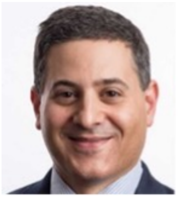
Yacktman U.S. Equity Fund Presentation

H1 2022

Fund Manager

Stephen Yacktman



Jason Subotky

Russell Wilkins

Adam Sues

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
email london@heptagon-capital.com

The **Heptagon Yacktman US Equity 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 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 660m USD as of 30th June 2022. During Q2 2022, the Fund (I USD share class) outperformed its benchmark returning -12.0% compared to -12.4% for the Russell 1000 Value NR USD Index.

Given this year's market volatility, we thought it appropriate to discuss the first half of 2022 in its entirety. In the first half of 2022, markets declined sharply due to increased geopolitical tensions, runaway inflation, and eroding corporate earnings – to name just a few of a long list of additional challenges. Stocks were especially vulnerable to such negative events as we ended 2021 at extremely high valuations compared to historical ranges. The Yacktman U.S. Equity Fund (the Fund) declined -13.1% in the first half compared to Russell 1000 Value Index at -13.1% and the S&P 500 Index at -20.1%. The S&P was particularly impacted by steep declines in high-priced growth stocks, an area we tend to avoid. Yacktman Asset Management is celebrating its 30th anniversary this year. Three decades is a significant milestone for an independent boutique asset manager. We want to thank shareholders for the confidence they have placed in us and the patience and intelligence they have displayed through a wide range of investment environments. Over the years, we have earned a reputation for thinking independently and producing substantial risk adjusted returns. Some of our best results have been achieved in declining markets, during extended periods of low returns, or rebounding from market low points. The last decade-plus of a low-interest rate environment full of reckless behaviour and puzzling valuations for many unproven companies is not always conducive to our patient approach built on fundamental analysis and risk management. We believe our investment philosophy and experience set us up well for an investment climate that is likely to be far more challenging versus the last thirteen years.

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

The Yacktman approach

Below is a summary of some key attributes we think are critical to investment success.

Price, quality, and risk

We focus on price and risk, with most of our time spent evaluating these characteristics at the individual security level. We believe good investment results are ultimately about what you own and what price you pay. Unlike many growth investors, we believe an attractive purchase price is essential to managing risk and creating solid returns. However, we may differ from other value investors because we believe quality is also important. The real magic happens when we can purchase higher quality businesses that are misunderstood – sometimes due to complexity or short-term orientation by others – allowing us to buy them at what we believe to be a great price.

Patience and objectivity

Patience and objectivity are paramount to investment success. For many years, 21st Century Fox lagged as streaming growth caused concerns about future business prospects for companies like Fox, which operated traditional cable and network channels. We believed industry pressures were real, yet Fox was different, given its significant portfolio of non-U.S. businesses, including Star in India and Sky. Fox also owned one of the top movie and television studios, and streaming would need significant content creation, which should benefit that business. In 2017-2018, after several years of disappointing returns, we were well compensated for our patience due to the bidding war between Disney and Comcast, and the share price rocketed. Many investors would have grown tired of challenging results or investor displeasure with the investment, but we followed our traditional path of objectively valuing the business and waiting for the discount we believed existed to narrow.

Concentration

Many managers spend a great deal of time thinking about sector allocations and over/under allocations versus the index. We take a different tack, focusing first and foremost on bottom-up idea generation. We then take significant positions when we think the risk/reward is highly tilted in our favour. Top positions often make up a significant weighting in the Fund, and our success in many of our largest investments over time has helped create the strong risk-adjusted performance track record. We believe great investment opportunities are rare and our goal is to make them count.

Flexibility

While the Fund is largely focused on large U.S. companies, we have the flexibility to invest across market caps, geographies, and even into debt securities (typically only when they offer equity-like rate of return at lower risk). We construct the portfolio based on the best opportunities we see at a given time and will hold cash if we find the risk-adjusted returns at the individual security level do not warrant being fully invested. We do not attempt to mimic a benchmark. In the late 1990s, we owned no technology stocks. A few years later, we bought many of them – but at dramatically different valuations. Today, we are seeing an opportunity in energy stocks that we think is more positive than at any previous time in our firm's history and are positioning the Fund accordingly.

Overall, we think our differentiated approach is more important than ever, especially since many have gone all-in on a passive indexed approach, especially in the U.S. large-cap space. While the benefits of a low-cost approach are sound, being indexed today may be the world's most overcrowded trade. In an environment where returns may be meaningfully harder to generate than they have in the past decade, we believe that individual security choices and their corresponding performance will once again be a big differentiator in returns. And while we don't put too much emphasis on shorter-term performance, below are contributors and detractors for the first half of the year.

Contributors and detractors

Energy and defensive stocks were among top contributors for the first half of the year. Our largest holding in the energy sector is Canadian Natural Resources (CNQ), which we think is one of the best managed and well-positioned companies among global oil and gas majors. Most of CNQ's production and oil and gas reserves are long-life, low decline assets

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capable of producing for 30 years. Due to recent high free cash flow generation, CNQ has reduced debt and plans to return meaningful capital to shareholders via dividends and share repurchases.

We have recently become more constructive on energy stocks due to high expected free cash flow yields, sound balance sheets, and a more challenging supply environment that could last for years. While the development of cleaner energy sources is important, pressures on energy companies and their management teams have led to significant underinvestment in new sources of supply. The industry has remained more disciplined than ever before, and that will have ramifications on the supply/demand situation going forward. We believe this will be a positive for energy stocks.

Northrop Grumman and L3Harris Technologies were also contributors to results, as the war in Ukraine has been a reminder of the importance of the defence sector. The valuations of these stocks remain attractive, especially given the stronger business prospects going forward as governments place greater emphasis on security.

Detractors included Samsung Electronics (Samsung), Microsoft, and Bolloré. While these securities lagged during the first half of 2022, they remain among our favourite holdings. Technology stocks sold off sharply in the first half, and Samsung and Microsoft were unable to avoid the sector's declines. While Samsung's memory semiconductor business has weakened slightly in 2022, it remains highly profitable, and the shares are remarkably inexpensive. The stock trades at little more than book value, and given inflationary pressures, a significant discount to replacement book value. The balance sheet should mitigate the downside from here, with more than one-third of the market cap accounted for by excess cash and investments totalling more than $100 Billion USD.

Bolloré was a detractor in the first half; however, we were very encouraged by the company's execution and activity. In March, Bolloré announced it signed an agreement to sell its African Logistics business to MSC Group for 5.7 Billion Euro, which would put Bolloré in a net cash position and help simplify a complicated investment story. A friend once said to us, "*Where there's mystery, there's margin*." We've found that complexity can lead to significant undervaluation in the stock market. Bolloré management appears to agree as they executed significant share repurchases in the year's first half.

Conclusion

To conclude, we want to acknowledge the broader members of the Yacktman team, who are a key element to our firm's success, allowing us to focus on the investment process while the business runs smoothly. We feel fortunate to work with an incredibly high-quality group. We are keenly focused on the future and driving strong risk-adjusted returns from here. As always, we will remain objective, diligent, and patient while managing the Yacktman U.S. 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 June 2022, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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Annualized Total Returns As of 30th June 2022

	Q2 22	YTD	1-Year	3-Year	5-Year	10-Year
Yacktman US Equity Fund (UCITS)*	-12.0%	-13.1%	-7.7%	9.5%	13.0%	9.7%
Russell 1000 Value NR USD	-12.4%	-13.1%	-7.4%	6.1%	9.5%	9.7%

** Class I Shares*
Source: Morningstar

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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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