

Kopernik Global All-Cap Equity Fund



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The Kopernik Global All-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 Kopernik Global Investors LLC (“Kopernik”) is the Sub-Investment Manager meaning Kopernik exercises discretionary investment authority over the Fund. The Fund was launched on December 16, 2013 and had AUM of USD 828m as of September 30, 2020. During the third quarter of 2020, the Fund underperformed its benchmark, the MSCI ACWI NR USD Index, returning 5.26% compared to 8.13% for the benchmark.

TOTAL RETURNS

As of September 30th, 2020 net of fees

	Q3 2020	YTD	2019	2018	2017	2016	2015
Kopernik Global All-Cap*	5.3%	17.8%	10.7%	-12.0%	8.1%	52.0%	-12.0%
<i>MSCI ACWI NR USD Index</i>	8.1%	1.4%	26.6%	-9.4%	24.0%	7.9%	-2.4%

* Class I shares

Kopernik Global Investors, LLC – Sub advisor Q3 2020 Commentary

Contributors

After significant losses and volatility in the second half of the first quarter and a second quarter that saw global markets reverse their Q1 losses as investors continued their optimism about widespread quantitative easing policies, the third quarter saw gains slowing as the markets remain in a period of volatility. Holdings in the Materials sector contributed to returns during the quarter, with gold mining companies continuing their second quarter gains. **New Gold Inc (“New Gold”)** was the strongest gold mining contributor. New Gold is a Canadian gold producer with assets in Canada and Mexico. Another mining company with assets in Mexico, **Fresnillo PLC (“Fresnillo”)** was up 49.0% during the quarter. Fresnillo is the world’s largest primary silver producer, with 972 million ounces of silver reserves as well as 26 million ounces of gold reserves. We trimmed New Gold and Fresnillo on strength early in the quarter.

Other gold and precious metals miners were up as well: **Ivanhoe Mines Ltd (“Ivanhoe”)** was up 28.2% while **Artemis Gold Inc (“Artemis”)** was up 47.3%. Ivanhoe owns the world’s largest undeveloped high-grade copper deposit (Kamoa-Kakula in the Democratic Republic of the Congo). We trimmed Ivanhoe in mid-September and then added at lower prices later in the month. In Q2, Artemis purchased the Blackwater mine from New Gold. Blackwater is a gold asset in Canada with 8.2 million ounces of reserves and a mine life of 17 years once the mine is built. **Polyus PJSC (“Polyus”)**, the largest gold producer in Russia, was up 27.0%. We trimmed Polyus on strength in July. **Turquoise Hill Resources Ltd. (“Turquoise Hill”)** was up 15.0%. Turquoise Hill owns the majority of the Oyu Tolgoi mine in Mongolia, which is one of the largest copper, gold, and silver mines in the world, containing 25 million ounces of gold and 47 billion pounds of copper, as well as a large inferred gold equivalent resource. Turquoise Hill gained significantly in the first part of the quarter before the price fell in September on news that majority shareholder Rio Tinto wants to finance the remaining capex with less debt than Turquoise Hill would prefer, and what the asset likely can handle. While dilution remains a significant risk, we believe this risk is more than priced in, and the volatility allowed us to buy more until we reached our internal compliance limit.

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

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Contributors cont.

We are encouraged by the gains in gold miners in the third quarter, and while we have been trimming our positions, the area still represents a near-maximum industry position within the portfolio. Kopernik believes that opportunities in gold and gold mining continue to look promising. The mining companies, after significantly trailing the price of gold over the past decade, have begun to more than keep up over the past six months. The fundamentals for gold look even better after the Fed announced that there would be no limit to the amount of money it would print. In our opinion, scarcity matters, and unlimited fiat currency printing should ultimately benefit not only gold but other hard assets as well. This increased likelihood of higher gold prices is icing on the cake, as we have not incorporated any top-down views into our bottom-up valuation models. For more on Kopernik's approach to valuing mining companies, please see our recent [webinar](#).

