# Future Trends Equity Fund

## Q2 2026 Commentary

### Fund Manager

**Alex Gunz**

### Investment Objective

The Fund aims to deliver consistent and sustainable long-term returns by investing in a concentrated portfolio of global equities.

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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 Future Trends Fund gained 20.6% in Q2 2026. This was the Fund's second strongest quarter ever in absolute terms and the third strongest since inception relative to the MSCI World Index. As a result, Future Trends is up 25.3% year-to-date and 31.3% over the last 12 months, well ahead of its benchmark over both time periods (9.6% and 21.3% respectively). Most importantly, the Fund has outperformed when the market has both risen and fallen in 2026. Throughout, our process has remained unchanged. It is centred on combining top-down and bottom-up analysis to drive long-term returns. We believe that truly active strategies should continue to prosper in the current market environment.**

## Half-time report: game on

**Six months into the year and six consecutive months of outperformance.** This has been the story of the Future Trends Fund so far in 2026. What has been particularly encouraging is the consistency of performance, with the Fund having beaten the MSCI World Index in periods not only when the index rose (January, February, April and May), but also when the market fell (March and June). Throughout the period, we have made only minor changes to our portfolio. The Fund remains a **diversified and pan-thematic** way of gaining exposure to the future.

**Few could have predicted at the start of January how the beginning of 2026 would pan out.** A third Gulf War saw the Strait of Hormuz shuttered for several months. Oil peaked at close to $120/barrel (it is now ~$70). Consensus expectations for the direction of US interest rates moved from cuts to hikes. Meanwhile the colossal spend on AI infrastructure rolls on, at the same time as the debate around perceived winners and losers. The death of (all) software businesses has been greatly exaggerated.

Most impressively and notwithstanding all the above, **both the economy and corporate earnings have continued to post robust growth.** First quarter US GDP grew at 2.1%, while the Atlanta Fed assumes further expansion in Q2. Employment trends (hiring and job openings), and retail spend both remain solid. Consumer sentiment has begun to improve from its nadir, while Business Roundtable reports US Chief Executives are at

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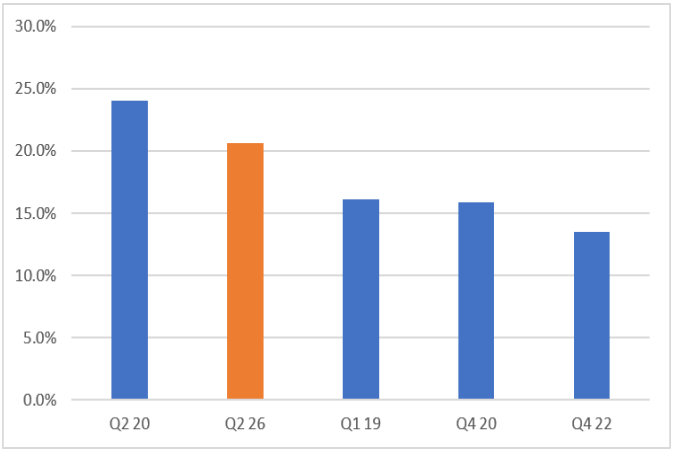
their most optimistic in four years. They perhaps have good reason, with corporate earnings growth (for the S&P 500 Index) at its strongest in the Q1 earnings season since mid-2021. FactSet implies at least 23% year-on-year earnings growth for the Index for the upcoming Q2 season.

Gains, however, are never evenly spread. At an economic level, the gap between high-income and low-income earners continues to widen in most developed countries, exacerbating political tensions. Some regions (Europe and Asia) were much more affected by oil shortages from the Hormuz blockage than others (the US). Within the stock market, the MSCI World Information Technology Index gained 21.3% in the first half of 2026 and the Energy Index 17.0%. By contrast, the Healthcare Index is flat year-to-date.

