

Driehaus US Small Cap Equity Fund



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The Driehaus US Small 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 July 31, 2019 and had AUM of USD 151m as of September 30th, 2020. During the third quarter of 2020, the Fund outperformed its benchmark, the Russell 2000 Growth Index TR (the “Index”), returning 13.9% (C USD share class) compared to 7.2% for the Index.

Annualized Total Returns

As of September 30, 2020 gross of fees

	Q3 20	YTD	1-Year	3-Year	5-Year	10-Year
Driehaus Small Cap Growth Composite	14.2%	25.5%	41.5%	26.1%	22.7%	19.8%
Russell 2000 Growth Index TR	7.2%	3.9%	15.7%	8.2%	11.4%	12.3%

Source: Driehaus Capital Management, Morningstar

Driehaus manages the Irish regulated Driehaus US Small Cap Equity UCITS Fund according to the same investment principals, philosophy and execution of approach as it manages the Driehaus Small 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 Small Cap Growth Composite is provided in the table above to show a longer track record for the underlying strategy.

Driehaus Capital Management – Sub-advisor Q3 2020 Commentary

Market Review

In the third quarter the US equity market posted solid high single digit returns for most of the widely followed indices. That performance was a nice follow through to the stunning performance in the second quarter which was one of the sharpest quarterly percentage gains in market history.

The US economy is recovering as the reopening process continues post the forced COVID-19 shutdowns during the spring. It is a mixed recovery, as the virus is creating many ‘haves and have-nots’. Overall, the economy is rolling along and rebounding into the fourth quarter. US GDP is expected to bounce about 35% year-over-year in the September quarter, albeit that is after it plummeted 30% year-over-year in the June quarter. Mid-single digit GDP growth is expected for both the December quarter and for the full year 2021.

Payrolls and the labor market are rebounding quickly, although some of the worst hit industries will take many quarters to fully recover. Consumer and business sentiment are also improving. Housing is very robust. Vehicles sales are rebounding. Manufacturing Purchasing Managers’ Index (PMI) are improving also. Monetary policy initiatives have been very powerful and unprecedented in scope. Many parts of the fiscal CARES Act and PPP policies have expired. Thus far the failed efforts to extend these programs for many households and countless (mostly private) smaller consumer-facing businesses could mean additional economic pain for parts of the economy over the next several months.

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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Market Review cont.

Nonetheless, most broad indicators suggest improvement is occurring across most sectors and that the overall economy is entering a new period of expansion. Historically over the past four decades, economic expansions have lasted five to ten years. Combine that with promising vaccines and therapeutics and additional stimulus (likely post the US election) and the outlook for 2021 looks positive.

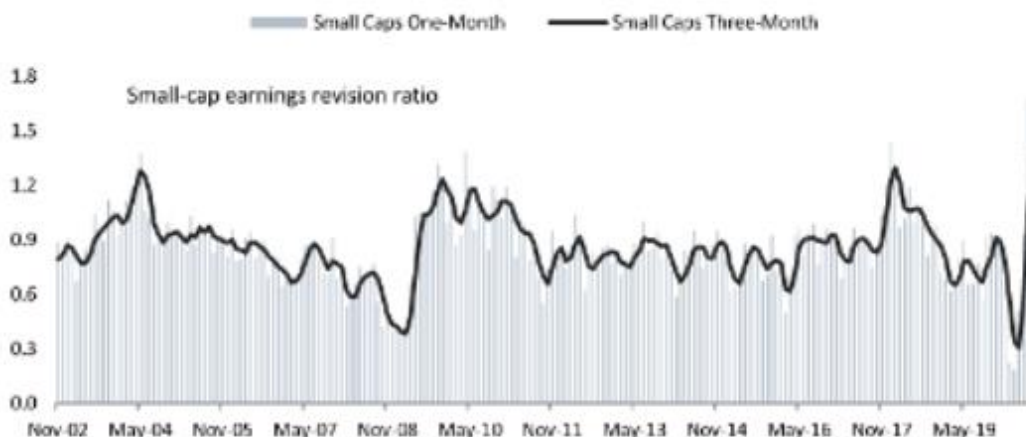
Nonetheless, we have frequently been asked the following question:

How can the U.S. equities be doing this well with so many concerning headlines?

