

# Yacktman U.S. Equity Fund

## Q2 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

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*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 14<sup>th</sup> December 2010 and had AUM of 580m USD as of 30<sup>th</sup> June 2024. During Q2 2024, the Fund (I USD share class) underperformed its benchmark, returning -3.1% compared to -2.3% for the Russell 1000 Value NR USD Index.

### Contributors and Detractors

Quarterly contributors include Alphabet and Microsoft, two of the participants in the small group of AI-centric companies that have been leading the market performance. These companies offer AI exposure if the demand continues at pace and the transformational use cases for AI materialize. Other contributors include Fox Corporation and News Corporation, two media companies that the Fund has held in varying sizes for many years. Fox announced plans to launch a new sports streaming platform in collaboration with Disney and Warner Bros. Discovery as part of Fox's broader efforts to adapt to the evolving media landscape.

Detractors to performance for the quarter include some of Yacktman's highest conviction names: Bolloré, Samsung Electronics and U-Haul Holding Company. Bolloré continues to take steps to unlock value, most recently with Vivendi's announced plans to split into several companies, listing them on exchanges separately so that their fundamental value is better recognized by investors. Bolloré holds a ~30 percent stake in Vivendi, and it will be a beneficiary as the complexity of the conglomerate is simplified.

Samsung has lagged the share price performance of its technology peers in memory, foundry and phones. In memory, the High Bandwidth Memory (HBM) market has aligned with the AI euphoria, and the HBM players like SK Hynix have outperformed lately. Memory chips remain a foundational part of the AI ecosystem, and Samsung will benefit from both the Dynamic Random Access Memory (DRAM) and HBM chip

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demand going forward. In foundry, Samsung is the number two player next to Taiwan Semiconductor (TSMC). Samsung is extremely well positioned in chip production, especially given the geopolitical risks associated with TSMC's headquarters in Taiwan. Samsung's phone business continues to be strong, but the stock price has not kept up with peers like Apple in this recent cycle of AI news. Samsung is a company with leading positions in critical parts of the technology industry, although the market has not recognized this value like it has with SK Hynix, TSMC and Apple.

## **I Conclusion**

We have successfully navigated these kinds of markets previously. The team at Yacktman that has invested through the dot-com market, the sub-prime market, and other market cycles is the same team managing the portfolio today. We believe that if we remain disciplined and execute well, the results can look similar to our historical results in these types of markets.

We believe that several of the investments we own are among the best we have ever had. Several of our portfolio companies are taking meaningful steps to unlock value; but in an environment focused on a small handful of AI names, these investments are not yet getting the attention for the progress and results they are achieving.

We believe that some of the AI-centric winners have been propelled by market enthusiasm far more than fundamentals, and that there is downside risk if these companies disappoint. We are in a spend phase of the cycle, and the ultimate use cases and associated revenue models are untested. There are large inherent risks in the sector that are not being factored into the valuations, and when these risks emerge, the results may disappoint the lofty expectations. We believe that the geopolitical risks are especially acute in the semiconductor industry given the location of some of the foundries.

Yacktman's approach remains focused on achieving strong risk-adjusted returns over full market cycles. To do so, we are considering a broad array of risks, and we see the current environment to be full of them. The continuing shift to passive indices exacerbates the problem. For example, Costco is trading at a lofty multiple, possibly in part due to its top 10 spot in the Nasdaq-100 index alongside these top technology performers. We believe strongly that investors should have a manager like Yacktman in their portfolios to complement other holdings.

We are extremely positive about our outlook for the portfolio. We believe strongly in the attractive values of companies we own, and we like the positioning of the portfolio for this environment.

Sincerely,

**Heptagon Capital and Yacktman Asset Management**

The views expressed represent the opinions of the Yacktman Asset Management L.P., as of 30<sup>th</sup> June 2024, 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 30<sup>th</sup> June 2024

	<b>Q2 24</b>	<b>YTD</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>Yacktman US Equity Fund (UCITS)*</b>	-3.1%	3.7%	12.0%	4.0%	9.8%	8.6%
<b>Russell 1000 Value NR USD</b>	-2.3%	6.3%	12.3%	4.8%	8.3%	7.5%

\* Class I Shares

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>

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