A large contributor was **Hyundai Motor Corp ("Hyundai")**, which was up 71.5%. Hyundai is one of the world's largest auto manufacturers, the leading manufacturer in South Korea, and well positioned to take advantage of the long-term trend towards electric vehicles. The strategy owns both common and preferred Hyundai shares; we trimmed the common and added to the preferred, which had significantly underperformed the common. It is worth noting, in most countries other than the U.S., preferred shares represent actual equity in a company. Industrial conglomerates also did well this quarter. **Mitsui & Co ("Mitsui")** was up 18.0%, while **Mitsubishi Corp ("Mitsubishi")** was up 16.0%. Both Mitsui and Mitsubishi are Japanese conglomerates engaged in a range of global business activities. Particularly, they are exposed to businesses that own commodities. The stocks rallied after the announcement that Berkshire Hathaway recently built a position. We trimmed Mitsui and Mitsubishi (to which we had just added at lower prices). In Utilities, the strategy saw positive contributions from **Electricite de France SA ("EDF")**, one of the world's largest electricity generating companies. EDF was up 14.9%. We trimmed EDF in mid-July before buying back in September. The sole Information Technology name, **PAX Global Technology Ltd ("Pax")** was up 39.7%. Pax manufactures electronic point-of-sale machines, including credit card readers and electronic ordering machines. We trimmed Pax on strength.

Energy has been volatile throughout the first three quarters of 2020. During the third quarter the strategy saw gains from **Range Resources Inc ("Range")** and **Nexgen Energy Ltd ("Nexgen")**. Range Resources was up 17.6%, while Nexgen was up 33.0%. Range is a U.S. natural gas producer in Southwest Pennsylvania and Northern Louisiana that has 18 trillion cubic feet of proved reserves, while Nexgen is a uranium exploration company developing a project in the Athabasca basin of Canada. Taking advantage of volatility, we added to Range on weakness.

Detractors

Although there were positive contributors in Energy, many of the companies' stocks were down overall for the quarter. **MEG Energy Corp ("MEG")** was the largest energy detractor, down 25.1% MEG is a Canadian exploration and production company, as are **Crescent Point Energy Corp ("Crescent Point")** and **Cenovus Energy Inc ("Cenovus")**. Crescent Point was down 25.3% while Cenovus was down 16.7%. **Inpex Corp ("Inpex")** was down 13.7%. Inpex is a Japanese upstream oil and gas exploration and production company with global operations, including natural gas projects in Indonesia and Australia. **Southwestern Energy Co ("Southwestern")** was down 8.2%. Southwestern is a U.S. natural gas, natural gas liquids, and oil exploration and Production Company operating in northeast and southwest Appalachia. It has an estimated 12 billion cubic feet equivalent of reserves. **Gazprom PJSC ("Gazprom")**, a Russian natural gas company that has a monopoly on natural gas exports to Europe, was down 13.0%. We added to MEG, Crescent Point, Cenovus, Southwestern, Gazprom, and Inpex.

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Detractors cont.

The strategy's uranium holdings posted mixed returns during the third quarter. **Uranium Participation Corp ("UPC")** was down 8.6% and we added to UPC. We remain optimistic on uranium. After years of very low prices, the uranium price is finally starting to respond as we would expect. Over the past several years, an extended period of low prices has led companies to suspend production at multiple mines, reducing global mine supply by 14% between 2016-2019. Events in 2020 accelerated this trend, with Cameco temporarily suspending production at its Cigar Lake Mine early in the year (they announced a restart during the quarter). Elsewhere, **NAC Kazatomprom JSC ("Kazatomprom")** announced yet another production curtailment in response to Covid-19, and two large mines in Africa were shuttered. The current spot price of uranium at around \$32/lb. seems unsustainably low and should eventually revert to a higher long-run incentive price. Demand is expected to grow in coming years as reactors currently under construction in developing markets more than offset any planned nuclear reactor shutdowns in developed countries. China recently announced plans to finish 30 new reactors by 2025.

Although the Materials sector as a whole contributed positively for the quarter, there were detractors within the sector. One large detractor for the quarter was **Northern Dynasty Minerals Ltd ("Northern Dynasty")**, which was down 31.5% and detracted from total returns. Northern Dynasty has dealt with uncertainty as it attempts to bring its Pebble Mine project online. In August, Northern Dynasty was down 25% on the announcement that the company's mine permits would not be granted without a better wetlands mitigation plan. In September, a short-sellers report criticized Northern Dynasty's mine plans and the "Pebble Tapes" forced the resignation of Pebble Partnership CEO Tom Collier. These are the sort of things that have caused us to require a larger margin of safety for this stock than for any other stock in the portfolio. Even so, the potential upside for this stock is amongst the largest in the portfolio. Meanwhile, **Gabriel Resources Ltd ("Gabriel")** was down 11.0%. Gabriel is continuing its arbitration case against the Romanian government. **International Tower Hill Mines Ltd ("International Tower Hill")**, a junior exploration company that owns the Livengood gold project in Alaska, was down 25.3% and detracted. It remains up 146% for the year-to-date.