Certainly investors have a lot on their plate to digest: The COVID-19 pandemic, the deepest recession in memory, high unemployment, countless (mostly private) consumer facing businesses are at severe risk, social unrest, a chaotic White House, an ineffective Congress and an upcoming election. Yet, the equity rally since March 23rd has been relentless and stunningly strong. We believe these are some of the reasons for the market's strength:

- Unprecedented monetary policy & stimulus from the Federal Reserve and other central banks globally & low interest rates & low inflation
- Earnings in a V-shaped recovery (Exhibit 1)
- Many macroeconomic indicators also look V-shaped (Exhibit 2)
- Promising development of COVID-19 therapeutics and vaccines
- 2021 outlook for earnings and the economy continues to brighten
- The consumer, technology and healthcare sectors have many strong themes/trends
- The outlook for cyclical groups continues to improve
- Further reopening of the economy will lift economic growth
- Public companies generally advantaged over smaller private competitors

Exhibit 1: Earnings Revisions Ratio New High For Small Caps...



Source: Factset, FTSE Russell, Jefferies

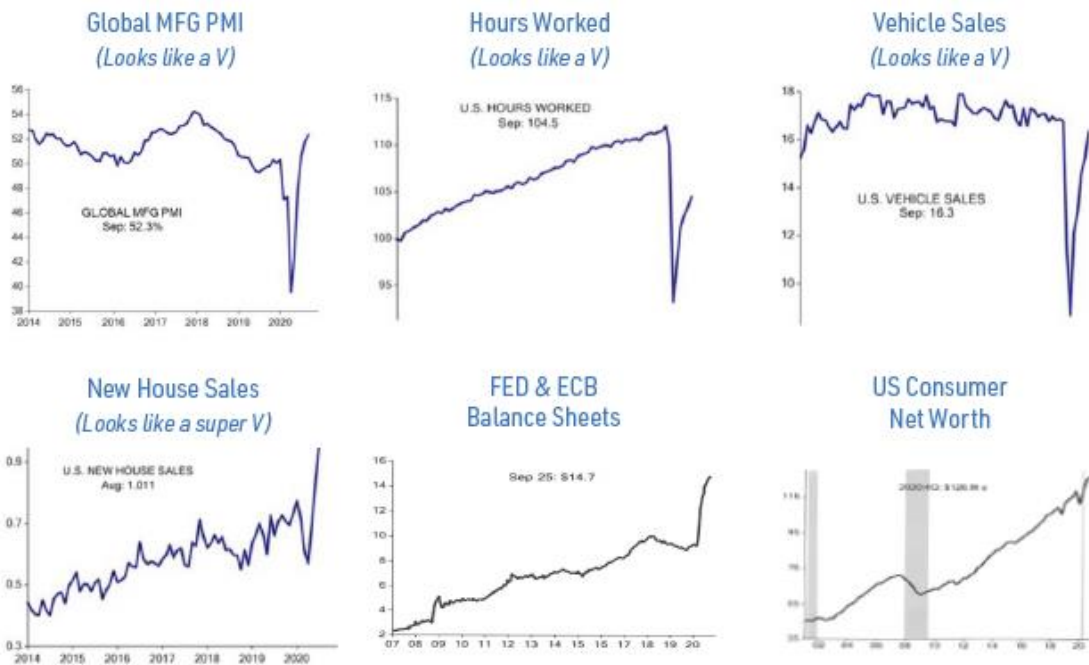
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Market Review cont.

