HEPTAGON Capital

Q4 2020

Driehaus US Micro Cap Equity Fund

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The Driehaus US Micro Cap Equity Fund (the "Fund") is 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 meaning Driehaus exercises discretionary investment authority over the Fund. The Fund was launched on December 7, 2016 and had AUM of USD 788m as of December 31st, 2020. During the fourth quarter of 2020, the Fund outperformed its benchmark, the Russell Micro Cap Growth Index TR (the "Index"), returning 39.8% (I USD share class) compared to 29.7% for the Index. Year to date the Fund has returned 85.1% compared to 40.1% for its benchmark.

Annualized Total Returns

As of December 31st, 2020 gross of fees

	Q4 20	YTD	1-Year	3-Year	5-Year	10-Year
Driehaus Micro Cap Growth Composite	40.5	88.0	88.0	39.4	32.4	22.3
Russell Micro Cap Growth Index TR	*29.7*	*40.1*	*40.1*	*14.0*	*13.1*	*11.6*

Source: Driehaus Capital Management, Bloomberg

Driehaus manages the Irish regulated Driehaus US Micro Cap Equity UCITS Fund according to the same investment principals, philosophy and execution of approach as it manages the Driehaus Micro Cap Growth Composite, however it should be noted that due to different regulation, fees, taxes, charges and other expenses there can be variances between the investment returns demonstrated by each portfolio. The Driehaus Micro Cap Growth Composite is provided in the table above to show a longer track record for the underlying strategy.

Driehaus Capital Management – Sub-advisor Q4 2020 Commentary

Market Review

In the fourth quarter, US equities continued to shine. The market consolidated in October ahead of the US national election and then rocketed higher in November and December. In fact, the quarter was record setting. The month of November was the strongest month ever for the small cap Russell 2000 Index as it gained 18.4%. Then the market followed through in December, making the three-month period the best quarter ever for the Russell 2000, up 31.4%.

The strength over the final two months was partially due to the lifted overhang and clarity following the US election, but mostly due to the robust efficacy of the two leading COVID-19 vaccines reported in November. COVID has been the dominant theme all year and the prospect of vaccines vanquishing the virus sets up a likely and long-awaited economic reopening in the months ahead in 2021.

2020 was certainly a year unlike any other. The global pandemic ended the longest bull market in modern history, caused a severe recession, a bear market and a public health crisis on a global scale. Work, school and nearly all aspects of daily life were disrupted and went virtual. Political discord and social unrest reached their worst levels in decades. Monetary and fiscal stimulus programs were record setting in size and scope. The year started off "normal", then quickly saw a near complete economic shutdown and collapse due to social distancing restrictions and quarantines, followed by a stunning economic recovery overall (but of course, not for all) despite various levels of continued COVID restrictions. As the year concluded, optimism for a return to

Market Review cont.

normalcy rose as safe, effective vaccines were developed in record time. Along the way, the Russell 2000 experienced its worst quarter ever in the first quarter and its best quarter ever in the fourth quarter, to complete the year 2020 up 20%.

The outlook as we start the new year continues to be positive for the market as vaccine efficacy of around 95% for the two leading candidates is a near best case scenario. This is expected to result in a much quicker return to normalcy and a rapid economic reopening. As the vaccines are distributed over the next several months COVID case levels should decline, perhaps sharply, economic restrictions should ease as we enter the spring and summer months and ultimately, we should reach herd immunity. The equity market is a forward-looking mechanism and it likely will continue to price in better economic growth and stronger earnings that will get a sustained boost from the process of reopening.

This sanguine scenario should continue to be bullish for equities, but the recovery path won't occur in a straight line. Vaccine distribution and public uptake on a national and global scale is difficult and requires complicated and coordinated logistics. In the US, federal agencies, states, and many different organizations and companies, in disparate industries, must work together. The public must also do its part to make the distribution and uptake successful. As of early January, after several weeks of distribution, the pace of uptake is already behind expectations. However, the pace of inoculations is picking up quickly and while there will likely be additional stumbles ahead, the number of vaccines administered should grow rapidly.

Despite possible short-term volatility, the intermediate-term outlook is quite encouraging as the economy exits a recession and enters what should be a new post-COVID expansion. Monetary policy is very supportive of underlying conditions and the performance of equities is generally tied to the rising level of earnings. Heading into 2021, we see several key drivers of strong economic and earnings improvement (Exhibit 1), including: massive stimulus, decades-low inventories in many key industries (Exhibit 2), decades-high levels of savings (Exhibit 3) and household net worth gains, improving employment and massive pent up consumer demand. We expect these drivers to fuel mid-single digit GDP growth, possibly reaching the 6-7% range, driven by the consumer. Historically, equities do well in the initial year of a new economic expansion and small caps typically outperform large caps entering a new expansion.