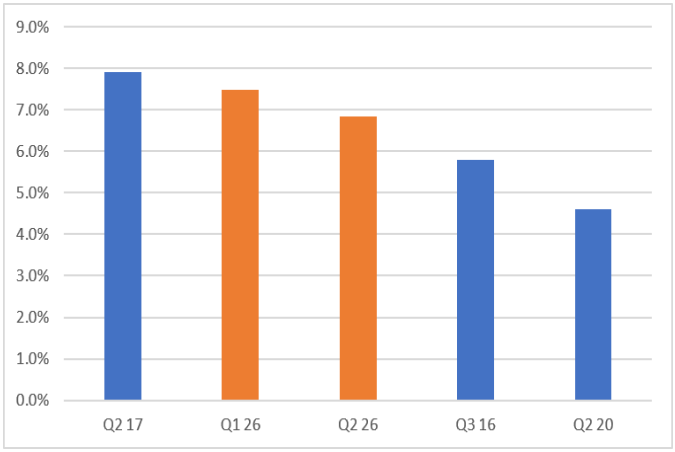
**There has been clear dispersion within the Future Trends Fund too.** The gap between our best- and worst-performing businesses has been over 250% year-to-date (ARM Holdings is up 224.4% while Intuitive Surgical is down 29.8%) and was equivalent to 150% in the second quarter (134.4% for ARM versus -15.8% for Cheniere Energy). More importantly, **Q2 was the second strongest performance for the Fund in absolute terms since the Fund's inception.** A 20.6% gain in the past quarter was only surpassed by Q2 2020's 24.0% return. On a relative basis (versus the MSCI World Index), Q2 ranks as the Fund's third-best quarter ever, behind only Q1 this year and Q2 2017.

## FUTURE TRENDS: ABSOLUTE AND RELATIVE PERFORMANCE

**Future Trends: five best quarters for absolute performance since inception**




**Future Trends: five best quarters for relative performance versus benchmark since inception**




*Sources: Bloomberg, Heptagon Capital.*

Returns were driven by two factors: what we owned and what we did not. Begin with the former. Performance in the second quarter was dominated by the inevitable theme of **AI infrastructure build,** with ARM, Coherent and ASML all gaining over 50% in the second quarter. However, these gains were complemented by strong returns from businesses exposed to **cybersecurity** and **space** (Palo Alto gained over 100% and MDA Space more than 60%). It was also pleasing to see Novo Nordisk deliver a 36.3% return in the second quarter. With the business still ~30% below its 52-week high and over 50% below its all-time high, we continue to see scope for the business to rerate.

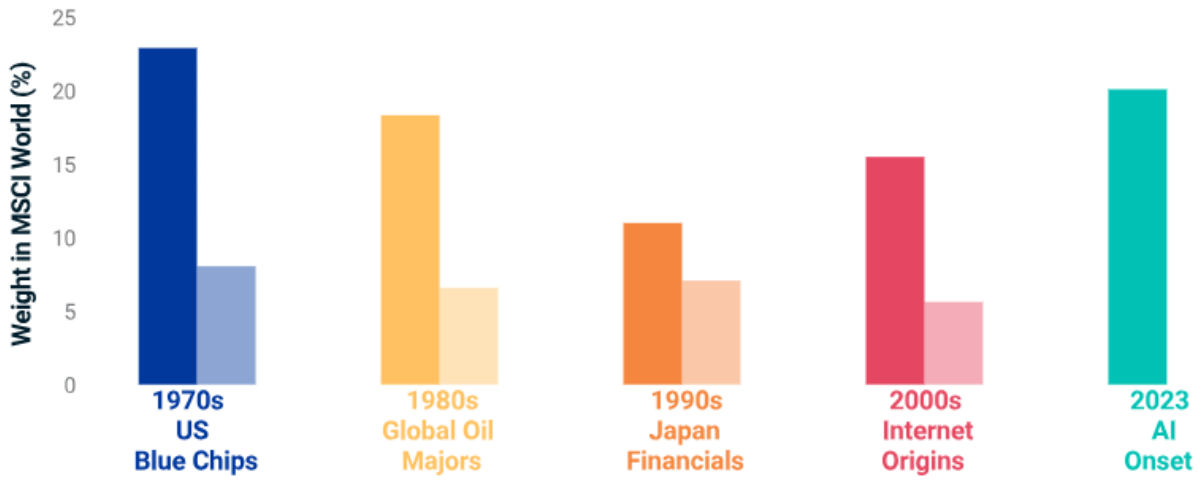
We have argued consistently that the rally in equities which began in October 2022 would *broaden* as time went on. Equally, we have not been surprised to see that **the US mega-cap technology platforms (the so-called Magnificent Seven) have underperformed the MSCI World Index since the start of 2025,** having delivered outsized gains in the prior two years. On a year-to-date basis, the Bloomberg Magnificent Seven Index is down 1.7% versus a 9.7% return for the MSCI World Index. The Future Trends Fund has gained 25.3%.

