

Yacktman U.S. Equity Fund

Q3 2024 Commentary

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

Opinions expressed whether in general or in both on the performance of individual investments and in a wider economic context represent the views of the contributor at the time of preparation.

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 504m USD as of 30th September 2024. During Q3 2024, the Fund (C USD share class) underperformed its benchmark, returning 3.6% compared to 9.3% for the Russell 1000 Value NR USD Index.

Contributors

Top quarterly contributors include Bollore, U-Haul, and Fox Corporation (Fox). Bollore is an example of a core position in the portfolio where the company is making strong progress towards simplifying its corporate structure while continuing to generate strong cash flows and business performance in its core businesses of Universal Music Group and Vivendi. Once a complicated holding company that included an African ports & logistics business and a freight forwarding business in Europe, Bollore now simply consists of two premier media businesses and a trove of cash. Yacktman are happy to own such a strong business at a significant discount to its underlying value, but the share price performance has yet to fully realise that value.

U-Haul issued long-term debt with an attractive structure and rates to support additional growth into attractive markets. The company continues to take advantage of its brand and proven operating model in order to grow the business.

Fox is another core portfolio company with many hidden assets and underappreciated businesses. Fox owns traditional media assets that are well-positioned relative to other traditional media players. Their streaming business, Tubi, continues to perform well and grow its user base as well as engagement. Fox continues to make smart capital allocation decisions including a recent share repurchase.

I Detractors

The largest detractors to performance for the quarter included Samsung Electronics (Samsung), Alphabet, and Charles Schwab. Samsung has been challenged by a slow start in the High Bandwidth Memory (HBM) market with competitors like SK Hynix achieving early design wins for high-profile AI players like Nvidia. Nevertheless, the company remains well positioned to compete in the HBM market as design cycles continue, and it holds a formidable share in other parts of the memory market. Samsung remains one of the global market leaders in memory chips and foundry, both of which are core to the AI story.

Despite being a top detractor for the quarter, Alphabet has been a strong performer for the year. Price appreciation and the corresponding impact on the forward rate of return for the investment resulted in Yacktman trimming the position. Alphabet is also facing challenges with the large capital expenditure required to maintain its strong leadership position alongside headwinds to their revenue growth, resulting in a smaller portfolio holding.

Charles Schwab remains a core position despite a quarter impacted by sentiment with recent interest rate changes. The company's business remains very attractive with a recurring, fee-based revenue model.

I Conclusion

Yacktman feels very confident with the positioning of the portfolio. Several of the Fund's largest positions have underperformed the market in recent quarters, and given the size of those positions, the portfolio returns have lagged the market. Nevertheless, the business performance of those core positions has been very positive, and despite the share prices not yet reflecting these strong results, the value of the companies the Fund holds have increased. The cash position is close to an all-time low, which is a reflection of the attractiveness of opportunities the team see in the market. Yacktman has experienced these types of market conditions on various occasions throughout the firm's 30+ year history and believe that their disciplined and long-term approach will result in producing attractive and differentiated risk-adjusted returns for investors.

Sincerely,

Heptagon Capital and Yacktman Asset Management

The views expressed represent the opinions of the Yacktman Asset Management L.P., as of 30th September 2024, 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 2024

| | Q3 2024 | YTD | 1-Year | 3-Year | 5-Year | 10-Year |
|---|----------------|------------|---------------|---------------|---------------|----------------|
| Yacktman US Equity Fund (UCITS)* | 3.6% | 7.6% | 18.2% | 5.1% | 10.8% | 9.0% |
| Russell 1000 Value NR USD | 9.3% | 16.1% | 26.9% | 8.3% | 9.9% | 8.5% |

* Since C share class inception 14th December 2010

Source: Morningstar

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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.

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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>

Heptagon Capital, 63 Brook Street, Mayfair,
London W1K 4HS
Tel: +44 20 7070 1800
(FRN 403304)

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Authority in the UK
12 Endeavour Square, London

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