Exhibit 1: The Earnings Revision Ratio in Small is Still Strong

Source: FactSet, FTSE Russell, Jefferies

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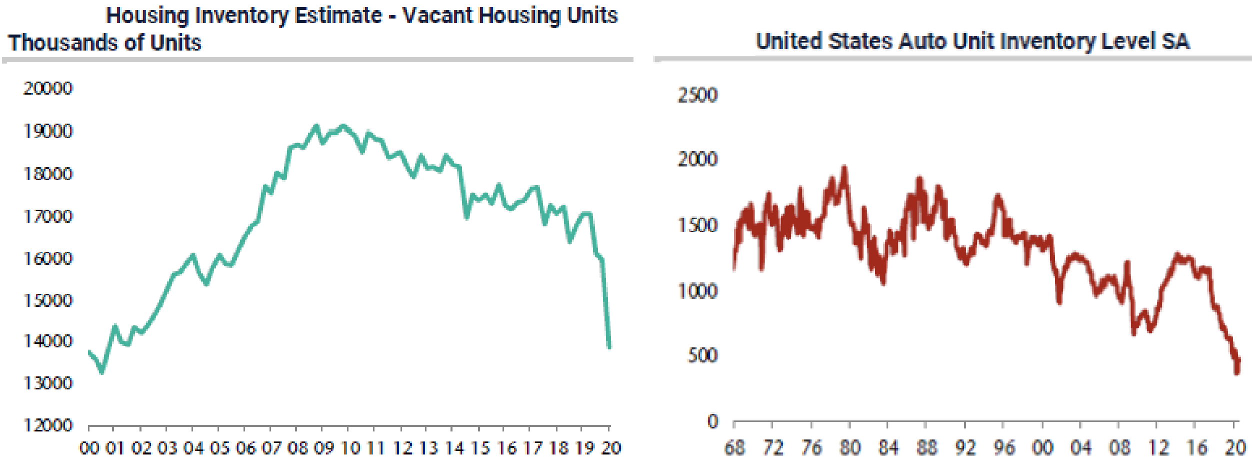
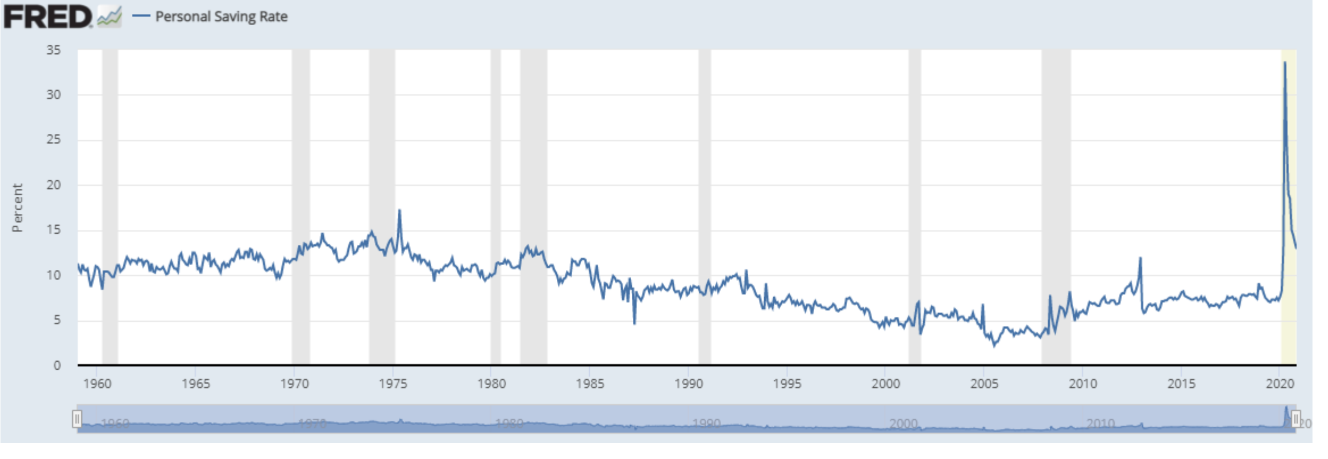
Market Review cont.

