarter where most active sustainable funds, including Qblue Global Sustainable Leaders, found it difficult to keep up with the benchmark, the second quarter of 2022 proved to be a strong one. This can be explained by the underlying performance of the three sustainability dimensions. In the chart below you can see how a portfolio based on only one of the dimensions of the Sustainability Cube™ would have performed in Q1 and Q2 2022 relative to the benchmark.

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

The UN SDG dimension has been outperforming the benchmark since January 2022, but has been particularly strong during Q2, whereas the Climate Transition and ESG Industry Leaders dimensions ended flat relative to the benchmark. This development once again 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 -30/06/2022)



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.

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

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I Stock Contribution

Top 3 Stocks	Average weight in Portfolio %	Portfolio's Stock Return %	Portfolio's Stock Contribution %
Gilead Sciences Inc	2.97	5.48	0.25
Colgate-Palmolive Co	2.96	6.29	0.17
Vertex Pharmaceuticals Inc	1.50	7.98	0.13
Bottom 3 Stocks	Average weight in Portfolio %	Portfolio's Stock Return %	Portfolio's Stock Contribution %
Nvidia Corp	4.47	-44.43	-2.10
Applied Materials Inc	4.21	-30.81	-1.21
The Toronto-Dominion Bank	3.73	-16.84	-0.59

Source: Heptagon Capital, Morningstar.

I Sector 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	6.01	7.60	-0.74	-1.53	0.06	0.40	0.47
Consumer Discretionary	7.21	11.15	-1.28	-2.75	0.31	0.42	0.73
Consumer Staples	6.31	7.39	0.29	-0.44	-0.06	0.62	0.56
Energy	2.50	4.69	-0.38	-0.20	-0.23	-0.24	-0.47
Financials	15.63	13.69	-2.43	-2.19	0.01	0.04	0.05
Health Care	17.11	13.20	-0.95	-0.92	0.37	0.22	0.59
Industrials	9.30	9.92	-1.50	-1.66	0.00	0.10	0.11
Information Technology	26.41	21.88	-6.37	-4.90	-0.27	-0.41	-0.68
Materials	3.96	4.58	-0.61	-0.87	0.04	0.13	0.17
Real Estate	2.87	2.86	-0.38	-0.40	0.01	0.02	0.03
Utilities	2.39	3.04	-0.14	-0.21	-0.06	0.02	-0.04
Cash	0.30	0.00	0.00	0.00	0.04	0.00	0.04

Source: Heptagon Capital, Morningstar.

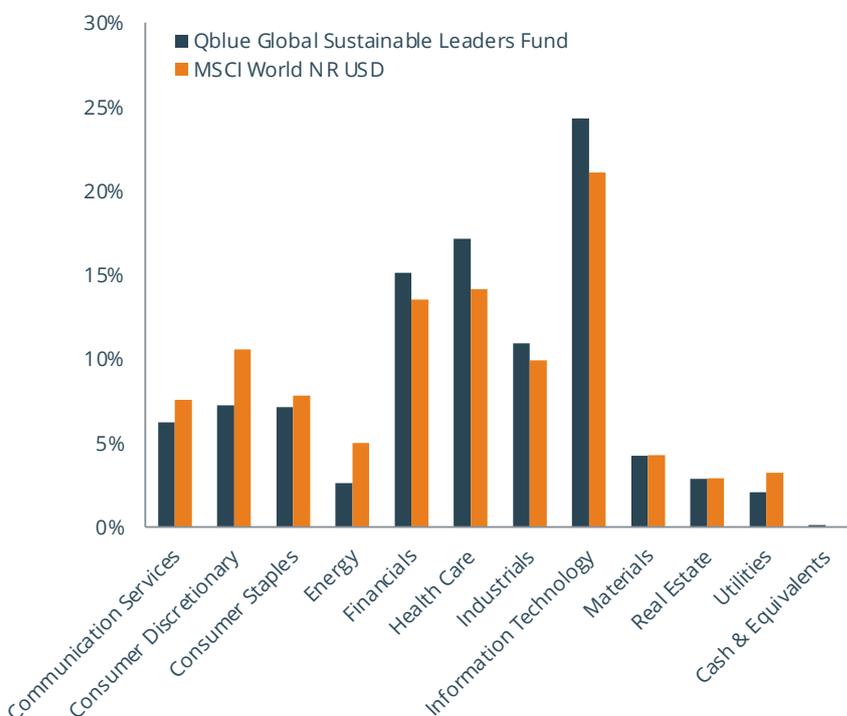
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Region Attribution

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	71.26	71.84	-11.18	-12.11	0.01	0.88	0.89
Asia/Pacific	9.07	9.69	-1.14	-1.41	-0.01	0.16	0.15
Europe	19.37	18.47	-2.19	-2.55	0.03	0.44	0.48
Cash	0.30	0.00	0.00	0.00	0.04	0.00	0.04

Source: Heptagon Capital, Morningstar.

Portfolio Sector Weights



Source: Heptagon Capital, Morningstar.

Top 10 Holdings by Issuer

% of Portfolio

Gilead Sciences Inc	4.94%
Nvidia Corp	4.46%
Colgate-Palmolive Co.	4.08%
Applied Materials Inc	3.89%
Novo Nordisk A/S B	3.87%
National Bank of Canada	2.92%
Telus Corporation	2.85%
Salesforce Inc.	2.39%
The Toronto-Dominion Bank	2.34%
Automatic Data Processing, Inc.	2.24%
Total of Top 10 Holdings	33.98%

Portfolio Activity

During Q2 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	Industry
Gilead Sciences	US	Biotechnology
National Bank of Canada	CA	Banks
Danaher	US	Life Sciences Tools & Services
Trane Technologies	US	Building Products
Verisk Analytics	US	Professional Services

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Sells

Name	Country	Industry
Cummins	US	Machinery
Qualcomm	US	Semiconductors & Semiconductor Equipment
Agilent Technologies	US	Life Sciences Tools & Services
Kellogg	US	Food Products
Nielsen Holding	US	Professional Services

Source: Qblue Balanced A/S

Sincerely,

Heptagon Capital and Qblue Balanced A/S

The views expressed represent the opinions of Qblue Balanced A/S as of 30th June 2022, are not intended as a forecast or guarantee of future results, and are subject to change without notice

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I Total Returns as of 30th June 2022, net of fees

	Q2 22	April	May	June	Since Inception*
Qblue Global Sustainable Leaders Return	-14.81%	-7.75%	1.71%	-9.21%	-19.67%
MSCI World NR USD Return	-16.19%	-8.31%	0.08%	-8.66%	-20.09%

Source: Qblue Balanced A/S. *Since inception date 12th January 2022.

All figures shown are net of fees 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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