A chart we are never bored showing is the following. It highlights that **the 'winners' of each period find that a decade later their market value is substantially lower.** Investors can be correct in their assessment of a theme's validity – have no doubt, AI will change the world – but still pay the wrong price for gaining exposure to that theme. History may be rhyming when it comes to the US hyperscalers. Businesses that were historically asset-light and highly cash-generative

have become capex-heavy, needing to raise new capital in both the equity and debt markets. It remains unclear whether all the Dollars being spent on data centre build will generate adequate returns. Our Fund has had no exposure to such businesses.

## LESSONS FROM THE PAST

### Leaders from each era had a much small market weight a decade later




*Darker shades indicate weight of 10 largest stocks at peak concentration (dates noted above). Lighter shades indicate weight of the same 10 securities one decade later.*

*Source: MSCI*
*For illustrative purposes only*

Instead, **the Future Trends Fund has continued to broaden its thematic diversification**. This is best demonstrated by the two businesses we added into the Fund during the past quarter. **Axon Enterprise** and **Mercadolibre** are profiled in more detail later in the report – see Appendix Two – but provide exposure to the themes of the security of everything (Axon manufactures the TASER, among other things) and the growth in online retail/ digital payments in Latin America. We had tracked both businesses for some time prior to investing and waited for suitable entry points – with the stocks substantially below their share price peaks – before investing.

As with every other business in the Future Trends Fund, we performed **substantial due diligence** on Axon and Mercadolibre, interacting regularly with management (both in-person and virtually), allowing us to form as complete a picture as possible of prospects and positioning. **We typically seek to meet all the businesses in which we are invested at least once a year**. These interactions enable us to understand the longer-term strategic direction of travel and afford us opportunities to stress-test our investment theses.

The second quarter of 2026 saw us interact (either physically or virtually) with corporate teams at **21 different businesses**, of which more than half were Future Trends investments. On a year-to-date basis, we have now interacted with teams at 21 of the 26 businesses in which the Fund is currently a shareholder. Our meetings span the entire C-suite as well as Investor Relations.

The two highlights from the past quarter were travelling to Düsseldorf to meet with the Chief Operating Officer and Chief Strategy Officer at one of **GXO**'s operated warehouses as well as visiting **Galderma**'s Head of Injectable Aesthetics in their Lausanne office. At the former, the institution of operational best-practice (the 'GXO Way') comprised a major focus in the discussion, while at the latter, a discussion about the significant market opportunity and how Galderma can differentiate itself through ongoing education and training featured highly.

Elsewhere, we had useful discussions with the CFO of **Helios Towers** (on corporate culture), the CFO of Coherent (on cost-cutting) and the Head of Investor Relations in Europe at **ASML** (on supply chain dynamics). Other stand-out meetings included with teams at **Cheniere Energy**, **First Solar** and **Quanta Services**, among our existing investments.

The key conclusion from all our interactions is that both top-down and bottom-up prospects for the businesses in which we invest remain attractive. The **growth runways ahead remain compelling**. Consider that Axon believes that the US state and local law enforcement addressable market that it serves is only 15% penetrated. The business sizes its broader market opportunity as worth up to $169bn, versus last reported revenues of less than $3bn. Meanwhile, retail e-commerce penetration stands at only a 15.2% average across Latin America, compared with over 30% in the US and close to 40% in China, suggesting a significant opportunity for Mercadolibre. As the table shows below, other themes from digital payments to cloud adoption also **remain in early innings**.