Exhibit 2: Low Inventory in Key Industries



Source: Bloomberg, Jeffries

Exhibit 3: Multi-decade High Level of Savings



Source: U.S Bureau of Economic Analysis | U.S. recessions are shaded; the most recent end date is undecided.

Inflation expectations – cyclical or secular?
Inflation is one key debate for many market participants right now. While we don't have all the answers on inflation, we are monitoring it carefully. Here are some items to consider. With the trillions of additional liquidity created since the start of the pandemic, an extremely accommodative monetary policy environment, further fiscal stimulus and cyclical forces such as, supply disruptions, low inventories and pent up demand it seems like we have the perfect mix for inflation to accelerate. Inflation typically rises as the economy enters a new economic expansion and it rose after the 1918-1919 pandemic. Inflation leads to higher interest rates. So certainly, it is one of the chief market concerns as we enter 2021.

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Market Review cont.

While inflation and interest rates still currently remain low, some pickup in both should be expected. The inflation rate is still below the Fed's 2% target and the Fed has said they will let inflation even exceed their 2% target before they would consider raising interest rates. Recently Chairman Powell said, "there are significant disinflationary pressures around the world. It's not going to be easy to have inflation move up…It's going to take some time." A concern is that the Fed is complacent as are other key central banks and inflation will go unchecked, leading to a stubbornly high inflation rate comparable to the 1970s.

While we do expect inflation to pick up, we believe we have a long way to go before that negative scenario would play out. There are still secular forces at work keeping a lid on inflation such as: digital transformation via technology and the Internet, aging demographics and globalization. There is also tremendous slack in the labor force and labor typically makes up 2/3rds of corporate costs. These are secular, multi-year forces that have caused disinflation for years now.

Even if the new economic expansion boosts wages and commodity prices, it is likely to be cyclical inflation as opposed to secular, we believe. This could be a tailwind for equities in general and for small caps specifically. It could be positive for pricing power with many companies not having had pricing power for a while.

Performance Review

For the December quarter, the Driehaus Micro Cap Growth strategy outperformed its benchmark. The strategy had a 40.19% return, net of fees, while the Russell Microcap Growth Index experienced a gain of 29.65%. The strategy also outperformed the other major indices, such as the Russell 2000 which gained 31.37%, the Russell 2000 Growth which rose 29.61% and the S&P 500 which grew 12.15%.

For the full calendar year of 2020, the strategy returned 86.35% while the Russell Microcap Growth Index experienced a gain of 40.13%. The strategy also outperformed the other major indices, such as the Russell 2000 which gained 19.96%, the Russell 2000 Growth which rose 34.63% and the S&P 500 which grew 18.40%.

2020 marked the 22nd calendar year out of the past twenty-three years, since 1998, where the Driehaus Micro Cap Growth strategy has outperformed its relevant benchmark and the ninth year in a row. It was also the fifth calendar year, since 1998, where the strategy has exceeded annual returns of greater than 60% and the third time over 80%.

By sector, the strategy's performance was broad based as all sectors had positive absolute performance. Much of the total contribution to returns for the quarter came from (in order of magnitude) healthcare, consumer discretionary, technology, industrials, financials and consumer staples. The relative outperformance for the quarter came from (in order of magnitude) healthcare, consumer discretionary, industrials and consumer staples. Technology and financials were relative underperformers by a slight margin.

Healthcare's relative outperformance and positive absolute performance was led by strong gains in biotech as several stocks reacted positively to newly-reported clinical data that demonstrated robust efficacy and safety while others appreciated ahead of upcoming data. Also, one long held cardiology holding was acquired at a healthy premium by a major pharma company during the quarter, which nicely added to returns.

The consumer discretionary sector experienced strong percentage gains and it was the portfolio's largest sector overweight vs the benchmark. As the economy reopened and the labor market started to recover, the benefits of stimulus and pent-up demand drove healthy consumer spending that was better than expectations.

Driehaus US Micro Cap Equity Fund

Performance Review cont.

Ecommerce continued to grow vs traditional brick and mortar retail as social distancing and other restrictions remain in place. Notable outperformers during the quarter came from home furnishing companies, a brand name footwear company, casino/gaming operators and outdoor product companies. While homebuilders and building materials companies still have robust fundamentals given the positive supply/demand imbalance for homes, the group's stock performance was held back by the rise in interest rates (even though mortgages rates remain near record lows).

The industrial sector also performed well. Outperformance came from alternative energy, such as solar, wind, liquefied natural gas (LNG) and hydrogen companies. Machinery and other cyclical related stocks also performed well.

