

Driehaus Emerging Markets Sustainable Equity Fund



A Tribute to Richard,

We would be remiss if we didn't mention the recent and unexpected passing of the firm's founder Richard Driehaus. Richard significantly impacted our careers with his wisdom, grit, creativity, and humor.

He also left us with numerous memorable quotes which reflected his unconventional way of thinking and his commitment to success for our clients. While we don't have enough space to recount all of his sayings, we'd like to include some of his favorite quotes (most of which concluded with his intoxicating laugh) in tribute to his legacy:

- *"If you don't want to win... don't worry, you won't!"*
- *"Markets require observation ... you have to think and re-think and then re-think some more."*
- *"Don't spend too much time drawing up your battle plans, because I will already be marching across the field!"*
- *"My advice for running the fund? Make good decisions!"*

His spirit, sense of humor, generosity and intuition will be sorely missed.

- The Driehaus Emerging Markets Team

Driehaus Emerging Markets Sustainable Equity Fund

Driehaus Emerging Markets Sustainable Equity Fund

The Driehaus Emerging Markets Sustainable Equity Fund (the “Fund”), a sub-fund of Heptagon Fund Plc which is an open-ended umbrella type investment company authorised pursuant to UCITS regulations. Heptagon Capital Limited (“Heptagon”) is the Investment Manager and Driehaus Capital Management LLC (“Driehaus”) is the Sub-Investment Manager. Driehaus exercises discretionary investment authority over the Fund. The Fund was launched on June 25, 2012 and had AUM of USD 96m as of March 31st, 2021. Driehaus Capital Management LLC was appointed Sub-Investment Manager of the Fund on December 6, 2016. Prior to this OFI Global Institutional, Inc. was the Sub-Investment Manager from June 25, 2012 to December 5, 2016.

The Fund (I USD share class) has a 5-star Morningstar rating over the past 3 and 5 years since Driehaus took over portfolio management.

Annualized Total Returns

As of March 31st, 2021

	Q1 21	YTD	1-Yr	3-Yrs	5-Yrs
Driehaus Emerging Markets Sustainable Equity Fund	0.6%	0.6%	64.4%	10.4%	15.1%
<i>MSCI Emerging Markets NR Index</i>	2.3%	2.3%	58.4%	6.5%	12.1%

Source: Morningstar

Driehaus Capital Management – Sub-advisor Q1 2021 Commentary

Market Overview

The sharp rise in US interest rates and steepening of the yield curve was the most important development during the first quarter. Rapid changes in rates affected every asset class and were the biggest driver of relative performance.

First, it’s important to state something obvious that we feel often gets overlooked amidst all the excitement about rising rates: interest rates remain at historically low levels. Additionally, because inflation expectations rose with nominal rates, real rates remain negative. The increase in nominal rates has not resulted in a significant tightening of financial conditions that would choke off growth prematurely. Rather, this is just the beginning of a normalization as the global economy recovers from the brief but severe Covid-19 recession in 2020.

Given this, it is not surprising that both the MSCI Emerging Markets (EM) Index (+2.3%) and the S&P 500 (+6.2%) continued to rise over the first quarter. However, the headline index growth numbers do not accurately capture the extreme rotations that took place below the surface. Broadly speaking, cyclicals sharply outperformed defensives. And low valuation stocks outperformed expensive stocks.