**LONG RUNWAYS AHEAD**

| Factor | Global Penetration | Future Trends Exposure |
|---|---|---|
| Corporate workloads in the cloud | ~30% | EQUINIX |
| Digital payment volumes | ~25% | mastercard |
| Retail purchases made online | ~20% | PROLOGIS |
| Renewables share of energy industry | ~15% | First Solar. |
| Operations performed with minimally invasive surgery | ~10% | INTUITIVE SURGICAL |
| Diabetes and obesity sufferers currently treated | <10% | novo nordisk |
| Addressable market for advanced security services | ~2% | AXON |
| AI spend as a % of total software spend | ~1% | ASML |

*Sources: Company reports, Heptagon Capital*

Our conviction is reinforced by the modelling we do for all the businesses in our investment universe. **The businesses we own within the Future Trends Fund are growing substantially faster than the global market and converting this revenue growth into superior free cashflow generation**. Taking a weighted average of the forecasts embedded in our models (which are typically below market consensus levels), the three-year forecast compound annual revenue growth rate for the Future Trends Fund is almost double that forecast for the MSCI World Index, as is the case for forecast free cashflow growth too.

It should be evident from all the above that **there has been no change in our investment process since the start of the year**. We continue to research new themes and review a wide range of potential investment candidates. Three new thematic white papers (on stablecoins, autonomous vehicles and agentic commerce) have been published so far in 2026 as well as 23 Blog posts. Beyond the addition of Axon Enterprise and Mercadolibre into the Fund in Q2 (and the sale of DoorDash to partly fund these purchases), the only other portfolio change we have made in 2026 was to add Siemens Energy at the start of the year, discussed in our prior quarterly report.

Throughout 2026, we have sought to remain nimble. Even if name turnover has been very low (especially when compared to levels seen in 2024 and 2025), **we have been proactive and disciplined in our trading strategy**. We have consistently sought to take profit in our best-performing names (ARM, ASML, Coherent and MDA Space) and been opportunistic in adding to others (Cheniere Energy, First Solar, Intuitive Surgical and Palo Alto Networks) on weakness. This approach has been helpful in driving returns.

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As we enter the second half of 2026, we remain optimistic but far from complacent. The events of the first six months of the year show just how quickly the world can change. Where we are in the market cycle (not to mention the AI investment cycle) remains open to debate. Our most constructive approach is to continue running a multi-thematic portfolio that is exposed to a range of diverse secular drivers and reinforced by solid corporate fundamentals.

## Conclusion

**The Future Trends Fund has gained 31.3% over the 12 months to 30 June,** placing it well ahead of the MSCI World Index (21.3%). These gains have helped reverse the underperformance witnessed in 2023 and 2024 when US mega-cap technology platforms were in the vanguard. We believe that truly active strategies should continue to benefit as market leadership broadens and differentiation is rewarded.

We believe that our differentiation lies in the following:

- **Pan-thematic and concentrated:** Exposure to 12 different themes via a 26-stock portfolio.
- **Diversification:** No mega-cap technology platform company exposure.
- **High conviction:** 95%+ active share; 45%+ in top 10.
- **Discipline:** No loss-making businesses.
- **Proprietary research approach:** Database of 80+ thematic white papers dating to 2011 complemented by bottom-up stock analysis based around strict selection criteria.
- **Sustainability:** Article 8, AA rating from MSCI, quarterly sustainability reports available.

**A TRULY PAN-THEMATIC PORTFOLIO**

*The illustrations above highlight certain key businesses that may be represented in the strategy and are not intended to depict the entire investment universe.*

Thank you for your ongoing interest in and support for the Future Trends Fund.

***Alex Gunz, Fund Manager***
***July 2026***

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## Appendix One: Q2 performance review –

19 of the Fund's 26 businesses gained in absolute terms over the quarter and 12 beat the MSCI World benchmark. As ever, there was significant dispersion between our best- and worst-performing businesses, equivalent to over 150 percentage points, or almost 500 basis points of contribution.

By far the two most notable positive contributors were **ARM Holdings** and **Palo Alto Networks**. These businesses saw increases of 134.4% and 112.7% respectively in the share prices over the past quarter. Both businesses added over 400 basis points of contribution to the Fund during Q2.