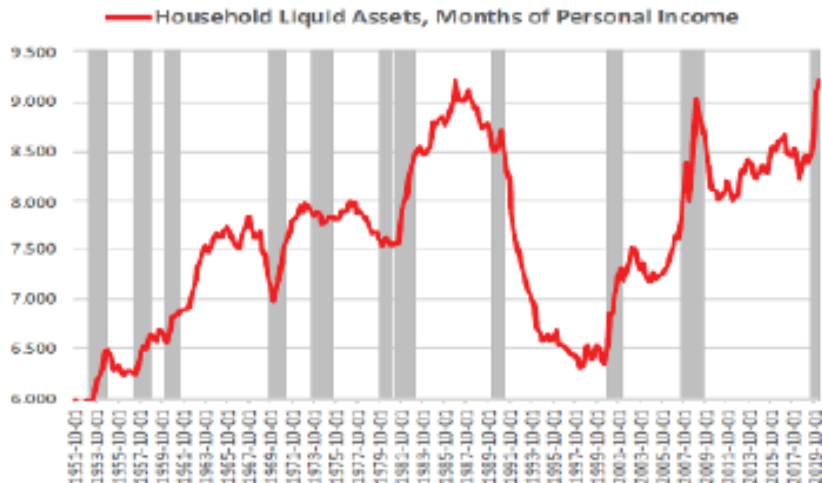
Exhibit 2: Many Macroeconomic Indicators Look V-Shape



Source: Evercore ISI

As the US household savings rate has increased, the level of liquid assets in the household sector stands at a near record level vis-à-vis personal income. The last two times the ratio was this high, an extended growth cycle lasting 10 years or more ensued.

Exhibit 3: Record level of household liquid assets bodes well for economic growth going forward.



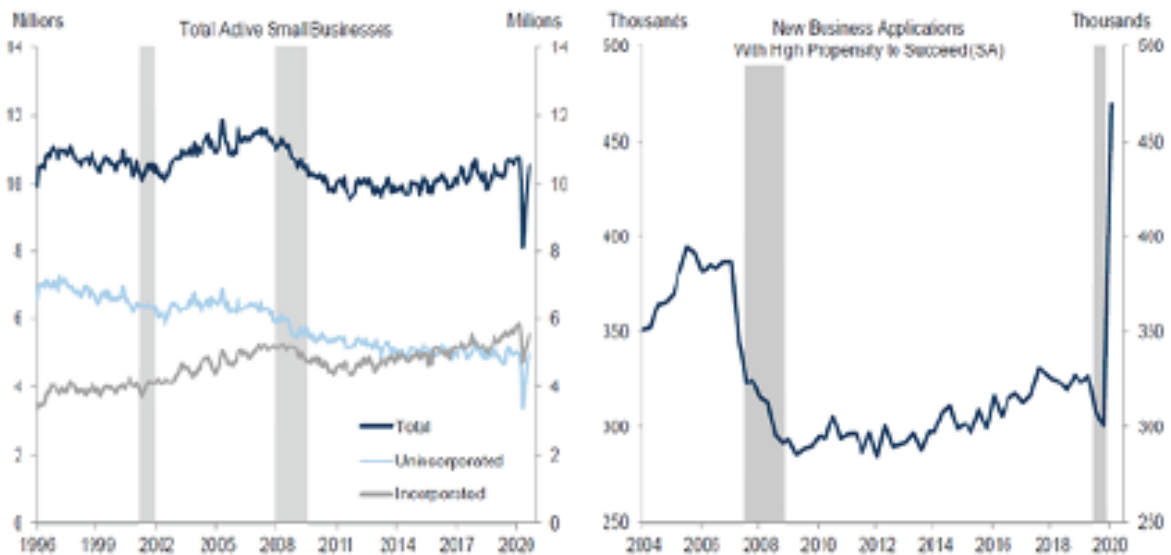
Source: Federal Reserve, Bloomberg

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Market Review cont.

Exhibit 4: Most Business Closures Have Proved Temporary and Many New Businesses are Opening



Source: Department of Commerce, Goldman Sachs Global Investment Research

Positive revenue and earnings revisions have also been a driver of the recovery in equities as consensus estimates had been revised too bearishly during the shutdown. Looking forward to the fourth quarter of the year the improving breadth of the markets is a positive sign as the economy continues its recovery. To be sure, there may be set-backs due to the virus, government policy and the election which may cause some hurdles for economic progress, but we expect the recovery to continue into next year nonetheless.

