HEPTAGON Capital

Kopernik Global All-Cap Equity Fund

Q4 2023 Commentary

Portfolio Management

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Investment Objective

The Fund seeks to provide long-term capital appreciation by investing primarily in equity securities of U.S. and non-U.S. companies. The research driven investment process seeks to add value through active management and by selecting securities of companies that, in the manager's opinion, are misperceived and undervalued by the market.

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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 **Kopernik Global All-Cap 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 Kopernik Global Investors LLC ("Kopernik") is the Sub-Investment Manager meaning Kopernik exercises discretionary investment authority over the Fund.

The Fund was launched on 16th December 2013 and had AUM of USD 1,235m as of 31st December 2023. During the fourth quarter of 2023, the fund (C USD share class) underperformed its benchmark, returning 8.0% compared to 11.0% for the MSCI ACWI.

Quarter Overview

As we discussed in our year-end commentary "The Nifty Seven," we find the steep gains in momentum markets in 2023 (especially during the 4th quarter) surprising given the fundamentals. Perhaps the Federal Reserve will cut rates (the very mention of it was the genesis of November and December's amazing performance), but as we outlined in our recent commentaries and quarterly call presentation, inflation is likely here to stay. The U.S. market, where concentrated stock leadership became narrower and companies with high valuations rose further, is priced for perfection. The areas left behind are much more attractive to Kopernik and should perform well with or without inflation. We remain excited about the portfolio's asymmetric potential returns and have a high level of conviction in the emerging markets and real assets exposures of the strategy.

The materials sector was the strategy's largest positive contributor during the quarter. Gold companies led the way. The strategy's two largest contributors were **Harmony Gold Mining Co Ltd ("Harmony")** and **Newmont Gold Corp ("Newmont")**. Harmony is a leading gold producer with mines in South Africa and Papua New Guinea; Newmont is the largest gold miner in the world from both a reserve/resource and production perspective. The strategy total return for Harmony in the fourth quarter was 65.1%. Newmont had a total return of 18.8%. We

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acquired Newmont shares through its acquisition of **Newcrest Gold ("Newcrest"**), which closed during the quarter. Newcrest had historically been one of the strategy's largest positions, and, although we saw more upside in Newcrest as a standalone entity, we believe that the Newmont acquisition gives us the opportunity to own world-class assets at a discount. We commend Newmont on their timely, accretive acquisition. We trimmed the position on higher prices before adding back in December when the price dropped. We added to Harmony on lower prices before trimming later in the quarter.

Other producing gold miners also performed strongly. **Gold Fields Ltd ("Gold Fields")**, a South African gold miner with mines in Ghana, South Africa, Australia, Peru, and Chile, had a total return of 37.7%; **Equinox Gold Corp ("Equinox")**, a Canadian gold miner with 13.8 million ounces of reserves, had a total return of 15.7%; **Aris Mining ("Aris")**, which owns both producing and non-producing assets in Colombia, Guyana, and Canada, had a total return of 45.0%; **IAMGOLD Corp ("IAMGOLD")**, which owns active mines and developmental projects in Burkina Faso, and Canada, had a total return of 23.2%. Non-producing miner **Seabridge Gold Inc ("Seabridge")**, which owns **KSM**, the largest undeveloped gold asset in Canada, had a total return of 15.2%. We trimmed Gold Fields, rolling proceeds into other mining names with more upside; we added to Equinox and Seabridge.

Precious metals streaming companies that have exposure to the commodity without the mining risk also performed well. **Wheaton Precious Metals Corp ("Wheaton")** and **Royal Gold Inc ("Royal Gold")** had total returns of 22.1% and 14.0% respectively. Finally, **Ivanhoe Mines Ltd ("Ivanhoe")**, which owns the Kamoa-Kakula copper project in the Democratic Republic of the Congo, had a total return of 13.3%. We added to Royal Gold and trimmed Ivanhoe aggressively, rotating into other miners with more upside.

On a sector basis, the strategy's second largest positive contributor was from stocks categorized by GICS as Financials. This was due primarily to a stock that is really resource oriented, **Sprott Physical Uranium Trust ("Sprott Uranium")**, which buys and holds physical uranium. Sprott Uranium was the strategy's third-largest contributor with a total return of 25.1%. Similarly, uranium holding company **Yellow Cake PLC**, which is classified as an Industrial company, had a total return of 15.3%. We trimmed both companies.

