HEPTAGON Capital 20 YEARS

Driehaus Emerging Markets Equity Fund

Q2 2025 Commentary

Portfolio Management

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Investment Objective

The investment objective of the Fund is to achieve long-term capital growth. The Fund's Sub-Investment Manager, Driehaus Capital Management LLC, is a privately-held boutique asset management firm located in Chicago, USA. The firm was founded in 1982 and has USD 21.4 billion of assets under management.

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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 **Driehaus Emerging Markets 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 Driehaus Capital Management LLC ("Driehaus") is the Sub-Investment Manager meaning Driehaus exercises discretionary investment authority over the Fund. The Fund was launched on 25th June 2012 and had an AUM of USD 498m as of 30th June 2025. During the second quarter of 2025, the Fund outperformed its benchmark, the MSCI Emerging Markets Index NR USD (the "Index"), returning 13.6% (C USD share class) compared to 12.0% for the Index. Driehaus Capital Management LLC was appointed Sub-Investment Manager of the Fund on 6th December 2016. Prior to this OFI Global Institutional, Inc. was the Sub-Investment Manager from 25th June 2012 to 5th December 2016.

Market Overview

Our last commentary, written in early-April, shared the optimistic base case that we believed we had seen the worst of the trade-specific headlines and that ultimately tariffs in the US would be lower than what was promised on 'Liberation Day.' Fortunately, that turned out to be the correct view (thus far), but we could not have seen all the implications of that reversal for equity markets at the time. The primary one, which was quite logical, is that the probability of economic collapse was priced much lower, resulting in steady broad market upside. The less foreseeable reaction was that a lot of underpriced macro assets reverted close to fair value as the dust settled but uncertainty remained. For emerging markets, this was felt most acutely in FX markets.

Overall, emerging markets have been in a better position thus far this year and we have seen evidence of many allocators reducing underweight positions. This has helped flows to emerging market equities and debt and has also brought back some buying in growth stocks, which we have been missing for the past few years. It's an open question whether that will sustain, but we see many positive signs of momentum currently.

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

Performance Review

The Driehaus Emerging Markets Equity Fund returned 13.6% in the second quarter of 2025, 162 basis points ahead of the MSCI Emerging Markets Index (12.0% return).

Stock selection was the biggest driver of positive attribution. The currency allocation effect was negative.

The performance data below represents the strategy's composite of emerging markets sustainable equity accounts managed by Driehaus Capital Management LLC (DCM) (the composite). These returns are estimated for the period as the underlying accounts' data is yet to be reconciled to the custodian bank. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and custodian fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts and reflect the reinvestment of income and other earnings. The performance data shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.

Strategy Overview and Positioning

Consumer Discretionary was the top contributing sector in terms of total effect versus the benchmark. Positive attribution was largely driven by strong stock selection.

The strategy's position in an ecommerce and fintech company based in LatAm was the biggest positive contributor. The company posted a strong quarterly result that showcased the strength of its Argentina business as well as continued positive performance in fintech.

The strategy also benefited from being underweight Chinese ecommerce and local service companies which underperformed after competition intensified.

A Brazilian homebuilder contributed positively to returns, boosted by strong profitability in its backlog given better pricing and higher demand.

Industrials was the largest sector detractor. A Chinese battery company underperformed due to concerns over excessive competition between the company's auto customers. The strategy's position in a Chinese automation company modestly underperformed as customers were hesitant to place orders amidst tariff-related uncertainty. The strategy did not own several Korean industrial companies that rallied amidst enthusiasm over corporate reform and nuclear/electrification demand.

Brazil was the top contributing market to country attribution. Brazil saw a strong rally in its equity market as well as appreciation in the Brazilian Real (BRL) during the quarter. The Central Bank indicated a pause in the monetary tightening cycle after yet another rate hike took the benchmark rate to 15%. Brazilian assets were also supported by a weaker US dollar and higher commodity prices excluding oil. The strategy benefitted from its holdings across multiple sectors including Consumer Discretionary, Utilities, and Financials.

