HEPTAGON Capital

Kopernik Global All-Cap Equity Fund

Q1 2025 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-Strategy of Heptagon Strategy 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 Strategy.

The Strategy was launched on 16th December 2013 and had an AUM of USD 1,318m as of 31st March 2025. During the first quarter of 2025, the Strategy (C USD share class) outperformed its benchmark, returning 10.7% compared to -1.3% for the MSCI ACWI.

The views expressed represent the opinions of Kopernik Global Investors, LLC as of 31st March 2025, are not intended as a forecast or guarantee of future results and are subject to change without notice.

Quarter Overview

After finishing 2024 at stratospheric valuations, U.S. momentum stocks began to fall back towards earth. After a year of lagging extremely manic markets, we are pleased that value stocks appear to be returning to favor. The first quarter reversed much of 2024's underperformance. Buying good companies for less than they are worth has historically portended strong returns over the long term, especially following periods of underperformance. Since the end of the quarter, markets have been rocked by significant turmoil and volatility, presumably caused by poor Strategyamentals and high valuations, but accentuated by the announcement that the U.S. will impose substantial global tariffs. In this environment, it is more important than ever that investors focus on the Strategyamentals, avoid investing in overpriced securities, and diversify across sectors, countries, and businesses.

Contributors

Reversing its losses from the fourth quarter, the materials sector contributed to total Strategy returns during the quarter.

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

Many of the Strategy's precious metals companies contributed positively. Two of the Strategy's platinum producers, **Impala Platinum Holdings Ltd** and **Anglo American Platinum Ltd** had total returns of 48.3% and 33.6%, respectively. These two companies are the largest platinum group metal producers in the world, together accounting for a meaningful percentage of global reserves and 47% of global production. Gold companies also performed well. The gold price rose 18% during the quarter. **Newmont Corp** and **Barrick Gold Corp**, the world's two largest gold producing companies, had total returns of 31.3% and 26.1%, respectively. Two Canada-based gold mining companies, **Equinox Gold Corp** ("Equinox") and **Aris Mining Corp** ("Aris"), also contributed positively. Equinox has long-lived reserves in Canada, Mexico, Brazil, and the U.S., while Aris owns assets in Colombia, Guyana, and Canada. Equinox had a total return of 37.3%; Aris's total return was 31.8%.

Precious metals streaming companies, which have optionality to rising prices but limited exposure to mining risk, performed strongly. **Wheaton Precious Metals Corp** ("Wheaton Precious") had a total return of 38.7% and **Royal Gold Inc** ("Royal Gold") had a total return of 25.3%. Finally, non-producing miner **Northern Dynasty Minerals Ltd**, who own the Pebble Project in Alaska, had a total return of 97.4%. The stock price rose on renewed optimism that the project will go ahead under a more mining-friendly U.S. presidential administration. Ongoing legal cases are in abeyance until May to give the administration time to review the Environmental Protection Agency's veto of the project. Also in materials, **K+S AG**, Europe's largest producer of phosphate, a key component of agricultural fertilizers, had a total return of 26.3%. We trimmed the Strategy's positions in Wheaton Precious and Royal Gold.

Many of the Strategy's positions in emerging markets contributed positively. South Korean companies performed well as investors moved on from their focus on the country's political turmoil. **KT Corp** and **LG Uplus Corp**, two members of the triopoly of South Korean telecom companies, had total returns of 16.5% and 3.6%, respectively. **DL E&C Co Ltd** ("DL E&C"), an engineering and construction company with exposure to housing, civil, and industrial end markets, had a total return of 29.5%; **Hyundai Department Store Co Ltd**, one of three department store brands in South Korea, had a total return of 26.7%; and **Korea Electric Power Corp**, the country's dominant electric utility, had a total return of 7.9%. We trimmed KT Corp and added to DL E&C on price dip. Elsewhere, **Baidu Inc** ("Baidu"), the Google of China, had a total return of 8.3%; **Centrais Eletricas Brasileiras SA** ("Eletrobras"), Brazil's dominant electric utility and a major source of hydroelectric power, had a total return of 29.5%; and **First Resources Ltd** ("First Resources"), a palm oil company with plantations in Indonesia, had a total return of 19.2%. We added to Baidu and trimmed Eletrobras and First Resources. Finally, **CK Hutchison Holdings Ltd** ("CK Hutchison"), a Chinese conglomerate which is listed in Hong Kong (classified by GICS as a developed market) had a total return of 9.1%. Although the company has the majority of its operations in developed markets, the market is pricing in both emerging market and conglomerate risk. The price rose following the announcement that CK Hutchison would sell its ports business to BlackRock, and we trimmed the Strategy's position. The deal is being challenged, and it is unclear that it will close.