Performance Review

For the September quarter, the Driehaus Small Cap Growth strategy outperformed its benchmark. The strategy had a 14.03% return, net of fees, while the Russell 2000 Growth Index experienced a gain of 7.16%. The strategy also outperformed the other major indices, such as the Russell 2000 which gained 4.93% and the S&P 500 which grew 8.93%.

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, industrials, consumer discretionary and technology. Based on relative outperformance on a percentage basis versus the benchmark for the quarter, all sectors outperformed, except consumer discretionary. In terms of attribution, all sectors contributed to returns led by healthcare.

The consumer discretionary sector was a significant contributor to total returns as it was the portfolio's largest sector overweight versus the benchmark. Multiple industries and holdings within the consumer sector have continued to perform well since the market's March bottom.

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Performance Review

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. What was notable was the large shift in how the consumer spent. Not surprisingly, ecommerce continued to grow vs traditional brick and mortar retail. Also, spending was very focused on outdoor related goods and activities as consumers sought out new forms of socially distant recreation and travel. Strong performance came from homebuilders, auto dealers, RV manufacturers, boat dealers, building materials suppliers, furniture and housing related suppliers and e-commerce companies.

The industrial sector also performed well. Gains in this sector were due to a combination of cyclical stocks performing better after lagging in the first half of the year, the emergence of a few secular and cyclical trends, strong bottom-up earnings as individual companies executed well and the accelerating pace of economic recovery. Outperformance came from building materials companies as we are seeing the strongest housing market in a decade and a half. Housing overall is a source of strength throughout the portfolio and many companies benefit from a major inflection in housing demand due to COVID, record low interest rates and surging home prices which have risen about 15% nationwide this year. Alternative energy, such as solar, wind, LNG and hydrogen companies also performed well due to strong secular trends and incremental demand in the sector from ESG-focused investors. Elsewhere, transportation companies such as truckers and logistics providers are seeing a robust recovery as are machinery manufacturers as the economy continues to strengthen off its nadir this spring.

Technology overall is benefitting greatly from the pandemic as it accelerates the digitalization transformation of the economy. This is further driving the adoption of cloud software, outsourced IT services, increased data consumption and ecommerce, all of which were already experiencing mega secular adoption curves. During the quarter, technology stocks took a pause after a very strong first half stretched valuations a bit. Still, the sector was a positive contributor but a 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.

Healthcare was the largest contributor to absolute returns as well in terms of attribution. The sector's outperformance was led by strong gains in biotech as multiple stocks performed well based on reported clinical data that demonstrated robust efficacy and safety or appreciated ahead of anticipated upcoming data. One oncology holding was acquired by a major pharma company during the quarter. Another promising oncology position performed well on its July IPO. In addition, a few diagnostic holdings and numerous medical device positions performed well as testing volumes and elective procedures recovered strongly after most of the country put elective procedures on hold during the spring shutdown due to COVID-19.

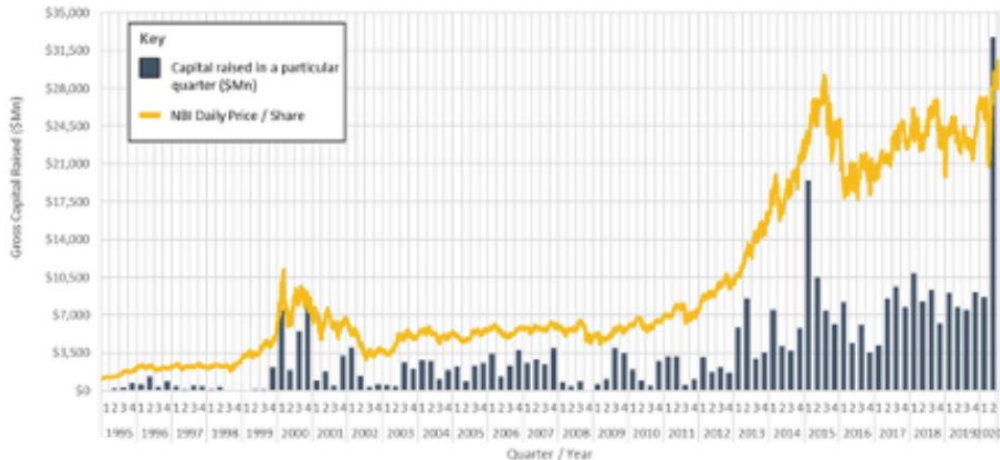
Within healthcare, there has been a record amount of capital raised within the life science industries YTD. The chart below is striking and is only through the first half of 2020. The robust M&A trend has continued in the second half of the year.