Technology overall is benefitting greatly from the pandemic as it accelerates the digital transformation of the economy. Adoption of cloud software, outsourced IT services and increased data consumption and ecommerce were already experiencing secular adoption curves. The sector was a strong, positive contributor but a slight relative underperformer. The outlook for tech is for continued strength given positive demand and secular trends, promising innovation as well as a strong IPO market.

Outlook & Positioning

The recent news of two highly effective COVID-19 vaccines and their distribution are the key developments needed to bring an end to the pandemic that has overwhelmed nearly everything since the first quarter of 2020. The pace of the distribution of the vaccines will determine when and to what degree society, daily life and the economy will reopen and return to normal. Based on the projected number of doses to be manufactured and the number of people (in the US) that need to be inoculated, even with a slow rollout thus far, there should be a dramatic decline in cases and social distancing restrictions during the second quarter and into the summer.

This time estimate is of course imprecise as there are many nuances that will impact the timing of the economy reopening. These include logistics, distribution, the public's willingness to take the vaccines, the actual number of already infected people, the efficacy of a third vaccine (Johnson & Johnson's) and negative surprises, etc. An effective rollout that vaccinates 30-40% of the US adult population could get the country close to herd immunity by late spring or early summer. 30-40% 5assumes the actual number people of infected is approximately 2x the number of confirmed official cases (so potentially 15% of the population) and individuals under the age of 18 are excluded (the two approved vaccines are not approved for that age group which equals nearly 20% of the US population).

A successful vaccine rollout will lead to a robust reopening and a sustained new economic cycle. We anticipate broad participation from most sectors and industries, including both secular growth and cyclical companies. Low inventories in housing, autos and across the broader industrial sector should further support accelerating growth. High savings rates, healthy household balance sheets and continued very highly accommodative monetary policy also contribute to a positive backdrop.

In terms of portfolio positioning, healthcare remains our largest absolute weight, followed by technology, consumer discretionary, industrials and financials. Versus the index, the strategy is overweight consumer discretionary, technology, financials, industrials and energy. It is underweight health care, real estate and communication services.

Driehaus US Micro Cap Equity Fund

Outlook and Positioning cont.

Overall, we see many dynamic investment opportunities in improving or sustainable industries, many of which fit our investment philosophy of companies exhibiting positive growth inflections, differentiation, market share gains, growing revenues and expanding margins and earnings, which will likely lead to expectations being exceeded over time.

Quarterly Contributors

- **Magnite, Inc (ticker: MGNI)** provides technology solutions to automate the purchase and sale of digital advertising inventory. MGNI performed well during the quarter as the company posted strong earnings results in November driven by robust rebound in customer demand and strong guidance for the fourth quarter, well above consensus expectations. Additionally, multiple new sell-side firm initiations drove multiple expansion, further catalyzing the stock's move.
- **GrowGeneration Corp. (ticker: GRWG-US)** owns and operates the nation's largest chain of specialty retail hydroponic and organic gardening stores. GRWG performed well during the fourth quarter after announcing its largest acquisition to date, The GrowBiz. The GrowBiz is the third-largest chain of hydroponic garden centers with five locations.

Quarterly Detractors

- **Limelight Networks, Inc. (ticker: LLNW)** provides content delivery network (CDN) services. LLNW underperformed in the fourth quarter as the stock had a disappointing reaction to its earnings results in October, as the company's revenue decelerated as its strong pandemic driven customer traffic gains of the first half of 2020 normalized to a lower run rate.
- **Palomar Holdings, Inc (ticker: PLMR-US)** is an innovative insurer focusing on the provision of specialty property insurance for residential and commercial clients. The stock disappointed in the fourth quarter as earnings were meaningfully impacted by a record level of storm and wildfire activity. Management has since articulated changes to underwriting and use of reinsurance that should reduce such losses in the future.

Buy/Sell Example

Outright Buy

- **Magnite, Inc (ticker: MGNI)** provides technology solutions to automate the purchase and sale of digital advertising inventory. Industry-wide digital advertising spending trends have shown a strong rebound off depressed levels from the pandemic lows with industry wide CPM increasing over 40% sequentially in the third quarter. This dynamic combined with MGNI's depressed valuation presented an attractive investment opportunity to initiate a position.