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

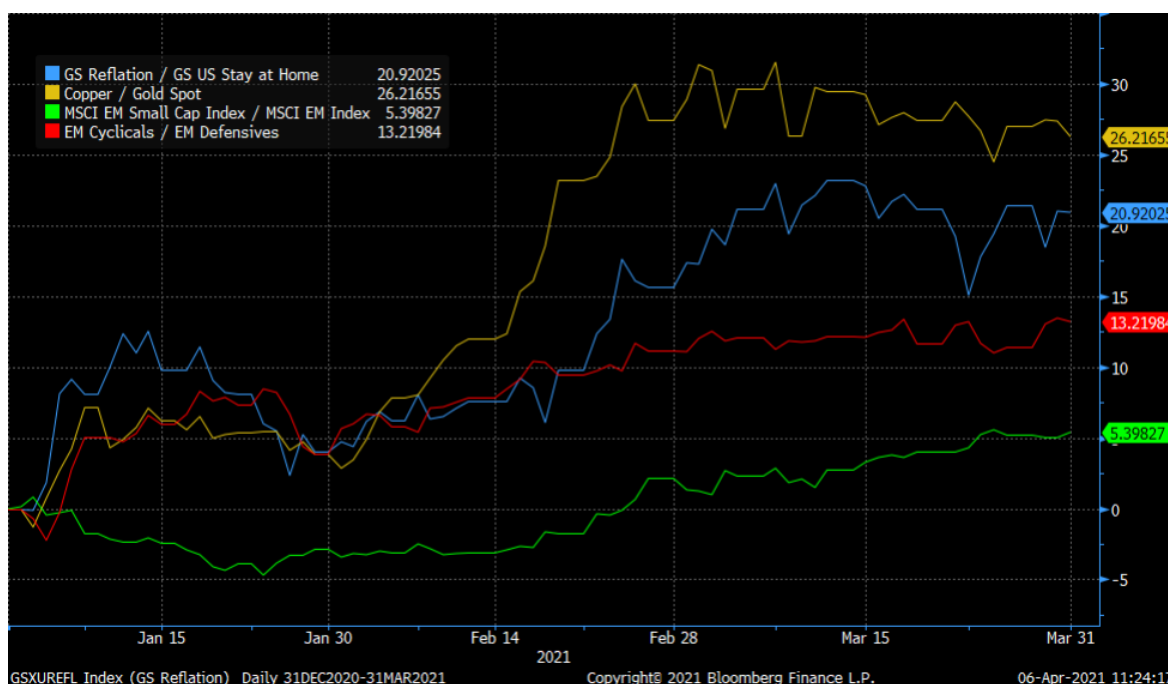
Driehaus Emerging Markets Sustainable Equity Fund

Market Review Cont.

This was a function of positioning as well as higher rates and growth expectations. There were many ways to observe this dynamic:

- Reopening stocks outperformed stay-at-home stocks.
- Small caps outperformed large caps.
- The S&P 500 outperformed the NASDAQ. Within the IT sector, semiconductor stocks outperformed software.
- Brent oil briefly hit \$70 per barrel vs. a year ago when it traded <\$30 at the height of the pandemic.
- Copper prices rose significantly faster than the price of gold.

Exhibit 1: Outperformance of relative cyclical expressions in the first quarter of 2021



Source: Bloomberg

The US dollar (USD) also rebounded in the first quarter against baskets of both developed and emerging market currencies. The dollar was supported by the higher yields being offered which makes USD denominated assets more attractive to international investors. The dollar's strength also reflects the superior vaccine rollout in the US relative to the rest of the world which led to a relatively better growth outlook (especially after the poor progress the US had controlling the pandemic in 2020).

Beyond the macroeconomic environment, several idiosyncratic risks emerged across EM during the quarter. For example, President Erdogan fired Turkey's central bank chief after just five months on the job. The now-former central bank governor had been implementing the orthodox monetary policy that is favored by the market (e.g. raising interest rates to combat inflation). He was replaced by someone thought to be more beholden to the President (who seems to believe that cutting rates is the best way to slow inflation). This led to a sharp sell-off in the Turkish Lira and stock market.

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

Driehaus Emerging Markets Sustainable Equity Fund



Market Review Cont.

Additionally, investor concerns rose over the Brazilian political environment after several negative developments. First, President Bolsonaro replaced the CEO of state oil giant Petrobras after the company tried to increase fuel prices (a clear populist intervention). Then, the Supreme Court annulled the corruption convictions against former President Lula over a jurisdictional issue. Now there is a chance that the former president could run again and resurrect his deeply flawed populist governing approach. This has also exacerbated the perception that the country's judicial system is just another political agency. Meanwhile Brazil continues to struggle to contain the coronavirus. None of this provides any reassurance that Brazil will be able to better manage its fiscal challenges going forward.