Other detractors were spread across multiple sectors. In Consumer Staples, **MHP SE ("MHP")** was down 13.1%. MHP is the largest poultry producers in Ukraine with approximately 35% market share. The company is trading at roughly half of our risk adjusted intrinsic value, and is also inexpensive on book value. In Financials, the Turkish bank **Turkiye Halk Bankasi AS ("Halkbank")** was down 30.8%. Halkbank is the 6th-largest bank in Turkey and is majority owned by the Turkish government. Turkey continues in a period of economic uncertainty which has led to significant depreciation of the Turkish lira.

There were multiple new initiations during the quarter, including several Japanese companies. We initiated positions in **Suzuken Co. Ltd/Aichi Japan ("Suzuken")**, the third largest pharmaceutical distributor in Japan, and in **Tachi-S Co Ltd ("Tachi-S")**. Tachi-S is an auto seat manufacturer with a diversified customer base, selling to multiple Japanese OEMs (original equipment manufacturers). Other Asian companies also were added to the portfolio: **First Resources Inc ("First Resource")**, a global palm oil producer with production in Malaysia and Indonesia, and **Kasikornbank PCL ("KBank")**, one of the largest publicly held banks in Thailand. We repurchased positions we had previously sold at higher prices, including **Japan Petroleum Exploration Co Ltd ("Japex")**, an energy company engaged in the exploration and production of oil and natural gas in Japan, Canada, Iraq, and Indonesia. Japex currently has 380 million barrels of proved oil equivalent reserves, which is roughly 12 years of reserves at current production rates. We had previously tried to buy Japex but were unable to get a meaningful position. Another was **West Japan Railway Co ("West Japan")**, one of six Japanese railroads that was created by the split-up and privatization of the Japanese National Railways in 1987.

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Detractors cont.

West Japan operates the railroad network located in western Honshu and northern Kyushu. We also reinitiated positions in two Chinese companies: **China Shenhua Energy Co. Ltd (“China Shenhua”)**, which we held briefly in 2014, and **China Mobile LTD (“China Mobile”)**. China Shenhua is the largest coal producer in China and the second largest in the world, with about 300 million tons of annual production and 8.1 billion tons of proved reserves, while China Mobile is the largest mobile phone company in China with over 60% market share.

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

The views expressed represent the opinions of Kopernik Global Investors, LLC as of September 30, 2020, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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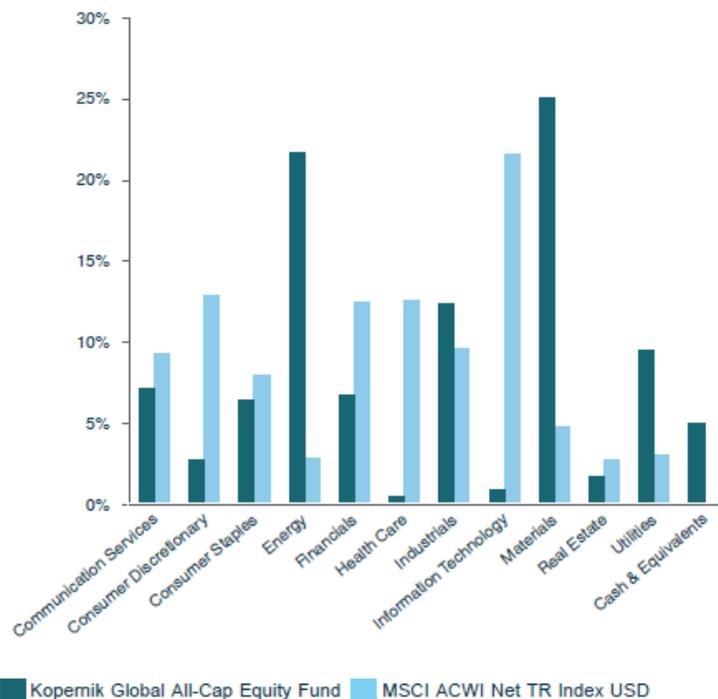
Kopernik Global All-Cap Equity Fund