Outright Sell

- **Myokardia, Inc. (ticker: MYOK)** is a biopharmaceutical that develops precision medicine therapies for genetically defined cardiac diseases. After showing highly significant data that unequivocally demonstrated the safety and efficacy of their lead agent in the late spring, they were acquired this quarter by Bristol Myers Squibb for over a 60% premium to the prior day's close. As a result, we sold our position thereby realizing the gain.

Sincerely,

Heptagon Capital and Driehaus Capital Management

The views expressed represent the opinions of Driehaus Capital Management, as December 31st, 2020, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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Sector performance attribution – Q4 2020

	Driehaus Micro Cap Growth Composite (Port) (%)		Russell Microcap® Growth Index (Bench) (%)		Attribution Analysis (%)		
GICS Sector	Port Avg. Weight	Port Contrib To Return	Bench Avg.weight	Bench Contrib To Return	Allocation Effect	Selection + Interaction	Total Effect
Comm. Services	2.40	0.36	2.45	0.68	0.07	-0.30	-0.23
Consumer Discretionary	20.64	9.00	11.57	4.48	0.99	0.67	1.66
Consumer Staples	4.00	2.28	1.53	1.09	1.12	-0.61	0.51
Energy	0.40	0.09	0.35	0.14	0.03	0.02	0.04
Financials	9.82	2.91	2.28	0.71	0.15	-0.35	-0.20
Health Care	32.12	12.43	50.31	10.10	1.83	5.52	7.35
Industrials	10.28	5.56	8.21	3.95	0.47	0.54	1.01
Information Technology	16.24	6.20	19.18	7.30	-0.19	0.00	-0.18
Materials	1.58	0.55	1.06	0.37	0.02	0.04	0.06
Real Estate	0.68	0.31	2.10	0.65	0.03	0.12	0.15
Utilities	1.28	0.58	0.95	0.14	0.02	0.42	0.44
Cash	0.56	0.00	0.00	0.00	-0.17	0.00	-0.17
Total	**100.00**	**39.91**	**100.00**	**29.62**	**4.06**	**6.08**	**10.13**

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

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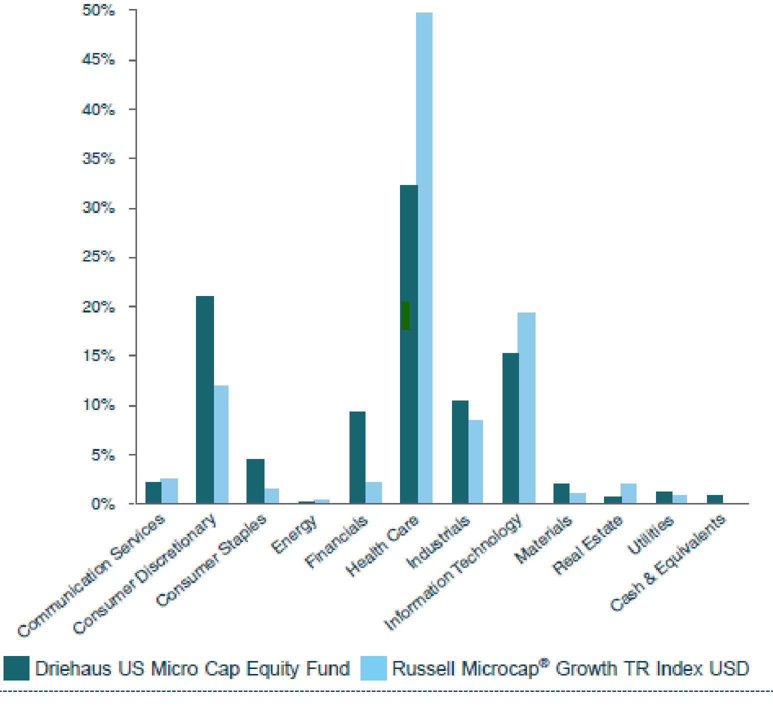
Driehaus US Micro Cap Equity Fund

Driehaus US Micro Cap Equity UCITS Fund Positioning

Top Ten Holdings by Issuer as of 30th November 2020

Name	% of portfolio
GrowGeneration Corp	2.1%
Sitime Corp	2.1%
Natera Inc	1.9%
Inspire Medical Systems Inc	1.8%
Magnite Inc	1.8%
Springworks Therapeutics Inc	1.7%
Twist Bioscience Corp	1.6%
Celsius Holdings Inc	1.6%
Chart Industries Inc	1.4%
Ultra Clean Holdings Inc	1.4%
Total of Top 10 Holdings	**17.4%**

Portfolio Sector Weights as of 30th November 2020



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Risk Warning

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.

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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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