Most critically in EM, the backdrop for China equities was challenging throughout the quarter. First, the government continued to make waves with announcements concerning new regulations of “new economy” and “platform” companies (e.g. ecommerce, fintech, gaming, and education). The specifics are not all known yet but the threat of regulation may impair their ability to develop and acquire new growth opportunities.

Next, many investors had expected the Biden administration to be less hawkish towards China than its predecessor. So far that has not proven to be the case and little positive progress has been made. Among other things, concerns continued to flare up regarding the implementation of the “Holding Foreign Companies Accountable Act” which seeks to delist foreign companies from US stock exchanges if they do not comply with auditing requirements.

Finally, while economic growth has been strong in China, the country's policymakers are aiming to keep leverage at a manageable level in 2021 after a jump in credit creation last year. The central bank has asked major lenders to keep loan growth at reasonable levels in 2021. China is only targeting 6% growth in 2021; they will very likely come in well ahead of that, but the more important point is that they are focused on reducing systemic risks rather than pushing growth aggressively. Given exports are likely to rebound strongly in 2021 and support growth, this is a prudent stance to adopt, but a tightening bias still complicates the outlook for equities in the short-term.

Performance Review

The Heptagon Driehaus Emerging Markets Sustainable Equity Fund (Class I USD) returned +0.6% in the first quarter, below the +2.3% return of the MSCI EM Index.

Strong performance within China, most notably stock selection within the industrials sector and an underweight to the underperforming consumer discretionary sector, failed to make up for underperforming investments elsewhere in the Fund. Specifically, investments domiciled in India were the largest source of underperformance during the quarter following very strong returns in the second half of last year. The Fund's exposure in Brazil was also a drag on returns as a combination of another wave higher of COVID infections and increasing questions on political stability weighed. Finally, the Fund's underweight positions to the Saudi Arabian and South African markets hurt relative results as both markets significantly outperformed within the benchmark during the quarter driven by higher energy and precious metals prices.

Notwithstanding the above, it was the Fund's investment philosophy and risk factor exposures that provided the biggest headwind to relative performance. The Fund typically carries relatively higher exposures to growth, quality, and medium-term momentum and these factors underperformed relative to low valuation and more cyclically oriented stocks, as mentioned above. Additionally, the first quarter was particularly strong for oil and gas related companies as it is for miner's, areas the Fund remains underweight.

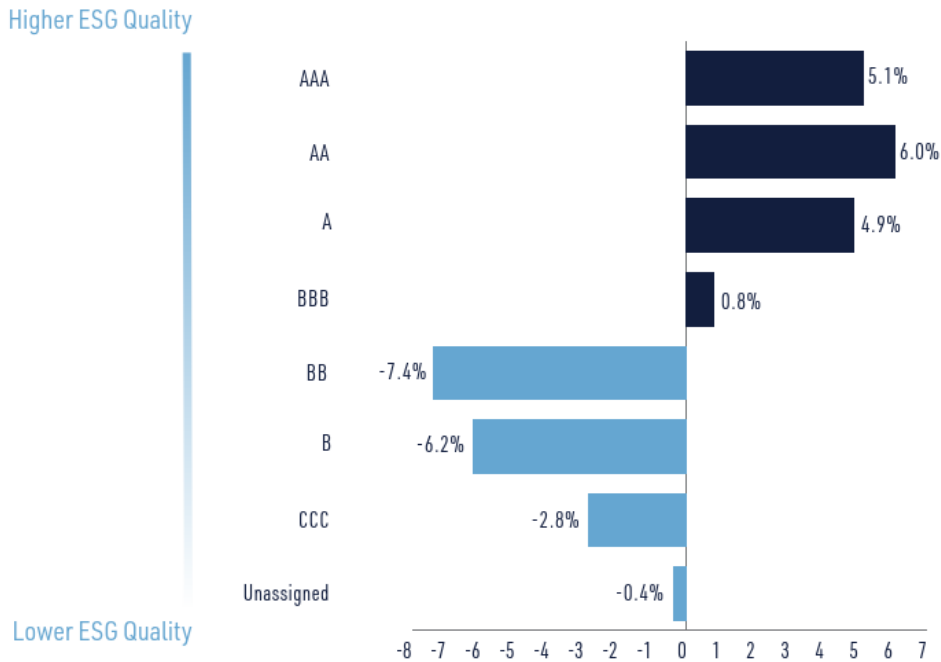
Past performance is no guide to future performance and the value of investments and income from them can fall as well as rise.