India was a large positive contributor to performance during the quarter, primarily due to stock selection. The strategy benefitted from its Real Estate holdings, which outperformed as lower rates provided a boost to steady demand and business development activity. The strategy benefitted from its underweight to the IT Services industry, which has lagged amidst macroeconomic uncertainty and concerns over AI disruption risk. The strategy's position in an auto parts company outperformed as they sold more premium products and benefitted from increased localization.

South Korea was the largest country detractor. The market generated the strongest returns in the index driven by enthusiasm over the Value Up corporate reform initiative. Additionally, the index has large exposure to well-performing investment themes such as defense, nuclear power, and shipbuilding. The strategy does not own stocks in shipbuilding due to high output of emissions and the strategy also does not own stocks in the defense industries.

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Taiwan was the second largest country detractor as a negative currency effect more than offset positive stock selection. The strategy was underweight versus the benchmark and was negatively impacted by the historic appreciation of the Taiwan Dollar (TWD) during the quarter. The appreciation in the TWD came as weakness in the USD led to local exporters selling their USD holdings, life insurers repatriating foreign assets, and inflows of foreign investment.

Market Outlook

In our previous market outlook, we wrote that the most interesting developments in the coming months were likely to be in the currency markets and that has certainly transpired. We have been very bearish on the dollar for the past several quarters and tried to reflect that in our positioning. The primary method of that was increasing our exposure in traditional higher beta FX markets like Brazil. When you think of a weaker dollar, the last place you think to add exposure is north Asia, where countries like Korea and Taiwan tend to have very low dollar sensitivity. That proved to be wrong this time around as every undervalued currency, where local investors were not sufficiently hedged, saw a very quick repricing. It's not intuitive that countries who primarily export electronics would see major upside in FX from a perceived weaker US economy but that was not the driving force. The driving force of these moves was the legacy of positioning and everyone around the world being overweight dollar assets and feeling like the new administration in the US demanded a reconsideration of that position. Currently, we have a more neutral view of the dollar while still believing we are in the early innings of a multi-year depreciation. Tactically however, this the worst year to date return the greenback has ever had and these things tend not to trend in a straight line. US economic data has turned out to be not so bad and we think there could be a pause in the depreciation trend but question whether major buying pressure will reassert itself. The dollar remains overvalued on a long-term time scale and ultimately that gives us conviction in that trend but we are not aggressively expressing it today.

The second notable development in the quarter concerns China and qualitative observation of an evolving narrative. For many years there had been a political narrative that China was getting ahead of the US and other developed countries technologically. That never made sense to us and seemed based on fear-mongering rather than reality. We sense that is beginning to change again with more clear evidence of advancements from Chinese tech, robotics and automotive companies. The Deepseek fervor started this trend and it has only grown since then, with the market being more focused on the increasingly entrenched advantages China is developing in higher-tech industries. We see global investors being increasingly willing to underwrite these growth opportunities, which is a marked shift from the 2020-2023 period. Ultimately, we see that as a positive to the China and emerging market equity story.

Sincerely,
Heptagon Capital and Driehaus Capital Management

Annualized Total Returns

	Q2 25	1-Year	3-Year	5-Year
Driehaus Emerging Markets Equity Fund	13.6%	10.0%	11.1%	7.9%
MSCI Emerging Markets NR Index	12.0%	15.3%	9.7%	6.8%

Source: Morningstar
Fund performance relates to the UCITS Fund (IE00B6RSJ564, net of fees, in USD).

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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.

SFDR

This Fund has been classified as an Article 8 for the purposes of the EU's Sustainable Finance Disclosure Regulation ('SFDR'). The Fund promotes environmental and/or social characteristics but does not have sustainable investment as its primary objective. It might invest partially in assets that have a sustainable objective, for instance assets that are qualified as sustainable according to EU classifications but does not place significantly higher importance on the environmental objective of each underlying investment. Please see Prospectus for further information on the Funds environmental and/or social characteristics and relevant sustainability risks and principal adverse impacts which may impact the Fund's performance.

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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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