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Performance Review cont.

Exhibit 5: Life Sciences Capital Raised by Quarter Overlaid with the NASDAQ Biotech Index (NBI) 01/01/1995-06/30/2020



Source : FactSet

Contributors

- SiTime Corporation (ticker: SITM) is a micro-electromechanical system (MEMS) based silicon timing solutions manufacturer. In the third quarter of 2020, SITM contributed 84 basis points to the strategy. SITM preannounced in the third quarter of 2020 earnings above consensus expectations led by design win/shipments into a leading 5G smartphone model to be launched Fall 2020. We made no changes to our position as we believe this design win will lead to continued upward revisions to consensus earnings estimates in future periods.
- Generac Holdings Inc. (ticker: GNRC) manufactures standby and portable power generators for the residential, industrial, and commercial markets. GNRC appreciated meaningfully and contributing 74 basis points during the quarter as demand for home standby power generators has seen significant growth recently with people spending more time at home, increasing strains on the power grid. Additionally, the increased frequency and severity of wildfires in the Western United States has caused residents to experience rolling blackouts. As a result, Generac is seeing rising demand in this historically less important market.

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Detractors

- Applied Therapeutics, Inc. (ticker: APLT) is a development-stage biopharma company focused on orphan and cardiac disorders. Applied was the subject of a short report in June that continued to influence trading through the third quarter, causing the stock to decline and detract 46 basis points in the third quarter. The short report makes arguments that we believe miss the forest for the trees and are likely to resolve in the coming months, though in the near-term it will remain an overhang.
- Odonate Therapeutics, Inc (ticker: ODT) is a development stage drug company focused on oncology. During the quarter ODT released data from their phase 3 breast cancer study. ODT hit their primary endpoint and demonstrated a clinically significant benefit vs. control, however the stock reacted negatively because of a mixed adverse event profile. ODT detracted 30 basis points from the fund.

Buy/Sell Example

- BUY: Bandwidth (ticker: BAND) is a software-powered communication platform vendor. The company's platform enables IP-based voice calling and messaging services for many market leading enterprise and consumer communication platforms. We initiated the position in early 3Q as BAND continued to see strength from leading customers such as Zoom that are driving strong volume growth from remote working/learning. BAND also signaled a large multi-year expansion opportunity with its top enterprise customer MSFT through the Teams application.
- SELL: Caravana Co. (ticker: CVNA) is a leading e-commerce platform for buying and selling used cars. CVNA contributed 50 basis points in the third quarter as the stock rose after reporting 2Q earnings. While business was impacted by COVID, demand rebounded faster than expected and CVNA described its business as being supply constrained. With supply exceeding demand investors reacted positively. We exited the position after meaningful stock appreciation.

Outlook & Positioning

The progress from a policy and economic perspective since the economic bottom has been impressive and the market has responded better than most expected. While there are risks ahead in terms of the spread of the virus and potential impact on the economic recovery, market rallies of this magnitude are quite bullish historically. Looking ahead, the upcoming US election in November will certainly be a major factor.

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Outlook & Positioning Cont.

What are our thoughts on the upcoming US Election and what could it mean for Micro Cap & Small Cap equities?

President Trump, while very controversial, on most economic issues is the more market friendly candidate. As most polls currently show, he is trailing former Vice President Joe Biden and Biden's lead has grown in recent weeks. Despite this, the equity market continues to act well. In fact, economically sensitive cyclicals and small caps are showing leadership, improving relative strength and breadth. Additionally, the yield curve is steepening as short end of the curve is pinned near zero by the Fed. The current market sentiment is increasingly forming around the view that the elusive expansion of the "very large" fiscal stimulus will be passed by the Democrats should they sweep the election. Of course, Trump trailed Hillary Clinton four years ago and won a stunning upset and the market may be overstating the odds of the Democrats winning back leadership in the Senate. But if the Democrats do win complete control over Congress and the White House, a large fiscal stimulus will be passed and that will bode very well for cyclicals and for small caps. If Trump pulls another upset and/or the Republicans keep the Senate, taxes will likely stay low, the era of deregulation will continue, and a smaller fiscal stimulus will likely be passed. The outcome will be determined once all the mail in ballots are counted post the November 3rd election.