Driehaus Emerging Markets Sustainable Equity Fund

Sustainability

The Fund finished the quarter and year with markedly better ESG characteristics, on an aggregate basis, than its benchmark index.

Exhibit 2: Relative ESG Ratings: Fund vs. MSCI EM Index as of 31/3/21



Source: FactSet Research Systems LLC & MSCI Inc.

The Fund remains focused on renewable energy related investments despite the challenges many of those stocks faced in the first quarter, following some doubts on the specific scale and timing of China’s solar buildout. We did reduce some of our electric vehicle-related exposures due to excessive valuations in a few specific names but remain positive overall. Our focus in this area has turned to some more targeted exposures that can benefit from a deeper global electrification buildout. The weakness in the Chinese solar space in the first quarter we see as corrective and driven by a misunderstanding of the government’s new policy, and have added back to favored positions.

The most notable sustainability related issues during the quarter came from the textiles space, where reporting surrounding labor practices in China’s Xinjiang province and the cotton industries’ heavy reliance upon it were in focus. Much of the Asian textile chain relies on Xinjiang for its cotton and many producers and OEMs will be either facing either elevated costs and demand backlash in China if they source from outside Xinjiang or they will continue implicitly relying on forced labor, both of which are problematic issues to put it lightly. We have reduced our exposure to this issue.

We are optimistic about the outlook for the world economy and capital markets in 2021. This is a consensus view, but that doesn’t necessarily mean that it’s wrong. Even with the virus still uncontained, global Purchasing Managers’ Index (PMIs) are firmly in expansionary territory.

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

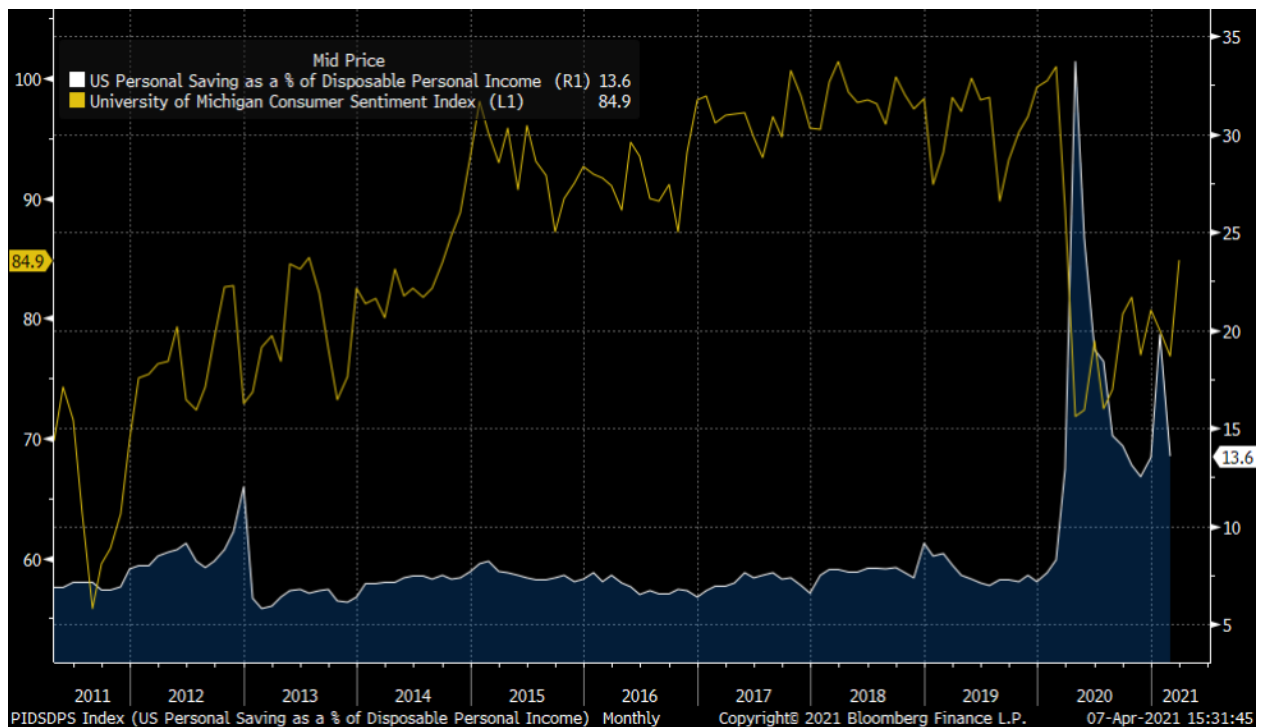
Driehaus Emerging Markets Sustainable Equity Fund