Other positive contributors included **Draegerwerk AG**, a German medical device manufacturer, which had a total return of 42.7%, and **Schroders PLC**, a London-based asset manager with a broad range of investment styles and geographic exposures, which had a total return of 15.5%. Finally, two U.S. natural gas companies, **Range Resources Corp** and **Expand Energy Corp** had total returns of 11.9% and 13.1%, respectively.

Detractors

Detractors during the quarter included companies with exposure to uranium. The uranium price is down more than 40% from its January 2024 highs. **NAC Kazatomprom JSC**, the largest uranium producer in the world, had a total return of -13.3%; **Paladin Energy Ltd** ("Paladin") had a total return of -24.8%. We received shares of Paladin when the company acquired Fission Energy Corp, a Canadian uranium development company in the portfolio. Both companies offered similar upside at the time of the merger (which closed in December 2024). Recently, the company has had problems at its flagship mine in Namibia, bringing the stock price down. **Yellow Cake PLC** ("Yellow Cake") and the **Sprott Physical Uranium Trust** ("Sprott Uranium"), both of which buy and hold physical uranium, detracted as well. Yellow Cake had a total return of -13.7%, while Sprott Uranium had a total return of -17.3%. We added to Paladin.

Portfolio Activity

Recent volatility and a long stealth bear market have created a lot of opportunity for investors. During the quarter, the Strategy initiated several new positions: **Close Brothers Group PLC**, a UK bank that provides specialty lending, deposits, and securities trading; **The Bank of East Asia Ltd**, a leading Hong Kong-based financial services group; **Nutrien Ltd**, a global producer of agricultural fertilizers; **Vale SA**, the world's largest iron ore miner, with operations primarily in Brazil; the preferred shares of **Samsung Electronics Co Ltd**, South Korea's largest conglomerate (the preferred shares trade at a discount to the common); **United Tractors TBK PT**, an Indonesian conglomerate with several businesses, including mining, heavy equipment sales, and electricity generation; **Puregold Price Club Inc**, a grocery store chain that is essentially the Costco of the Philippines; **Eramet SA**, a French-domiciled, leading global producer of manganese and nickel, who also own a large lithium project; and **Nemak SAB de CV**, a Mexican auto parts company. The Strategy also re-initiated positions in **BASF SE**, a German chemicals company; **China Shenhua Energy Co Ltd**, a Chinese coal producer; and **Ivanhoe Mines Ltd**, which owns and operates the Kamoa-Kakula copper project in the Democratic Republic of the Congo, as well as Platreef, a platinum project in South Africa. All of these companies are undervalued on multiple metrics and trade at significant discounts to Kopernik's estimates of their risk-adjusted intrinsic values.

After re-initiating the position in January, the Strategy exited its position in BASF SE in February as prices appreciated; additionally, the Strategy eliminated positions in **Harmony Gold Mining Co Ltd, Hana Financial Group**, and **Alibaba** due to price appreciation. The Strategy also eliminated a position in **Arcadium Lithium PLC**, rolling the proceeds into positions with more upside potential. The upside was limited because the stock had run up close to the price at which Arcadium had agreed to be acquired by Rio Tinto.

In closing, we continue to be focused on appraising businesses and mitigating risk through diversification across sectors and countries. Our investment process is centered 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, Strategyamentals-based, long-term approach that has produced a proven track record throughout full market cycles. We are grateful to our long-term investors who understand the art and science of value investing and adhering to its discipline.

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 March 2025, net of fees, C USD share class

	Q1 25	1-Year	3-Year	5-Year	10-Year
Kopernik Global All-Cap Equity Fund	10.7%	15.6%	8.3%	19.3%	11.2%
MSCI ACWI NR USD Index	-1.3%	7.2%	6.9%	15.2%	8.8%

Source: Morningstar

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Important Information

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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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