Outside of the election and looking into 2021, the prevalence of the virus and the effectiveness and the uptake of the upcoming vaccines will obviously be the major factor impacting the economy, earnings and how the return to normalcy will look.

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 and industrials and is underweight health care and real estate.

Based on the robust earnings over the past few months for our portfolio holdings and the broader market and the strong bottom-up analysis and checks our team is continually performing, we are looking forward to the upcoming earnings season which begins in late October. 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 which will likely lead to expectations being exceeded over time.

As always, we appreciate your patience and support.

Sincerely,

Heptagon Capital and Driehaus Capital Management

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Sector performance attribution – Q3 2020

GICS Sector	Driehaus Small Cap Growth Composite (Port) (%)		Russell 2000 Growth Index (Bench) (%)		Attribution Analysis (%)		
	Port Avg. Weight	Port Contrib. To Return	Bench Avg. weight	Bench Contrib. To Return	Allocation Effect	Selection + Interaction	Total Effect
Comm. Services	2.66	0.33	2.56	-0.01	0.01	0.38	0.39
Consumer Discretionary	19.41	2.75	13.47	2.14	0.69	-0.63	0.06
Consumer Staples	2.03	0.63	3.26	0.31	-0.01	0.39	0.39
Energy	0.00	0.00	0.17	-0.01	0.03	0.00	0.03
Financials	5.78	0.50	4.25	0.21	-0.05	0.34	0.28
Health Care	30.39	5.14	33.40	1.45	0.18	3.72	3.89
Industrials	16.03	2.91	13.66	1.96	0.14	0.64	0.78
Information Technology	20.04	1.01	20.93	0.71	0.15	0.11	0.26
Materials	1.40	0.20	2.73	0.19	0.03	0.08	0.12
Real Estate	0.95	0.16	3.80	0.24	0.04	0.12	0.15
Utilities	0.88	0.58	1.78	-0.07	0.13	0.62	0.75
Cash	0.43	0.00	0.00	0.00	-0.03	0.00	-0.02
Total	100.00	14.06	100.00	7.11	1.17	5.76	6.95

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

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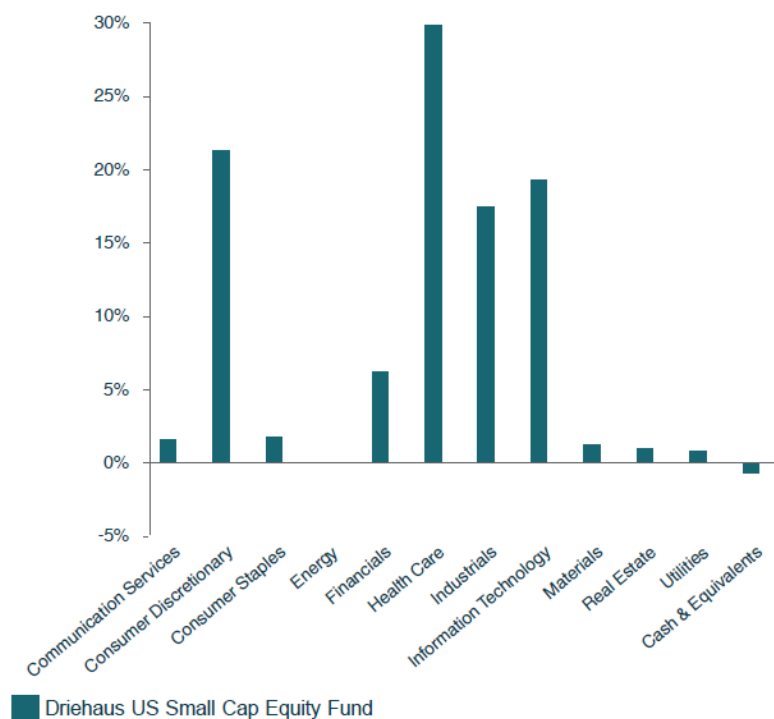
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Driehaus US Small Cap Equity UCITS Fund Positioning