ARM shares rerated as investors became increasingly convinced that the business will be one of the key beneficiaries of the AI boom. The company announced in late March that it would move into chip design (initially central processing units – CPUs – for data centres), allowing it to capture a larger share of its customers' economics. Results in May saw ARM highlight how demand for its CPU chip designs had already built to $2bn, double the estimate it had provided in March. Consensus estimates for ARM have continued to increase throughout 2026.

While ARM saw strong gains in both Q1 and Q2, the performance of Palo Alto last quarter is, arguably, more notable, since the shares lost 13.0% of their value in the first quarter of the year. The shares were dragged down in the early part of the year on concerns that *all* software businesses would be at risk from obsolescence as the capabilities of AI increased. The reversal took place as investors increasingly began to realise that cybersecurity business models will only become *more relevant* in an AI-dominant world. Artificial intelligence can help *improve* cyber defence and may help strengthen the moats of leading players such as Palo Alto. Fiscal Q3 results in June were also robust, driving earnings upgrades.

At the opposite end of the spectrum, **Intuitive Surgical** and **Cheniere Energy** were the Fund's two notable laggards in Q2, both seeing declines of around 15%. The two companies cost the Fund 75 basis points and 94 basis points respectively in negative contribution over the quarter. We held recent conference calls with Investor Relations executives from both businesses and believe that there has been no change in fundamentals at either company.

The overall healthcare sector has underperformed since the start of 2026, given the significant focus on the AI and semiconductor ecosystem. Intuitive has continued to execute and its first quarter results (released in late April) saw the business beat consensus expectations and raise its financial guidance. However, the street had hoped for a *more optimistic* outlook and investors have remained concerned about tariff and competitive risks. Cheniere also raised its financial guidance in May. The 15.8% drop in the share price in Q2 simply represents a partial reversal of the 46.0% gain seen in Q1. With a ceasefire announced in the Gulf, liquefied natural gas may no longer be a core source of near-term attention for investors.

On a year-to-date basis, ARM is the Fund's stand-out performer, up over 220%. Next best in absolute performance terms is **MDA Space** (up 120.0%), a key beneficiary of growing interest in the space theme, boosted by the recent flotation of SpaceX. The business also reported strong results and a swathe of new contract wins. ARM, Palo Alto, ASML, Coherent and MDA have each delivered at least 300 basis points in contribution to the Fund so far in 2026.

The 2026 laggard has been Intuitive Surgical, down 29.8%, and costing the Fund over 200 basis points of negative contribution. Beyond our previous comments, we note Intuitive's strong track record of ~18% annualised returns over the last decade. **Uber** and **Xylem** are both down more than 10% to-date in 2026, with Xylem – which traded lower on lacklustre organic growth – costing the Fund more in contribution terms than Uber, owing to its larger average weight.

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## Appendix Two: Portfolio additions –

### Mercadolibre

Mercadolibre, **the leading e-commerce and fintech business operating across Latin America**, was added to the Fund in April. This followed an initial meeting with the group's Chief Financial Officer in London in December 2025 and subsequent extensive due diligence. At the time of our investment, Mercadolibre shares were 31% below their 52-week, but had risen by just over 10% from their recent trough.

We had long followed Mercadolibre from the sidelines owing to its exposure to several **strong secular thematic drivers** combined with its **deep moats** (brand, logistics, licences, data) and **multiple monetisation channels** (commerce, ads, payments, credit). Mercadolibre operates across Central and South America, even if most of its exposure (over 95%) is from the three markets of Brazil, Mexico and Argentina.

E-commerce penetration in Latin America lags the United States by around a decade. The average Mercadolibre customer makes 9 online purchases annually, versus around 50 in the US. Given an addressable population of 650m across the region, third-party forecasts suggest that the local online retail market is growing at a 50%+ CAGR. **Mercadolibre believes that it captures around 60% of every new dollar that moves from offline to online**. Consensus estimates assume that Mercadolibre will grow its revenues at least at a 25% compound annual growth rate over the next three years.