Emerging Markets Outlook

The Federal Reserve recently raised its estimates for US GDP growth in 2021 to 6.5%, the highest level since 1984. And consensus is forecasting >40% earnings per share (EPS) growth in 2021 for the S&P 500.

The US has done a good job with its vaccine rollout so far and the US consumer is well-positioned to be the growth engine of the global economy. Household savings are high after a year at home and multiple rounds of stimulus payments. There is pent-up demand for consumption and consumer confidence is recovering. And the Biden administration is pushing ahead with plans for a multi-trillion-dollar infrastructure spending plan.

Exhibit 3: US Household Saving and Consumer Confidence Suggest a Strong Outlook for Consumption



Source: Bloomberg

Meanwhile, we suspect it is only a matter of time before Europe catches up in its vaccination efforts. Depending on what happens with AstraZeneca's vaccine, the EU has said they should have enough vaccine supplies to immunize most of the population by the end of June. This would provide more support to an already strong global growth rebound in 2021.

The critical question for investors is what the composition of market performance will look like, which itself will depend on what level of growth materializes, the virus, unemployment, inflation, and the policy reaction. Will inflation expectations continue to rise and further push yields higher? If so, how fast and how far? Will the Fed be forced to hike rates before 2023 (as is currently discounted by the bond market but not reflected in the Fed's commentary and dot plot). Or will inflation spike in 2021 as the economy rebounds and then fall back to benign and manageable levels?

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

Driehaus Emerging Markets Sustainable Equity Fund

Emerging Markets Outlook Cont.

We don't think anyone can forecast all these things with any degree of accuracy or consistency. So the best we can do is observe the signposts as we go. For 2021 we feel reasonably confident that inflation readings will be above the Fed's 2.0% target level. Consider:

- The global economy is currently dealing with an unprecedented shortage of semiconductors, which is leading to higher prices and shortages in products such as autos and consumer electronics.
- The world is experiencing a shortage of shipping containers. Further, shipping lanes were violently disrupted by the blockage of the Suez Canal.
- The United States has housing shortages in many markets which is leading to rising home prices. The country needs more housing supply but even this has been disrupted by shortages of key inputs like lumber. The Bloomberg Commodity Index has gone nearly straight up since bottoming in April last year at the height of the pandemic.

Given the above dynamics, it's reasonable to expect inflation readings will come in above the Fed's target. Does this mean the rest of the year will be the same as the first quarter (inflation expectations continue to rapidly increase and cyclicals/value massively outperform)?

The answer, of course, is that it's complicated. First, consider that the market is now pricing nearly 2.4% inflation in the long-term. This is already in-line with the average expectations over the last five years, which have consistently run higher than actual inflation. It's impossible to specifically explain why, but demographics and technology have acted as powerful deflationary forces.

Exhibit 4: The market's future inflation expectations (yellow) vs. actual inflation (white)



Source: Bloomberg

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

Driehaus Emerging Markets Sustainable Equity Fund



Emerging Markets Outlook Cont.

The stronger USD is also likely to weigh on further commodity price expansion. Oil prices have already started to come down from their recent peak, with Organization of the Petroleum Exporting Countries (OPEC) also signaling that they will increase supply*.