Kopernik Global All-Cap Equity UCITS Fund Positioning

Top Ten Holdings by Issuer as of 30th September 2020

Name	% of portfolio
Cameco Corp	4.2%
Newcrest Mining Ltd	4.1%
Gazprom OAO	3.4%
KT Corp	3.3%
China Telecom Corp Ltd	3.1%
Turquoise Hill Resources Ltd	3.1%
Seabridge Gold Inc	2.8%
Electricite de France	2.7%
SouthWestern Energy Co	2.6%
Centerra Gold Inc	2.5%
Total of Top 10 Holdings	31.8%

Portfolio Sector Weights as of 30th September 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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The results given in this document are based solely upon historical fund performance as gathered and supplied by BBH and Bloomberg. That past performance has not been independently verified by either Heptagon Capital Limited or Heptagon Capital LLP. It is not intended to predict or depict the future performance of any investment. Past performance is not necessarily indicative of future returns.

The information contained herein is provided for informational purposes only, is not complete, and does not contain certain material information about the funds, including important disclosures and risk factors associated with an investment in the funds. Before making an investment in any fund, prospective investors are advised to thoroughly and carefully review the fund's private placement memorandum with their financial, legal and tax advisors to determine whether an investment is suitable for them. An investment in these funds is not suitable for all investors.

Glossary

Glossary

All Cap	Often referred to when an investment fund invests in a broad universe of equity securities with no market capitalisation restraints.
Assets Under Management (AUM)	The total market value of all assets a financial institution or fund manages on behalf of its clients.
Benchmark	A point of reference against which investment performances can be measured.
Book Value	The value of an asset as per a balance sheet, which is calculated by subtracting its liabilities from its assets.
Bottom-Up Investing	Focuses on the analysis of individual companies first before looking at market cycles and the economy as a whole.
Capital Expenditure (CAPEX)	The money used by a company to buy, improve or maintain its physical assets.
Discretionary Portfolio Management	Where the portfolio manager has the authority to make investment decisions without the consent of the portfolio's owner.
Diversification	A technique to reduce risk by investing in a variety of assets.
Equity Security	A security that represents ownership in an entity and that may pay income as dividends.
FED	The Federal Reserve System is the Central Bank of the United States.
Fiat Money	Currency without intrinsic value, issued by a government that isn't backed by a commodity.
Fundamental Analysis	The evaluation of a company by investigating its intrinsic value, where intrinsic value is measured without reference to the security's market value.
Intrinsic Value	The value of an asset based on fundamental analysis of the business without regard to its current market value.
Market Share	The proportion of the market controlled by a company.
Monopoly	A market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute.
MSCI All Country World Index	A market cap weighted benchmark index that captures large and mid caps across 23 Developed Markets and 26 Emerging Markets countries (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK, the US, Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates)
Open-ended Fund	A collective investment scheme that is able to issue or redeem shares at any point in time.
Portfolio Weight	The percentage amount of a holding in a portfolio.

Glossary

Glossary

Preference Share (Preferred Stock)	A share of a company which entitles the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends. Holders of preferred stock may not have voting privileges.
Price/Book Ratio	A ratio that compares the share price of a firm to the book value of its equity, which in turn is the value of the assets of that firm.
Quantitative Easing (QE)	A monetary policy used by central banks with the aim of increasing the money supply.
Share	A unit of ownership that gives the holder the right to a proportion of the capital of the company.
Spot price	The current market price of an asset that can be bought or sold for immediate delivery.
Top-Down Investing	Focuses on the overall economy and market cycles first before looking at individual companies and analyzing various components in more detail.
Total Return	The actual rate of return for an investment that includes all capital gains, dividends and distributions over the investment time period.
UCITS	Undertakings for Collective Investment in Transferable Securities. It is a regulatory framework in the European Union.
Valuation	The process of determining how much a company or an asset is currently worth at a particular point in time.
Volatility	A statistical measure to show the degree of movement of asset prices over a set period of time.