Since Mercadolibre operates at significant scale, **its digital ecosystem would be highly difficult to replicate**, in our view. Clearly, as each new user joins Mercadolibre, network effects are further deepened. Proprietary data insights across its platforms allow Mercadolibre to make more informed decisions regarding resource allocation, providing an additional lever. These dynamics have helped enable Mercadolibre to pivot into new adjacencies such as fintech.

Share price underperformance in the last two years has been a function of Mercadolibre investing for growth. The strengthening of its platform has left the business better-placed both to cross-sell and up-sell and more robustly positioned relative to emerging competitive threats. A net-cash balance sheet also provides Mercadolibre with significant optionality. We see the risk-reward profile for Mercadolibre as highly compelling. The business is ~40% undervalued on our long-term discounted free cashflow analysis.

**Our purchase of Mercadolibre was funded through a full sale of our position in DoorDash**. This trade was a function of increased relative conviction: Mercadolibre enhances the Fund's thematic and geographic exposure. The business also has better growth prospects relative to DoorDash. Consider that Mercadolibre's growth has been (and will continue to be, in our view) funded almost exclusively through organic investments. By contrast, DoorDash is currently absorbing the purchase of Deliveroo.

DoorDash contributed positively to Future Trends performance in 2025. The shares gained 35% last year and were up over 65% at peak. Our strategy saw us take profit on the way up. When we sold our position in April, we exited with a small loss relative to the price of our initial December 2024 purchase price.

### Axon Enterprise

Similar to Mercadolibre, our June 2026 investment in Axon Enterprise represents a case study in patience, discipline and due diligence. Axon is a leading US-listed public safety company capitalised at ~$45bn. We first started to follow Axon in late 2024, when the shares were trading at over $600. We initially engaged with the business in March 2025 and subsequently met with Axon's CFO in London in early 2026. Axon's shares peaked at $842/share in August 2025 and troughed at $346 in April this year. Our investment took place at ~$470/share. Axon shares are currently trading at ~$560/share.

Founded in 1993 and listed in 2001, **Axon is a market-leading provider of law enforcement technology solutions, most prominently the TASER**. Its mission is to protect life in service of promoting peace, justice and strong institutions.

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Axon is the clear market leader in the field where it operates, counting over 18,000 public safety agencies across 80+ countries as users of its product. Axon has a c70% share in major US cities.

**We were attracted to the business owing not only to the valuation disconnect that opened after its derating from its peak, but also given the large untapped market opportunity, Axon's subscription driven model and clear flywheel effect at work**. Begin with the addressable market. Current revenues are equivalent to just 2% of Axon's estimated TAM. Axon has been highly effective in creating its market as it grows, with new products and use-cases which did not previously exist. Axon sees its TAM as being worth $169bn currently, over three times its 2023 estimate and more than five times its 2021 assessment.

Axon seeks to build products and integrated bundles that improve customer effectiveness and safety. This creates more users (people) and nodes (devices) on its network, in turn creating more data that can be used to unlock further value. Once customers are on the Axon platform, there is a **high opportunity cost of switching and an expanding case for cross-sell**. AI creates further optionality, via digital evidence management and case-note transcription. Average contract length is five years. Axon reports a 120% net revenue retention rate.

We believe that the derating that occurred in Axon shares from August 2025 to April 2026 was indicative of a broader (and indiscriminate) sector sell-off in high-growth, software names. **Consensus estimates for Axon have *increased* since the start of the year**, with the street forecasting ~30% compound annual revenue growth over the next three years at the same time as margins increasing by over 200 basis points. Axon has also provided **improved disclosure and more detailed financial guidance** in recent months, helping alleviate prior investor concerns over stock-based compensation and free cashflow generation.

Our investment in Axon was funded through **reducing our weightings in existing fund positions**. Specifically, we took profit in our then largest holding (Palo Alto Networks) as well as in ARM Holdings. Palo Alto had gained 57.1% in May and ARM 68.0%. The latter's year-to-date performance of +223.2% at the time of position reduction was the strongest of any business within the Fund. **Portfolio discipline** is an integral part of the Future Trends strategy.