**Accurately predicting long-term oil prices has also proven to be essentially impossible but at the very least we can say the probability of the price moving meaningfully above current levels for an extended period of time is unlikely given the growth of green energy and electric vehicles (absent serious geopolitical conflicts).*

Additionally, there have been multiple announcements recently of billion-dollar increases in capital spending from the leading semiconductor manufacturers (note that we don't think there is any structural impediment to easing the current shortages, it will just take time to bring on more capacity). Not to mention the Suez Canal is already unblocked!

Clearly this topic could take up hundreds of pages and be endlessly debated (and has been). The point is that there is a case to be made that higher inflation in 2021 will be a temporary phenomenon. The Fed has already acknowledged the possibility of a transitory spike in inflation as the world reopens and emphasized that they will not raise rates prematurely if long-term inflation expectations are stable. That means real rates could continue to move higher as the outlook for global growth improves but inflation expectations may not move meaningfully higher given they've already adjusted to a more normal level. This scenario suggests the market could see a broadening out of performance and become less binary between cyclical/value vs. defensives/growth.

As for EM, typically higher US rates and a stronger USD are a headwind to EM assets. And it's true that EM equities underperformed developed markets this quarter. However, we think the environment is different from past periods of stress when rapid capital outflows have depressed EM economies and currencies. Rates are going up because the global economy is reopening and demand is rebounding, not because of policy tightening. This should be a strong tailwind for the export and tourism-driven economies in EM.

However, many EM countries meaningfully lag in their vaccine rollouts which will keep Covid-19 as a relevant risk even if the US is able to approach herd immunity. India and Brazil continue to battle severe outbreaks. Even countries that were initially very successful in containing the virus like South Korea are now seeing renewed flare-ups. Until the virus is more fully contained, domestic demand will remain subdued and tourism will stay on hold. That said, we don't expect widespread and sustained lockdowns to be a frequently used tool to control the pandemic outside of the most severe situations.

The last year has been a roller coaster. Investors first had to navigate a severe and self-induced global recession as the world locked down. That didn't last very long though. Investors had to quickly wake up to the fact that parts of the economy were not only still going to function but would actually be robust, such as demand for consumer electronics and other stay-at-home services (plus China's impressive manufacturing recovery from their initial lockdowns). Then, practically as soon as the initial vaccine efficacy data was announced, the market began to reflect that lockdowns were going to end at some point and the global economy would reopen.

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



Driehaus Emerging Markets Sustainable Equity Fund

Emerging Markets Outlook Cont.

Practically every day this quarter it was possible to anticipate how certain types of stocks were going to perform simply based on what the US 10 year treasury was doing before the open (although this became less true towards the end of the quarter). While we don't expect anything approaching stability or calm going forward, we are hopeful that we might see a more normalized market environment that has less violent rotations. That should be a more conducive environment for careful stock selection.

Broadly speaking, we think EM may not lead developed market equities this year but should generally perform well given the global economy is expected to grow by 6%, the fastest rate in nearly 50 years. Given the rate environment and stronger USD, we think current account surplus countries are likely to fare better than their more capital flow- dependent peers (some countries have already been pushed into rate hikes despite weak economies). Relative to what happened last year, that is at least a dynamic that EM investors are used to.

Of course, we will remain data dependent as conditions can and likely will rapidly change. We feel confident that our process of focusing on earnings revisions will afford us the flexibility to manage through whatever comes to pass (hopefully not a mutation that keeps us all at home for another year). We look forward to continuing to work diligently on your behalf.

Sincerely,

Heptagon Capital and Driehaus Capital Management

The views expressed represent the opinions of Driehaus Capital Management, as March 31st 2021, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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