Top Ten Holdings by Issuer as of 31st August 2020

Name	% of portfolio
BRP Inc	2.0%
Tandem Diabetes Care Inc	1.9%
Natera Inc	1.9%
Fox Factory Holding Corp	1.8%
Synaptics Inc	1.7%
Invitae Corp	1.7%
Springworks Therapeutics Inc	1.6%
Sitime Corp	1.6%
Vicor Corp	1.6%
Cytokinetics Inc	1.5%
Total of Top 10 Holdings	17.3%

Portfolio Sector Weights as of 31st August 2020



Driehaus US Small Cap Equity Fund



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 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.

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Glossary

Annualized	A rate or return that is recalculated to show it as an annual rate.
Assets under management (AUM)	The total market value of all assets a financial institution or fund manages on behalf of its clients.
Balance sheet	A document that provides information on the financial position of a company at a particular point in time. It includes what it owns (assets), what it owes (liabilities) and the value of business to equity holders (shareholders' equity).
Basis Point (bps)	A common unit of measure in finance. One basis point is equal to one hundredth of 1%, e.g. 0.01%.
Bear Market	A market environment in which the general prices of securities are falling.
Benchmark	A point of reference against which investment performances can be measured.
Bloomberg	A company that provides business and market news, data and analysis.
Bull Market	A market environment in which the general prices of securities are rising.
Composite	A combination of all investments managed by an investment manager to measure an overall performance over time.
Discretionary Portfolio Management	Where the portfolio manager has the authority to make investment decisions without the consent of the portfolio's owner.
European Central Bank (ECB)	An entity that formulates the monetary policy of the European Union and helps to maintain price stability within the union.
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.
Fiscal Policy	A government policy that makes use of government spending and taxation to influence an economy.
Gross Domestic Product (GDP)	The value of all goods and services produced in a given country during a specific time period.
Growth Style	Investment strategy focusing on capital appreciation. Companies sought are those whose earnings are predicted to grow at an above-average rate.
IPO	When the stock of a private company is offered to the public for sale for the first time.
Micro Cap	A company with a market capitalization between \$50 million and \$300 million.

Driehaus US Small Cap Equity Fund

Glossary

Monetary Policy	A policy set by a Central Bank or a regulatory committee that alters an economy's money supply in an attempt to affect, for example, inflation and liquidity.
NASDAQ Composite	A market cap weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.
<i>NASDAQ Biotech Index</i> (NBI)	The NASDAQ Biotechnology Index contains securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as either Biotechnology or Pharmaceuticals which also meet other eligibility criteria.
Open-ended Fund	A collective investment scheme that is able to issue or redeem shares at any point in time.
Performance Attribution	An analysis used to explain a portfolio's performance by looking at the performance of each of its investments.
Purchasing Managers Index (PMI)	An indicator of economic health in the manufacturing sector.
Portfolio Weight	The percentage amount of a holding in a portfolio.
Revenue	Income that a business generates from its business activities.
Russell 2000 Index	An index representing the 2,000 small cap companies in the Russell 3000 index.
Russell 2000 Growth Index	The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index is represented by the 2,000 smallest companies in the Russell 3000 index.
Russell Microcap Growth Index	The Russell Microcap Growth Index measures the performance of those Russell Microcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap Index is represented by the smallest 1,000 securities in the small cap Russell 2000 Index plus the next 1,000 securities.
Russell Microcap Index	An index representing the 1,000 smallest U.S. companies in the equity market with a weighted average market capitalization of \$535 million.
S&P 500 (SPX) Index	Standard & Poor's 500. An American stock market index that includes the 500 largest companies by market capitalization.
Small Cap	A company with a relatively small market capitalisation, typically ranging between \$300 million and \$2 billion.
Total Effect	The Total Effect for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector.
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.