## Appendix Three: How we are positioned –

Below follows a short summary of each of our current top five holdings:

**Galderma (6.1% weight):** Founded in 1981 but only listed in 2024, Galderma is the largest listed pure-play business focused on dermatology. The business sits at the crossover between beauty and medicine and is supported by multiple thematic drivers. Galderma has consistently outgrown the $80bn+ dermatology market owing to its product innovation and expansion into new and under-penetrated geographies/ market segments. The company is the number two player within injectable aesthetics and the leading player in therapeutic dermatology across acne, rosacea and actinic keratosis. Galderma is guiding towards at least 10% compound annual revenue growth and up to 500 basis points of margin expansion through to the end of 2027. An asset-light business model and significant free cashflow generation potential also provide Galderma with significant capital allocation optionality. *Galderma has gained 13.4% in 2026 to-date.*

**ASML (5.9% weight):** ASML occupies a dominant and integral position within the semiconductor value chain. As such, it sits at the core of almost all future trends, especially the ongoing boom in artificial intelligence. Without ASML, *the future cannot happen*, in our view. Owing to consistent R&D investment since its founding in 1984, ASML has a de facto monopoly position in the manufacture of extreme ultraviolet lithography machines – or the machines that make semiconductor chips. Given demand trends, ASML has an order backlog of ~€40bn. Growth in semiconductor end-markets and increasing lithography intensity on future nodes continues to fuel demand for ASML's services. The business last reported revenues of €32.7bn and has guided to €44-60bn in sales by 2030. ASML already achieves a 51% gross margin on its sales and believes that a 56% margin could be achievable by 2030. With limited M&A likely over this period, there is scope for increased shareholder returns. *ASML has gained 86.8% in 2026 to-date.*

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**Palo Alto Networks (6.1% weight):** Palo Alto Networks is the leading next-generation global cybersecurity provider. It is the only cybersecurity business currently to provide a fully integrated set of solutions (all of which are cloud native and were built bottom-up) for customers. Palo Alto sees itself more as a cybersecurity partner to its customers than a vendor per se. A typical industry approach requires 12-15 principal products and up to 75 security products to monitor and manage assets versus the single integrated solution suite offered by Palo Alto. Strong cashflow generation and net cash on its balance sheet leaves Palo Alto in a strong position to consider M&A to complement and deepen its existing product suite. The business estimates that it is growing at around two times the rate of the broader market. This performance has translated into ~40% annualised shareholder returns in the last five years. *Palo Alto has gained 85.1% in 2026 to-date.*

**Equinix (5.0% weight):** Equinix (a portmanteau for 'equal internet exchange') is the leading global provider of colocation and interconnection services via its data centres. Through a combination of organic investments and M&A, the business has invested over $47bn to build an unrivalled network of data centres. These span 36 countries across 6 continents, with Equinix present in 77 metro areas. Its customers comprise all the leading cloud providers, network service providers and major digital companies. Equinix has exposure to a $250bn addressable market that is growing at a double-digit rate, given the ongoing data deluge. The business also enjoys strong visibility, with c95% of Equinix's revenues recurring, under 3-5-year contracts, with fixed pricing for power, space and interconnections. Predominantly fixed cost economics can help drive margins and cashflow through leverage. At the same time, Equinix continues to invest back into its business and return cash to shareholders. *Equinix has gained 36.1% in 2026 to-date.*

**Prologis (4.7% weight):** The business is the largest owner of industrial real estate in the world. Consider Prologis as an owner, operator and developer of distribution space to facilitate the flow of goods around the world. Goods with an economic value of $3.2tr – equivalent to 2.9% of world GDP – pass through Prologis warehouses annually. Prologis is exposed both to the growth in multi-channel commerce solutions as well as the deepening (and reshoring) of supply chains. Its assets are located strategically, and the overall industry is characterised by a structural imbalance between growing demand and constrained supply. Additionally, Prologis is converting some of its real estate for use as data centres, which should act as an additional growth driver. With the strongest balance sheet in the sector, Prologis has additional optionality in respect of expanding its portfolio. *Prologis has gained 6.1% in 2026 to-date.*

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