Driehaus Emerging Markets Sustainable Equity Fund

Sector performance attribution- Q1 2021

GICS Sector	Driehaus Emerging Markets Sustainable Equity Fund (Port) (%)			MSCI Emerging Markets Index (Bench) (%)			Total Effect
	Port Avg. Weight	Port Total Return	Port Contrib. To Return	Bench Avg. weight	Bench Total Return	Bench Contrib. To Return	
Consumer Discretionary	12.91	-3.16	-0.28	18.74	-3.14	-0.54	0.32
Industrials	6.44	8.19	0.42	4.23	2.73	0.13	0.27
Health Care	7.30	0.93	0.03	4.54	-4.56	-0.17	0.16
Consumer Staples	7.39	0.55	0.11	5.59	-2.76	-0.13	0.15
Energy	1.20	-1.51	-0.06	4.80	2.82	0.14	-0.09
Other	0.00	-0.08	-0.08	0.00	0.00	0.00	-0.10
Information Technology	28.42	2.90	0.61	20.88	4.68	0.93	-0.22
Communication Services	11.61	4.70	0.13	12.12	5.58	0.54	-0.28
Utilities	1.09	-31.57	-0.30	1.93	1.84	0.04	-0.30
Cash	1.90	-7.90	0.01	0.00	0.00	0.00	-0.38
Real Estate	1.47	-17.46	-0.29	2.00	5.93	0.11	-0.40
Financials	16.29	0.58	-0.03	17.50	3.24	0.57	-0.49
Materials	3.98	-4.23	-0.07	7.66	9.10	0.67	-0.74
Total	100.00	0.20	0.20	100.00	2.29	2.29	-2.09

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance

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

Driehaus Emerging Markets Sustainable Equity Fund

Top 10 Country performance attribution- Q1 2021

Driehaus Emerging Markets Sustainable Equity Fund (Port) (%)				MSCI Emerging Markets Index (Bench) (%)			Attribution Analysis (%)
Country	Port Avg. Weight	Port Total Return	Port Contrib. To Return	Bench Avg. weight	Port Total Return	Bench Contrib. To Return	Total Effect
China	25.89	0.06	0.08	36.48	-0.63	-0.21	0.54
Netherlands	2.15	10.77	0.24	0.30	-7.87	-0.02	0.23
Mexico	1.80	11.68	0.22	1.66	4.20	0.08	0.15
Taiwan	13.41	12.44	1.27	13.42	10.91	1.29	0.12
Germany	1.17	10.54	0.10	0.00	0.00	0.00	0.11
Kazakhstan	0.86	8.13	0.06	0.00	0.00	0.00	0.05
Canada	0.68	-14.78	0.11	0.00	0.00	0.00	0.03
United Kingdom	0.70	9.60	0.05	0.06	-16.23	-0.01	0.02
Singapore	0.50	11.57	0.03	0.02	12.09	0.00	0.02
France	1.51	0.93	0.01	0.00	0.00	0.00	-0.01
Egypt	0.43	-2.54	-0.01	0.08	-3.99	-0.00	-0.02
Hong Kong	5.29	1.95	0.03	2.97	1.72	0.05	-0.03
Cyprus	0.14	-13.09	-0.04	0.06	4.16	0.00	-0.03
Indonesia	1.18	-11.35	-0.14	1.29	-7.56	-0.09	-0.05
South Korea	12.01	0.56	0.07	13.32	1.62	0.25	-0.06
Hungary	0.62	-5.71	-0.02	0.21	0.38	0.00	-0.06
Poland	0.08	-16.53	-0.06	0.58	-3.56	-0.02	-0.06
Russia	0.99	5.42	0.06	2.51	7.23	0.19	-0.08
Sweden	0.70	-14.84	-0.12	0.00	0.00	0.00	-0.13
Japan	1.32	-10.95	-0.14	0.00	0.00	0.00	-0.16
Argentina	1.58	-7.36	-0.17	0.11	-5.96	-0.01	-0.18
South Africa	1.18	16.50	0.13	3.48	12.27	0.39	-0.20
Cash	1.90	-7.90	0.01	0.00	0.00	0.00	-0.37
United States	4.72	-7.31	-0.26	0.07	5.10	0.00	-0.43
Brazil	5.10	-17.05	-0.99	4.56	-9.98	-0.45	-0.53
India	14.11	-0.81	-0.23	9.28	5.11	0.45	-0.66
Total	100.00	-30.10	0.28	90.46	9.01	1.90	-1.77