As we have discussed in other commentaries, Kopernik's analysts are finding many opportunities in emerging markets. Many of those companies performed well during the quarter. The strategy's South Korean holdings performed well, contributing 1.9% to total returns. **KT Corp**, South Korea's dominant fixed line and second-largest mobile phone company, had a total return of 11.3%. **Hankook & Co Ltd ("Hankook")**, a holding company with exposure to automobile tire and battery manufacturing businesses, had a total return of 47.9%. Hankook's stock price was volatile surrounding the announcement of a tender offer (since cancelled), and we trimmed the position opportunistically on strength. Additionally, **Hyundai Motor Co ("Hyundai")**, a South Korean automobile manufacturer with 5% global market share, had a total return of 13.0%; **Korea Electric Power Corp ("Kepco")**, a leading electric utility, had a total return of 10.0%; **DL E&C Co Ltd ("DL E&C")**, an engineering & construction with business segments in housing, civil, and industrial end markets, had a total return of 21.2%; and Lotte Chemical Corp, one of the largest petrochemical manufacturing companies in Korea, had a total return of 17.0%. Another emerging markets company, **Centrais Eletricas Brasileiras SA ("Eletrobras")**, Brazil's leading electric utility with significant hydroelectric assets. We trimmed **KT Corp, DL E&C**, and **Eletrobras**.

Other detractors were spread across multiple sectors. **NAC Kazatomprom JSC** had a total return of -7.4%. **Hyundai Department Store Co Ltd ("Hyundai Department Store")**, one of three major department store brands in Korea, had a total return of -14.7%. **K+S AG ("K+S")**, a German phosphate miner, had a total return of -12.6%. We added to Hyundai Department Store and K+S.

As mentioned above, one of the strategy's new positions includes Newmont, which resulted from the Newcrest acquisition. The strategy re-initiated positions in two Chinese companies as prices fell to attractive levels: **Sinopharm Group Co Ltd**, China's largest pharmaceutical distributor, and **Alibaba Group Holding Ltd**, one of the world's largest e-commerce providers. The strategy also initiated positions in **Cresud AG**, an Argentinian agricultural company that also has a real estate segment, **Vodafone Group PLC**, a leading telecom provider in multiple markets across Europe and Africa.

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The strategy eliminated positions in **Toho Holdings Co Ltd, BASF SE, IAMGOLD**, and **Ivanhoe Electric Inc/US** as prices appreciated. The strategy also eliminated positions in three uranium miners: **Denison Mines Corp, NexGen Energy Ltd**, and **Cameco Corp**. As we discussed in our recent uranium whitepaper (available on our website), the uranium price skyrocketed in 2023, and many of the miners approached their risk-adjusted intrinsic value. Sticking to our disciplined investment process, we have been trimming back and eliminating positions.

In closing, we continue to be focused on appraising businesses and mitigating risk through diversification across sectors and countries. Our investment process is centred on buying and holding companies trading at significant discounts to their risk-adjusted intrinsic value, and we view volatility as an opportunity to add and trim. You can count on us to employ our disciplined, fundamentals-based, long-term approach that has produced a proven track record throughout full market cycles.

Why Kopernik? By Kopernik Global Investors, LLC

Philosophically, we view ourselves as owners of businesses. Our job is to appraise these businesses and take advantage at times when an inefficient, emotional marketplace offers securities at a price that is significantly different from our appraisal. Like our namesake, Kopernik (better known by his Latin name – Copernicus), we trust the results of our own analysis even when (especially when) it generates vastly different conclusions from those of the crowd and/or those taught by many academics. Similarly, we commonly question the data issued by governments, central bankers, and companies themselves. We understand that bargains appear often because people focus on fear or panic, and other forms of risk that are not relevant to the investment portfolio. High tracking error, bad headlines or unpopular stocks/countries/ regions/industries can present a degree of risk to a manager's career, while often lowering the potential of permanent loss of capital (due to lower initiation prices and higher potential upside) to the portfolio. Similarly, Kopernik believes volatility and other measures of past price movements are not relevant to long-term investors' assessment of risk. It can be indicative of potential risk to short-term speculators or to highly levered players, but can often present opportunity for true long-term investors.

As always, we appreciate your patience and support.

Sincerely,

Heptagon Capital & Kopernik Global Investors

Annualized Total Returns as of 31st December 2023, net of fees, C USD share class

	Q4 23	YTD	1-Year	3-Year	5-Year	7-Year
Kopernik Global All-Cap Equity Fund	8.0%	17.9%	17.9%	7.0%	13.5%	8.8%
MSCI ACWI NR USD Index	11.0%	22.2%	22.2%	5.7%	11.7%	10.0%

Source: Morningstar

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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.

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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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