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance

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

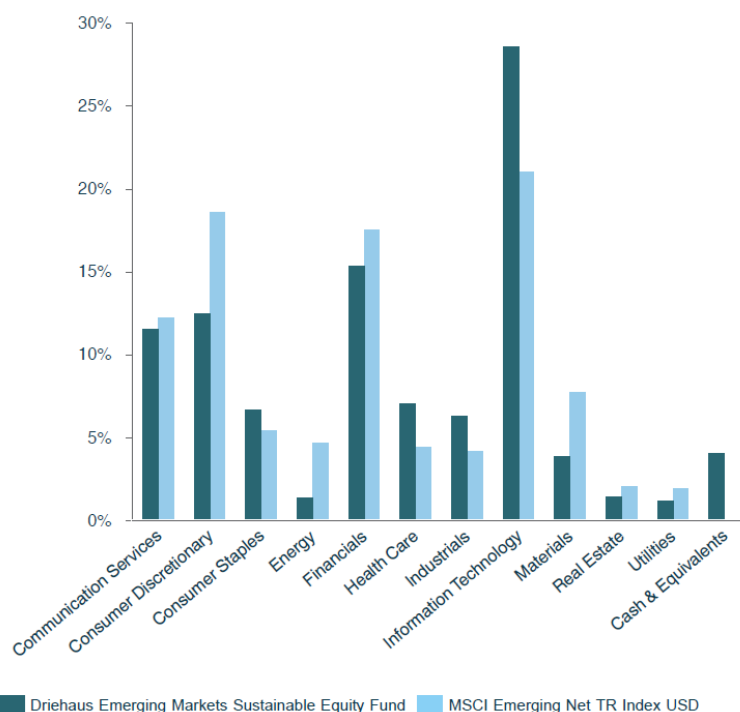
Driehaus Emerging Markets Sustainable Equity Fund

Driehaus Emerging Markets Sustainable Equity UCITS Fund Positioning

Top Ten Holdings by Issuer as of 28th February 2021

Name	% of portfolio
Taiwan Semiconductor	7.6%
Tencent Holdings Ltd	7.3%
Samsung Electronics Co	5.4%
Alibaba Group Holdings Ltd	2.6%
HDFC Bank Ltd	2.1%
Icici Bank Ltd	1.6%
ASML Holding NV	1.5%
Infineon Technologies AG	1.5%
JD.com Inc	1.4%
L'Oreal	1.4%
Total of Top 10 Holdings	32.4%

Portfolio Sector Weights as of 28th February 2021



Driehaus Emerging Markets Sustainable Equity Fund



Important Information

Past performance is not an indication or guarantee of future performance and no representation or warranty is made regarding future performance. This communication is for information purposes only. It is not an invitation or inducement to engage in investment activity.

The document is provided for information purposes only and does not constitute investment advice or any recommendation to buy, or sell or otherwise transact in any investments. The document is not intended to be construed as investment research. The contents of this document are based upon sources of information which Heptagon Capital believes to be reliable. However, except to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to the accuracy or completeness of this document or its contents and, Heptagon Capital, its affiliate companies and its members, officers, employees, agents and advisors do not accept any liability or responsibility in respect of the information or any views expressed herein. 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. Where this document provides forward-looking statements which are based on relevant reports, current opinions, expectations and projections, actual results could differ materially from those anticipated in such statements. All opinions and estimates included in the document are subject to change without notice and Heptagon Capital is under no obligation to update or revise information contained in the document. Furthermore, Heptagon Capital disclaims any liability for any loss, damage, costs or expenses (including direct, indirect, special and consequential) howsoever arising which any person may suffer or incur as a result of viewing or utilising any information included in this document.

The document is protected by copyright. The use of any trademarks and logos displayed in the document without Heptagon Capital's prior written consent is strictly prohibited. Information in the document must not be published or redistributed without Heptagon Capital's prior written consent.

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>.

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.



Driehaus Emerging Markets Sustainable Equity Fund

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.

Heptagon Capital LLP, 63 Brook Street, Mayfair, London W1K 4HS

tel +44 20 7070 1800

fax +44 20 7070 1881

email london@heptagon-capital.com

Partnership No: OC307355 Registered in England and Wales

Authorised & Regulated by the Financial Conduct Authority (FRN: 403304)